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DEPARTMENT OF TREASURY  
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**BULLETIN NO. 7 of 2009  
OCTOBER 13, 2009  
EQUALIZATION CALENDAR**

**TO: Equalization Directors and Assessors**

**FROM: State Tax Commission (STC)**

**RE: EQUALIZATION CALENDAR  
EQUALIZATION OF ASSESSMENTS**

This bulletin contains two documents, which discuss the equalization of assessments. One is the 2010 County and State Equalization Calendar. The other is a paper intended to explain the key features of the County and State Equalization process.

The State Tax Commission reminds assessors and equalizers that the importance of the equalization of assessments has NOT been lessened by the passage of Proposal A. It has, instead, become even more important because State Equalized Value is a key element in the determination of Taxable Value.

**2010 COUNTY AND STATE EQUALIZATION CALENDAR**

June 30, 2009	<b>Deadline</b> for County Equalization Director to file <b>Interim Status Report</b> of the ongoing study for the current year.
Nov. 1, 2009	<b>Single Year Sales Studies have been ordered by the State Tax Commission for the Residential Real Classification for all local units. Equalization Directors may request an exception to this order. Single Year Sales Studies may be initiated by the local assessor to the County Equalization Department for all other classes of property. The County Equalization Director shall deliver the studies to the State Tax Commission as soon as possible but not later than this date. Sales occurring between October 1 of the previous year and September 30 prior to tax day shall be used in the single year study.</b> <b>Assessment and Certification Division staff reports to the State Tax Commission (STC) on the progress and quality of 2009 equalization studies</b> (whose purpose is to set the starting base for 2010) for each county on tentative forms L-4030, L-4031, L-4032.

Dec. 1, 2009	<b>Results of equalization studies should be reported</b> to assessors of each Township and City.
Dec. 15, 2009	<b>Deadline to request an exception to the Single Year Study Requirement.</b>
Dec. 31, 2009	<b>Tax day</b> for 2010 property taxes. MCL 211.2(2).
Dec. 31, 2009 is a Holiday Jan. 1, 2010 is a Holiday Jan. 2, 2010 is a Saturday Jan. 3, 2010 is a Sunday Jan. 4, 2010	<b>Due date for filing of county equalization department studies</b> made during 2009 with the STC for all classifications in all units on Form L-4018. [R 209.41]. These studies are used for the 2010 revised starting bases.
Feb. 1, 2010	Assessment and Certification Division <b>staff reports to the State Tax Commission on the progress and quality of 2009 equalization studies</b> (whose purpose is to set the starting base for 2010) for each county on <u>preliminary</u> forms L-4030, L-4031, L-4032.
Feb. 16, 2010 Feb. 15, 2010 is a holiday	<b>Deadline</b> for county equalization director to <b>publish in a newspaper the tentative equalization ratios and estimated SEV multipliers for 2010.</b> MCL 211.34a.
March 1, 2010	The <b>2010 assessment roll shall be completed and certified</b> by the assessor. MCL 211.24. Assessor/Supervisor submits certified roll to Board of Review on March 3, 2010. MCL 211.29(1)
April 7, 2010	<p>The <b>township supervisor or assessor shall deliver completed assessment roll</b>, with BOR certification, to the county equalization director not later than the tenth day after adjournment of the board of review or by April 7 (the Wednesday following the first Monday in April) whichever date occurs first. MCL 211.30(6).</p> <p>Note: An assessor shall file Form L-4021 with the County Equalization Department, and Form L-4022 with the County Equalization Department and the State Tax Commission, immediately following adjournment of the board of review. (STC Administrative Rule: R 209.26(10a), (10b). The form L-4022 <u>must</u> be signed by the assessor.</p>

April 13, 2010	<p><b>County Board of Commissioners meets in equalization session on the Tuesday following the second Monday in April.</b> MCL 209.5(1) and 211.34(1).</p> <p>The equalization director <b>files a tabular statement of the county equalization adopted by the County Board of Commissioners</b> on the Form L-4024 prescribed and furnished by the STC, immediately after adoption.</p> <p><b>County equalization shall be completed and official report (Form L-4024) filed with STC prior to May 5, 2010.</b> The Assessment and Certification Division staff makes a <u>final</u> report to the State Tax Commission on Forms L-4030, L-4031, L-4032 immediately after the adoption of the 2010 equalization report by the County Board of Commissioners.</p>
April 19, 2010	<p><b>Equalization director files separate Form L-4023</b> for each unit in the county with the STC no later than the third Monday in April. STC Rule 209.41(8) MCL 211.150(4).</p>
May 3, 2010	<p><b>Deadline for filing official County Board of Commissioners report of county equalization (L-4024) with STC.</b> MCL 209.5(2).</p> <p><b>Appeal from county equalization to Michigan Tax Tribunal</b> must be filed within 35 days after the adoption of the county equalization report by the County Board of Commissioners. MCL 205.735(3).</p>
May 10, 2010	<p><b>Preliminary state equalization valuation recommendations</b> presented by the Assessment and Certification Division staff to the State Tax Commission. MCL 209.2.</p>
May 24, 2010	<p>State Equalization Proceeding - <b>Final State Equalization</b> order is issued by STC. MCL 209.4.</p>

## THE EQUALIZATION OF ASSESSED VALUES

**Note:** This paper is intended to be an aid in understanding the equalization process. It is NOT a technical statement of policies and procedures.

