

Michigan Property Taxable Value

[http://www.legislature.mi.gov/\(S\(ehecb2um5szkuh45tnn31tzs\)\)/mileg.aspx?page=getobject&objectname=mcl-211-27a&query=on&highlight=land%20contract%20AND%20foreclosure](http://www.legislature.mi.gov/(S(ehecb2um5szkuh45tnn31tzs))/mileg.aspx?page=getobject&objectname=mcl-211-27a&query=on&highlight=land%20contract%20AND%20foreclosure)

It's important to understand what can happen to the property taxes after the purchase of a property. Changes in the property taxes will affect your house payment and could cause that attractive monthly payment to suddenly be more than you're comfortable with & sometimes, more than you can afford!

In 1994, voters in Michigan passed Proposal A, with the purpose of limiting how high property taxes can be increased every year. It was done to help avoid instances of those with limited income, but with free & clear properties, being forced to sell because they couldn't afford to pay their constantly increasing property taxes.

Prior to this, property taxes were based solely on the State Equalized Value (SEV), which is approximately 50% of market value and has no annual increase caps. The law created a new tracking value called the "Taxable Value", which can only be increased annually by an amount equal to the lower of the following:

1. 5% over last year's value.
2. The state of Michigan, Cost Of Living Allowance (COLA) percentage from the previous year.

There is an exception to this annual increase though, triggered by a transfer of property ownership. A transfer causes the Taxable SEV to be brought equal to the SEV, *with no limits*.

What This Means to You

When you purchase a property, the uncapping of the Taxable Value causes your property taxes to increase. The longer the seller owned the property, the more your property taxes are going to increase. Most cities process increases in the spring, so you may get a break for awhile, depending on when you buy the property.

Homestead versus Non-Homestead Mileage Rates

Michigan has two possible mileage rates; *Homestead* which is lower & requires you to designate the property as your primary residence & *Non-Homestead* which is the designation for 2nd homes and investment properties.

When buying a property, it's important to know if the seller has it designated Homestead or Non-Homestead.

Calculating Property Taxes

You can figure out what your future property taxes will be by using the equation:

$$\text{New Property Taxes} = \text{Current SEV} \times \text{proper Mileage Rate (homestead or non-homestead)}$$

Cautionary Note: if the current SEV is less than ½ the sales price, the city may adjust it even higher!

You can verify all this through the following state of Michigan links:

Calculation of Taxable Value

<http://www.legislature.mi.gov/mileg.aspx?page=getObject&objName=mcl-211-27a&queryid=9330754&highlight=taxable%20value>

Determination of Homestead

<http://www.legislature.mi.gov/mileg.aspx?page=getObject&objName=mcl-211-7cc&queryid=9330754&highlight=taxable%20value>

If you know anyone looking to purchase a home, sell an existing home, consolidate debt, or lower their monthly payment – please call us with their name and number. Remember, A Referral is sending someone you Care about to someone you Trust!