

# **PROPERTY TAX ASSESSMENT TERMINOLOGY**

## Common Terms on Annual Change Notice

Assessed Value (AV)– Approximately 50% of True Cash Value

Capped Value = Prior TV – losses x inflation multiplier + additions

State Equalized Value (SEV) – 50% of True Cash Value

Taxable Value (TV) – the lessor of the SEV or Capped Value (the value to which millage is applied and calculates property tax). Taxable value cannot be higher than SEV.

True Cash Value – the usual selling price of property based on a property's value as of December 31 of each tax year through the use of Sales Studies

Market Value- most probable price a property is likely to bring under certain conditions

## Terms Associated with Land Analysis Report

Land Values-calculated annually for each assessing neighborhood through the use of Sales Studies (utilizing a 1-2 year cycle prior to current tax year)

Economic Condition Factor (ECF) - a multiplier that is applied to building value by the cost (less depreciation) of the building using construction costs from the State mandated assessor's manual- adjusts the cost manual values to the local market. The ECF is calculated annually for each neighborhood utilizing Sales Studies the same as for land values.

Assessing neighborhoods – created and utilized for uniformity comparison values. May be based according to location, types of properties, similar house types, etc. established by the local assessor. All property is assigned a neighborhood (for land value & ECF analysis)

Miscellaneous Property Tax Terminology (See webpage "Understanding Your Property Tax Assessment..." for more information)

Proposal A - approved by Michigan voters in 1994 to place a cap on assessments. TV is capped at 5% inflation or less annually.

Uncapping- result of Proposal A. In the year after a property sale, the property's assessment is uncapped, and the SEV and the TV are the same for that year. Then property is recapped until it sells again.

Headlee Amendment - requires each unit of local government to reduce its maximum authorized millage rate when assessments on existing property increase by more than the increase in the prior year's average consumer price index (inflation rate).

CPI – (consumer price index) average change over time based on urban consumer consumption.  
IRM - (inflation rate multiplier) overall upward price of goods and services in economy.