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Local Unit Reappraisals and Review By Equalization Departments

A county equalization/tax department may add or deduct true cash value on line 7 of Form L-4023 after a reappraisal accepted by the county equalization department (CED). The equalization department must review the assessor's work to ensure the reappraisal is based on supportable market data. Often the Assessment and Certification Division (ACD) receives questions regarding what comprises a reappraisal. The following is a guide.

1. Tax Maps must be current

The steps involved in checking, correcting and arranging the descriptions, and the preparation of tax maps for any assessing district, are as follows:

1. Determine the layers that are available in the local unit's or county's GIS system.
2. Prepare base maps.
3. Transcribe assessment roll.
4. Plot and check descriptions.
5. Correct erroneous descriptions.
6. Prepare condensed legal descriptions.
7. Arrange descriptions geographically.
8. Assign each parcel an identification number.
9. Enter parcel number on tax map.
10. Prepare inked tracing of maps or use newer technology.

The essential factors of a tax map are:

1. Location and name of all streets, roads, alleys, lakes, railroads and other outstanding physical features.
2. The location of lot lines or property lines, or both; the dimensions, bearings and acreage where required.
3. Lot numbers, block numbers and parcel number by means of which each parcel as assessed may be identified.

Other information which may be entered on the tax map includes, but is not limited to:

1. Ward or assessment district boundaries.
2. Names of public buildings, parks, churches and other exempt properties.

Most recent professional tax mapping projects have used a scale of 100 feet to the inch in urban or dense resort areas and 400 feet to the inch elsewhere. Frequently, base maps are available that are accurate, but out-of-date. This defect can be corrected, but an inaccurate map, or one drawn to too small a scale for the purpose intended, will never be completely satisfactory. In such cases a new base map should be prepared.

Tax maps are kept up-to-date as follows:

When a parcel is subdivided or split into two or more parcels in the current year, the new property lines and parcel identifications number are inserted on the map. When two or more parcels are combined into one, the change is indicated by means of "hooks" rather than by erasing the property lines. The parcel number may be crossed out and the new one entered. Similarly, when a portion of one parcel is added to an adjoining parcel, the new property line is inserted and the new description indicated by means of "hooks."

2. Land Value Maps and Land Value Analyses must be constructed using data from the same time period as the 24-month (or 12-month) sales study.

If an insufficient number of sales occurred in the 24-month period to adequately measure land values, then sales that occurred outside the 24-month period may be used, but only after applying any indicated adjustment for market conditions (time), thereby adjusting the sale price to the midpoint (in terms of value) of the 24-month period.

Land value maps are maps on which are recorded the front foot, site, or square foot value of platted property and the square foot or per acre value of acreage property. These are the values that are applied to appraisals. The best set of land value maps will also display, for sales, the indicated market price per unit. As space permits, the sale data posted to the maps often includes price, date, and number of units. The land value map should cover an area large enough in size so as to permit a comparison of unit values of similar areas. The outline of blocks only in recorded plats need be shown, and in most cases a scale smaller than that used for the tax map is feasible. In many assessing units, however, the scale of the tax map will be satisfactory for displaying the land values. It may be helpful to omit the lot lines, parcel numbers, etc. in recorded plats.

Every reappraisal must include an appropriate number of land value analyses. A land value analysis groups together land sales with similar characteristics. Prices are listed along with the parcel number and sale date. The analysis also lists in additional columns (or rows), the possible units of comparison, such as, number of square feet, acres, front feet, and sites. Then, additional columns (or rows) are added showing the price per square foot, price per acre, etc.. Consideration of patterns emerging from the 'prices per unit' allows the appraiser to select an appropriate 'unit of comparison' along with appropriate 'values per unit of comparison'. Generally speaking, the 'value per unit of comparison' selected to apply to the appraisals should be proximal to the weighed average (aggregate mean) of the values per unit of comparison.

