

CHIPPEWA COUNTY EQUALIZATION DEPARTMENT

Property Taxable Value and Inflation Rate Information

Jan 2009

What: Proposal A, which was approved on a statewide ballot in 1994, set certain property tax changes into the Michigan Constitution. As a result of the passage of Proposal A, a property's taxable value becomes capped, and, after adjustment for additions and losses, may not increase by more than the increase in general price level (Inflation Rate Multiplier) or 5%, whichever is less, until ownership of the property is transferred. *However, in no case may a parcel's taxable value be greater than its State Equalized Value.*

How: The equation for the Inflation Rate Multiplier is mandated in [MCL 211.34d](#). Each year Treasury's Tax Analysis Division is to required calculate the rate, using the Bureau of Labor Statistics data. The Inflation Rate Multiplier is equal to the ratio of:

- a. the average of the 12 monthly U.S. consumer price indexes for all urban consumers for the state fiscal year directly prior to the property tax year divided by
- b. the average of the 12 monthly U.S. consumer price indexes for all urban consumers for the state fiscal year prior to the fiscal year directly prior to the property tax year.

This Year: For property tax year 2009, the inflation rate multiplier is equal to the ratio of fiscal year 2008 average consumer price index divided by the fiscal year 2007 average consumer price index. Again, as a result of Proposal A (and therefore under the State Constitution), a property's taxable value cannot increase by more than the increase in the U.S. consumer price index or 5 percent, whichever is less. In addition, a property's taxable value cannot exceed its state equalized value.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-06	201.800	Oct-07	208.936
Nov-06	201.500	Nov-07	210.177
Dec-06	201.800	Dec-07	210.036
Jan-07	202.416	Jan-08	211.080
Feb-07	203.499	Feb-08	211.693 *
Mar-07	205.352	Mar-08	213.528 *
Apr-07	206.686	Apr-08	214.823 *
May-07	207.949	May-08	216.632 *
Jun-07	208.352	Jun-08	218.815 *
Jul-07	208.299	Jul-08	219.964 *
Aug-07	207.917	Aug-08	219.086 *
Sep-07	208.490	Sep-08	218.783
Average	205.338		214.463

US CPI INCREASE FOR 2009 = 214.463 DIVIDED BY 205.338
RESULTS IN MULTIPLIER OF 1.044
AND PERCENT CHANGE OF 4.4%

***GASOLINE PRICES REACHED RECORD HIGHS IN THESE MONTHS, RESULTING IN OTHER SIGNIFICANT COST INCREASES USED IN THE DETERMINATION OF THESE MULTIPLIERS.**

State Tax Commission Bulletin No. 6 of 2008 a copy of which can be found at the State Tax Commission's website: www.michigan.gov/treasury, describes in detail how the CPI increase is determined and how to apply the multiplier when calculating the capped value for all property, homestead and non-homestead alike

In the Past: For the first decade or more after the passage of Proposal A, most property owners experienced significant and sometimes double-digit "property value" increases while their actual property TAXABLE VALUE would increase by between 1 percent and 3 percent (rate of inflation as calculated). In fact, a Department of Treasury analysis shows that since Proposal A went into effect in 1995, home values in Michigan have increased 98.4 percent, while property taxable values have only increased 42.9 percent, which is only 3.4% per year. This is clear evidence that Proposal A has done what it was intended to do: Keep annual taxable value growth within a predictable level.

Therefore, although property values may stay the same, or even decline, due to our constitution, in 2009 property taxable value, for many taxpayers, will still increase by 4.4 %, as long as a property's taxable value does not exceed its state equalized value.

A table displaying the annual certified rates of inflation for the years of 1995-2009 follows, along with the capped value formula and various examples comparing assessed and equalized values with capped and taxable value calculations.

