

Property Values, Tax Rates, and Taxes

Troy City Council Special Meeting | October 3, 2022

Agenda

- Introduction
- Property Values
 - Troy Examples
 - Comparisons
- Property Tax Rates
 - Troy Rates
 - Comparisons
- Property Taxes
 - Troy Examples
 - Comparisons
- Questions & Answers

Introduction

Property Values, Property Tax Rates, and Property Taxes

Introduction

- Understanding property taxes can be difficult because taxpayers pay the same tax rates, but taxable value depends more on when a property was bought, sold, or otherwise transferred than on the fair market value or the usual selling price of property.
- Examples help illustrate the affect of capping and uncapping.

Introduction

Comparison Communities

- Started with 72 cities in Macomb, Oakland, and Wayne counties.
 - Compared 2010 and 2020 taxable value, population, and taxable value per capita.
 - Identified eight cities most similar to Troy.
1. Dearborn
 2. Farmington Hills
 3. Livonia
 4. Novi
 5. Rochester Hills
 6. Royal Oak
 7. Southfield
 8. Sterling Heights

Property Values

Property Values, Property Tax Rates, and Property Taxes

Property Classes

Real

1. Agricultural
2. Commercial
3. Industrial
4. Residential
5. Timber-Cutover
6. Developmental

Personal

- ~~1. Agricultural~~
2. Commercial
3. Industrial
- ~~4. Residential~~
5. Utilities

Total Personal

Property Values

True Cash Value

- The fair market value or the usual selling price of property.

State Equalized Value (SEV)

- One half (1/2) of a property's true cash value.

Property Values

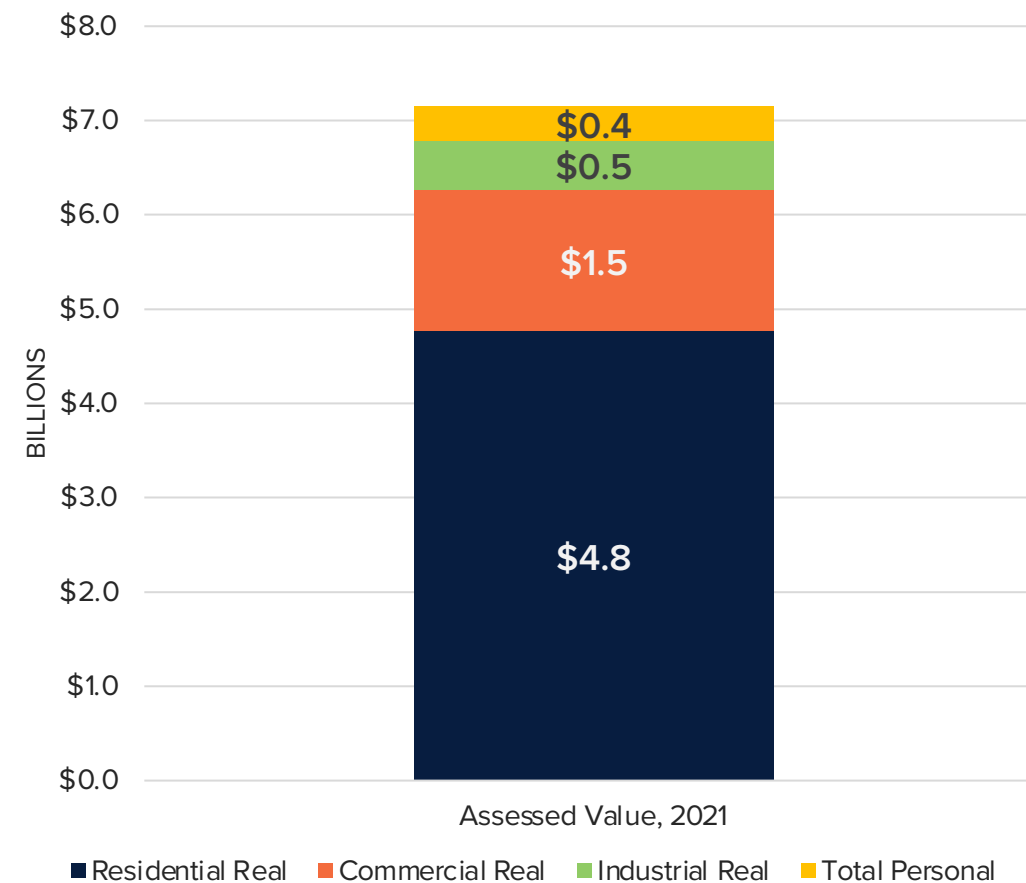
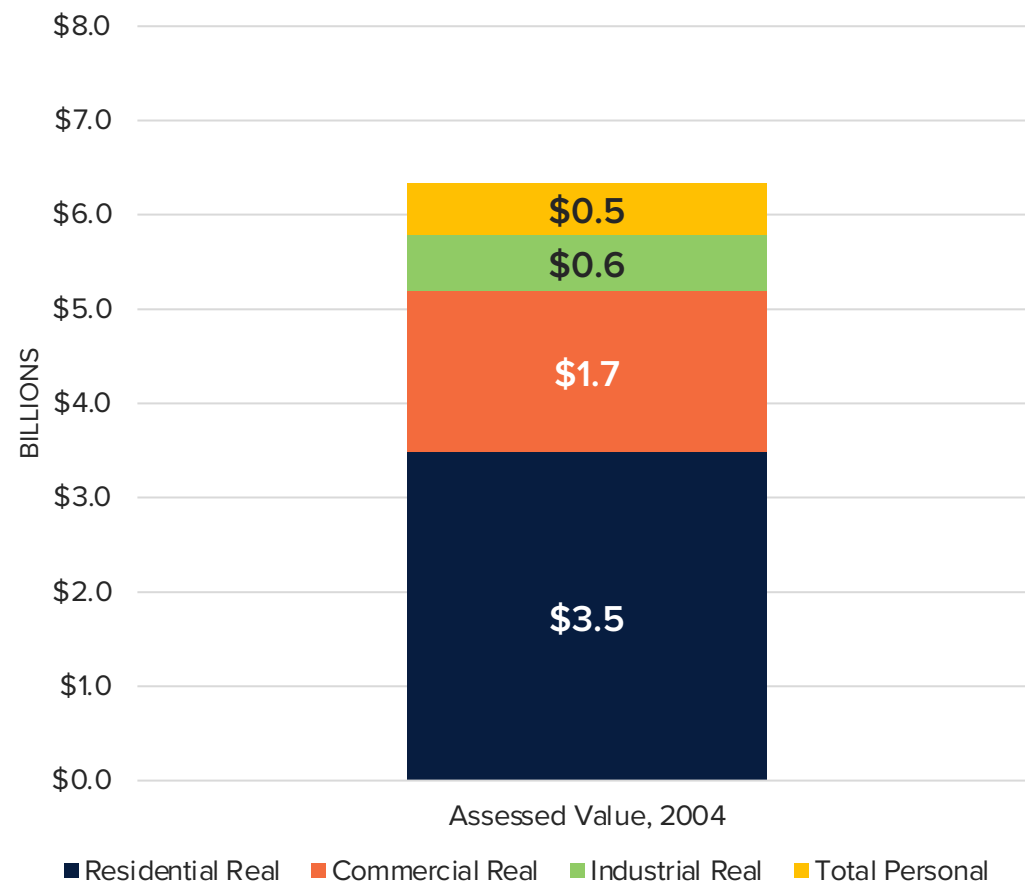
Assessed Value

