STATE ASSESSORS BOARD OPEN-BOOK EXERCISE **10/2006**

Appraisal Principles

1. In order for a property to have value it must have: (PAAA, Chapter 3)

   a. Fee simple title
   b. Utility, scarcity, and desirability
   c. Scarcity and desirability
   d. Usability and conformance

Appraisal Principles

2. ______________________ is the right of government to regulate property to protect the public health, safety and welfare. (PAAA, Chapter 4)

   a. Taxation
   b. Escheats
   c. Eminent domain
   d. Police power

Appraisal Principles

3. The principle of __________________ is the basis of all three approaches to value. (PAAA, Chapter 4)

   a. Competition
   b. Anticipation
   c. Regression
   d. Substitution

Assessment Administration

4. What is the purpose of a tax map? (AM, Chapter 2)

   a. Provide directions to the location to pay taxes
   b. Show the values of properties within an assessing unit
   c. Show the location of all properties within an assessing unit
   d. Show the roadways within an assessing unit

<u>Assessment Administration</u>

5. The property tax administration process is required by which one of the following? (STC Bulletin 3 of 2006)

    a. Michigan Compiled Laws
    b. The Headlee Amendment
    c. State Tax Commission requirements
    d. Constitution of the State of Michigan

<u>Assessment Administration</u>

6. What item is necessary for each parcel of real property? (AM, Chapter 7)

    a. An address
    b. Road frontage
    c. A parcel record card
    d. Photograph of property

<u>Assessment Administration</u>

7. What practice should be completed immediately following the creation of the tax roll each year? (GK)

    a. Compare the value totals of the assessment roll to the tax roll
    b. Turn the assessing unit values into the State Tax Commission
    c. Give the collecting treasurer a list of March Board of Review changes
    d. Count the number of exempt parcels

<u>Assessment Administration</u>

8. It is important to apply the July Board of Review adjustments to the assessment roll to: (GK)

    a. Print the summer tax bills correctly
    b. Provide taxpayer satisfaction
    c. Keep the assessment and tax rolls in balance
    d. Provide the Board of Review with something to do

<u>Board of Review</u>

9. Requests for poverty exemptions may be taken to the: (STC Bulletin 2, 2006)

   a. March, July, or December Board of Review
   b. March Board of review only
   c. July or December Board of Review only
   d. Circuit Court

<u>Board of Review</u>

10. When is the first meeting of the Board of Review? (MCL 211.29)

   a. First Monday in March
   b. Third Monday in March
   c. Tuesday following the first Monday in March
   d. Tuesday following the second Monday in March

<u>Classification</u>

11. If the total usage of a parcel includes more than 1 classification, the assessor shall determine the classification that: GPTA 211.34c (5) (MCL 211.34c)

   a. Represents how the owner makes a living
   b. Most influences the total valuation
   c. Results in the highest property value
   d. Represents the zoning where the property is located

<u>Classification</u>

12. Drain rights-of-way are assessed as: (AM, Chapter 2)

   a. Agricultural land
   b. Exempt from assessment
   c. Leased land to the Drain Commission
   d. A reduced rate of $1 per acre

<u>Classification</u>

13. Which of the following is not assessed as personal property? (MCL 211.2a)

   a. A mobile home
   b. A backhoe for rent
   c. A computer within a restaurant
   d. Tables and chairs at a Masonic Temple

<u>Economic Condition Factor (ECF)</u>

14. Economic condition factors are used to: (AM, Chapter 14)

a. Annually determine age of buildings
b. Adjust cost manual to local market conditions
c. Calculate the sales ratios
d. Determine the class of real property

<u>Economic Condition Factor (ECF)</u>

15. What would be one way to sort properties to create an ECF neighborhood? (AM, Chapter 14)

a. By the type of land
b. By the number of structures on the parcel
c. Whether there was a garage or not
d. By location within jurisdiction

<u>Economic Condition Factor (ECF)</u>

16. An economic condition factor (ECF) is best described as a factor applied to:

a. Land and building most often by property class
b. All buildings most often by property class
c. Land by market area
d. Buildings by market area and use

<u>New, Loss, Adjustments, and Headlee</u>

17. What is the definition of an “addition”? (MCL 211.34d)

a. Improvements on property not previously assessed
b. Only new construction that occurred in prior year
c. Value that has been determined by the equalization department
d. Increase resulting from application of a multiplier to last year

<u>New, Loss, Adjustments, and Headlee</u>

18. What is the definition of "losses" value? (MCL 211.34d)

a. Value of property removed from the roll
b. Decrease in value due to rezoning
c. Value that has been determined by the equalization department
d. Value that is a result of a multiplier being applied to last year

