Near the middle of February, 2016, Troy property owners will receive a "**Notice of Assessment**, **Taxable Valuation and Property Classification**" from the Assessing Department of the City of Troy, which details 2016 changes.

For the 2016 Assessment Year, the State of Michigan has mandated a Two-Year Residential Sales Study, the same holds true for Commercial and Industrial properties. The Residential study covers 2 of the State's fiscal years, and runs from October 1, 2013 through September 30, 2015.

For the 2016 Assessment Year, the Two-Year Sales Study shows an <u>average</u> increase in residential property values of about 6.0%. This is the <u>average</u> - citywide. There will be subdivisions within the City of Troy that will show Assessed Value decreases and there will be subdivisions in the City of Troy that will show increases in Assessed Values of more than 6.0%. There are over 262 different residential neighborhoods in Troy.

While some Residential Assessments can and will change more than 6.0%, Taxable Values cannot change more than 1.003%, or 3 tenths of 1%(barring new construction, or transfers of ownership). Here's why:

In 1994, the voters of the State of Michigan passed a Constitutional Amendment that was commonly known as Proposal A. Proposal A not only changed the basis for local school funding, but it also dramatically changed the way taxes were levied against property values.

Prior to 1994, taxes were levied against Assessed Values (also referred to as State Equalized Values). Assessed Values must reflect not more than 50% of the Market Value of a property. Thus any change in Assessed Value resulted in a similar change in taxes.

Proposal A changed this by adding two more terms to the Assessing language; Capped Value, and Taxable Value.

Taxable Value is the lesser of Assessed Value or Capped Value. It is also the value that millages are levied against to determine a property's taxes. Proposal A limited (capped) any increases in Taxable Value to 5% or the rate of inflation (consumer price index, CPI; 0.3% or .1.003 multiplier for 2016) whichever is less. This capping process is exclusive of 'loss' (physical demolition, fires, natural disasters) that remove a portion, or all of a structure, or 'new' (physical additions to the property).

Thus the calculation of the 2016 Capped Value becomes: (2015 Taxable Value minus losses) times the CPI (1.003), plus new.

Since Assessed Value still represent 50% of the Market Value of a property, Assessments may increase (or decrease) by whatever percentage is necessary to maintain the 50% level. Taxable Value, however, has been 'capped' by the CPI or 5%, since 1994.

The gap between Assessed and Taxable Value has been increasing over the last 5 years. This means that more and more, your Taxable Value will be less than 50% of your Market Value.

Overall, the City of Troy will see an increase in overall Taxable Value of about 1% **(this includes the Residential, Commercial, Industrial, and Personal Property classes of property).**

Remember that the Assessment on your Residential property is as of December 31, 2015, based on sales that occurred between 10/01/13 and 09/30/15. *It does not reflect the value of your property for any other time period.*

As you consider your 2016 Assessment, and try to decide if you should appeal your Assessment to the local Board of Review, bear in mind the time frame of the Sales Studies used, as *the Board of Review is limited to that same Sales Study*. Otherwise, time adjustments must be made. This study will be available on the Assessing Web site near the middle of February.

Also remember that to affect a reduction in your taxes, you must be able to show that the Assessed Value of your property should be below the current Taxable Value.

Please remember that Foreclosure Sales, and Sheriff's Deed's are not considered indicators of Market Value for comparison purposes (unless the majority of sales in your City are of these types, Troy is <u>not</u> in this situation). Some Bank Sales can and are being used.

As always, you may call, or visit our office for an explanation of your Assessment. A review, and any warranted change in your Assessment, may be done by the staff of the Assessing Department at any time between the receipt of your "Notice" and the first day of the Board of Review (March 8, 2016). Once the Board is in session, only they can change your Assessment.

Neither the Board of Review nor the Assessor can change your Taxable Value without evidence of a physical loss to the property, or barring a reduction in Assessed Value below the proposed Taxable Value.