Should You Appeal Your Property Taxes?

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If you haven't already, you should soon receive in the mail a Notice of Assessment, Taxable Valuation and Property Classification from your local assessor for each parcel of real property that you own. Printed on the top of the Notice in big red capital letters is: THIS IS NOT A TAX BILL. So, folks are inclined to throw the Notice away. Don't.

This Notice lists five important things:

- Assessed value of your property as determined by the assessor;
- Taxable value of your property;
- Classification of your property as determined by the assessor;
- Certain exemptions (e.g., principal residence, qualified agricultural property, etc.) that the assessor has applied to your property; and
- Process for appealing any of the above items, should you choose to do so.

ASSESSED VALUE must be 50% of the true cash value or market value of your property. Once the tax rolls have been approved by the State Tax Commission, the assessed value and the state equalized value (SEV) should match.

TAXABLE VALUE is the value you actually pay taxes on. For real property, the value must be the lesser of either the assessed value in the current year or the assessed value in the year after you took ownership of the property multiplied by the Proposal A inflation rate for each year since then.

CLASSIFICATION must describe the actual use of the property. This is not the same as zoning. Zoning says what property can be used for; classification says what a property is used for (or, in some cases, its highest and best use).

APPEALS PROCESS: You should consider appealing your property taxes if any one of the following applies to you:

1. **Valuation.** You believe that your property is worth less than twice the taxable value. Remember, since taxes are based on taxable value, generally speaking it only makes economic sense to appeal your property taxes if you can lower the assessed value to less than the current taxable value. But, also remember that Proposal A caps the taxable value of the property for as long as you own the property. So, even reducing your taxable value by a relatively small amount now could provide a nice annuity for you in the future, should the real estate market recover.

2. **Vacancy.** You are a landlord and your vacancy rate is higher than it was last year. Vacancies are considered losses under Proposal A and so can be deducted directly from the taxable value.

3. **Classification.** You own property classified as commercial but believe a better classification would be industrial. This is important because for equipment located on industrially classified property you may be entitled to both a significant personal property tax exemption and a credit against the Michigan Business Tax for the personal property taxes paid on the equipment.

4. **Exemption.** You believe your property should be totally exempt from taxes (e.g., because you meet the charitable ownership and use requirements of Michigan law) or partially exempt from taxes (e.g., because you meet the qualified agricultural property or principal residence requirements of Michigan law).

The Notice lists the appeal deadlines. The deadlines are strict. If you miss them, you won't be able to continue the appeal.

We encourage you to carefully scrutinize the Notice and understand your rights. If you have any questions about your rights or whether you should pursue an appeal, please contact Chris Meyer (616.752.2423 or cmeyer@wnj.com), chair of the Property Tax Group at Warner Norcross & Judd, or any other member of the Group.