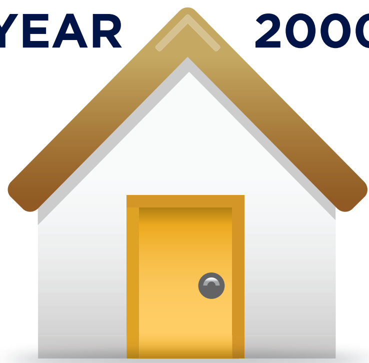
# HOW PROPERTY TAXES WORK

**Definitions:**

**SEV: State Equalized Value** This amount is 50 percent of the usual selling price or true cash value of your property. The County Board of Commissioners and the Michigan State Tax Commission must review local assessments and adjust (equalize) them if they are above or below the constitutional 50 percent level of assessment.

**TV: Taxable Value** Multiplying the TV by your local millage rate will determine your tax liability. TV increases from year to year by the rate of inflation or 5 percent, whichever is lower. Transfers of ownership and improvements to the property will increase the TV more than the rate of inflation.

## YEAR 2000



**You bought your house for $200,000**

**SEV (1/2 market value) = $100,000**

**TV = $100,000**

**Note: In Year One, your TV = your SEV**

## Proposal A: The Tax Cap

The annual increase in a property's value for tax purposes is capped at the rate of inflation or 5 percent, whichever is less. *Over time the property's taxable value may grow at a rate significantly lower than the rate of growth of the SEV.*

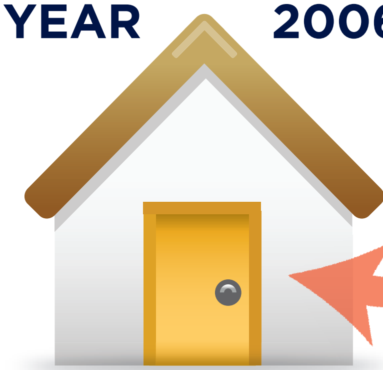
## YEAR 2005

**Market Value increased to $300,000**

**SEV = $150,000**

**TV (@ hypothetical inflation rate of 3 percent) = $115,927.22**

## YEAR 2006



**Market Value decreased to $270,000**

**SEV = $135,000**

**TV = $119,405.04**

The TV cannot exceed the SEV. If a property's value decreases each year, the SEV will eventually meet the TV and property taxes will drop.

Here, your TV of **$119,405.04** (has increased another 3 percent due to inflation) is still less than your SEV of **$135,000**

Due to the gap between the SEV and TV figures, it could take several years of depressed market conditions to make the SEV and the TV equal, depending on how long you have lived in your home. If you purchased a property within the last few years and you have decreasing property value, the SEV and TV figures could meet sooner than someone who has owned a property for a long period of time.

**Your property taxes will fall if your SEV falls below the level of the TV.**