

## **CITY OF CHARLOTTE TAX AND ASSESSING FREQUENTLY ASKED QUESTIONS**

### **When are my taxes due?**

Summer property taxes are due in the Treasurer's Office by 5 p.m. on August 31<sup>st</sup>. Winter property taxes are due in the Treasurer's Office by 5 p.m. on February 14<sup>th</sup>. There is a 24-hour drop box located behind city hall at the corner of Washington and Harris.

### **Do you accept credit cards for payment?**

At this time, Charlotte does not accept credit card payments. VISA/Mastercard charges its customers an interchange fee of approximately 3%. On a \$1,000 tax bill, the city would have to pay approximately \$30 to the credit card company and that money would have to come out of general fund operations. There are municipalities that use credit card companies, but they charge the customer a "user fee" equal to the 3% interchange fee. You would have to pay the fee and the full tax bill. We have investigated this service, but have discovered through talking to other municipalities that it is seldom used. The Treasurer's office accepts cash and check payments only.

### **I need a copy of a paid receipt. Where can I get one?**

The Treasurer's office can provide you with a copy of your paid tax bill. You can also access this information on the city's website at [www.charlottemi.org](http://www.charlottemi.org); select on-line assessing & tax services. You can access your property by owner's name, address or parcel number. The site has tax information back to 2001 and will show dollar amounts and dates paid

### **Who receives the funds from my tax bill?**

Besides the City, your tax bill is remitted to Charlotte Public Schools, Eaton Intermediate School District, Charlotte Public Library and Eaton County. Details of some of the most often questioned line items on your tax bill are as follows:

**SET (State Education Tax)** -The State Education Tax Act was one of several components of Proposal A of 1994 that changed the way in which elementary-secondary education is funded in Michigan. The State levies the state education tax statewide at a six-mill rate on all real and tangible personal property not otherwise exempt from the property tax. This millage is distributed to the county treasurer who then forwards it to the State of Michigan.

**CHAR SCH DEBT (School Debt)** - Special elections are held to enable schools to levy millage for such things as school construction or renovation. This line item could be a combination of several elections the school district has had over the years. Please contact the school district for more detailed information on their debt millage. This millage is distributed directly to the school district.

**CHAR SCH OPER (School Operating)** - This millage is another component of Proposal A of 1994. Under the proposal, a school district can levy 18 mills for school operating purposes. An exempt principal residence is not subject to the levy of school operating millage. For the majority of Charlotte taxpayers, this line item will be zero as your property is your principal residence and it is exempted from this tax. Businesses, rental properties and people owning multiple properties will pay the school operating millage. This millage is distributed directly to the school district.

## **What do the terms Assessed Value, State Equalized Value and Taxable Value mean on my Notice of Assessment?**

A basic knowledge of these terms will help you better understand Michigan property tax law.

- Assessed value—the assessed value helps determine market value. Set by the assessor, the Assessed value when multiplied by two will give an approximate market value of the property. The assessor is constitutionally required to set the assessed value at 50% of the usual selling price or True Cash Value of the property.
- State Equalized Value (SEV)—SEV is the Assessed Value that has been adjusted following county and state equalization. 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% level of assessment.
- Taxable value—multiplying the Taxable Value by the local millage rate will determine your tax liability. Taxable value increases from year to year by the rate of inflation or 5%, whichever is lower. Transfers of ownership and improvements to the property will increase the Taxable Value more than the rate of inflation.

### **How does the assessor determine my Assessed Value?**

To ensure properties are assessed uniformly and at 50% of market value, the assessor uses a two year sales study that is provided by the Eaton County Equalization Department. A sales study is an analysis of the sales price of the property compared to its SEV. Typically, the sales study runs from April 1<sup>st</sup> to March 31<sup>st</sup>. The sales are then organized by economic neighborhoods by the assessor. An economic neighborhood can be a single subdivision or a grouping of subdivisions with similar characteristics. If the sales in a certain economic neighborhood indicate an increase or decrease then all of the properties in that economic neighborhood will be changed by what the sales have indicated. This ensures all properties are assessed at 50% of market value as of December 31<sup>st</sup>.