<u>New, Loss, Adjustments, and Headlee</u>

19. According to the Michigan Supreme Court, increases in value due to increases in occupancy are: (STC Bulletin 4 of 2006)

    a. Headlee additions
    b. Not considered Headlee additions
    c. Plus adjustments
    d. Minus Adjustments

<u>New, Loss, Adjustments, and Headlee</u>

20. A property with an assessment of $75,000 and a taxable value of $65,000 has a 576 square foot detached garage. In 2006, the garage is destroyed by fire. The true cash value of the garage was $20,000. What is the correct taxable value of losses for the 2007 assessment roll? ATM 8-17 (NAL) (1972 AM, Chapter 16) (Form 609, L-4025 Instructions) (Form 607, L-4022 Instructions)

    a. $ 8,666
    b. $10,000
    c. $20,000
    d. $ 5,339

<u>New, Loss, Adjustments, and Headlee</u>

21. A barn burned down in 2006 and was not replaced throughout 2006. The 2006 assessed value for this 40-acre parcel was $69,000 and taxable value was $45,000. The value per acre being paid for farmland in this part of the township is $3,000 per acre. What is the assessed loss for the 2007 assessment roll and the equivalent Headlee losses for the 2007 taxable value? *Page 6 STC Bulletin No. 18 of 1995 Part A* (NAL) (1972 AM, Chapter 16) (Form 609, L-4025 Instructions) (Form 607, L-4022 Instructions)

    a. $10,000 assessed loss and $10,000 Headlee losses
    b. $9,000 assessed loss and $5,870 Headlee losses
    c. $8,000 assessed loss and $5,273 Headlee losses
    d. $6,900 assessed loss and $4,500 Headlee losses

<u>Personal Property</u>

22. The agricultural personal property equipment exemption applies to: (MCL 211.9) (Attorney General Opinion #6204 Eaton Farm Bureau v Township of Eaton, 231 MICH APP 622 1998)

    a. Only leasing companies
    b. Only farming operations
    c. Only retail dealers of agricultural equipment
    d. Leasing companies, farming operations, and dealers

<u>Personal Property</u>

23. Assets under Section 179 of the IRS code: (AM, Chapter 15)

    a. Should be reported as assessable personal property
    b. Are expensed in the year of acquisition, therefore non-assessable
    c. Should only be reported if they meet the company's capitalization threshold
    d. Are assessable if capitalized on a depreciation schedule

<u>Preparation of the Assessment Roll</u>

24. Normal repairs, replacement and maintenance exemptions for a property: STC Bulletin 17 of 1995 (MCL 211.27)

    a. Are taxable property and must be added to the assessment roll
    b. Are exempt for a period of 5 years or until the property transfers
    c. Results in the before and after valuation difference being noted on the assessment roll
    d. Results in the cost of the repairs, replacement or maintenance being noted on the assessment roll

<u>Preparation of the Assessment Roll</u>

25. Mass appraisal software: (GK)

    a. Provides a reasonable valuation on which to base the assessment
    b. Is a valuable tool for assessors in managing valuation information
    c. Requires minor analysis for the assessor in completing the assessment roll
    d. Is best used when defending Michigan Tax Tribunal appeals

<u>Preparation of the Assessment Roll</u>

26. The tax warrant: (AM, Chapter 1)

    a. Identifies all parcels whose value has changed in the current year
    b. Certifies the collection of taxes for properties in July and December
    c. Is prepared by the local treasurer and balances the taxes collected
    d. Is prepared each February to certify the prior year taxes for settlement

<u>Preparation of the Assessment Roll</u>

27. What is necessary in order to create an accurate assessment roll? (AM, Chapters 2 and 7)

    a. A knowledge of the history of the assessing unit
    b. A complete inventory of property within the assessing jurisdiction
    c. A new laser measuring device and digital camera
    d. A knowledge of the parcel count and number of parcels in each class

<u>Principal Residence Exemption</u>

28. Principal residence exemptions are allowed for: (PRE Guide)

    a. Any property owned by a Michigan resident
    b. Residential poverty exemptions
    c. Any resident within the State of Michigan
    d. Property occupied and owned by a Michigan resident

