



taking { *what* } matters into your own hands

BY MICHAEL R. LOHMEIER

December 31, 2007 is tax day for 2008 property taxes. So while many people prepare their personal goals for 2008, Michigan's assessors are studying building permits, finishing their field work, examining personal property statements, and evaluating sales in order to ascertain what physically exists as of December 31st and at what level of assessment it should be set.

Their busiest times of the year are the months of January through March. It's during this time that assessors prepare and deliver tentative assessment notices as well as preparing for, and conducting, their March

Boards of Review. So oftentimes when you call an assessor during this time, they simply don't have the luxury of explaining fully how your assessment was prepared or the process through which it can be appealed.

Proposal A

On March 15, 1994, Michigan voters approved Proposal A, which made significant changes to the State's constitution. One of the changes was the addition of a new term "taxable value." Beginning in 1995, property taxes have been calculated using taxable value rather than state equalized value or assessed value. The following is a brief description of the common values examined

and developed by Michigan assessors:

- **True cash value** is a property's "usual selling price", generally synonymous with market value.
- **Assessed value** is 50% of true cash value.
- **State equalized value** is the value resulting after county and state equalization processes.
- **Capped value** is the parcel's prior year's taxable value multiplied by the consumer price index (CPI) or 5% whichever is less, unless there is a physical change in the property. The CPI for 2008 is 2.3%.
- **Taxable value** the lesser of assessed value or capped value, unless there is a transfer of ownership.



Valuation Methodology Used

The assessor develops true cash value considering three common approaches to value, *the sales comparison approach*, *the cost-less-depreciation approach*, and/or *the capitalization of income approach*. Because of the vast amounts of properties the assessors must evaluate each year, he/she will typically use the cost-less-depreciation approach as the basis for most assessments and will rely on the State Tax Commission's Cost Manual for its cost figures.

Copies of Relevant Documents

You should obtain a copy of regularly available documents from your local assessor pertaining to your parcel(s), including your property's Record Card, Valuation Record, building sketch, and parcel map. Review this information to ensure that what you're being valued on actually exists and is correct.

Property record cards provide detailed information pertaining to relevant physical characteristic data including property type, use, building size and age, mechanical and electrical systems, and any other improvements situated on the property's site (such as paving, USTs, etc.)

Valuation records provide information pertaining to how the assessor values your property, such as estimated land value, the replacement cost new of any building improvements, depreciation applied, and its true cash value.

Building sketches provide some of the rudimentary physical data for a property and typically includes your property's exterior dimensions, wall heights, clear spans, interior wall partitioning, and sometimes even ancillary improvements such as patios, decks, mezzanines, etc.

Parcel maps provide information pertaining to your property's site size. Some parcel maps are superimposed with aerial photography which can assist in evaluating any non-conformity and/or off-site adverse influence issues.

Review your records for any discrepancies between what is reported and

what actually exists. For residential properties this would include items such as home type, quality rating, actual age and effective age, size, number of bedrooms, number of bathrooms and number of fixtures, heating and cooling systems, number of fireplaces, foundation type, site size, and any other improvements (i.e. barns, sheds, pools, decks, patios, etc.) For commercial and industrial properties you would review for similar types of information such as building class, size, HVAC systems, elevators, site size, and the like. Ascertain whether the assessor has taken into account any negative functional and/or external influences that may affect your property's marketability, use and value.

Sales Used by Assessor

Review the sales collected by the assessor and ascertain whether any are similar to your own property. Find out whether the assessor is basing his/her valuations using a two-year or one-year sales study. Typically assessors use two-year studies, however in some circumstances, such as declining market values, assessors will use a one-year study as a means of "catching up" with current market pricing levels.

Valuation Appeals

I almost always suggest as the first step in any disagreement in value, or even in property features, is to meet with the local assessor and simply talk with him/her (this depends on the issues involved). I think you'll find that most Michigan assessors are proud of their work and are very receptive to meeting with local residents/business owners. If a "meeting of the minds" doesn't occur, then there are two avenues for appeal. For *residential real property* you must first protest your case to the local March Board of Review. If dissatisfied with the results of the local Board of Review's decision, your next step is to appeal to the Michigan Tax Tribunal. For *commercial and industrial real property* you may appeal directly to the Michigan Tax Tribunal (however for many appeals I still find the local Board of Review is the best starting point.)

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The Michigan Tax Tribunal is the state's highest property tax court, and as such has its own Rules and Procedures. Prior to appealing to the Tribunal you must become very familiar with its rules and you should become comfortable with the Administrative Procedures Act and Michigan Court Rules. You need to understand that timing and proper filing are critical. Dates for filing residential real property and commercial/industrial real property petitions are different so you need to develop a timeline at the very onset of every appeal of when, what, and how activities have to be completed. While most local Board of Review petitions are prepared and conducted by the property owner, appealing to the Michigan Tax Tribunal typically requires the engagement of an expert(s) versed in the court's unique practices and requirements. **MAR**

* **Micheal R. Lohmeier**, FASA, CMAE3, CRP, MAI, RES, SRA, is Senior Manager in Dispute Resolution Services at Virchow, Krause & Co., LLP in Southfield, Michigan. He holds the Michigan Certified General Real Estate Appraiser license and is a former Judge of the Michigan Tax Tribunal and former Michigan assessing officer. Micheal specializes in appraisal and property tax consulting services, including complex and special-use properties. He can be reached at 248.368.8873 and/or MLohmeier@virchowkrause.com for further comments.