- Generally the same as state equalized value unless an equalization factor has been applied by the county in which the property is located or the State.

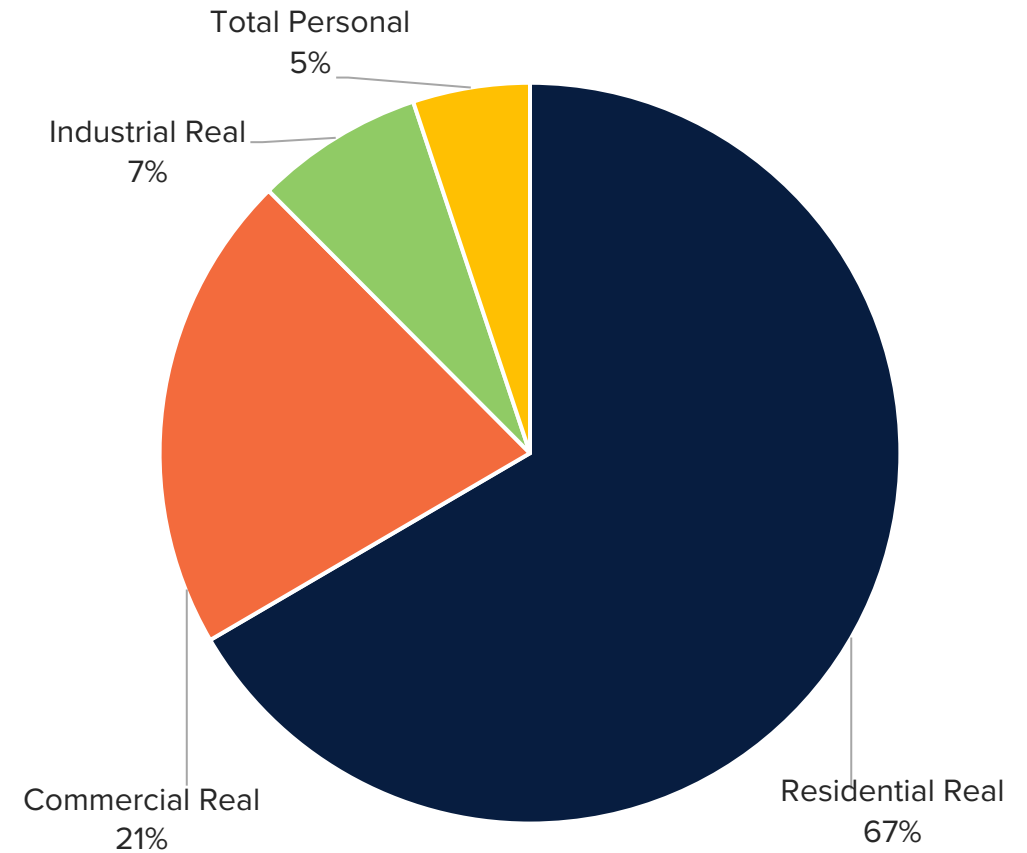
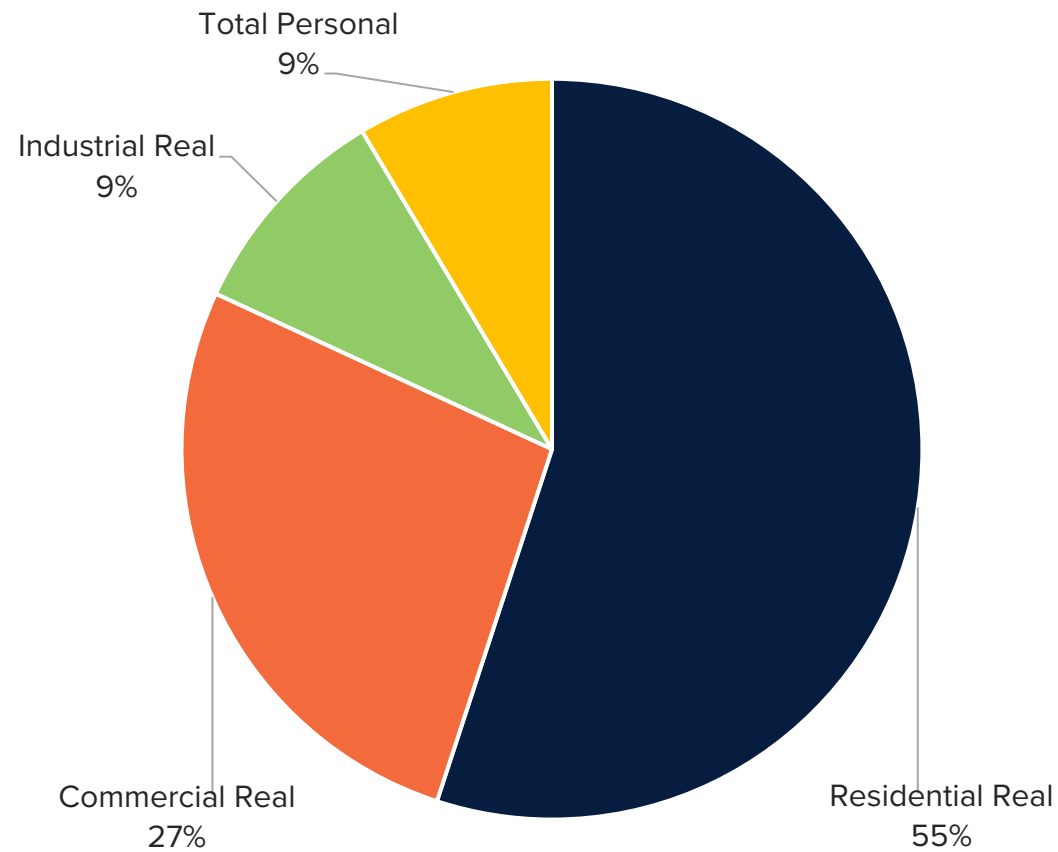
Taxable Value

- The value used to calculate property taxes. A property's taxable value can only increase annually by the rate of inflation or 5%, whichever is less, unless there is an addition to the property (i.e., physical improvement or omitted property) or the property's ownership transferred during a previous tax year.

