

Near the middle of February, 2011, Troy property owners will receive a **“Notice of Assessment, Taxable Valuation and Property Classification”** from the Assessing Department of the City of Troy.

Most property owners will see a reduction in the Assessed and Taxable Values of their property, barring any new construction or a transfer of ownership,

2011 is the fifth straight year that residential assessments have been reduced in the City of Troy. This year the Consumer Price Index (CPI) is 1.7% (multiplier of 1.017).

Once again, for the 2011 Assessment Year, the State of Michigan has mandated a One-Year Residential Sales Study, and the same for Commercial and Industrial properties. The study runs for the fiscal year of the State for 2010, which is October 1, 2009 through September 30, 2010.

For the 2011 Assessment Year, the One-Year Sales Study shows an average reduction in residential property values of approximately 7.5%. This is the average - citywide. There will be subdivisions within the City of Troy that will show Assessed Value decreases far greater than 7.5%, and there will be subdivisions in the City of Troy that will still show an increase in Assessed Values from the 2010 values. There are 279 different residential neighborhoods in Troy.

Since the vast majority of the Taxable Values in the City of Troy will decrease, so will the taxes for these properties. 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; 1.7% or .1.017 multiplier for 2011) 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 2011 Capped Value becomes: (2010 Taxable Value minus losses) times the CPI (1.017), 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.

Over the last 5 years, the gap between Assessed and Taxable Value has closed dramatically. We estimate that after the 2011 Assessment year, there will no longer be any difference between Assessed and Taxable Value.

Overall, the City of Troy will see a reduction in total Taxable Value close to 11% (this includes the Residential, Commercial, Industrial, and Personal Property classes of property). This is a direct reduction in General Fund Revenues. This is due to the large amount of vacancy in the Commercial and Industrial classes of property, the reduction in Personal Property caused by vacancies, and the reduced Residential Taxable Values,

Remember that the Assessment on your property is as of December 31, 2010, based on sales that occurred between 10/01/09 and 09/30/10. *It does not reflect the value of your property for any other time period.*

As you consider your 2011 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*. This study will be available on the Assessing Web site near the middle of February.

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 not 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, 2011). 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.