

Understanding Taxable Value in a Declining Market or: “How can my taxes go up when my property value is going down?”

Example – Declining State Equalized Value and Increasing Taxable Value

When a property (or interest in a property) is sold/transferred, the TV in the next year will be changed to equal the SEV. In other words, if you purchase property, your TV the following year will be the same as the SEV. The TV will then be “capped” again in the second year following the transfer of ownership.

Taxable Value (TV) is the lesser of the State Equalized Value (SEV) or Capped Value (CV).

Let’s say that a property was sold in 1995. The property became uncapped and then recapped in 1996. The TV is changed to equal the SEV. The SEV will always increase or decrease as it adjusts to market conditions. The CV cannot go above the inflation rate (CPI) or 5%. The TV is the lower of the SEV or CV, except the year after a sale/transfer. The SEV in this case goes down from 2005-2008. The TV continued to increase by CPI during 2005-2008. The TV will increase every year by the CPI rate unless the SEV value falls below the CV (see ex. #2).

** Annual Taxes in the chart are based on an owner-occupied home in the Kalamazoo School District portion of the city—the 2008 rate is estimated.*

	SEV	Capped Value(CV)	Taxable Value(TV)	Annual Taxes*	CPI
1995	\$100,000	\$97,000	\$97,000	\$4,315	2.60%
1996	\$104,000	\$104,000	\$104,000	\$4,833	2.80%
1997	\$110,000	\$106,912	\$106,912	\$4,947	2.80%
1998	\$116,650	\$109,799	\$109,799	\$5,118	2.70%
1999	\$126,500	\$111,555	\$111,555	\$5,223	1.60%
2000	\$137,500	\$113,675	\$113,675	\$5,322	1.90%
2001	\$145,250	\$117,313	\$117,313	\$5,615	3.20%
2002	\$154,750	\$121,067	\$121,067	\$5,851	3.20%
2003	\$160,000	\$122,883	\$122,883	\$5,815	1.50%
2004	\$165,000	\$125,709	\$125,709	\$6,103	2.30%
2005	\$175,000	\$128,600	\$128,600	\$6,439	2.30%
2006	\$169,804	\$132,844	\$132,844	\$6,834	3.30%
2007	\$165,110	\$137,759	\$137,759	\$7,003	3.70%
2008	\$160,000	\$140,928	\$140,928	\$7,164	2.30%