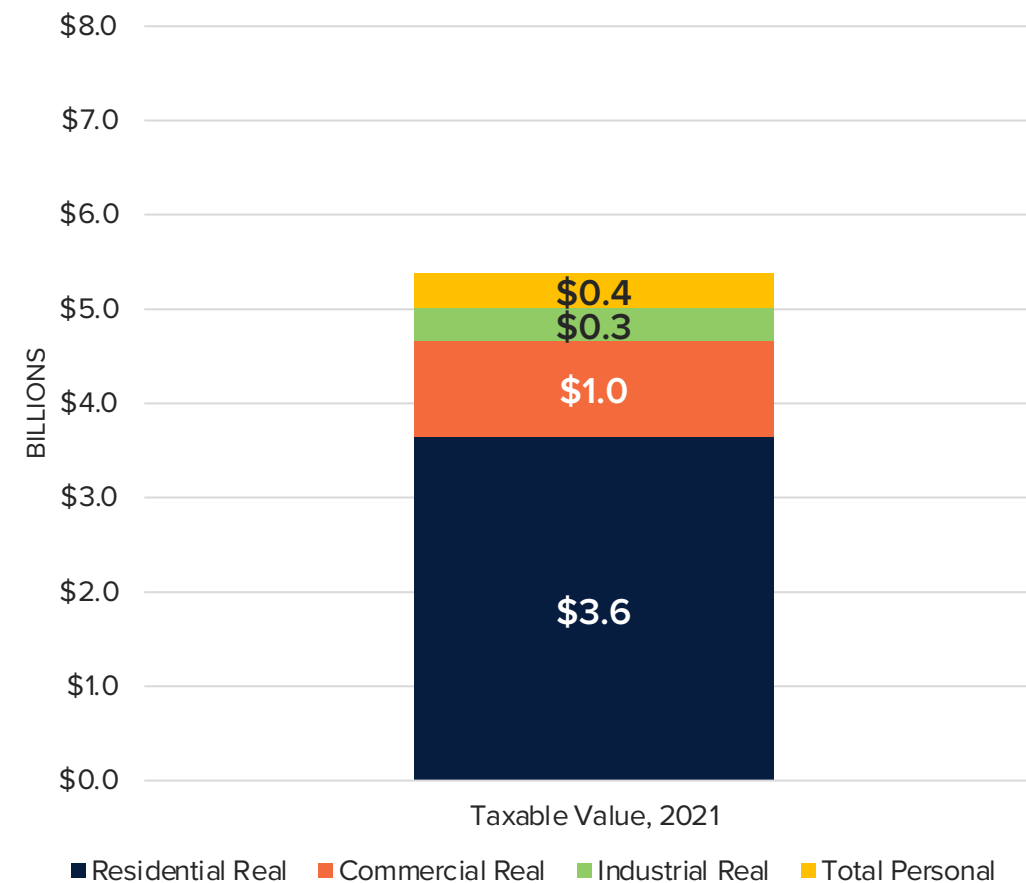
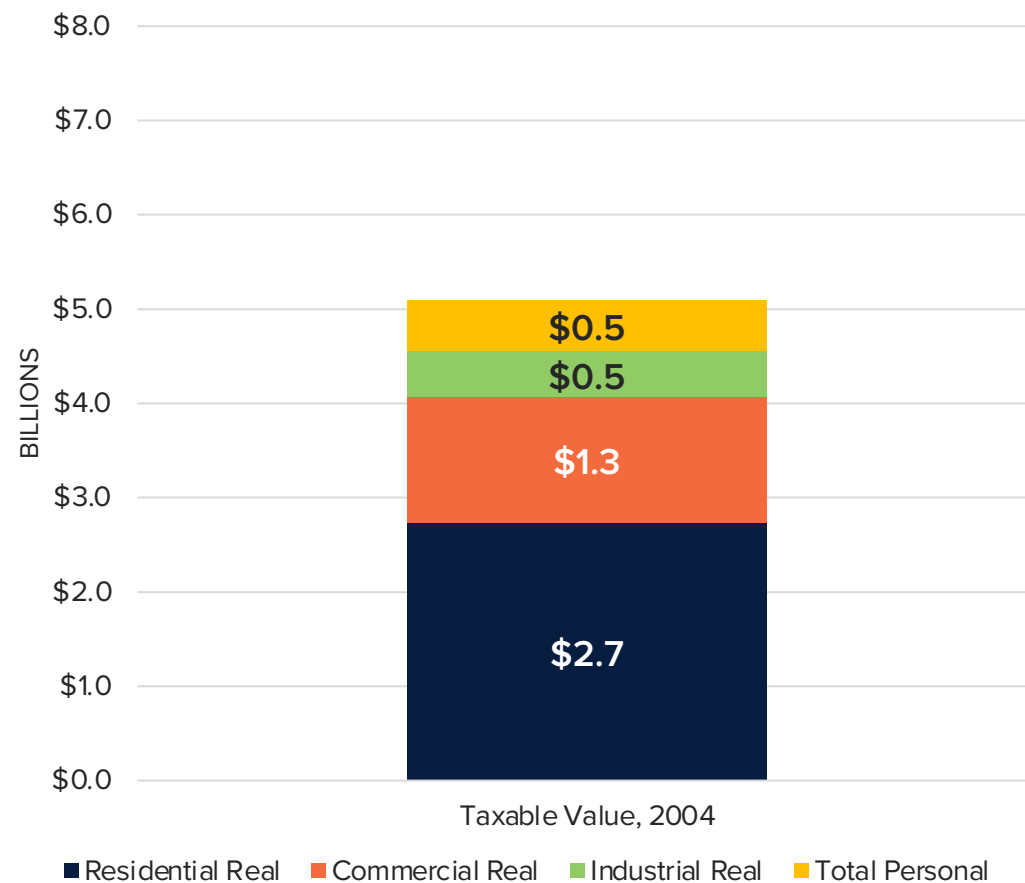
Troy Assessed Value by Property Class, 2004 and 2021



