

2008 Home Assessments

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It is that time again for Lansing homeowners to receive their 2008 Assessment Change Notice – the annual statement of your home’s assessed value and taxable value.

These two numbers – taxable value and assessed value – can be confusing. The taxable value is the amount we use to calculate your property taxes. The assessed value (also known as SEV) represents one-half of your home’s market value. Depending on how long you have owned your home, there can be a big difference between these two numbers.

For many Lansing homeowners, the assessed value of their home is lower than last year. This is due to the weak state of Michigan’s economy and a soft real estate market. Yet for many homeowners, the taxable value of their home has increased over last year.

How can this happen? If the market value of your home is less, shouldn’t your property taxes also be less?

The answer is – not necessarily. The reason is found in the state law known as Proposal A, which was approved by Michigan voters in 1994. Proposal A limits the annual increase in your taxable value to 5% or the rate of inflation, whichever is less, adjusted for losses (demolition, for example) and any additions (such as new construction).

The assessed value of your home is not affected by Proposal A. Therefore, even if the assessed value of your home is less than last year, your property taxes can still go up because the taxable value – the number used to calculate your property taxes – increased due to Proposal A.

This concept can be difficult to explain, so let me use an example:

Jack Anderson bought a home ten years ago for \$50,000 on Lansing’s East Side. The market value of his house has since increased to \$100,000, which means the assessed value has increased from \$25,000 ten years ago to \$50,000 today.

Yet the taxable value of Jack’s home this year is only \$35,000. This is because the increase in the taxable value of his home did not increase at the same rate as the assessed value. It was limited each year by Proposal A, while the assessed value was not limited.

Unfortunately, the market value of Jack’s home this year dropped to \$90,000 due to the soft real estate market. Therefore, the assessed value declined to \$45,000. So, why didn’t Jack’s property tax bill go down?

Answer: Because the taxable value of his home increased due to the requirements of Proposal A. As long as the taxable value remains below the assessed value, the taxable value on Jack’s home can and will increase each year by the amount required under Proposal A.

This explains how your property taxes can increase, even when the market value of your home is declining. However, when the property is sold, the taxable value is ‘uncapped’ and once again becomes equal to the assessed value. But that is a topic for another column.