

Property Taxes Explained

Your property tax is equal to the Taxable Value of your home multiplied by the Total Millage Rate.

$$\text{TAXABLE VALUE} \times \text{TOTAL MILLAGE RATE} = \text{PROPERTY TAX}$$

The property taxes due for the year are divided between a Summer Bill, that is delivered by mail on Jul 1st and a Winter Bill, which is delivered on Dec 1st. When a mortgage is involved, the tax bill is often handled by a mortgage company via escrowed funds.

Taxable Value

The property tax cycle begins with a determination of the assessed value of a parcel, more often referred to as the State Equalized Value (SEV) by the township's assessor. Property taxes are billed "in arrears," which means the taxes billed for a year are based on the value of the property as of Dec 31st of the prior year.

SEV's are set to represent approximately 50% of the true market value of a property. As an example, a house with a market value of \$200,000 would have an assessed value of approximately \$100,000. The SEV is not determined by the purchase price of an individual property but by an average of true purchase costs for a large sample of similar properties.

Township assessors, who may be township employees or independent contractors, require state certification and must continually update and improve their skills through frequent training. Any assessor who willfully assesses a property at more or less than its true value is guilty of a crime

Assessment notices are sent out at the beginning of each year and can be appealed to the Township's Board of Review, a group of three local citizens. The findings of the local assessor are subject to County and State oversight to ensure consistency across different jurisdictions by different assessors. Local elected officials have no authority to set or adjust assessed values.

Before the approval of Proposal A by Michigan voters in 1994, the SEV was the value on which taxes were based. That proposal, however, limited increases, or "capped" the value on which property taxes were based to the rate of inflation or 5%, whichever was less, provided the property was not sold. Upon the sale or transfer of a property, the value is "uncapped" and reset at the SEV.

Proposal A introduced the concept of "taxable value." Even as the assessed values (SEV's) of properties were skyrocketing as a result of a real estate bubble, the goal was to shield taxpayers from excessive increases in their property taxes. A few years ago, it was not uncommon to see taxable values, which could only increase by 5% to be much less than assessed values, which were escalating at a much faster rate for residents who had held property for many years.

The economic downturn of the last several years, however, has brought about a significant decline in property values and reduced or erased the difference between assessed and taxable value for most property taxpayers. Taxable value cannot exceed the assessed value.

Millage Rate

This term refers to the tax rate that is applied to the taxable value. This rate is expressed in “mils.” One mil equals one dollar per thousand dollars of taxable value. If you are doing the math on your calculator, .001 is the decimal equivalent of one mil. The recently renewed Public Safety millage rate for Caledonia Township of 1.5 mils, for example, has the decimal multiplier of .0015. (Move the decimal point three places to the left.)

Example: A property with a taxable value of \$100,000:

$$\$100,000 \times .0015 = \$150.00$$

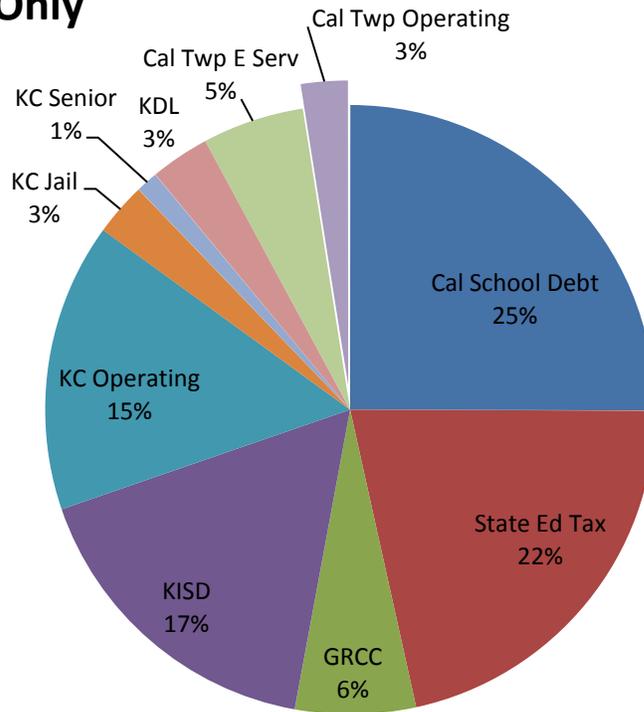
The total millage rate on the tax bill is the sum of various millages that are applied to the taxable value. The schools, Kent County, the Township, the Village as well as a number of other entities have individual millages that are applied either on the Summer levy or the Winter levy. Some of these millages are determined by legislative bodies (Village, Township, County, State), while others have come by way of voter approval (School Debt, Public Safety, Library, Senior, etc). Each individual millage rate, as well as the dollar amount of tax is noted on the tax bill. Caledonia Village taxes are included on the Summer Bill, while Caledonia Township taxes are collected on the Winter Bill.