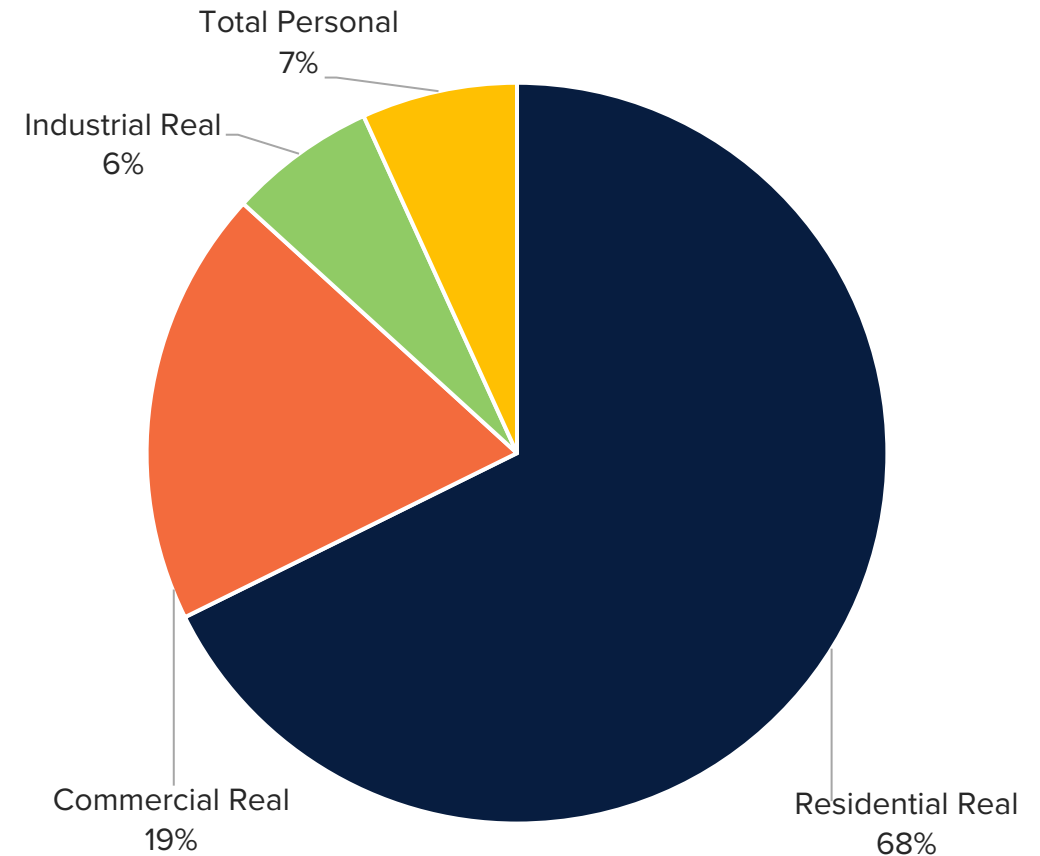
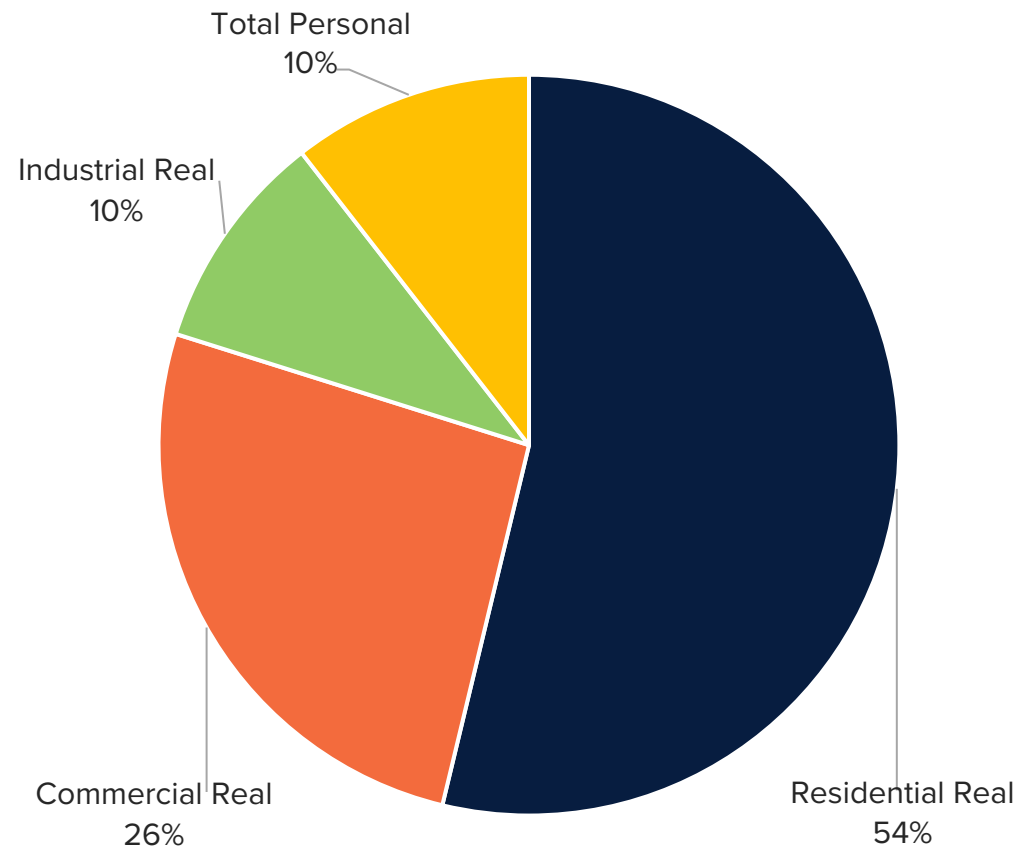
Troy Assessed Value by Property Class, 2004 and 2021