1979 P.A. 114 requires separate equalization of the total of each of the six classifications of real property and for the total of personal property, beginning with the 1981 equalization. Equalization by classification for real property does NOT mean that assessing officers must no longer maintain uniformity within and between all the classifications of property, real and personal, in each city or township. Assessments of all property are required to be at 50% of True Cash Value. True Cash Value is defined by Michigan Compiled Laws 211.27.

### **Equalization Process for 2010:**

1. Prior to December 31, 2009, the county equalization department of each county is required to study the assessments in each separately equalized classification of property in each township and city. The results of these equalization studies are given to each assessor and to the State Tax Commission by December 31, 2009.
2. December 31, 2009 is tax day for 2010 assessments and is the date on which the assessable status of property is determined.
3. By the third Monday in February, (Feb. 16, 2010, February 15 is a holiday), the equalization director is required to publish the assessment level percentages and the tentative state equalized valuation multipliers separately for each of six classes of real property and the total of personal property for each township and city.
4. By March 1, 2010, the assessor of each township or city must have completed the 2010 assessment roll and determined a uniform valuation for each item of assessable property. (Statute requires 50% assessment.)
5. Between March 8, 2010 and April 5, 2010, the board of review in each township and city hears appeals from property owners and may correct errors or approve individual appeals if the change is supported by adequate factual information.
6. Between April 7, 2010 and the May 1, 2010, county boards of commissioners are required by law to review the assessment rolls of all units and either approve the totals of the assessments for the six classifications of real property and the total of personal property assessed valuations of each unit or add to or deduct from those classifications of property which are not representative of 50% of true cash value.
7. On May 10, 2010, the State Tax Commission issues a tabular statement containing the totals for each of the six classifications of real property and the total personal property which it has determined to be the preliminary equalized valuation for each county for 2010. The statement is mailed to the county clerk. During the time between preliminary and final state equalization, the State Tax Commission hears complaints about the preliminary valuations.

8. On May 24, 2010 the State Tax Commission issues the final state equalized valuations for the totals of six classifications of real property and the total of personal property for each of the 83 counties. A statement showing the results of state equalization is mailed to each county treasurer.

The state equalized valuation of an individual parcel of real property results from a calculation based on the actions of the three equalization bodies: the local assessor and board of review; the county board of commissioners; and the state tax commission acting as the state board of equalization. It is the function of the assessor to establish and maintain uniformity between individual parcels of property in the township or city. It is the function of the county equalization department to establish and maintain uniformity between classifications and between townships and cities in the county by estimating the total value of each classification in each township and city. It is the function of the State Tax Commission to establish and maintain uniformity between classifications for counties by establishing the value of the total of each classification in each county.

**The formula for the state equalized valuation multiplier is:** the state equalized valuation (SEV) of the classification of real property for the township (or city) divided by the assessed valuation of the class of real property for the township (or city) equals the S.E.V. multiplier for that classification. The assessed valuation of one parcel of property classified residential (for example, \$20,000) multiplied by the S.E.V. multiplier for residential (for example, 1.2500) produces the 2010 S.E.V. (For example, \$25,000) for that parcel for that classification. The S.E.V. is entered on the tax roll and tax bill.

If assessment rolls are accepted by the county board of commissioners as being at the 50% level for the residential classification of property, and if the total equalized valuation for residential real property for the entire county adopted by the board of county commissioners is accepted by the state tax commission as being at 50% of True Cash Value, the assessments of residential real property within that assessment unit would be equal to the state equalized valuations for residential: or in other words, the S.E.V. multiplier would equal 1.0000.

Because of the timing of the study to determine a revised equalization base as required from each county, every assessor has the opportunity to adjust the level of assessment (for example, from 40% to 50%) so as to avoid the necessity of applying an S.E.V. multiplier to the assessments. The study is required to be submitted to the State Tax Commission by December 31, 2009 (January 4, 2010 since both December 31, 2010 and January 1, 2010 are holidays and January 2 and 3 fall on the weekend) and its results are published by mid-February, 2010.

### **Calculation Examples:**

In Township A, the county equalization department's study finds that residential real property was assessed for \$40,000,000 and that the true cash value amounted to \$100,000,000. This indicates a residential real property assessment level of 40.00%. The tentative S.E.V. (on half of true cash value) multiplier would be  $\$50,000,000/\$40,000,000$  or a 1.2500 multiplier for the residential classification.

The assessor for Township A does not adjust the assessment percentage level, but adds \$4,000,000 of NEW assessments to residential real property. This would not change the assessment level from 40%, and the true cash value would be \$110,000,000, and the correct equalized valuation would be \$55,000,000 for residential real property. ( $\$44,000,000 \times 1.2500 = \$55,000,000$  S.E.V.).