It is important to note that although tax payments are “Paid to the Order of Caledonia Township,” the money collected for other entities does not benefit the Township and is quickly disbursed out to the various taxing components that are itemized on the bill.

The charts on the following page summarize 2012 total millage breakdowns for both Village and Township property owners whose principal residence is in the Caledonia School District. As is quickly obvious and with the exception of emergency services, only 2-3 cents of each tax dollar collected by the Township is available to fund all other Township governmental activities. The Township’s operating millage rate of .6962 mils is the lowest in Kent County.

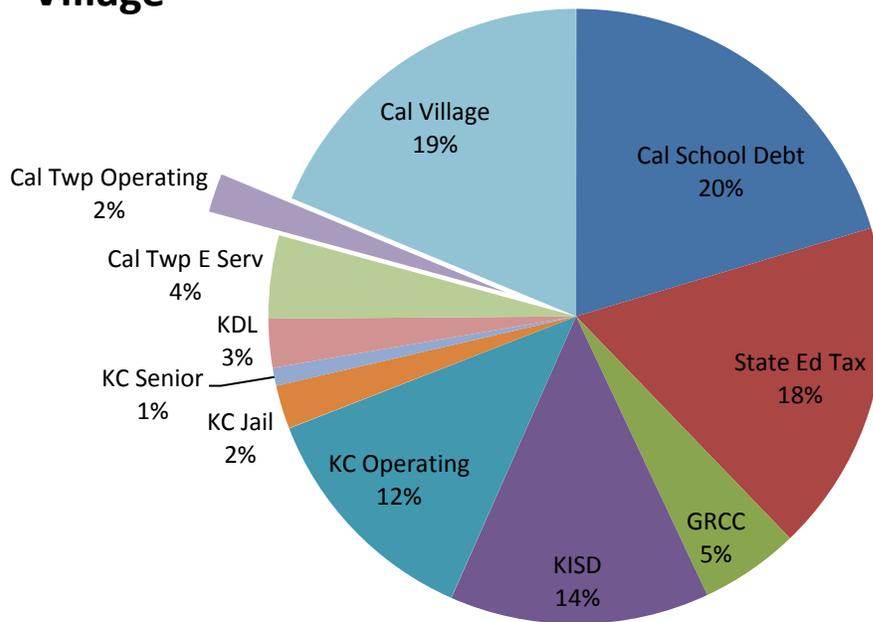
It should be noted that the Caledonia Library Millage does not apply in 2012 as sufficient funds are available from the fund raising campaign to make the 2013 bond payments.

Township Only



27.9470 Mils

Village



34.3910 Mils

Principal Residence Exemption

A principal residence is exempt from the 18 mil Caledonia Schools Operating Tax. This exemption is noted on the tax bill along with a notation as to how much the tax bill is reduced by the exemption.

Other Charges

In addition to the actual tax, the tax bill contains other charges. The "Administration Fee" is the amount that the township collects in order to offset its costs in assessing and tax collection. State law allows a fee of up to 1%. In 2010, Caledonia Township reduced its fee by one-half to .5%.

Many tax bills contain various assessments, which are not taxes. Water, sewer, light districts, county drains are examples of various assessments that may appear on the bills of those taxpayers whose properties are benefited by those services. Assessments are only applied after a deliberative process that includes public notification, public hearings and Township Board action.

Delinquent utility payments may also be placed on the tax roll.