

TAX CALCULATIONS

Taxable Value vs. Assessed Value

Until 1994, property in Michigan was assessed at half its market value for tax purposes. This is known as a property's assessed value (AV). In 1994, Michigan voters passed Proposal A, which changed the State Constitution.

Proposal A

Proposal A shifted some of the tax burden off of property and onto the sales tax, which rose from 4 to 6 cents on every dollar spent. The result of this proposal was the development of a new way of calculating property taxes using what's known as a property's taxable value (TV). A property's TV is determined using 1 of the equations below (whichever is less):

- (Last year's TV) - (losses) + (5%) + (additions)
- (Last year's TV) - (losses) + (the rate of inflation) + (additions)

Under Proposal A, the growth of a property's TV is limited - or "capped" - with annual increases of not more than the lesser of 5% or the Consumer Price Index (CPI), which is set by the Michigan State Tax Commission.

Uncapping

Because of how TV is calculated, it is - in many cases - less than a property's assessed value. However, when a piece of property is sold or a title is transferred, the property's TV becomes equal to the amount of its assessed value for the tax year following the year in which the sale or transfer took place. This is called "uncapping" a property's TV. After this has taken place, the lesser of 5% or the CPI applies to future increases in TV, until there is another sale or transfer of ownership of the property.

Finding TV

The TV for parcels in Osceola County can be found on the parcel owner's annual tax bill or assessment change notice. This information can also be found on the **Osceola County's Online Property / Tax Information page: www.bsaonline.com/?uid=2046**

Property Assessment

Even though taxes are based on TV, the assessed value is still calculated each year so that property values can be uniformly assessed at 50% of market value, as required by the Michigan Constitution.

The various local assessors annually assess each property within the County using mass appraisal techniques. This involves studies and analysis of the local real estate market. The local assessors also consider new construction, improvements to property (such as installing fencing or new pavement), and demolition of structures when calculating additions and/or losses to property values.

What's a Mill?

The property tax rate in Michigan is referred to as a millage, and it's figured in mills. One mill is equal to 1/1,000 of a dollar. Or, more simply, for every \$1,000 in taxable value, a property owner will pay \$1 in property tax.

Figuring Your Taxes

Property owners can calculate their tax bill by multiplying their taxable value by the millage rate.

Millage Example

If the local unit's millage rate is 27.9276 mills, property taxes on a home with a taxable value of \$50,000 would be \$1,396.38. The following mathematical equation illustrates how this is figured:

- $(27.9276 \div 1,000) \times (\$50,000) = \$1,396.38$