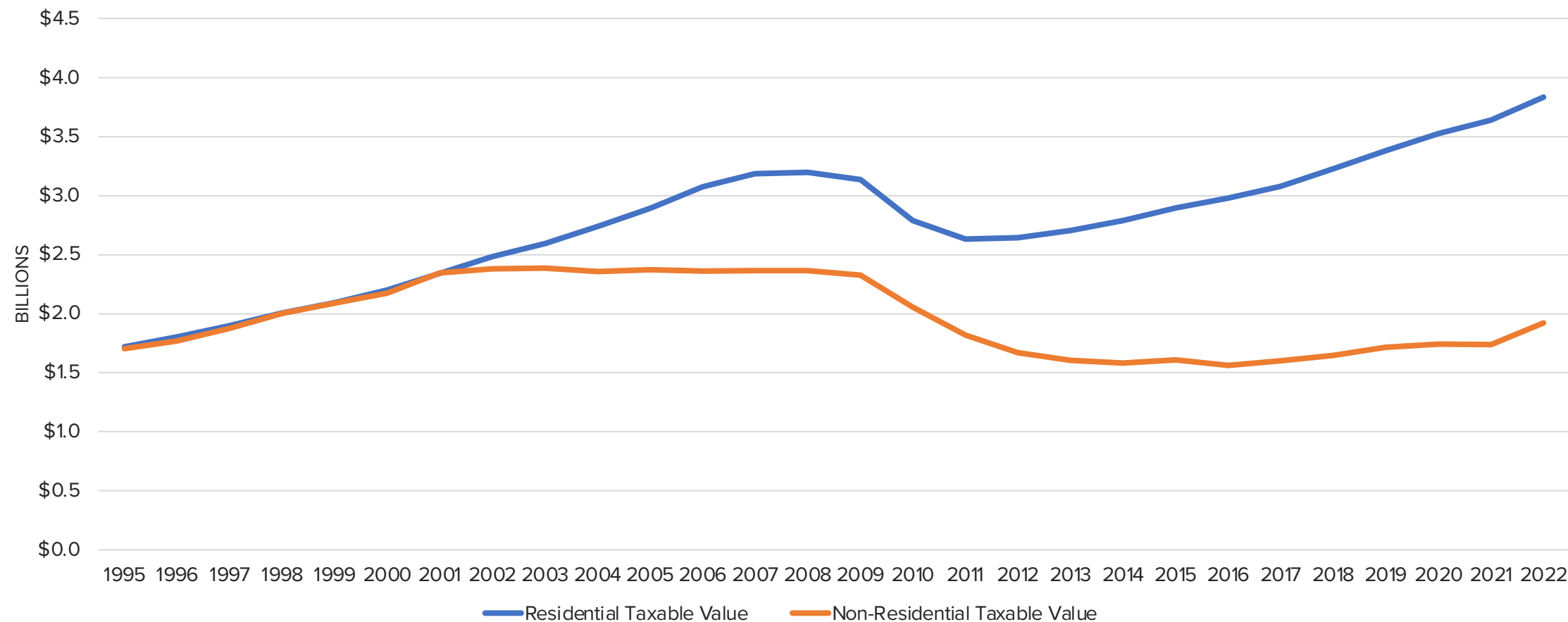
Troy Taxable Value by Property Class, 2004 and 2021



