STATE OF MICHIGAN

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No. 19 - June 25, 1982
Standards for Equalization Studies

TO: County Equalization Directors
Assessing Officers

FROM: State Tax Commission

The state tax commission has adopted a simplified standard for sales ratio studies and appraisal studies for the revised base studies for the 1983 county and state equalization. The standard is based on two complete years of local sales information and will provide earlier feedback to townships and cities. Recently there have been insufficient sales in the shortened third year of a sales ratio study in many local units. The 2 year study will help to obtain more complete sales data in the two complete years. The following explanation relates to the studies for the 1983 equalization.

The first year, is from April 1, 1980, through March 31, 1981. Sales from that period will be compared with the 1980 assessments to obtain the raw 1980 ratio. The raw, unadjusted 1980 ratio would be adjusted to compensate for general classification assessment adjustments made by the assessor in 1981 and in 1982 to obtain the adjusted 1980 sales ratio.

The second year is from April 1, 1981 through March 31, 1982. Sales from that period will be compared with the 1981 assessments to obtain the raw 1981 ratios. The raw unadjusted 1981 ratio would be adjusted to compensate for general classification adjustments made by the assessor in 1982 to obtain the adjusted 1981 sales ratio.

The beginning ratio to be reported on form L-4018 is obtained by a simple average of the 1980 adjusted sales ratio and the 1981 adjusted sales ratio. The sum of the adjusted 1980 ratio plus the adjusted 1981 ratio is divided by 2 to obtain the average adjusted ratio.

Form L-4017 has been revised to facilitate the calculation of adjustment modifiers and adjusted sales ratios. The adjustment calculations are especially critical for 1982 equalization studies for the 1983 tax year because significant adjustments may have been made because of truth in assessing (1981 PA 213).

In order to claim the benefits of adjustments as reported on form L-4022 and L-4023, the assessing officer shall submit form L-4021 to the county equalization director, subject to audit.

Sales for the purpose of calculating the Economic Condition Factor (ECF) shall be distributed as uniformly as possible throughout the period of April 1, 1980, through March 31, 1982.

These procedures are to be substituted for the 3 year sales study described in Chapter 16 of the Assessor's Manual.

These procedures are to be substituted for the 2 calendar year ECF study described in Chapter 14 of the Assessor's Manual.

Land values for appraisal studies are also to be based on sales distributed as uniformly as possible throughout the period of April 1, 1980 through March 31, 1982.

Other procedures contained in Chapters 14 and 16 of the Assessor's Manual are not changed by this standard.

Optional Additional Sales Ratio Study Based on 12 Months of 1982.

An assessing officer who has determined that the 1982 assessments compared with the sales transacted during 1982 would provide a higher assessment ratio may request the use of that ratio. The steps needed to use the 12 months study from the current calendar year (1982) are these:

1. The county equalization director completes the standard 2 year study and provides the results to each assessor.

2. The assessor compares the sales transacted during January, February, and March, of 1982, with the 1981 assessments of those properties. The 1981 assessments may be individually adjusted to recognize the overall average adjustment which was made by the assessor for that classification on the 1982 assessment roll. The sales in April of 1982 and later are compared with the 1982 assessments directly.

3. If the 1982 sales do not indicate a higher ratio than the standard study, there would be no purpose for completing the 12 month additional study.

4. If the 1982 sales indicate a substantially higher ratio than the standard study ratio, the assessor may complete and submit the additional study for the entire 12 months of 1982 to the county equalization director and request that the county equalization director review it and accept it as the beginning ratio study for the 1983 equalization.

Timetable for Completing Studies and Reporting Results.

1. Transactions. Transactions shall be used from the periods of April 1, 1980 through March 31, 1981, and from April 1, 1981 through March 31, 1982.

2. Recordings. The transactions from the standard periods shall be used if recorded or otherwise made known before July 1 of the year of the equalization study.

