



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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DATE: June 4, 2009
TO: Assessors and Equalization Directors
FROM: Kelli Sobel, Executive Secretary
State Tax Commission
SUBJECT: Revised Equalization Study Time Periods

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 at P.O. Box 30471 Lansing 48909 or via email at 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.

The information contained in this communication supersedes and replaces all information contained in all prior communications of the State Tax Commission and the Assessment and Certification Division.