



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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**Bulletin No. 11 of 2011**  
**Equalization Process**  
**October 31, 2011**

**TO:** All Certified Assessors  
**FROM:** The State Tax Commission  
**SUBJECT:** Equalization Process for 2012

**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 2012:**

1. Prior to December 31, 2011, the Equalization Department of each County is required to study the assessments in each separately equalized classification of property in each Township and City. Equalization studies for real property may be conducted utilizing a Sales Study or an Appraisal Study or a combination of the two. Regardless of the procedure used, the goal remains the same: to determine an assessment to market value ratio which is then used to compute county equalization. There is no defined minimum sales data necessary, but there must be enough to provide a sufficient representative sampling of comparable sales. The results of these equalization studies are given to each assessor and to the State Tax Commission by December 31, 2011.
2. December 31, 2011 is tax day for 2012 assessments and is the date on which the assessable status of property is determined.
3. By the third Monday in February, (Feb. 20, 2012), 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.

Bulletin 11 of 2011  
Equalization  
October 31, 2011

4. By no later than March 5, 2012, the assessor of each Township or City must have completed the 2012 assessment roll and determined a uniform valuation for each item of assessable property. (Statute requires 50% assessment)
5. Between March 12, 2012 and April 2, 2012, 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 2, 2012 and the May 7, 2012, 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 14 2012, 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 2012. 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 29, 2012 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. 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 2012 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 County Board of 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.

Due to 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 January 3, 2012 (December 31, 2011 is a Saturday, January 1, 2012 is a Sunday and January 2 is a holiday) and its results are published by mid-February, 2012.

### **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%, but the true cash value would now 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 2012 equalized valuation of residential real property be equal to \$55,000,000 and the County Board of 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. In this case Township A has 22% of the total residential real equalized valuation as determined by 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 examples throughout this paper are for the residential real property classification, 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

Bulletin 11 of 2011  
Equalization  
October 31, 2011

are assigned a single total equalized valuation for the total of the assessments, for all the personal property.

### **Appeals:**

Appeals from the actions described in items number 4, 5, and 6 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.

### **Sales Studies and Timeframes:**

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 2011 studies for 2012 equalization the dates are as follows:

Two Year Study:      October 1, 2009 through September 30, 2011  
Single Year Study:    October 1, 2010 through September 30, 2011

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.

For the 2012 year, the State Tax Commission has ordered the use of single year sales studies 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, State Tax Commission, P.O. Box 30471, Lansing, MI 48909 or via email at [sobelk2@michigan.gov](mailto:sobelk2@michigan.gov).

The new form 2793 combines both the L-4017 and 4047 form to be used for 2012 Equalization is available on the State Tax Commission website along with instructions on its use.