<u>Principal Residence Exemption</u>

29. The deadline for filing a principal residence affidavit for exemption from the 18-mill school operating tax with the local assessor is: (STC Bulletin 10 of 2005)

    a. February 20
    b. May 1
    c. June 30
    d. December 31

<u>Principal Residence Exemption</u>

30. A property is owned by Roger Dodger, his brother Artful Dodger, and their sister Susan Slippery as joint tenants. Artful and Roger both build houses on the property and use the houses as their primary residence. Susan lives out of state. Artful and Roger both file principal residence exemption (PRE) affidavits. What PRE percentage should be applied to the property? (PRE Guide)

    a. 67%, because only 2 of the 3 owners of the property use it as their primary residence
    b. 100%, because the land and both houses are being used as primary residences by the property owners
    c. 33%, because only 1 PRE exemption is allowed on a property
    d. 0%, because it is a multiple use property and does not qualify for a primary residence exemption

<u>Property Tax Law</u>

31. What determines which information is required to be printed on an assessment roll? (MCL 211.34)

    a. Assessor's preference
    b. Equalization director
    c. Property tax law
    d. How much space you have on the page

<u>Property Tax Law</u>

32. Real and personal property located in a renaissance zone: (MCL 211.7ff)

    a. Is exempt from collection of a special assessment levied by the local tax collecting unit in which the property is located
    b. Is exempt from collection of ad valorem property taxes levied for the payment of debt
    c. On which a casino is operated is exempt from the collection of taxes
    d. Is exempt from ad valorem property taxes levied for operating purposes

Qualified Agricultural Exemption

33. Farmer McDonald owns an 80-acre parcel which is farmed with the exception of a house which is not used in the farming operation and is rented to produce additional income to the property. The house is located on two of the 80 acres. The true cash value of the property is $200,000 and the taxable value is $85,000. The true cash value of the rented house is $55,000. What is the correct percentage of qualified agricultural exemption for this property? STC Bulletin 10 of 1995 (STC Bulletin 10 of 2000 QA FAQ)

    a. 100.00%
    b. 42.50%
    c. 2.50%
    d. 72.50%

Qualified Agricultural Exemption

34. What percentage of a parcel's land area must be devoted to agricultural use if it is not classified agricultural to qualify for the farmland exemption from some school operating taxes?

    a. 100%
    b. 50%
    c. More than 50%
    d. At least 25%

Real Property Descriptions

35. An acre contains: (AM Chapter 2)

    a. 43,500 square feet
    b. 52,800 square feet
    c. 44,580 square feet
    d. 43,560 square feet

Real Property Descriptions

36. In a typical section, how many acres are included in a ¼ section? (AM Chapter 2)

    a. 40 acres
    b. 80 acres
    c. 120 acres
    d. 160 acres

<u>Sales Study</u>

37. In order for a sale to be used in a sales study, it must be: (1972 AM, Chapter 16)

    a. Between a buyer and seller
    b. An arm's-length transaction
    c. For at least $1.00
    d. Within the last 30 months

<u>Sales Study</u>

38. When conducting a sales ratio study, you find the ratio of assessment by: (1972 AM, Chapter 16)

    a. Dividing the sales price by the assessed value
    b. Dividing the acres by the sales price
    c. Dividing the assessed value by the sales price
    d. Multiplying the sales price by the assessed value

<u>Taxable Value</u>

39. A church purchases a property to use for a parsonage in 2000 for $150,000 with an assessment of $70,000 and a taxable value of $65,000. In 2005, the church no longer needs the property for a parsonage and rents the property to a family to provide the church with income. When calculating appraisals for 2006 the assessor determines that the true cash value of the former parsonage is $225,000. What are the correct assessed and taxable values for this property for 2006? (NAL)

    a. $0 and $0
    b. $112,500 and $112,500
    c. $112,500 and $75,959
    d. $112,500 and $67,145

Taxable Value

40. A new 2-acre parcel for 2006 was split from a larger, 80-acre parcel that had been farmed up until 2005. The 2-acre parcel was purchased at the end of 2005 by someone unrelated to the farm operation for $35,000. The new parcel will have an assessed value and taxable value for the first time in 2006. The township's land map shows value per tillable acre is $2,500. The land map also shows value for a 2-acre building site in this part of the township as $30,000. The taxable value for the original 80-acre parcel is $50,000. What is the taxable value for the 2-acre parcel on the 2006 assessment roll? How much are the Headlee additions? (NAL)

    a. $17,500 and $0
    b. $15,000 and $17,500
    c. $30,000 and $15,000
    d. $15,000 and $0

