WIXOM

PROPERTY TAX OVERVIEW AND OUTLOOK

PREPARED FOR
CITY OF WIXOM
SEPTEMBER 7, 2016

DAVID HIEBER, EQUALIZATION OFFICER

Oakland County

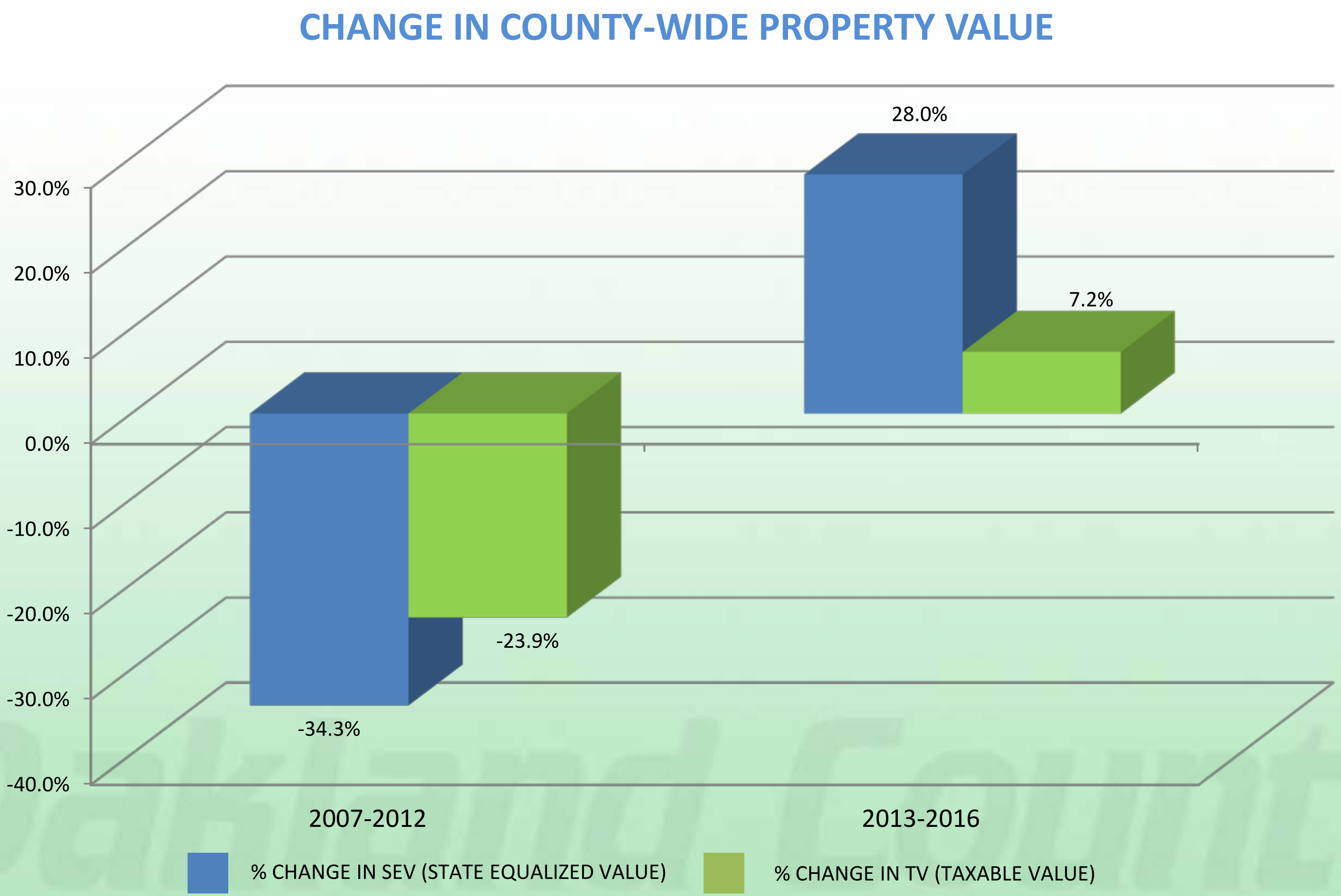
Oakland County Equalization does not take positions on local tax matters. All information included in this presentation is intended to be informational only.

Oakland County

OUTLINE

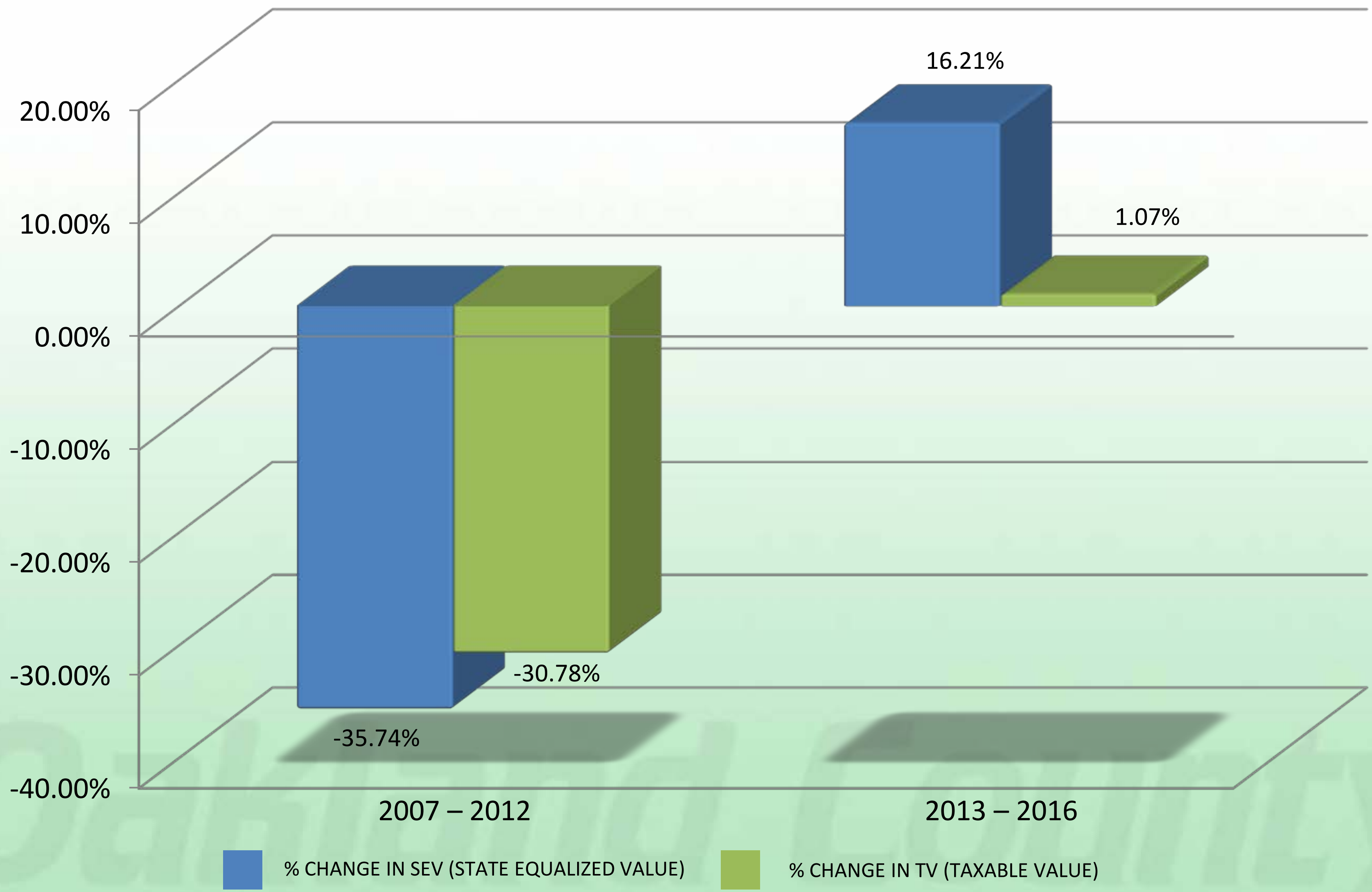
- TAXABLE VALUE / REVENUE FOR 2007 – 2016
- CONSTITUTIONAL AMENDMENTS
  - HEADLEE 1978 – REQUIRES MILLAGE ROLLBACKS
  - PROPOSAL "A" 1994 – LIMITS TAXABLE VALUE INCREASES
- ESTIMATE FOR TAXABLE VALUE RESTORATION
- REAL LIFE EXAMPLES
- PERSONAL PROPERTY EXEMPTION (VOTED 2012)
  - SMALL PARCELS < $80,000 - 2014
  - ELIGIBLE MANUFACTURING -2016 PHASE OUT
- TAX RATE COMPARISON

