

# Examples

For this example we will use a house and property valued at \$172,800. The 2006 SEV was \$86,400 and the taxable value was \$81,512. For 2007 the Market value of the house went down slightly and the SEV was determined to be \$85,800. And nothing was done to the house, no new construction and no Loss (Values used from graph to the right)



2006 SEV	\$86,400
2006 Taxable Value (and Capped Value)	\$81,512
Consumers Price Index (CPI)	3.70%
2007 SEV	\$85,800

First calculate the 2007 Capped Value:

2006 Taxable Value times the CPI = \$84,527

Since the 2007 Capped value is less then the 2007 SEV the 2007 Taxable value is: \$84,527

In 2008 and 2009 in the graph to the right, the Taxable value was limited by the SEV.

**If there was \$20,000 (\$10,000 SEV) in new construction during 2006:**

2006 SEV	\$86,400
2006 Taxable Value (and Capped Value)	\$81,512
Consumers Price Index (CPI)	3.70%
2007 SEV (\$85,800+\$10,000)	\$95,800

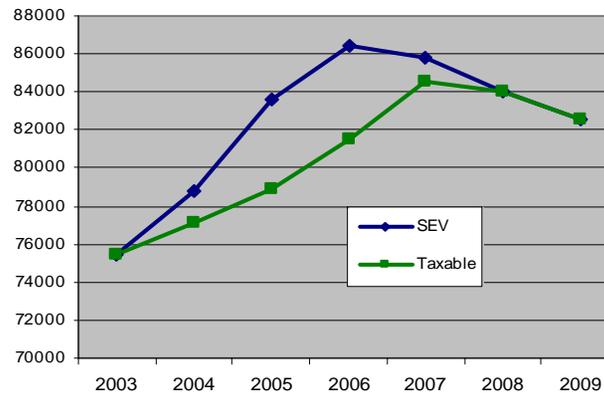
Again first calculate the 2007 Capped Value:

(2006 Taxable Value times the CPI)+ New= \$94,527

Since the 2007 Capped value is still less then the 2007 SEV the 2007 Taxable value is: \$94,527

## Why is my Taxable Value increasing when the value of my property is going down?

The graph below represents a property purchased in 2002. As explained earlier, the Taxable Value and the SEV would be the same for the 2003 tax year, (because of the uncapping). From this point on, the Taxable Value was limited to the increase in the CPI or 5%, whichever was lower. The SEV, however, would have moved with the market value. In this example, from 2003 to 2006, the SEV (represented in the graph below by the blue line) increased at a much higher rate than the Taxable Value, (represented in the graph below by the green line). In 2006 and 2007, as the market value and SEV started to decline, the Taxable Value was still able to increase without being higher than the SEV. In 2008 and 2009, the Taxable Value was capped by the SEV, both the SEV and the Taxable Values were reduced.



<http://www.miottawa.org/property>

A GUIDE FOR PROPERTY OWNERS



# Understanding your Property Assessment and Property Taxes

A GUIDE FOR PROPERTY OWNERS



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# How are my property taxes calculated?

There are several parts to this question

## What is Assessed Value?

State law requires that property be uniformly assessed and not exceed 50% of the usual selling price which is often referred to as the True Cash Value. Each year, the local assessor determines the Assessed Value (AV) of each parcel of real property based on the condition of the property on December 31 (Tax Day) of the previous year.



If Property Values are increasing in your neighborhood, your Assessed Value will likely increase, and if they are decreasing your Assessed Values will likely decrease.

## What is State Equalized Value?

The State Equalized Value or SEV is the Assessed Value after adjustment following the County and State Equalization process. Often the Assessed Value and State Equalized Value are the same.

The County Board of Commissioners and the State Tax Commission must review local assessments and adjust or "Equalize" them by class (Residential, Commercial, Agricultural, Industrial...) if the class is above or below the constitutional 50% level of assessment.

## What is Capped Value?

"Capped Value" is the product of a formula. Using several numbers: last years taxable value, additions, losses and the CPI.

$$\text{Capped Value} = (\text{Prior Years Taxable Value} - \text{Losses}) \times (1 + \text{CPI}) + \text{Additions}$$

CPI=The Consumers Price Index or 5%, whichever is less.  
(CPI is calculated in October of each year for use the following year)  
An example of Additions would be some type of new construction  
An example of Losses would be if a garage was removed or torn down

## What is Taxable Value?

Taxable Value is the lesser of the State Equalized Value (SEV) or the Capped Value (CV) unless the property experienced a Transfer of Ownership in the prior year. The Capped Value limit on Taxable Value does not apply if you purchased your property during the previous year.

## What happens when you Purchase a Home?

When a property (or interest in a property) is transferred, your Taxable Value the following year will be the same as the SEV. The Taxable Value will then be "Capped" again in the second year following the transfer of ownership.

## What is a "PRE"?

A "PRE" is a Principal Residence Exemption which relieves those who qualify from paying 18 Mills of School Tax. This exemption is for those who own and occupy their homes as their principal residence. You must own and occupy your home before May 1 to receive the exemption for that year. From then on you receive the exemption until you sell or move to a different home. There are forms that need to be filed to receive and remove this exemption.



## So, what are Property Taxes Based On?

Property taxes are based on Taxable Value. Property taxes are calculated by first taking the millage rate of the property and dividing it by 1000. Then this number is multiplied by the current year taxable value.

Since 1994, while property values were increasing rapidly the capped value provided for a slow and steady increase in the Taxable value. Prior to this the taxes were based on the SEV.

## Notice of Assessment

Each year, usually near the end of February but before the meetings of the local Boards of Review, informational notices are mailed out (these say across the top "This is not a Tax Bill") This notice will contain the current year's Assessed Value, Taxable Value, and Property Class. It will also include the percent exemption of either a Principal Residence, or Qualified Agricultural Property, and if there was or was not a transfer of ownership. Also listed on the form is the dates and times of the March Board of Review. If you disagree with the information on this form, please contact the assessor or follow the instructions on the form to appeal to the Board of Review.

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