



## Our Opinion

### What can we do?

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I don't know about the rest of you but the rate at which property values are heading up make me nervous. Last year the values jumped 12 to 14 percent and this year they were about the same. For some properties that is almost a 30 percent increase in two years. I now the politicians keep selling the notion that it doesn't matter how much the assessed values, or true cash values, go up because we only have to pay taxes on the portion labeled taxable value. So far that's true, but as the spread between the state equalized value and the taxable value increases you know the politicians are looking hard at a way to collect that extra money.

We really don't have a lot we can do to control these huge assessment jumps. I know a lot of people are blaming Proposition A for setting a false sense of tax security but really Proposition A has nothing to do with how much your property value goes up. Its based on the buying and selling prices of property in your area. As long as people keep paying sky high prices for property the values are going to keep jumping at unprecedented rates.

There are three separate values on your tax assessments that you should be concerned about. The first is the "True Cash Value" which is actual value of your property. The second value is the "State Equalized Value". This is 1/2 the True Cash Value and is the base line used for taxing your property. The third number is the Taxable Value, which determines the tax you will be paying on your property. The Taxable Value is determined by using your 1994 State Equalized Value and then multiplying it by the Consumer Price Index (CPI) for the past three years. The CPI is being used because, according to Proposition A, we are to use the CPI or 5 percent whichever is lower. And, the CPI has been lower than 5 percent for the past three years. Actually, it has been 2.6, 2.8 and 2.8.

Now its an easy matter to figure out what your taxes will be. Just use your 1994 State Equalized Value, multiply that number by the Consumer Price Index values for the past three years, then multiply that number by the tax rate for your city or township. Walla! you have your taxes for 1997.

So you can see, under Proposal A we are getting a big break in our taxes. If the true cash value of your property went up \$10,000 and the inflation rate is 2.8 percent you only have to worry about paying taxes on the increased value of \$280. Hey, that's not bad.

For now that might not be bad, but when you sell your property the new owner's taxes will be based on the current state equalized value, not the 1994 value, and that could be as much as 15 or 20 percent higher than the present owner. That could be enough to dissuade a sale. More importantly, if you are going to purchase property you are going to take the bite in higher taxes. But, all of this is pretty much a done deal and we have no control over it. But, there is one thing you can do. Go to the board of review and make sure you are being taxed for what you have and not for what the assessor thinks you have. This is your one chance for an input and I think its a good idea to at least take a look.