

**IMPLEMENTATION OF PROPOSAL "A"
MICHIGAN CONSTITUTION**

ARTICLE IX, SECTION 3

UNIFORM PROPERTY TAXATION, except SCHOOL OPERATING TAXES

The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law except taxes levied for school operating purposes.

UNIFORM ASSESSMENTS, NOT TO EXCEED 50 PERCENT OF TRUE CASH VALUE AS EQUALIZED

The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value of which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization.

LIMIT IN INCREASES OF TAXABLE VALUE UNTIL PROPERTY IS TRANSFERRED

For taxes levied after 1995 and each year thereafter, the legislature shall provide that the Taxable Value of each parcel of property adjusted for additions and losses shall not increase each year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership is transferred. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportions of current true cash value.

UNIFORMITY OF TAXATION

Every tax other than the general ad valorem property tax shall be uniform upon the class or classes on which it operates.

LIMITATION OF LEGISLATIVE POWER TO INCREASE SCHOOL DISTRICT OPERATING TAXES

A law that increases the statutory limits in effect as of February 1, 1994 on the maximum amount of ad valorem property taxes that may be levied for school district operating purposes requires the approval of 3/4 of the members elected to and serving in the Senate and in the House of Representatives.

The Impact of Proposal "A" on Assessing and Equalization System

The Michigan constitution and the Michigan property tax laws dealing with state and county equalization require all properties to be uniformly assessed at fifty percent of the usual selling price. The uniformity provisions of the 1963 constitution dealing with Assessed Values as equalized are still applicable, unchanged by the adoption of Proposal A by the voters of Michigan. Assessing officers are required to annually prepare an assessment roll containing uniform values for each parcel of property at 50 percent of its true cash value, which the legislature has defined as being the usual selling price of property where located on tax day.

Assessing officials are not to multiply assessments across the board by a tentative equalization factor nor by the most recent consumers' price index to establish Assessed Values in the roll. Assessors are required to annually estimate the true cash value of each parcel and establish an assessment based upon that estimate.

The constitutional limit or cap on annual increases in Taxable Value is not applicable to increases in Assessed Values. Assessments are to be uniform according to the value of property as of each tax day, whether or not ownership of the property has transferred.

County and state equalization of assessments are still required. County and state equalization studies are still to be performed by county equalization departments and by the Property Tax Division of the Michigan Department of Treasury. If a County Board of Commissioners determines the assessments of a class of property in an assessing unit are less or greater than fifty percent of value as defined by the legislature, the board is required to equalize the assessments by adding to or deducting from the valuations an amount which will produce a sum which represents the true cash value of that class of property.

If the State Tax Commission determines the county equalized values of property in a county are less than or greater than fifty percent of value as defined by the legislature, the Tax Commission is required to equalize the county by adding to or deducting from the equalized values an amount which will produce a sum which represents the true cash value of that class of property.

LIMITS ON TAXABLE VALUE: The Michigan Constitution limits the amount of taxation on property by placing a limit on Assessed Values as equalized and on Taxable Values, that limit being fifty percent of true cash value. Thus, after voter approval of Proposal A, the traditional assessment and equalization process is required so that, annually, the constitutional maximum on equalized value and Taxable Value can be determined for each parcel. Additionally, the state equalized value of each parcel is important because potentially it may be the Taxable Value of that parcel in any tax year.

As a result of proposal A, there are two limits on the Taxable Value for each property in an assessment district. The first is the constitutional limit that the Taxable Value of property not exceed to 50 percent of true cash value, as defined by the legislature. The second limit is a control on the annual rate of increase of that Taxable Value; that limit being the least of: a) the annual increase in the consumers price index, b) 5%.

The Impact of Proposal "A" on Property Taxes

TAXABLE VALUE

The term **TAXABLE VALUE** was used in the 1994 constitutional amendment known as Proposal A to replace **STATE EQUALIZED VALUE** in the property tax equation to calculate property tax bills. Taxable Value is the property tax base for each parcel of property in the tax bill as follows:

PARCEL 'S

PROPERTY = TAXABLE VALUE multiplied by AUTHORIZED MILLAGE RATE TAX LEVY

Proposal A amends the Michigan constitution to limit, or place a "cap" on, increases in the annual growth of the Taxable Value of every parcel of assessable property. The constitutional amendment, however, provides for an exception to the limitation of such increases in Taxable Value for

properties whose ownership is transferred. Beginning in the 1996 tax year, for properties for which ownership is transferred, the increase in the Taxable Value is to be “uncapped”, only limited by the constitutional requirement that the Taxable Value of property not to exceed 50% of true cash value. For example, the 1996 State Equalized Value of 1995 eligible transfers is also to be the 1996 Taxable Value of these properties, while the increase of the Taxable Value of non-transferred properties is limited.

Under certain conditions, the State Equalized Value of any parcel will become its Taxable Value, even for non-transferred properties. The legislature has defined Taxable Value to be the lesser at: State Equalized Value or "Capped" Value. Assessors are required to annually calculate a Capped Value for each individual parcel of real property. The Capped Value is then compared to the state equalized value of that property and the lower of the two will be its Taxable Value upon which taxes are levied. The year following an eligible transfer, the State Equalized Value of the transferred property set in that year is its Taxable Value.

The Taxable Value of any property can not be determined until the final adoption of state equalization by the State Tax Commission, since the final state equalized value of each property must be compared to its Capped Value to check for the lesser value. State equalized values can be equal to, greater than or less than county equalized values. Until final SEVs are known, Taxable Value is Tentative Taxable Value. If state equalized values differ from county equalized values, Taxable Values may differ from Tentative Taxable Values.