Taxable Value

41. Mr. Jones owns a vacant parcel of land that has an assessed value of $25,000 and a taxable value of $20,000 in the previous year. He has constructed a new home, which the assessor has determined to have a true cash value of $200,000. Land values have increased by 20%. The Department of Treasury has determined that the inflation rate multiplier to be used by assessment administrators is 1.02. What is the taxable value of the property? (NAL)

    a. $130,000
    b. $125,000
    c. $120,400
    d. $127,500

Taxable Value

42. The term "following sales" refers to: (STC Bulletin 19 of 1997)

    a. The study of market trends for real estate sales
    b. The practice of watching the ads for the best deals in food and fashion
    c. Assessing an individual parcel based on 50% of it's sale price
    d. A common practice employed by inexperienced boatmen

<u>Taxable Value</u>

43. Factoring an assessment roll: (GK)

    a. Maintains the same level of uniformity before and after the factoring of the roll
    b. Will tend to over assess vacant land over time
    c. Magnifies non uniformity in the assessment roll
    d. Is an acceptable practice

<u>Three Approaches to Value</u>

44. A manufactured home normally depreciates: (AM RES, Mobile/Manufactured Housing Section)

    a. Faster than a conventionally built home
    b. The same as a conventionally built home
    c. Similar to the homes in its neighborhood
    d. Slower than a conventionally built home

<u>Three Approaches to Value</u>

45. A home designed by an architect and constructed with excellent quality materials and workmanship would normally be a: (AM RES, Introduction)

    a. Class "A"
    b. Class "B"
    c. Class "C"
    d. Class "D"

<u>Uncapping</u>

46. The Smith family parents own a house in Michigan. They were both owners of the property in 1994. Mrs. Smith dies in 2005. Mr. Smith adds their son, John, to the property ownership in 2006 as a joint tenant. Mr. Smith dies in 2010. John Smith sells the house in 2011. What year's assessment roll will have the property uncapped for the first time? (STC Bulletin 16 of 1995 FAQ T of O)

    a. 2007
    b. 2010
    c. 2011
    d. 2012

<u>Uncapping</u>

47. The Jones family parents own a house in Michigan. They placed this property into their Family Trust in 1997. The trust is set up with the parents as present beneficiaries and their 3 adult children as contingent beneficiaries. The parents are both killed in a boat accident in 2004. The children do not live in the house, but put the house on the market for sale. The house does not sell until 2006 when it sells to someone not related to the Jones'. What year's assessment roll will have the property uncapped for the first time? Will there be a principal residence exemption (PRE) allowed? *From page 2 of "Guidelines For The Michigan Homeowner's Principal Residence Exemption Program" written by the Michigan Department of Treasury* (STC Bulletin 16 of 1995 FAQ T of O)

    a. 1997 and Yes
    b. 2005 and No
    c. 2006 and Yes
    d. 2007 and No

<u>Uncapping</u>

48. Proper uncapping of taxable value results in the: STC Bulletin 15 of 1995 (STC Bulletin 16 of 1995 FAQ T of O)

    a. Current year's state equalized value becoming the new taxable value
    b. Prior year's taxable value becomes adjusted upward by 5%
    c. Prior year's taxable value becoming adjusted by the CPI
    d. Current year's taxable value becoming ½ the selling price

<u>Uncapping</u>

49. When it is discovered after the March Board of Review that a transfer of ownership took place: STC Bulletin 8 of 1995 (STC Bulletin 16 of 1995, Memo-STC letter dated August 7, 1996)

    a. Uncapping of the taxable value will take place in the following year
    b. The assessor uncaps the taxable value immediately and notifies the owner
    c. The taxpayer is fined for not informing the assessor of the need to uncap
    d. The assessor appeals to the tax tribunal to uncap the taxable value

Uncapping

50. In 1990, Jack Jones and Mary Jones, husband and wife, purchased a home in Thistown, Michigan, owning as tenants by the entireties. In 1996, Jack dies and Mary immediately adds her daughter, Ruth Smith, to the title of the home, together with herself as a joint tenant. In 2005 Mary dies. In 2006, Ruth adds her husband Peter to the title of the home, together with herself as tenants by the entireties. Shortly thereafter, but still in 2006, Ruth dies. Which of the following statements is correct? (STC Bulletin 8 of 1995 and STC Bulletin 16 of 1995)

    a. A transfer of ownership occurred in 1996 when Mary added her daughter Ruth to the title of the home, as a joint tenant
    b. A transfer of ownership occurred in 2005 when Mary died, leaving Ruth as the sole owner
    c. A transfer of ownership occurred in 2006 when Ruth added Peter to the title of the home as a tenant by the entireties
    d. A transfer of ownership occurred in 2006 when Ruth died, leaving Peter as the sole owner