

Why is a Reappraisal Beneficial or Necessary?

- *Reappraisals keep our property tax system fair – it's that simple.* Since Proposal A in 1994, Michigan property owners have been protected from being taxed on market increases to assessed value. Instead, if an owner remains in their home, the increase to taxable value – the basis for tax bill calculation is limited by the Consumer Price Index each year. Proposal A also states that the year following a sale or transfer of a property, the taxable value shall uncap at the current assessed value. It is not lawful for the assessor to raise the value to 50% of the sale price for only a property that has sold. This means that if all current assessed values do not accurately reflect 50% of fair market value, parcels that sell could very well uncap well below the 50% and there is no provision made for the assessor or governmental unit to “recoup the loss” after the sale has occurred. It is *imperative* that the assessed values are accurate **at all times** to insure proper uncapping of all sales or transfers.
- Property and buildings are *assets* to their owners but should always be considered as assets to the unit of government. Inaccurate valuation of these assets can have far reaching affects on community services and future economic growth.
- Reappraisals allow the Assessor's office to adjust property values so that every property in the unit of government is appraised at fair market value and thus assessed at 50% of fair market value.

Fair market value is the price that a willing and informed buyer and seller would agree upon under usual and ordinary circumstances. It is the most probable price a property would bring when exposed to the open market for a reasonable period on time.

- Taxable values – the basis for tax bill calculations are the responsibility of the local unit of government. If taxable values are understated, **all** taxing authorities including the State of Michigan, Schools, the County and the local unit may also not be receiving the proper tax revenues needed to provide services.
- A reappraisal eliminates inequities created over time by changes in the real estate market, ensuring fairness and equity for all property owners. In the years between a reappraisal, properties are increased or decreased by a study of market trends, which is then applied to areas or groups of similar properties.

*Statistical market increases or decreases applied to groups of properties have been proven to have relative effectiveness at a parcel level for approximately 5-7 years. In states where reappraisals are required by law, the most common requirement for conducting a complete reappraisal is 4-5 years. If the number of years since your unit's last complete reappraisal exceeds 7 years, the statistical probability that **most** properties reflect an assessment of 50% of fair market value is limited. The State of Michigan currently does not require scheduled complete reappraisals. This leaves the reappraisal decision to the local unit **OR** can reach the level of being required by the State when the unit's Assessment Roll is deemed to be “substantially non-compliant” following a formal review by the State of Michigan Department of Treasury - Property Tax Division.*

How are Reappraisal Values Established?

- Reappraisal values are based on the following key factors: *Property Use* (ie: residential, commercial, vacant land); *Land Value* determined by a sales study and/or land residual study; *Property Characteristics* such as location, square footage, age, quality and type of construction, including amenities (such as bathrooms, garages, basement finish, porches and decks); and *Current Market Conditions* determined by a sales study.

It is important to remember that buyers and sellers in the marketplace establish current market condition and fair market value – not the local Assessor, County Equalization or the State of Michigan.

- Reappraisal values are NOT affected by general property maintenance. *Expected repairs* such as roofs, interior/exterior paint and floor covering or landscaping do not add or detract from the value in the assessor's records. While these items can be costly, they are considered to be normal maintenance expenses that all properties *should* incur over time.

Complete disregard by a homeowner to performing normal maintenance to a property for a significant number of years may influence the fair market value of the property and the assessment record may need to be adjusted to arrive at an accurate value.

- Reappraisals provide an opportunity to obtain an updated photo and building sketch of each improved property. These items are necessary as a part of the requirement to keep a complete inventory of the property and buildings in the unit of government. They are also used to support the determination of fair market value on the assessment record and are essential for assessment valuation appeals.
- Market values are used to establish annual increases or decreases but the study of sale prices to determine market modifiers also depend on building characteristics that are gathered or verified with a complete reappraisal.

To establish market increases or decreases derived from sale data, it is important that the market analysis be performed using properties of similar size, characteristics, location, age and use. Complete and accurate computerized land and building data are essential for all analysis needed in the assessment administration process.

Additional Benefits

- The “information age” establishes an expectation that data is available for inspection not only in person but also over the Internet. Inaccurate or incomplete data does not lend itself to taxpayer confidence that they are being **assessed – and thus taxed** in a fair and equitable manner.
- In the unwelcome event of a community disaster, most Federal and State aid is provided to a community or property owners based on the assessed valuations of the properties affected by the disaster. Inaccurate assessment information could significantly lower the amount of eligible aid for a community as most recently experienced by some areas in the path of Hurricane Katrina. The International Association of Assessing Officers (IAAO) recently published articles describing the value and uses of accurate assessment information after a disaster.