Certified Property Inflation Rate AND Multiplier by Year

YEAR	INFLATION RATE	CPI MULTIPLIER
1995	2.6%	1.026
1996	2.8 %	1.028
1997	2.8 %	1.028
1998	2.7 %	1.027
1999	1.6 %	1.016
2000	1.9 %	1.019
2001	3.2 %	1.032
2002	3.2 %	1.032
2003	1.5 %	1.015
2004	2.3 %	1.023
2005	2.3 %	1.023
2006	3.3 %	1.033
2007	3.7 %	1.037
2008	2.3 %	1.023
2009	4.4 %	1.044

CAPPED VALUE FORMULA:

**PREVIOUS YEAR TAXABLE VALUE,
MINUS PHYSICAL LOSSES,
TIMES RATE OF INFLATION MULTIPLIER,
PLUS PHYSICAL ADDITIONS =
CAPPED VALUE**

FOR PARCELS **WITHOUT A TRANSFER** IN OWNERSHIP AS DEFINED BY STATUTE IN PRIOR YEAR:

**TAXABLE VALUE IS THE LOWER OF A PARCEL'S
CAPPED VALUE AND ITS STATE EQUALIZED VALUE**

FOR PARCELS **WITH A TRANSFER** IN OWNERSHIP IN PRIOR YEAR:

TAXABLE VALUE IS STATE EQUALIZED VALUE

EXAMPLES:

(ALL EXAMPLES PRESUME ASSESSED VALUE = STATE EQUALIZED VALUE)

MARKET VALUE DECLINE

TAXABLE VALUE CALCULATION

2008 TAXABLE VALUE	28,000
MINUS PHYSICAL LOSSES	<u>-0</u>
SUBTOTAL	28,000
TIMES CPI MULTIPLIER	<u>x1.044</u>
SUBTOTAL	29,232
PLUS ADDITIONS	<u>-0</u>
TOTAL 2009 CAPPED VALUE	29,232

ASSESSED/EQUALIZED VALUE

2008 ASSESSED VALUE	42,000
LOSS DUE PHYSICAL CHANGE	
MARKET DECLINE ADJ	<u>-5,000</u>
SUBTOTAL	37,000
PLUS ADDITIONS	<u>+0</u>
2009 ASSESSED & EQUALIZED	37,000

2009 TAXABLE VALUE BECOMES THE LOWER OF THE CAPPED AND EQUALIZED VALUES =

29,232

MARKET VALUE INCREASE

TAXABLE VALUE CALCULATION

2008 TAXABLE VALUE	28,000
MINUS PHYSICAL LOSSES	<u>-0</u>
SUBTOTAL	28,000
TIMES CPI MULTIPLIER	<u>x1.044</u>
SUBTOTAL	29,232
PLUS ADDITIONS	<u>-0</u>
TOTAL 2009 CAPPED VALUE	29,232

ASSESSED/EQUALIZED VALUE

2008 ASSESSED VALUE	42,000
LOSS DUE PHYSICAL CHANGE	
MARKET INCREASE ADJ	<u>+5,000</u>
SUBTOTAL	47,000
PLUS ADDITIONS	<u>+0</u>
2009 ASSESSED & EQUALIZED	47,000

2009 TAXABLE VALUE BECOMES THE LOWER OF THE CAPPED AND EQUALIZED VALUES =

29,232

**SHED REMOVED & NEW GARAGE ADDED,
WITH MARKET DECLINE:**

TAXABLE VALUE CALCULATION

2008 TAXABLE VALUE	28,000
TAXABLE VALUE LOSSES	<u>-4,000</u>
SUBTOTAL	24,000
TIMES CPI MULTIPLIER	<u>x1.044</u>
SUBTOTAL	25,056
PLUS NEW GARAGE	<u>12,000</u>
TOTAL 2009 CAPPED VALUE	37,056

ASSESSED/EQUALIZED VALUE

2008 ASSESSED VALUE	42,000
ASSESSED VALUE LOSS	<u>- 6,000</u>
SUBTOTAL	36,000
MARKET ADJUSTMENT	-5,000
PLUS NEW GARAGE	<u>12,000</u>
2009 ASSESSED & EQUALIZED	43,000

2009 TAXABLE VALUE BECOMES THE LOWER OF THE CAPPED AND EQUALIZED VALUES =
37,056

**SAME CIRCUMSTANCES AS ABOVE,
WITH CHANGE OF OWNERSHIP IN PREVIOUS YEAR**

2009 EQUALIZED VALUE BECOMES TAXABLE VALUE IN YEAR AFTER TRANSFER:

43,000