### **What determines the Taxable Value?**

On March 15, 1994 Michigan voters approved the constitutional amendment known as Proposal A. The Taxable Value was created as a part of this legislation. Taxable Value, or the figure which millage would be multiplied against, can only increase each year by the rate of inflation or 5%, whichever is lower. The Taxable Value on the property is said to be “Capped” if the property owner has not had any additions or losses on the property or did not purchase it in the preceding year. The legislators who wrote and put Proposal A on the ballot intended to put a cap on the value of the property so that taxpayers wouldn't be as affected by a robust housing market and a significant increase in valuation. The intention was to tie the increase in valuation to the inflation rate so that it would be more affordable for residents and would benefit those residents who intended to remain at their properties for longer periods of time.

**Property values in my neighborhood have been decreasing. Will my property valuation be decreasing as well?**

Unfortunately, there isn't a yes or no answer to that question. If you've owned your property for a significant amount of time, more than likely your State Equalized Value (SEV) far exceeds your Taxable Value. If this is the case, a decrease in valuation, caused by a cooling real estate market, will be reflected in the SEV. The Taxable Value is required by the Michigan Constitution to increase each year by the rate of inflation or 5%, whichever is lower. In the case of a longtime property owner, the SEV could decrease, while the Taxable Value will increase.

**Does that mean I'll pay more property taxes instead of less?**

In the previous scenario, yes you would. The Taxable Value will rise by the inflationary increase. This adjusted Taxable Value figure multiplied by the local unit's millage rate will determine your new property tax liability. The inflationary index for the past several years is as follows:

1995	2.6%
1996	2.8%
1997	2.8%
1998	2.7%
1999	1.6%
2000	1.9%
2001	3.2%
2002	3.2%
2003	1.5%
2004	2.3%
2005	2.3%
2006	3.3%
2007	3.7%
2008	2.3%

**Why won't my taxes decrease if my property value is going down?**

Proposal A allowed many residents to pay property taxes on less than half of their market value by "capping" the Taxable Value, while still allowing the assessor to determine the market value by adjusting the SEV. This has caused, for many property owners, a great disparity between the SEV figure and the Taxable Value figure. The assessor can reduce the SEV to reflect the change in property value, but if the Taxable Value is still well below the SEV, it will keep increasing until the two figures meet. Taxes are based on Taxable Value; therefore, you will end up with a tax increase.

### **Will my taxes ever go down?**

If a property's value decreases each year, the SEV will eventually meet the Taxable Value. The Taxable Value cannot exceed the SEV. When this happens, decreases in SEV will cause decreases in Taxable Value, which will then lower your property tax liability. Due to the gap between the SEV and Taxable Value figures, it would take several years of depressed market conditions to make the SEV and Taxable Value equal. If you happen to be a property owner who purchased a property in the last few years and you have decreasing property value, the SEV and Taxable Value figures could meet sooner than someone who has owned the property for a long period of time.

### **What are some of the disadvantages about the Proposal A legislation?**

Unfortunately, there have been a few downfalls. Two big downfalls that we hear regularly are:

- Neighbors paying completely different tax amounts, and;
- Apprehension about moving to new properties because of the fear of a very high tax increase.

### **What is a Principal Residence Exemption?**

If you own and occupy a home on your property before May 1st, you are entitled to a Principal Residence Exemption for that year. This will result in a credit on both your summer and winter tax bill. On the Assessment notice, the exemption will be illustrated by a 100.00% if you are eligible or a 0.00% if you are not. You are entitled to a principal residence exemption (PRE) on your current property. In addition, Michigan allows for a conditional rescission of PRE which allows an owner to receive a PRE on his or her current property and on previously exempted property simultaneously if the previous principal residence (all must apply): (1) is not occupied; (2) is for sale; (3) is not leased; (4) is not used for any business or commercial purpose. You can access additional information on conditional rescission at [http://www.michigan.gov/taxes/0,1607,7-238-43535\\_43539---,00.html](http://www.michigan.gov/taxes/0,1607,7-238-43535_43539---,00.html)

### **Can I contest my Assessed Value and Taxable Value?**

Every property owner has the right to appeal their assessments. The opportunity, however, only comes once a year and if the opportunity is missed, there is not another opportunity for that year. Your assessment change notice will provide you with the dates and times for the March Board of Review. If you wish to contest your assessments, you must either appear or send your appeal to the March Board of Review. Protest at the March Board of Review is necessary to protect your right to further appeals to the Michigan Tax Tribunal for valuation and exemption appeals. In other words, the Michigan Tax Tribunal will not hear cases that have not first been before the local March Board of Review.

It is important to note that the values set by the assessor are presumed correct. A property owner wishing to appeal the assessment must be prepared to present physical evidence as to why the values should be changed. An example of such evidence would be sales of similar homes that indicate a lower value than the one set by the assessor.