

Understanding Proposal A of 1994

Proposal A was adopted by the voters of Michigan on March 15, 1994 and it has changed the property tax system significantly. The reliance on local property tax to fund schools was reduced. There is now a six mill levy for the State Education Tax (S.E.T.) levied on all taxable property. The Charlevoix school district voters also approved an additional 18 mills which is levied on all non-homestead properties. The 18 mill levy is subject to the provisions of the Headlee rollback, linked to inflation and increases in the Taxable Value (TV) of the properties in the district. The method of determining the amount of value subject to property tax also was changed.

Homeowners may claim exemption from the local operating millage (18 mills) levied by the school district. The exemption requires the homeowner to own and occupy the homestead. A more precise definition of the terms of the exemption is on the back of the "Homestead Exemption Affidavit" form available from the local assessor (Charlevoix County Equalization Department) or in the City Treasurer's office. Forms are also available on line at the Michigan Department of Treasury website at: www.treas.state.mi.us/formspub/propind.htm

A "Homestead Exemption Update" must be filed with the local assessor if the property is sold. A "Property Transfer Affidavit" form must be filed by the new owner whenever a transfer of real estate takes place. There is a penalty if this is not done within 45 days of the transfer. If the property changes use and is no longer a homestead, the owner must rescind the exemption claim in writing within 90 days. This includes the sale of the property and enables a new homestead exemption to be claimed where you purchase your new home.

Determining the value of the home to tax was also changed by Proposal A. The old system used State Equalized Value (SEV) while the new system uses Taxable Value (TV). Here are definitions for the various values shown on your tax assessment and tax bill:

Assessed valuation: This is 50% of the true cash value of the property as determined by the assessor. This amount appears on the assessment notice.

State Equalized Value: This value is the result of county and state equalization of the assessed valuation after all factors are applied. If the factors are all 1.0000, the assessed value and the SEV are the same.

Taxable Value: This is the valuation the millage will be levied against. It is calculated by starting with last year's taxable value, adding the inflationary increase allowed for the year, deducting the taxable value of any losses, adding the value of any new construction. The taxable value cannot exceed the assessed value. This value is also re-adjusted to the SEV upon sale or transfer of the property.