3. Verification. Verification of sales information may include use of the real property statement provided for by the General Property Tax Act. Verification shall be completed by October 1 of each year. In the case of exceptional difficulty in verifying or obtaining valid sales prices, and with the knowledge of the assessors who are potentially affected, verification may continue until a valid basis for the sales ratio has been obtained.

4. Report to Assessor. The results of the equalization studies shall be completed and reported to the assessors for each township and city by December 1, of each year.

5. Report to State Tax Commission. The results of the equalization studies shall be reported to the state tax commission by December 31 of each year. The format shall be on form L-4018 with the supporting documentation attached. Earlier reporting would permit the commission staff more time to review the details of the studies and report errors to the county department.

6. Optional 12 Month Study. The optional additional sales ratio study based on the 12 months of 1982 for any township or city shall be reported to the state tax commission by February 1, 1983, after it has been reviewed and approved by the county equalization director.

Note: Substitutes for House Bills No. 4095, 4097, and 4608 are moving toward passage. Those bills would require earlier completion of equalization surveys and would require reports to the assessment units by December 1.

Transition from Calendar Year Studies to April 1 through March 31 Studies.

The changes which affect existing information on record with equalization departments are these:

1. Sales from January 1, 1980 through March 31, 1980 are to be discarded from the active sales record.

2. Sales from April 1, 1980 through December 31, 1980 have already been compared with 1980 assessments. These are to be retained as the first three quarters of information comparing the 1980 assessments.

3. Sales from January 1, 1981 through March 31, 1981 have been listed with 1981 assessments. Retain the sales and obtain the 1980 assessments for those properties. The January 1, 1981 through March 31, 1981 sales compared with 1980 assessments provides the fourth quarter of information comparing the 1980 assessments.

4. Sales from April 1, 1981 through December 31, 1981 have already been compared with 1981 assessments. These are to be retained as the first three quarters of information comparing the 1981 assessments.

5. Sales from January 1, 1982 through March 31, 1982 are to be compared with 1981 assessments. The January 1, 1982 through March 31, 1982 sales provide the fourth quarter of information comparing the 1981 assessments.

6. Sales from April 1, 1982 may be monitored throughout 1982 to determine whether a 12 month sales study would be appropriate as an additional study.

L-4017
(Rev. 6/82)

1982 EQUALIZATION STUDY
SALES RATIO ADJUSTMENTS

(Use with assessment/sales ratio study to determine Ratio and True Cash Value to be entered on form L-4018 and on line ___01 of the 1983 form L-4023.)

County _____ City/Township _____

Property Classification: (Agr., Comm., etc., or) _____
(100, 400, etc.)

Assessed Valuation After Adjustment / Assessed Valuation Before Adjustment		1980 to 1981 Adjustment Modifier	1981 to 1982 Adjustment Modifier
1980 to 1981 (From 1981 L-4023)			
Line ___05 / Line ___03	=	_____ (A)	
1981 to 1982 (From 1982 L-4023)			
Line ___05 / Line ___03	=		_____ (B)

Adjustment Modifier Period	(A) Adjustment Modifier 1980 to 1981		(B) Adjustment Modifier 1981 to 1982		1982 Adjustment Modifiers
1980 to 1982	_____	X	_____	=	_____ (A) X (B)
1981 to 1982			_____	=	_____ (B)

Year of Assessment	Number of Sales	Total Assessed Valuation For Sales		Total Prices for Sales		Unadjusted Ratio %		1982 Adjustment Modifier		Adjusted Ratio %
1980	_____	_____	÷	_____	=	_____	X	_____ (A) X (B)	=	_____
1981	_____	_____	÷	_____	=	_____	X	_____ (B)	=	_____
								TOTAL	=	_____

Total of Adjusted Ratios _____ / 2 = _____ Average Adjusted Ratio

1980 March Board of Review valuations are compared with sales transacted during the last 9 months of 1980 and also those transacted in the first 3 months of 1981.

1981 March Board of Review valuations are compared with sales transacted during the last 9 months of 1981 and also those transacted in the first 3 months of 1982.