GROWTH IN TAXABLE VALUE IS INTENTIONALLY LIMITED BY STATE LAW



WIXOM: CHANGE IN SEV & TV VALUES

GROWTH IN TAXABLE VALUE IS INTENTIONALLY LIMITED BY STATE LAW



CRC AND THE TAX REVOLT

THE SUCCESSFUL PROPOSAL

PROPOSAL A AND HEADLEE ROLLBACK

Proposal A was a legislative proposal that provided for a dramatic shift of funding of school operations from the property tax to an increased sales tax, a modified acquisition value system for determining taxable property values, and differential taxation of business and homestead property.

The Headlee Amendment, as CRC later pointed out, was adopted at the peak of state revenue as a proportion of state personal income. That proportion then began a long decline, so the Headlee Amendment had no effect on total state revenues. Its requirement for state funding of mandates to local units has been a continuing source of contention between the state and its local units. Its provision requiring a rollback of property tax rates in a jurisdiction when the growth of state equalized value exceeded the growth of the "General Price Level" (interpreted as the Consumer Price Index) probably had the greatest effect, especially after the adoption of Proposal A.

Proposal A resulted in a reduction in the funding gap between the highest and lowest school districts and an immediate reduction in property taxes. But it also created significant inequities in taxable value of similarly situated properties, depending on the timing of their acquisition. It also controlled the growth of taxable values, but did not control their decline, meaning that local units would lose value during downturns that would take decades to restore during recoveries. Property tax limitation was magnified by the interplay between the Headlee Amendment, which limited property tax growth of an entire jurisdiction and Proposal A, which limited growth of individual parcels of property.

Nicole Bradshaw Blog, Taxation

Over CRC's 100 year history, it has made an outsized impact for such a small organization. This is the sixth in a series of blog posts highlighting CRC's top projects and reports since its inception in 1916.

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HEADLEE ROLLBACK

Introduction

The term "Headlee Rollback" became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment to the Constitution of the State of Michigan of 1963. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit's millage rate is "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. A "Headlee override" is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the "Headlee Rollback."

Impact of Headlee Amendment

Since the passage of the Headlee Amendment, units of government are required to annually calculate a Headlee rollback factor. The annual factor is then added to Headlee rollback factors determined in prior years resulting in a cumulative Headlee rollback factor sometimes referred to as the "millage reduction fraction." This total "millage reduction fraction" is then applied to the millage originally authorized by charter, state statute, or a vote of the people. In summary, the actual mills available to be levied by a unit of local government is the product of the authorized millage rate times the total millage reduction fraction. This is known as the "Headlee maximum allowable millage."

Impact of Proposal A

Prior to Proposal A legislation passed in 1994, local governments were allowed to "roll up" their millage rates when growth on existing property was less than inflation. "Roll ups" were a self-correcting mechanism that allowed local governments to naturally recapture taxing authority lost due to Headlee rollbacks in prior years. A local government could only "roll up" its millage rate to the amount originally authorized by charter, state statute, or a vote of the people. Additions to taxable value (such as newly constructed property) are typically excluded (or exempt) from the Headlee roll back calculation. The 1994 General Property Tax Act changes did not specifically define "uncapped values" (increases resulting primarily from property transfers) as exempt.