Troy Taxable Value by Property Class, 2004 and 2021



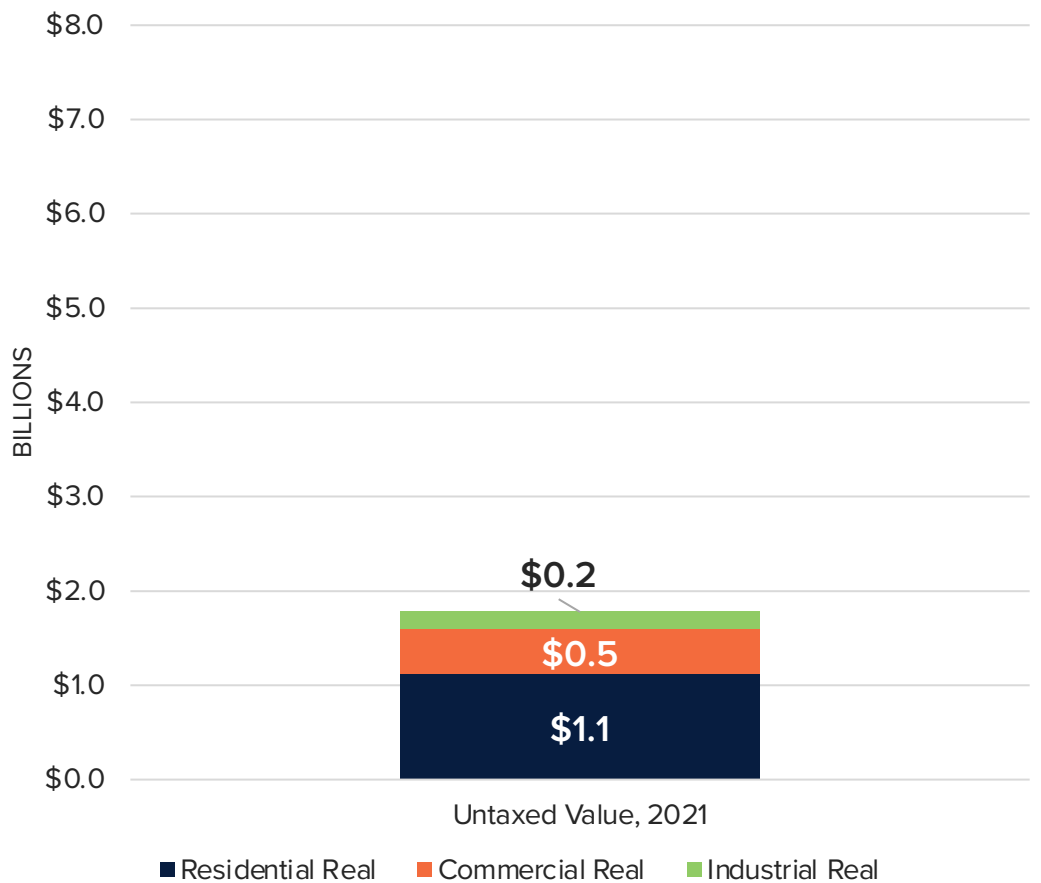
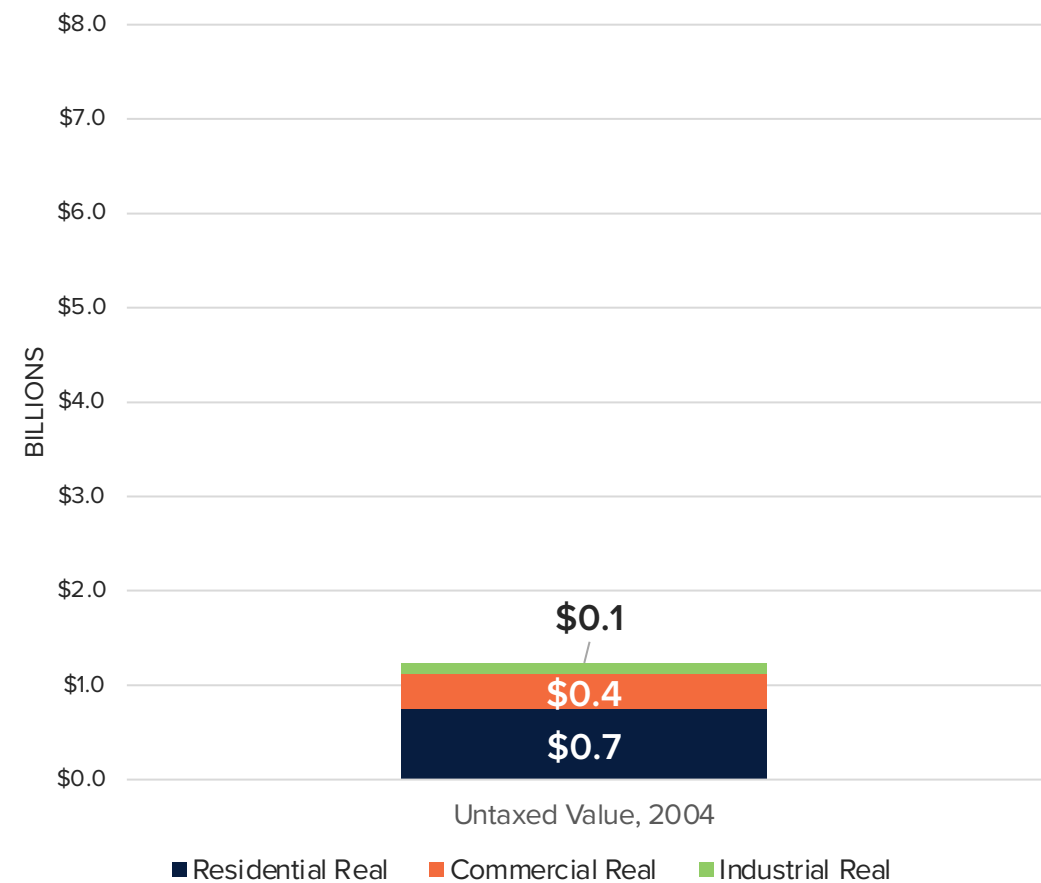
Troy Taxable Value by Property Class, 1995 – 2022



