

**State Tax Commission Bulletin No. 6 of 1999**  
**January 29, 1999**  
**Recalculation of Taxable Value**

To: Assessors & Equalization Directors  
FROM: State Tax Commission(STC)

**RE: Recalculating Taxable Value for the Assessment Years Which Follow the Years Changed by an Order of the Michigan Tax Tribunal (MTT)**

**TAXABLE VALUE FORMULA**

Section 27a(2) of the General Property Tax Act states that the Taxable Value of each parcel of property for a given year is the LESSER of:

**1. The Capped Value for the year**

Note: Capped Value = (The Prior Year's Taxable Value – Losses) X (The lower of 1.05 or the Inflation Rate) + Additions

**OR**

**2. The State Equalized Value for the year**

**IN THE PAST:**

**In the past**, when the MTT issued an order for a valuation change, it included language in the order which directed the assessor to also recalculate **Taxable Values** for the year(s) following the year(s) specifically included in the order. This was necessary because of the provisions of Section 27a(2) mentioned above

**EXAMPLE:** Assume an MTT order was issued on April 15, 1998 which directed that the 1997 Assessed Value and Taxable Value of a particular property should be changed. In the past, the MTT order also directed the assessor to consider whether the change in the 1997 Taxable Value would also cause the 1998 Taxable Value to change. If so, the assessor was directed to also change the 1998 Taxable Value. This could happen because the first element in the 1998 Capped Value formula is the prior year's Taxable Value which is being changed by the MTT order. Please see the following illustration.

**ILLUSTRATION:**

**1997 1997 1998 1998**

**Assessed Value Taxable Value Assessed Value Taxable Value**

**By BofR By BofR By BofR By BofR**

\$120,000 \$110,000 \$125,000 \$112,970

**1997 1997**

**Assessed Value Taxable Value**

**By MTT By MTT**

\$100,000 \$100,000

In the illustration above, the **1998 Assessed Value** of \$125,000 CANNOT be changed. However, the **1998 Taxable Value** of \$112,970 MUST be recalculated because \$112,970 is calculated based on \$110,000 being the prior year's Taxable Value, not the \$100,000 set by the MTT order. (Assume there were no additions or losses included in the 1998 assessment)

The 1998 Taxable Value would be recalculated as follows:

**1998 Taxable Value is the LESSER of:**

**1) 1998 Capped Value**

OR

**1. 1998 State Equalized Value**

**1998 Capped Value = Prior Year's Taxable Value**

**MINUS Losses X 1998 Inflation**

Multiplier of 1.027 + Addition

= \$100,000 X 1.027

= \$102,700

**1998 State Equalized Value** = \$125,000 (assuming an equalization factor of 1.0000)

The recalculated 1998 Taxable Value is therefore \$102,700 because it is lower than the 1998 SEV of \$125,000.

**IMPORTANT NOTE:** The process of recalculating Taxable Values after an MTT order is issued does not apply to Assessed Value. Therefore, in the example on the previous page, the assessor is not authorized to change the 1998 assessed value of \$125,000 because the example assumes an MTT order date of April 15, 1998 which means that there is no authority to change assessed value because the 1998 March Board of Review has already closed.

It is also important to note that the requirement of recalculating Taxable Value after an MTT order is issued is different from the requirements of section 30c of the General Property Tax Act. Section 30c is discussed on page 15 of STC Bulletin No. 4 of 1998.

**CHANGE IN PROCEDURES:** Up to this point, this bulletin has been discussing procedures which have been in place for the last several years. However, due to a ruling by the Michigan Court of Appeals in *Great Lakes Division of National Steel Corporation v City of Ecorse*, (hereinafter called the Great Lakes Case) there has been a change. The Great Lakes Case states that the MTT does not have the authority to order an "update" in Taxable Value for a year not on appeal to them.

It is therefore necessary that the State Tax Commission use its authority under section 150 of the General Property Tax Act to order assessors to recalculate Taxable Values when it is needed.

## **ORDER OF THE STATE TAX COMMISSION**

Effective immediately, the State Tax Commission directs that, whenever an order for a change in Taxable Value is received by an assessor from the Michigan Tax Tribunal, the assessor shall also recalculate Taxable Values for the year(s) following the year(s) specifically included in the order. This recalculation for the following years shall be based on the Taxable Value ordered by the MTT for the most recent year of the order.

The State Tax Commission has established the following procedures which shall be used by assessors when the recalculation of Taxable Value is required after an MTT order is issued.

1. Upon receiving an MTT order for a change in Taxable Value, the assessor shall immediately recalculate Taxable Value(s) for the year(s) following the most recent year contained in the order.
2. The assessor shall immediately correct the assessment roll(s) and tax roll(s) for the appropriate year(s) by entering the recalculated Taxable Value(s) on the roll(s). The assessor shall also, within 30 days, file an affidavit with the proper officials who are involved with the assessment figures, rate of taxation, or mathematical calculations and all official records shall be corrected. A sample affidavit is included at the end of this bulletin.
3. For each tax year in which the tax roll is corrected, a corrected tax bill shall be issued by the local tax collecting unit if the local tax collecting unit has possession of the tax roll or by the county treasurer if the county has possession of the tax roll.

A property owner may appeal the recalculated Taxable Value to the Michigan Tax Tribunal within 60 days after mailing of the tax bill by the treasurer. This is as provided by the Tax Tribunal Act (MCL 205.735(2).) This section of the law limits an appeal "to correcting arithmetic errors or mistakes and shall not be a basis of appeal as to disputes of valuation of the property, its exempt status, or the equalized value ..."

The change in Taxable Value will result in either a rebate of taxes already paid or a bill for additional taxes due. The State Tax Commission advises that it seems appropriate that the same law (MCL 205.737) which applies to interest rates on Tax Tribunal orders should also apply to recalculated Taxable Values for the years following a Tax Tribunal order.

**Important Note: If an update in Taxable Value required by this bulletin is for the current year and the tax bill has not yet been sent, then the REBATE or the ADDITIONAL TAXES due are treated the same as current year's taxes.**