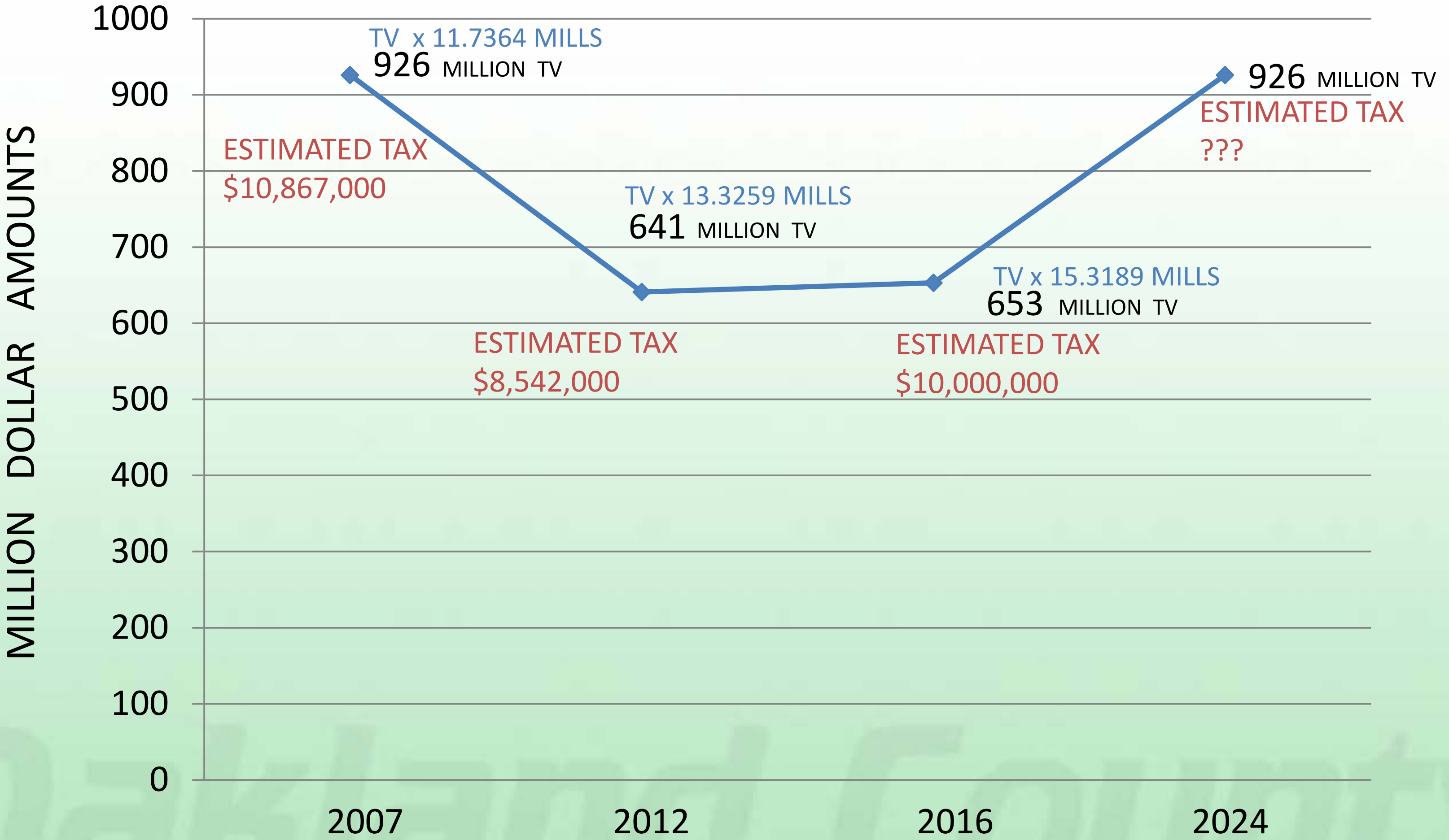
Result

Although it might appear that a community with an annual increase in uncapped property values would benefit monetarily, uncapped values are treated as growth on existing property and trigger Headlee rollbacks. For local governments levying at their Headlee maximum authorized millage, rolling back the maximum authorized millage rate reduces the revenue that would have been generated from these increased property values. The increase in the taxable value of property not transferred is capped at the lesser of inflation or 5 percent. Even though the taxable value of a particular piece of property increases at the rate of inflation, the millage rate for the entire community is "rolled back" as a result of the increase in the total taxable value of the community. The net result—a less than inflationary increase in the actual dollars received from property taxes. Consequently, the 1994 change to the General Property Tax Act has prevented local governments from being able to share the benefits of any substantial market growth in existing property values.

Based on System Failure: Michigan's Broken Municipal Finance Model. Prepared for the Michigan Municipal League by Frank W. Audia, Partner and Denise A. Buckley, Associate, Plante and Moran, PLLC, March, 2004
https://www.mml.org/resources/publications/one_pagers/opp_headlee_override.pdf

WIXOM TAXABLE VALUE / REVENUE

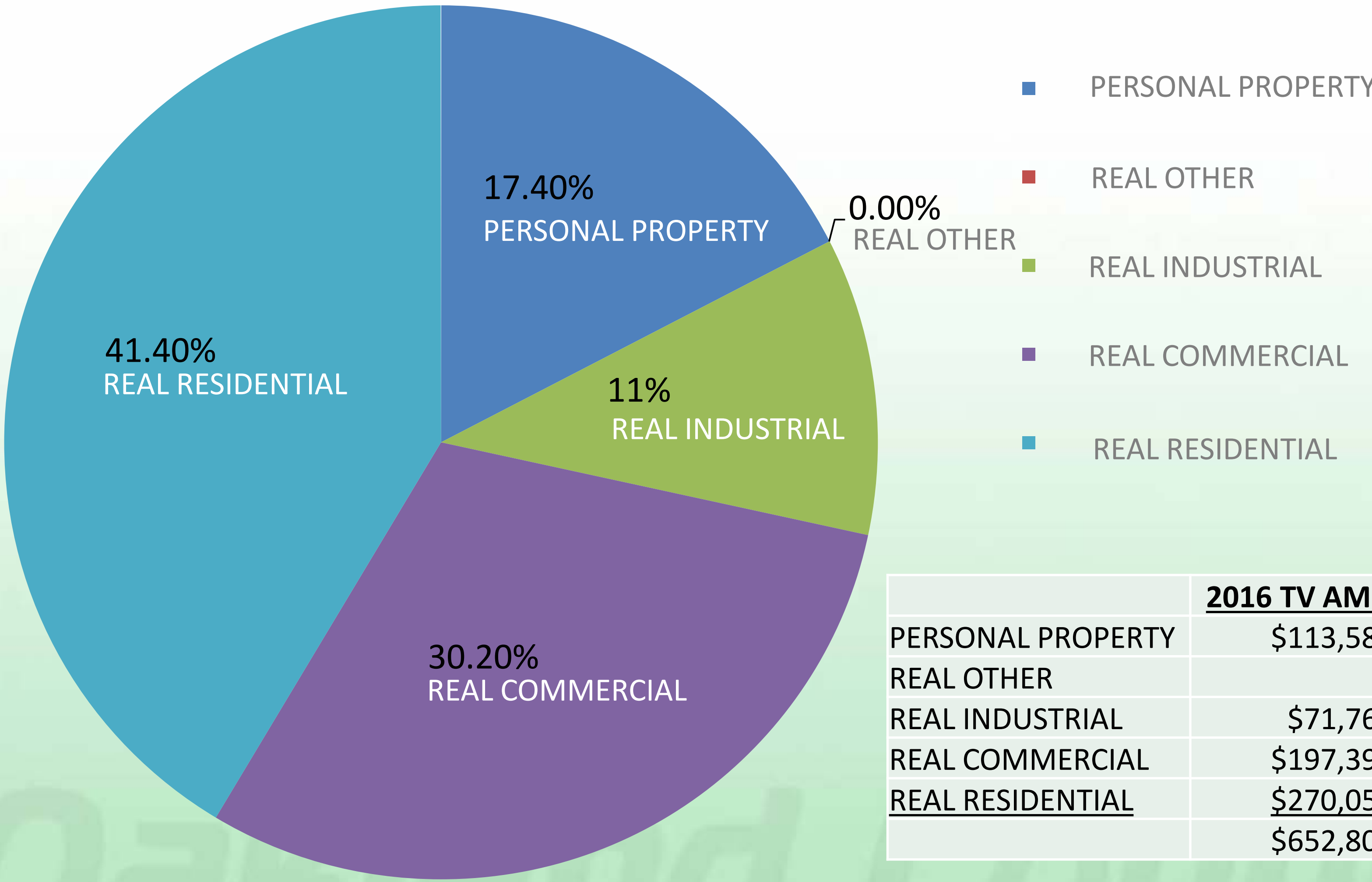
(HIGH – LOW – TODAY)



