

Planning on purchasing a home in the Webster Township? Here's how to figure out what your taxes will be in the future.

State of Michigan: Proposal A

Proposal A was passed by the voters in 1994, in response to high property taxes and inequities in school funding between various districts across the State. Several parts of this law directly affect local property taxes, and the rules are the same no matter where the property is located within the State.

State Equalized Value (SEV)

The SEV is approximately half of the **market value** of a property as of December 31 of each year, also known in local government as "Tax Day". There are several reasons why Tax Day is important to purchasers.

- An individual property's SEV may be higher or lower than the actual market value, as Tax Day is simply a moment in time and market values often fluctuate throughout the year.
- A new construction may have a lower market value on Tax Day than its eventual purchase price because it was not complete on December 31.
- If a property loses value after Tax Day (for example through natural disaster or removal of buildings or assets), the SEV will remain at the level that it was on the proceeding Tax Day. Adjustments will be made to the SEV on the next Tax Day if the market value remains lower.

Taxable Value (TV)

The TV of a property is the value that is used to levy taxes on a property. Like the SEV, it is established on Tax Day, however it is subject to different rules than are used for determining the property's SEV.

- A property's original TV was set based on the market value as it existed on Tax Day in 1994.
- On the first Tax Day after a property changes ownership, the property's TV will be reset to be equal to the property's SEV, or 1/2 of the market value.
- In subsequent years of ownership, a property's TV will increase (or decrease) by the rate of inflation or 5%, whichever is lower. The rate of inflation is the same statewide and is set each year by the State Tax Commission.
- A property's TV cannot be higher than its SEV. However, if a property's SEV is reduced, this does not necessarily mean that the TV will also be reduced. The TV will continue to increase (or decrease) based on the rate of inflation unless an increase causes it to be higher than the SEV.
- "Capping" and "Uncapping" are terms often used when discussing a property's TV. When the property is under the same ownership for multiple years, it is said to be capped. When the property changes ownership, the TV becomes uncapped, or reset to the market value.

Primary Residence Exemption (PRE)

The PRE, which is also sometimes referred to as the Homestead exemption, exempts property owners from having to pay the 18 mill School Operating tax. It is available only for a primary residence, which is where a person lives and intends to return after short absences. It is not available for businesses, rental properties, non-contiguous vacant property, or vacation and second homes.

Calculating Your Tax Bill

Following is the formula used to calculate a property's annual taxes:

$$\frac{\text{Millage Rate} \times \text{Taxable Value}}{1000}$$

Generally, taxes are levied twice a year. In Webster Township, the summer bill contains millage rates for the State Education Tax, and Washtenaw County's operating millage. The winter bill contains the millage rates for Webster Township Public Safety, PDR & Operating, the school district in which you live, the Washtenaw Intermediate School District, Washtenaw Community College, Dexter District Library, and Washtenaw County's voted rates. If a property is ineligible for the PRE, the school operating millage will also be included on the winter bill. If you live in the Ann Arbor school district, it is included on the summer bill.

If you have specific questions, please contact Webster Township at (734) 426-5103.