A land value grid may be used. The grid serves as a recap of the land value analysis and indicates values per acre, front foot, square foot, or other suitable unit of comparison in each market area. The grid should also show any applicable adjustments to the values per unit. Examples of grids might include acreage value of tillable farmlands, woodlots, marsh or swamps, residential or commercial uses, and so on.

Whether land value maps or grids or both are used, all data used to determine the rates and market areas must be available for inspection by the Assessment and Certification Division, the County Equalization/Tax Department, and the general public. Any data obtained through confidential means (Real Property Statements) must be removed from data supplied to the general public.

Land values must be generally applied as calculated. Any departure must be explained.

3. Economic Condition Factors (ECFs) must be constructed using data from the same time period as the 24-month (or 12-month) sales study

All data used to determine the ECFs and market areas must be available for inspection by the Assessment and Certification Division, the County Equalization/Tax Department, and the general public. Any data obtained through confidential means (Real Property Statements) must be removed from data supplied to the general public.

Generally, ECFs must be applied as calculated. Any departure must be explained.

4. ECF and LAND VALUE IMPORTANCE

The ECF and Land Value (LV) determinations are the foundation blocks a reappraisal is built upon. It is extremely important to strictly adhere to all requirements. Before the equalization department accepts a reappraisal, it must carefully and completely review the local unit's ECF and LV guides and the data used for their development.

5. Complete physical inspection of all properties

The complete physical inspection of all properties includes measuring the perimeters and story heights of all structures, interior inspections when possible, owner or occupant interviews when possible. Properties valued using an income capitalization method require market derived capitalization rates, vacancy rates, market rents, and market expense data.

6. Uniformity

The State Tax Commission recommends all reappraisals be conducted in a single year when possible. If a reappraisal is not implemented throughout the entire unit at the same time, it is still a requirement of statute and the Constitution that all

properties be uniformly assessed. This means that the level of assessment for the area subject to a current year's reappraisal must be the same as the level for the areas of the unit not reappraised for the current year. When a multi-year reappraisal is implemented over more than one year, the equalization department **shall not** recognize the reappraisal using one of the special sales study procedures described in the document titled "*Equalization Study after Reappraisal*".

7. Additional Terms and Requirements

Reassessment or Revaluation is a recalculation of the property record cards and includes studies to update the land values and ECFs. This normally is performed annually and is not justification for the equalization department to add or subtract value from Line 7 of STC Form L-4023 because it is not a Reappraisal as defined in this document. By contrast, A CED may add or deduct true cash value on line 7 of Form L-4023 after a complete reappraisal is accepted by the CED.

Land value studies generally should not be made for each "property classification" as used in MCL 211.34c. Land values should be determined using market data from the standard 24-month time frame used in sales studies for the year. Properly time adjusted sales outside the required time frame may be used when necessary. All supporting documentation and explanation of method used must be supplied along with the land value study. Land values guides/maps should be made to value property according to its highest and best use, not by its classification. Thus, a 10 acre parcel of land classified as Agricultural where its highest and best use is for residential purposes should be valued at the same rate as a similar 10 acre parcel classified as Residential where highest and best use is for residential purposes.

Economic Condition Factor (ECF) studies should be developed using market data from the standard 24-month time frame used in sales studies for the year. Properly time adjusted sales outside the required time frame may be used when necessary. All supporting documentation and explanation of method used must be supplied along with the ECF study.

A Reappraisal must be based on the correct use of a State Tax Commission approved manual. The value indicated by the assessment on the property must be the same as the value indicated on the assessment card.

Notification of planned reappraisals **must** be supplied to the equalization department and the Assessment and Certification Division by June 1. A schedule of planned activities should be supplied allowing the CED and ACD to plan time to review reappraisals. Land value and ECF studies will be supplied to the CED and/or ACD staff for review when completed. On request, the assessor or party to the reappraisal will supply a copy of the reappraisal database and any other relevant records to the CED or ACD. The CED and ACD staff may inspect completed appraisal record cards and field check the cards for accuracy before the completion of the reappraisal.