★ EXCLUDES TIFA, IFT, SPECIAL ACT PARCELS
2024 IS ESTIMATED USING THE AVERAGE SINCE PROPOSAL A (1994)

WIXOM TAXABLE VALUE

2016 ASSESSMENT YEAR



	2016 TV AMOUNT	
PERSONAL PROPERTY	$113,588,190	17.4%
REAL OTHER	$0	0%
REAL INDUSTRIAL	$71,765,190	11.0%
REAL COMMERCIAL	$197,392,160	30.2%
REAL RESIDENTIAL	$270,059,070	41.4%
	$652,804,610	

Oakland County

PROPERTY TAX COMPARISONS

Taxable Value Change Due to Proposal A

RESIDENTIAL

SINGLE FAMILY DWELLING
WIXOM, MICHIGAN
1683 SQ. FT.
1979 Year Built

HIGH

2007 SEV	$109,580
2007 TV	$109,580 X MIL (11.7364)
	CITY TAXES = $1,286.00

LOW

2012 SEV	$70,040
2012 TV	$70,040 X MIL (13.3259)
	CITY TAXES = $933.00

TODAY

2016 SEV	$101,320
2016 TV	$72,730 X MIL (15.3189)
	CITY TAXES = $1,114.00
	TAX REDUCTION = -$172.00

-13% REDUCTION IN CITY TAXES

PROPERTY TAX COMPARISONS

Taxable Value Change Due to Proposal A

2016 UNCAPPING EXAMPLE

RESIDENTIAL

SINGLE FAMILY DWELLING
WIXOM, MICHIGAN
1683 SQ. FT.
1977 Year Built

HIGH

2007 SEV	$111,440
2007 TV	$84,610 X MIL (11.7364)

CITY TAXES = $993.00

LOW

2012 SEV	$72,140
2012 TV	$72,140 X MIL (13.3259)

CITY TAXES = $961.00

TODAY

2016 SEV	$100,020
2016 TV	$100,020 X MIL (15.3189)

CITY TAXES = $1,532.00

TAX INCREASE= $539.00

54% INCREASE IN CITY TAXES

★ PROPERTY SOLD 8/28/15 FOR $214,900.

Oakland County

PROPERTY TAX COMPARISONS

Taxable Value Change Due to Proposal A

NOT AN UNCAPPING EXAMPLE

INDUSTRIAL

INDUSTRIAL
WIXOM, MICHIGAN
1683 SQ. FT.
1979 Year Built

HIGH

2007 SEV	$656,430
2007 TV	$622,520 X MIL (11.6314)

CITY TAXES = $7,241.00

LOW

2012 SEV	$409,990
2012 TV	$409,990 X MIL (13.3259)

CITY TAXES = $5,463.00

TODAY

2016 SEV	$468,000
2016 TV	$416,750 X MIL (15.3189)

CITY TAXES = $6,384.00

TAX REDUCTION = -$857.00

-12% REDUCTION IN CITY TAXES

PROPERTY TAX COMPARISONS

Taxable Value Change Due to Proposal A

INDUSTRIAL

WAREHOUSE
WIXOM, MICHIGAN
63,392 SQ. FT.
2001 Year Built

HIGH

2007 SEV	$1,442,380
2007 TV	$1,442,380 X MIL (11.6314)
	CITY TAXES = $16,777.00

LOW

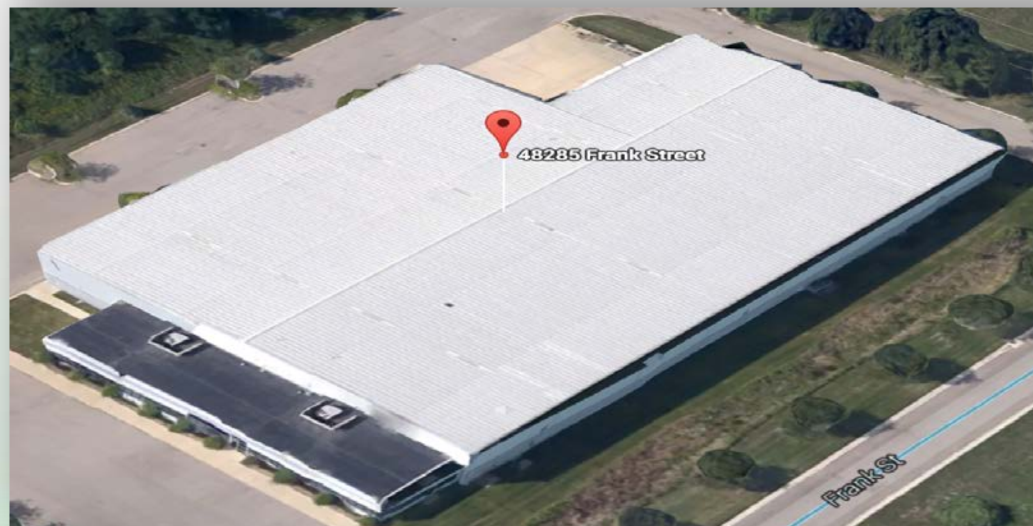
2013 SEV	$865,040
2013TV	$865,040 X MIL (13.3259)
	CITY TAXES = $11,527.00

TODAY

2016 SEV	$982,920
2016 TV	$878,320 X MIL (15.3189)
	CITY TAXES = $13,455.00

TAX REDUCTION = -$3,322.00

-20% REDUCTION IN CITY TAXES



WIXOM PERSONAL PROPERTY TAX ANALYSIS

Michigan Personal Property Tax Reform – Voters Approved Proposal 1

On Aug. 5, 2014, Michigan voters voted in favor of Proposal 1, approving Michigan personal property tax reform.

