

# CLIENT ALERT

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## MICHIGAN PROPERTY TAX APPEALS

by Robert F. Rhoades

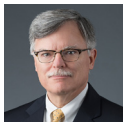
The deadlines for property tax appeals are approaching on May 31 for commercial industrial properties and July 31 for residential properties. Those deadlines have not been extended as a result of the COVID-19 crisis. Assessment notices were sent in late January or February. Concerning how the COVID-19 crisis might affect property tax values, property taxes are based on the valuation date, which is always December 31 of the previous year. For the current 2020 year, the valuation date was 12-31-2019. If the current COVID-19 crisis reduced market values beginning in February and March 2020, those reductions will not be taken into account for the 2020 assessments. The negative impact on some property values may outlive the current crisis, even if it ends by December 31, 2020 (and we all hope that happens!) For others, property value may recover by year's end.

For present purposes, simply compare your best estimate of property market value to the assessment. If the assessment exceeds 50% of market value, then it is too high and can be appealed. The COVID-19 crisis is not the driving issue and neither is the increase or decrease from the prior year. The threshold issue is what you believe the property to be worth as of tax day compared to the value indicated in the assessment notice.

To determine whether an appeal will result in actual tax savings, however, you will also want to consider the effect of a potential appeal on taxable value (TV) as taxes are based on the TV. A reduction in assessed value (SEV) only generates tax savings if it also reduces TV. Absent additions, losses, or a transfer, taxable values are capped and increase each year by an inflation factor. If the property has not been transferred for many years, taxable value can be much lower than assessed value. The 2020 TV is shown on the assessment notice. TV may never exceed the assessment as equalized (SEV), so tax savings are generated when the SEV based on 50% of market value is reduced to an amount lower than the taxable value shown on the assessment notice.

Now is the time to review your assessment notices and determine whether to appeal – please let us know how we can help

### ABOUT THE AUTHOR



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