In most counties, the equalization department would recommend that the 2010 equalized valuation of residential real property be equal to \$55,000,000 and the board of county commissioners would adopt the recommendation. Then if the State Tax Commission accepted the valuation adopted by the county for the total residential real property in the county, the state equalized valuation of Township A's residential real property would be \$55,000,000 resulting in a S.E.V. multiplier of 1.2500 ( $\$55,000,000$  S.E.V. /  $\$44,000,000$  A.V.) for the residential classification of real property.

Assume the total residential real property equalized valuations for all units as adopted by the county was \$200,000,000. If in Township A with \$44,000,000 of assessed residential real property, the county **did NOT** add the required \$11,000,000 necessary to equal 50% of true cash value required for the residential classification and throughout the county there was a similar undervaluation by local units and the county board of commissioners for that classification; in state equalization, this County would be assigned a residential real property state equalized valuation of \$250,000,000. Township A had been assigned 22% of the total residential real equalized valuation in the county by the board of commissioners ( $\$44,000,000 / \$200,000,000$ ). Therefore, the state equalized valuation of residential for Township A would become 22% of \$250,000,000 or \$55,000,000. As in the prior example the S.E.V. multiplier produced is 1.2500. (Crosscheck:  $\$44,000,000 \times 1.25 = \$55,000,000$ ).

The example throughout this paper is for the residential real property classification of property, but the equalization procedures are exactly the same for the five other classes of real property. Personal property equalization differs in that all of the personal property classifications are combined and are assigned a single total equalized valuation for the total of the assessments, for all the personal property.

### **Appeals:**

There are appeals from the actions described in items number 4, 5, and 6 which may be filed with the Michigan Tax Tribunal. Appeals of property classified as commercial real, industrial real, developmental real, commercial personal, industrial personal or utility personal must be made by filing a written petition with the Michigan Tax Tribunal on or before May 31 of the tax year involved. Appeals of property classified as residential real, agricultural real, timber-cutover real must be made by filing a written petition with the Michigan Tax Tribunal on or before July 31 of the tax year involved.

**May 26, 2009 STC Adopted Policy on Sales Studies and Timeframes:**

At its meeting on May 26, 2009, the State Tax Commission adopted the following:

1. Effective immediately (beginning with 2009 studies for the starting base for 2010 Equalization), equalization study dates are changed as follows:

Two Year Study: October 1, two years prior through September 30, current year  
Single Year Study: October 1, preceding year through September 30, current year

For 2009 studies for 2010 equalization the dates are as follows:

Two Year Study: October 1, 2007 through September 30, 2009  
Single Year Study: October 1, 2008 through September 30, 2009

Note that the time period revisions apply to all equalization studies, that is: sales ratio studies, land value studies and economic condition factor studies for appraisals.

Also note that the revised time period for two year studies applies to all real property classifications.

At its meeting on May 11, 2009 the State Tax Commission adopted the following:

1. In addition to the two year equalization study, the Commission orders the use of single year sales studies for 2010 for the residential class for all local units. County Equalization Directors on behalf of their local units may request an exception to this order. In order to request an exception, Equalization Directors must present compelling evidence to support the use of a two year study. Requests for an exception should be directed to Kelli Sobel, Executive Secretary State Tax Commission, P.O. Box 30471, Lansing, MI 48909 or via email at [sobelk2@michigan.gov](mailto:sobelk2@michigan.gov).
2. The Commission authorizes the use of a single year study in the first year of an increasing market, only if a single year study was used in the immediately preceding year to measure a decrease in value.

The following information pertains to the processing Form 2804 (L-4047) for the single year sales study and Form 2793 (L-4017) for the two year sales study.

For the single year sales ratio study, the math remains the same as last year:

- The immediately preceding year's assessments for the first six month's sales are adjusted by an adjustment modifier.
- The current year's assessments for the last six months are not adjusted (or adjusted by a multiplier of 1.0000).
- The total of the assessments as adjusted for all 12 months is divided by the total of the sale prices for all 12 months to determine the ratio.

For the two year sales ratio study, the math has changed, but in each case, sales from the following date ranges are compared to the same assessments as before:

- Assessments from two years ago as adjusted by an adjustment modifier are compared to the first six month's sales prices to determine a ratio
- Assessments from last year as adjusted by another adjustment modifier are compared to the next twelve month's sales prices to determine a second ratio.
- The current year's assessments are not adjusted and are compared to the last six month's sales prices to determine a third ratio.
- The first and third ratios are each weighted by a multiplier of .25, and the second ratio is weighted by a multiplier of .50.
- The weighted ratios are added together to determine the final ratio.

The final ratio from either sales study is posted to Form 603 (L-4018).

For the two year sales ratio study, if there is an inadequate number of sales to determine a reliable ratio for any of the three time periods, then that study must not be used.

For the single year sales ratio study, if there are an inadequate number of sales in either six month period, the single year sales ratio study still may be used, if and only if, there is an adequate total number of sales to determine a reliable ratio. Recall that the single year sales ratio study divides the total of adjusted assessments to the total of sale prices to determine a single ratio. For the residential class, an exception can be requested due to inadequate number of sales.

Please note that due to the methods of processing ratios, it is possible to have adequate sales for a single year sales ratio study, and have the same set of sales be inadequate for a two year sales ratio study.