Personal Property Tax for Wixom:

2013	-	140 Million
2016	-	114 Million

Wixom experienced a decrease of **26 million in Taxable Value** in Personal Property

Voting # of State to Proposal:

YES	314 votes	66.95%
NO	155 votes	33.05%

In 2014, $80,000 or less was exempt.

In 2016 -$32.5 Million, Industrial EMPP (phases out to 2023)

OAKLAND COUNTY CITIES

CERTIFIED RATES - LOW TO HIGH

CITIES	CERTIFIED RATE
ORCHARD LAKE	7.8600
NOVI	10.2000
LAKE ANGELUS	10.4500
ROCHESTER HILLS	10.4605
TROY	10.4974
AUBURN HILLS	10.5602
FENTON	10.6226
BLOOMFIELD HILLS	10.9866
ROCHESTER	12.0289
KEEGO HARBOR	13.3346
BIRMINGHAM	14.8269
WIXOM	15.3629
SOUTH LYON	15.6645
FARMINGTON HILLS	15.9764
NORTHVILLE	16.4936
FARMINGTON	16.5856
BERKLEY	16.9791
PONTIAC	17.0011
ROYAL OAK	17.6796
CLARKSTON VILLAGE	19.7809
WALLED LAKE	21.5024
LATHRUP VILLAGE	22.3920
PLEASANT RIDGE	22.5595
MADISON HEIGHTS	22.9618
SYLVAN LAKE	23.1429
HUNTINGTON WOODS	24.5693
SOUTHFIELD	26.7558
CLAWSON	27.2585
FERNDALE	29.3514
OAK PARK	37.6060
HAZEL PARK	38.2671

★ WIXOM RATE IS AT **15.3629**

2007 VS. 2015 MILAGE RATES FOR OAKLAND COUNTY CITIES

2007 VS 2015 RATES								
	2007			2015				
CVT	Levy	S/A	Total	Levy	S/A	TOTAL	Inc or Dec	Reason for Inc or Dec
Auburn Hills	10.5602		10.5602	10.5602		10.5602	-	No Change
Berkley	12.9732		12.9732	16.9791		16.9791	4.0059	Headlee Override
Birmingham	14.6214		14.6214	14.8269		14.8269	0.2055	General Inc
Bloomfield Hills	8.3000		8.3000	10.9866		10.9866	2.6866	General Inc & Library
Clarkston	17.5398		17.5398	19.7809		19.7809	2.2411	General Inc & Library
Clawson	18.4670		18.4670	27.2585		27.2585	8.7915	Headlee Override and P&R
Farmington	16.0019		16.0019	16.5856		16.5856	0.5837	General Inc
Farmington Hills	11.6072		11.6072	15.9764		15.9764	4.3692	Inc Public Safety
Fenton	10.6226		10.6226	10.6226		10.6226	-	No Change
Ferndale	23.2678		23.2678	29.3514		29.3514	6.0836	Headlee Override
Hazel Park	23.4884		23.4884	24.2671	16.8000	41.0671	17.5787	SMORSA & Police S/A
Huntington Woods	21.0988		21.0988	24.5693		24.5693	3.4705	General Inc
Keego Harbor	13.3698		13.3698	13.3346		13.3346	(0.0352)	General Dec
Lake Angelus	9.9571		9.9571	10.4500		10.4500	0.4929	Headlee Override
Lathrup Village	19.2339		19.2339	22.3920		22.3920	3.1581	Headlee Override
Madison Heights	18.0412		18.0412	22.9618		22.9618	4.9206	Headlee Override
Northville	16.3597		16.3597	16.4936		16.4936	0.1339	General Inc
Novi	10.5416		10.5416	10.2000		10.2000	(0.3416)	General Dec
Oak Park	23.7288		23.7288	37.6060		37.6060	13.8772	Headlee Override, Public Safety & P&R Inc
Orchard Lake	8.6260		8.6260	7.8600		7.8600	(0.7660)	Debt Dec
Pleasant Ridge	18.1428		18.1428	22.5595		22.5595	4.4167	Headlee override, New P&R, New Lib
Pontiac	17.0011		17.0011	17.0011		17.0011	-	No Change
Rochester	13.3304		13.3304	12.0289		12.0289	(1.3015)	General Dec
Rochester Hills	9.7060		9.7060	10.4605		10.4605	0.7545	Police & Fire Inc
Royal Oak	11.4366		11.4366	17.6796		17.6796	6.2430	Inc Police, Fire, Roads
South Lyon	15.0601		15.0601	15.6645		15.6645	0.6044	Library Inc
Southfield	16.3428		16.3428	26.7558		26.7558	10.4130	Inc Police, Fire, Streets, Library, P&R
Sylvan Lake	14.7474	0.0101	14.7575	23.1429	0.0747	23.2176	8.4601	Headlee Override & Public Safety
Troy	9.2800		9.2800	10.4974		10.4974	1.2174	General Inc & library
Walled Lake	17.8991		17.8991	21.5024		21.5024	3.6033	Public Safety Inc
Wixom	11.7364		11.7364	15.3629		15.3629	3.6265	New operating Milage

SUMMARY

- As a result of Headlee and Proposal “A,” it is estimated that Oakland County will not return to 2007 Tax Revenue levels until the year of 2023.
- Variables include:
  - Market conditions
  - Annual IRM
  - Property Transfers
  - New Construction
  - Future statute changes (example: Property Tax Exemptions)
- Questions?

Oakland County

GLOSSARY

REAL PROPERTY — Building and Land

PERSONAL PROPERTY — Machinery and Equipment

S.E.V — State Equalized Value 50% True Cash Value

T.V. — Taxable Value - What Taxes are Levied

I.R.M. — Inflation Rate Multiplier

M.R.F. — Millage Reduction Fraction

PROPOSAL A — Limits Taxable Value increase by I.R.M or 5% (whichever is less.) Exclusions: transfer of ownership and new construction.

HEADLEE — Constitutional amendment from 1978 that requires a local unit of Government to reduce its millage when annual growth on existing property is greater than the rate of inflation. (As a consequence, the local unit's millage rate is "rolled back" so that resulting growth in property tax revenue, community- wide, is no more than the rate of inflation.

APPENDIX B - 1

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Michigan Personal Property Tax Reform – Voters Approved Proposal 1

On Aug. 5, 2014, Michigan voters voted in favor of Proposal 1, approving Michigan personal property tax reform. The reform package includes a small taxpayer exemption, exemption for eligible manufacturing personal property, and a state-imposed essential services assessment.

Small Taxpayer Exemption

The small taxpayer exemption went into effect in 2014. All of a taxpayer's industrial and commercial personal property within a local tax collecting unit is exempt from tax if the combined true cash value within the unit of such property owned by, leased to, or in possession of the taxpayer or a related party is less than $80,000 as of Dec. 31 of the immediately preceding year. To claim the exemption, the owner of the property must file an affidavit for exemption annually by Feb. 10 with the local tax collecting unit.

