

REPRINT FROM STC BULLETIN NO. 18 OF 1995

- 5) **Capped Value Formula: Additions and Losses (Please note that Additions and Losses for the Capped Value formula and for any "Headlee" and Truth in Taxation millage rollback calculations are different from New and Loss for Equalization purposes, i.e., their use on L-4021, L-4022, L-4023)**

As stated on page 2 of this bulletin, the 1996 Capped Value formula is as follows:

Capped Value = (Prior Year's Taxable Value - Losses) X (the lowest of 1.05 or the Inflation Rate or the Value Change Multiplier) + Additions.

Starting in 1996, many Additions and Losses (used in the Capped Value, "Headlee", and Truth in Taxation calculations) will not be calculated the way they were in 1995. In 1995, the amount of the Additions and Losses used in the Capped Value formula was typically 50% of the true cash value of the item causing the Addition or Loss. (See STC Bulletin #3 of 1995).

Starting in 1996, SOME Additions and Losses will continue to be 50% of the true cash value of the items causing the Addition or Loss, BUT MANY WILL BE LESS THAN 50%.

You are advised to carefully study pages 6 to 13 of STC Bulletin No. 3 of 1995. There are 8 categories of Additions listed on those pages and 4 categories of Losses.

Of the 8 categories of Additions, only the formulas for New Construction, certain Previously Exempt Properties, and Public Services call for 50% of the true cash value of the item.

The formulas for the remaining types of Additions all could result in an amount which is less than 50% of the true cash value of the item causing the Addition. Please see the table below.

Additions

<u>Must be 50% of True Cash Value</u>	<u>Could be Less than 50% of True Cash Value</u>
1) New Construction	1) Omitted Real Property
2) Previously Exempt Property OTHER THAN Poverty Exemptions and IFT New Facility Exemptions	2) Omitted Personal Property
	3) Properties Which Had a Poverty Exemption or IFT New Facility Exemption in the Previous Year
3) Public Services	4) Replacement Construction
	5) Remediation of Environmental Contamination
	6) Increase in Occupancy Rate

All of the categories of Losses found on pages 11 and 12 of STC Bulletin No. 3 of 1995 have formulas which call for multiplying the true cash value of the item causing the Loss by a ratio which could be less than 50%. There are four categories of Losses.

As discussed under paragraph #4 above, Additions and Losses (used for Capped Value, Truth in Taxation and "Headlee" calculations and reported on form L-4025) are frequently not the same as New and Loss (used in the equalization process and reported on forms L-4021 and L-4022).

There are 2 pertinent differences between "New" and "Loss" used in the Equalization process and "Additions and Losses" used in the Capped Value, "Headlee" and Truth in Taxation calculations:

- a) Platting, splits, combinations, and class changes are categorized as equalization New and Loss but are NOT Additions and Losses for Capped Value, "Headlee", and Truth in Taxation calculations
- b) New and Loss for equalization purposes are at 50% of true cash value, assuming the assessing unit gets an equalization factor of 1.0000. Additions and Losses for Capped Value, "Headlee", and Truth in Taxation calculations will frequently be less than 50% of true cash value as explained earlier in this section of the bulletin. (Note that in the year