Eligible Manufacturing Personal Property

The exemption for eligible manufacturing personal property (EMPP) is segregated into two exemptions – one for new property and one for existing property. The exemption for both new and existing EMPP begins in 2016 for property tax assessment based on assets as of Dec. 31, 2015.

<u>"Eligible Manufacturing Personal Property" Defined</u>

EMPP is defined as all personal property located on occupied real property if the personal property is predominantly used in industrial processing or direct integrated support. "Occupied real property" includes a parcel of real property entirely owned, leased, or otherwise occupied by the person claiming exemption. It also includes contiguous parcels of real property that meet specified conditions and portions of a parcel owned, leased, or otherwise occupied by the person claiming exemption or an affiliated person.

Predominant use is achieved if more than 50 percent of the original cost of all personal property located on the occupied real property is used in qualified industrial processing or direct integrated support. If predominant use is achieved, all personal property at that location is exempt. If predominant use is not met, none of the property at that location qualifies for exemption.

The meaning of "industrial processing" is similar to, but not exactly the same as, the sales tax and use tax definitions of the term. Specifically excluded is the generation, transmission, or distribution of electricity. "Direct integrated support" includes research and development, testing and quality control, and engineering related to goods produced in industrial processing and conducted in furtherance of industrial processing. Direct integrated support also includes certain receiving and storing activities and sorting and distributing functions.

New Eligible Manufacturing Personal Property

EMPP initially placed in service in 2013 or later is eligible for the new property exemption.

Existing Eligible Manufacturing Personal Property

The exemption for existing EMPP will be phased in from 2016 to 2022. In 2016, existing EMPP that was acquired in 2005 or earlier is eligible for exemption (i.e., property that is at least 10 years old as of December 31, 2015). For each subsequent year, existing EMPP that becomes at least 10 years old as of December 31 of the prior calendar year is exempt. For example, in 2017, assets acquired in 2006 are exempt. In 2023, all EMPP will be exempt.

Taxpayers claiming the new EMPP exemption or the existing EMPP exemption must file an exemption affidavit with the local tax collecting unit by Feb. 10 of the first year for which the taxpayer is claiming the exemption. For most taxpayers, the first exemption affidavit must be filed by Feb. 10, 2016.

In addition to the exemption affidavit, taxpayers are required to include with each 2015 personal property return a schedule indicating when the property reported in the 2015 return will become eligible for either the new or the existing EMPP exemptions. If the schedule is not included with the 2015 return, a personal property tax statement will be required in the first year the exemption is claimed. Otherwise, no personal property tax return will be required in a year that the affidavit for exemption is filed or for subsequent years.

Eligible Manufacturing Personal Property Under Current Property Tax Incentives

EMPP that, as of Dec. 31, 2012, was subject to any of the following incentive programs will remain under such programs until the property qualifies for the existing EMPP exemption or the small taxpayer exemption discussed above:

- Plant rehabilitation district or industrial development district (commonly referred to as industrial facilities tax (IFT) or the P.A. 198 exemption)
- Technology Park Development Act
- Enterprise Zone Act

EMPP that, as of Dec. 31, 2012, was exempt under P.A. 328 of 1998 will remain under such exemption until the later of expiration of the P.A. 328 exemption or until the property becomes exempt under the existing EMPP or the small taxpayer exemption.

Other Personal Property

Personal property that is not eligible for the above exemptions will continue to be subject to personal property tax in the same manner as currently taxed.

State Essential Services Assessment

Beginning January 1, 2016, a new state tax known as the state essential services assessment (SESA) will be levied, and the funds collected will be deposited into the state general fund to replace revenues distributed to local units of government to support the costs of police, fire, ambulance, and jail services. The SESA will be imposed on the same personal property that is now exempt from the personal property tax as EMPP.

The SESA will be computed on the acquisition cost of taxable property at a declining millage rate scale as follows:

Property Age	Millage Rate
1 to 5 years	2.40
6 to 10 years	1.25
More than 10 years	0.90

Example: ABC Manufacturing acquires a $1,000,000 press in 2015. The SESA in 2016 on that press is $2,400. The same press under the personal property tax, assuming a statewide average millage rate on industrial personal property, would be approximately $24,900. In this example, the SESA is approximately 10 percent of the personal property tax that would otherwise be imposed.

Taxpayers will be required to electronically file a SESA return and remit payment by Sept. 15 of each year. Failure to file the SESA return and pay the tax by Nov. 1 will result in forfeiture of the EMPP exemptions for the tax year. In such an instance, the previously exempted summer personal property tax will be added to the winter personal property tax.

If you have any questions, please contact your tax advisor or

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Consensus Revenue Agreement
Executive Summary
May 17, 2016

Economic and Revenue Forecasts
Fiscal Years 2016, 2017 and 2018

<u>Principals</u>	<u>Staff</u>
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Ellen Jeffries, Director Senate Fiscal Agency	David Zin Senate Fiscal Agency
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Table 1
Consensus Economic Forecast

May 2016

	Calendar 2015 Actual	Calendar 2016 Forecast	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	$16,349	$16,660	1.9%	$17,093	2.6%	$17,503	2.4%
Implicit Price Deflator GDP (2009 = 100)	109.1	110.4	1.2%	112.2	1.6%	114.6	2.1%
Consumer Price Index (1982-84 = 100)	237.017	239.720	1.1%	244.806	2.1%	250.668	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.742	238.998	1.0%	243.654	1.9%	249.311	2.3%
Personal Consumption Deflator (2009 = 100)	109.4	110.5	1.0%	112.4	1.7%	114.6	2.0%
3-month Treasury Bills Interest Rate (percent)	0.04	0.4		1.0		1.6	
Aaa Corporate Bonds Interest Rate (percent)	3.9	3.9		4.0		4.2	
Unemployment Rate - Civilian (percent)	5.3	4.9		4.8		4.6	
Wage and Salary Employment (millions)	141.865	144.280	1.7%	146.010	1.2%	147.910	1.3%
Housing Starts (millions of starts)	1.112	1.200	7.9%	1.365	13.8%	1.454	6.5%
Light Vehicle Sales (millions of units)	17.4	17.6	1.4%	17.7	0.6%	17.7	0.0%
Passenger Car Sales (millions of units)	7.5	7.2	-4.3%	7.3	1.4%	7.4	1.4%
Light Truck Sales (millions of units)	9.8	10.4	5.7%	10.4	0.0%	10.3	-1.0%
Big 3 Share of Light Vehicles (percent)	43.8	44.0		44.1		44.3	
Michigan							
Wage and Salary Employment (thousands)	4,244	4,320	1.8%	4,363	1.0%	4,416	1.2%
Unemployment Rate (percent)	5.4	5.0		4.9		4.7	
Personal Income (millions of dollars)	$421,044	$436,623	3.7%	$453,651	3.9%	$474,065	4.5%
Real Personal Income (millions of 1982-84 dollars)	$192,516	$197,938	2.8%	$201,395	1.7%	$205,470	2.0%
Wages and Salaries (millions of dollars)	$213,499	$220,972	3.5%	$228,264	3.3%	$237,166	3.9%
Detroit Consumer Price Index (1982-84 = 100)	218.706	220.585	0.9%	225.254	2.1%	230.722	2.4%

HEADLEE ROLLBACK CALCULATION

HEADLEE MILLAGE REDUCTION FRACTION FORMULA (MCL 211.34d):

$$\frac{\text{Prior Year TV} \quad \text{Minus Losses} \quad \times \quad \begin{matrix}\textbf{(IRM)} \\ \text{Inflation Rate} \\ \text{Multiplier}\end{matrix}}{\text{Current Year TV} \quad \text{Minus Additions}} = \begin{matrix}\text{Millage Reduction} \\ \text{Fraction } (\textbf{MRF})\end{matrix}$$

The IRM for 2016 Levy is 0.3%

PROPOSAL "A" BROCHURE

APPENDIX E

FORECLOSURE SALES

Foreclosure sales are often considered invalid sales, and not applicable to use when adjusting AV to market value. But, with the recent increase in foreclosure sales, specific guidelines have been established by the Michigan Department of Treasury to determine if they can be considered arms length transactions and included in Assessed Value (AV) setting sales studies. See the following link for more details:

http://www.michigan.gov/documents/treasury/Bulletin6of2007_205860_7.pdf

MARCH BOARD OF REVIEW & POVERTY EXEMPTIONS

If you believe the Assessed Value is more than half the value of your property or if you believe you qualify for a poverty exemption, you may appeal the Assessed and/or Taxable Values at the March Board of Review. You can obtain information about the specific meeting dates and schedule an appearance with the Board of Review by contacting your local assessing office. More information regarding the appeals process can be found at:

http://www.oakgov.com/mgtbud/equal/Pages/how_do_i/how_do_i.aspx

- READ YOUR NOTICE FOR DATES/TIMES OF THE MARCH BOARD OF REVIEW.
- 211.7u Poverty Exemptions - Check with your local assessor for poverty guidelines

HOW ARE PROPERTY TAXES CALCULATED?

Property Taxes = Taxable Value / 1,000 x Your Local Millage Rate

*The Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.003 multiplier (0.3% increase) has been used in the following examples.

http://michigan.gov/documents/treasury/Bulletin_13_of_2015_-_Inflation_Rate_Multiplier_for_2016_503284_7.pdf

EXAMPLES

-The following is a compilation of various assessment scenarios that could be similar to your particular situation-

Example A

You Purchased a New Home

Last year, you purchased a new home valued at $200,000 (true cash value) with Assessed Value (AV) and State Equalized Value (SEV) both at $100,000, and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of the property has increased to $210,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $210,000) $105,000
SEV (tentative) is $105,000

Value is "uncapped" the year following an ownership transfer (sale) of a property, the Taxable Value will be the same as the State Equalized Value.

Taxable Value (TV) is $105,000

Example B

You Added a Family Room to Your Home

Last year, your home valued at $200,000 had a $100,000 SEV, and a Taxable Value (TV) of $80,000. You added a family room addition valued at $40,000 (true cash value).

A study of sales in the neighborhood shows the true cash value of your property (with the addition) has increased to $240,000.

Current Year:
Assessed Value (AV) is (1/2 of 240,000) $120,000
SEV (tentative) is $120,000
Capped Value (CV) is
[($80,000 x 1.003)* + 50% of 40,000] $100,240
Taxable Value, the lesser of SEV or CV, is $100,240

You Made No Changes to Your Property

Example C-1

Increased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of your property has increased to $220,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $220,000) $110,000
SEV (tentative) is $110,000
Capped Value (CV) is ($80,000 x 1.003)* $80,240

Taxable Value, the lesser of SEV or CV, is $80,240

Example C-2

Increased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $100,000.

A study of sales in the neighborhood shows the true cash value of your property has increased to $200,100 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $200,100) $100,050
SEV (tentative) is $100,050
Capped Value (CV) is ($100,000 x 1.003)* $100,300
Taxable Value, the lesser of SEV or CV, is $100,050

Example C-3

Decreased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of your property has decreased to $180,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $180,000) $90,000
SEV (tentative) is $90,000
Capped Value (CV) is ($80,000 x 1.003)* $80,240

Taxable Value, the lesser of SEV or CV, is $80,240

A Guide To Your 2016 Property Taxes and...

PROPOSAL "A"

OAKLAND COUNTY MICHIGAN

L. BROOKS PATTERSON
OAKLAND COUNTY EXECUTIVE

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Ph: 248.858.0776 FAX: 248.858.2074

http://www.oakgov.com/mgtbud/equal

IRM – 2016 INFLATION RATE MULTIPLIER

1.003 OR 0.3%

5102 (Rev. 04-15)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

BULLETIN 13 of 2015
Inflation Rate Multiplier
October 12, 2015

TO: **Assessors and Equalization Directors**

FROM: **State Tax Commission**

RE: **Inflation Rate Multiplier for use in the 2016 capped value formula and the "Headlee" Millage Reduction Fraction (MRF) formula**

Note: The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:
(l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.
(f) "General price level" means the annual average of the 12 monthly values for the United States consumers price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2016 is as follows:
1. The 12 monthly values for October 2013 through September 2014 are averaged.
2. The 12 monthly values for October 2014 through September 2015 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-13	233.546	Oct-14	237.433
Nov-13	233.069	Nov-14	236.151
Dec-13	233.049	Dec-14	234.812
Jan-14	233.916	Jan-15	233.707
Feb-14	234.781	Feb-15	234.722
Mar-14	236.293	Mar-15	236.119
Apr-14	237.072	Apr-15	236.599
May-14	237.900	May-15	237.805
Jun-14	238.343	Jun-15	238.638
Jul-14	238.250	Jul-15	238.654
Aug-14	237.852	Aug-15	238.316
Sep-14	238.031	Sep-15	237.945
Average	**236.009**		**236.742**
		Ratio	**1.003**
		% Change	**0.3%**

P.O. BOX 30471 • LANSING, MICHIGAN 48909
www.michigan.gov/statetaxcommission • 517-335-3429

Also Known As:
Consumer Price Index (CPI)

BULLETIN 13 OF **2015**
INFLATION RATE MULTIPLIER
OCTOBER 12, 2015

Oct-13	233.546	Oct-14	237.433
Nov-13	233.069	Nov-14	236.151
Dec-13	233.049	Dec-14	234.812
Jan-14	233.916	Jan-15	233.707
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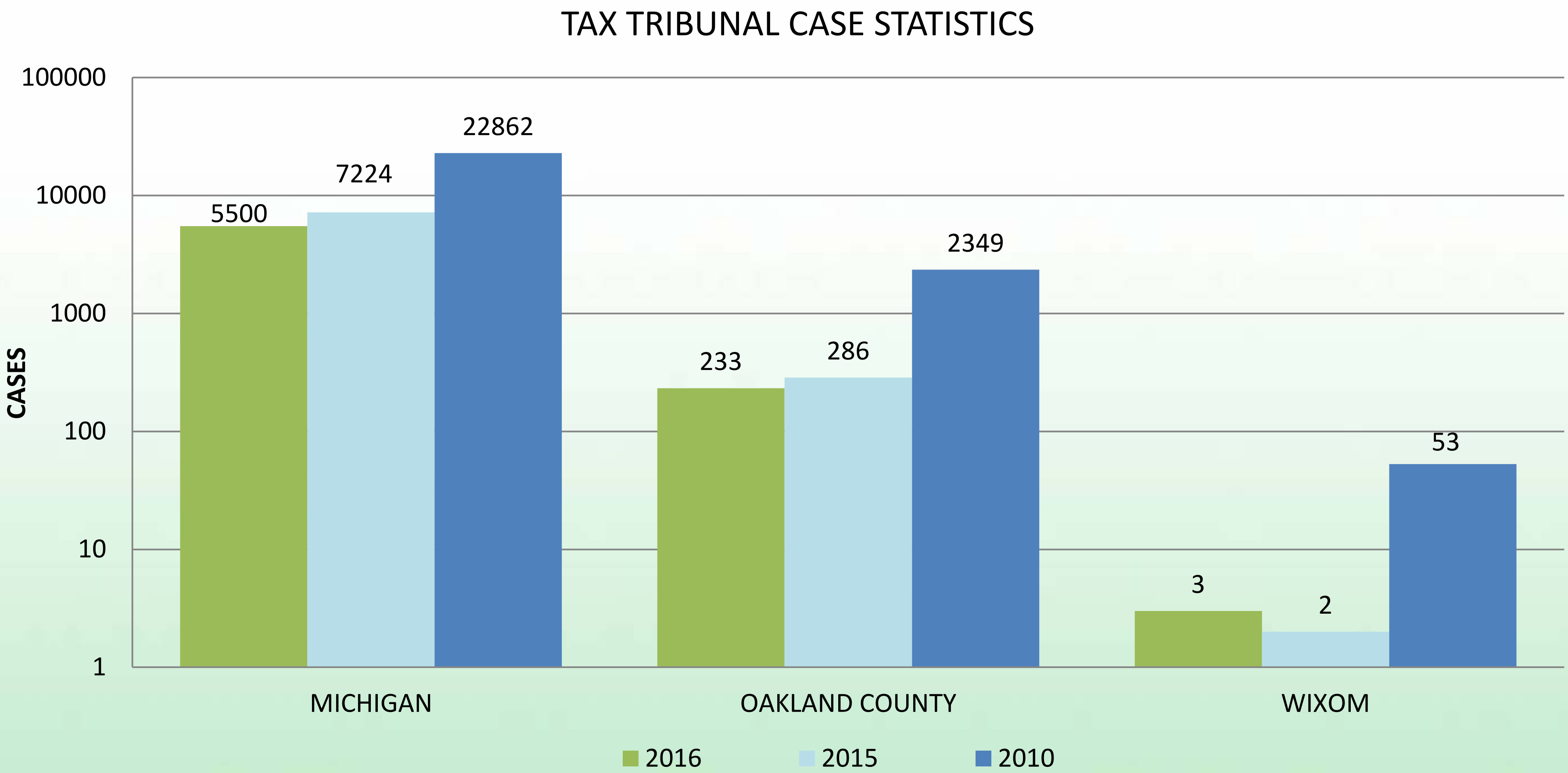
Aug-14	237.852	Aug-15	238.316
Sep-14	238.031	Sep-15	237.945
Average	**236.009**		**236.742**
		Ratio	**1.003**
		% Change	**0.3%**

MICHIGAN TAX TRIBUNAL STATISTICS



	MICHIGAN	OAKLAND COUNTY	WIXOM
2016	5500	233	3
2015	7224	286	2
2010	22862	2349	53

THERE HAS BEEN A CONSISTENT DECREASE IN APPEALS SINCE ITS PEAK YEAR, 2010.

★ OAKLAND COUNTY VALUES, **ONLY** REPRESENTS THE **32 MUNICIPALITIES** CONTRACTED WITH OAKLAND COUNTY EQUALIZATION.

HISTORY

	Year	IRM	IRM %
	1995	1.026	2.6%
	1996	1.028	2.8%
	1997	1.028	2.8%
	1998	1.027	2.7%
	1999	1.016	1.6%
	2000	1.019	1.9%
	2001	1.032	3.2%
	2002	1.032	3.2%
	2003	1.015	1.5%
	2004	1.023	2.3%
	2005	1.023	2.3%
	2006	1.033	3.3%
	2007	1.037	3.7%
	2008	1.023	2.3%
	2009	1.044	4.4%
	2010	0.997	-0.3%
	2011	1.017	1.7%
	2012	1.027	2.7%
	2013	1.024	2.4%
	2014	1.016	1.6%
	2015	1.016	1.6%
	2016	1.003	0.3%
EST.	2017	1.01	1.0%
EST.	2018	1.019	1.9
EST.	2019	1.023	2.3%

Taxable Value Calculations are derived by using IRM/CPI percentages. This has been mandated with the introduction of Proposal "A" of 1994. IRM/CPI is calculated by the US Department of Labor.

http://www.bls.gov/

VARIABLES AFFECTING MILLAGE ROLLBACK

The major variables that impact the Headlee rollback calculation include:

- ❑ Taxable value uncapping from property transfers ("pop-ups")
  - The greater the number of pop-ups, a greater impact on rollback

- ❑ Change in CPI
  - The lower the CPI, a greater impact on rollback
  - The higher the CPI, a lesser impact on rollback

- ❑ Losses in personal property (recent tax exemption) will have a greater impact on rollback
  - 2016 Approximately $500,000,000 TV loss to EMPP
  - EMPP Phase out continues through 2023

Oakland County