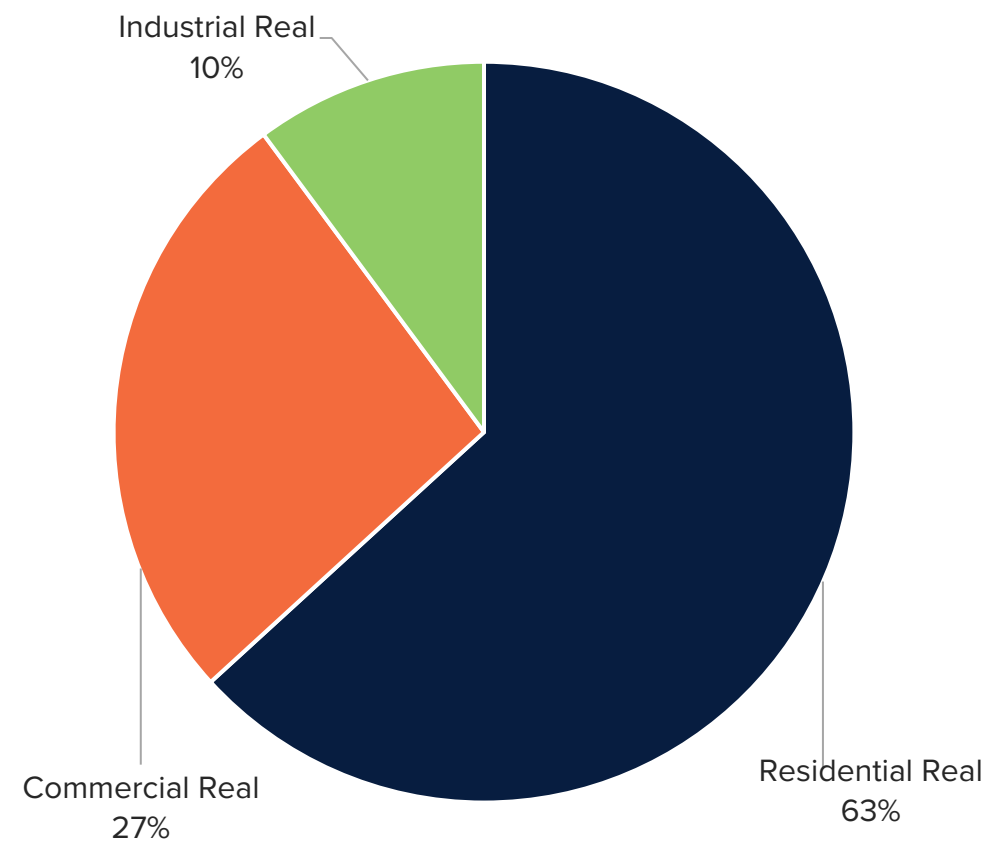
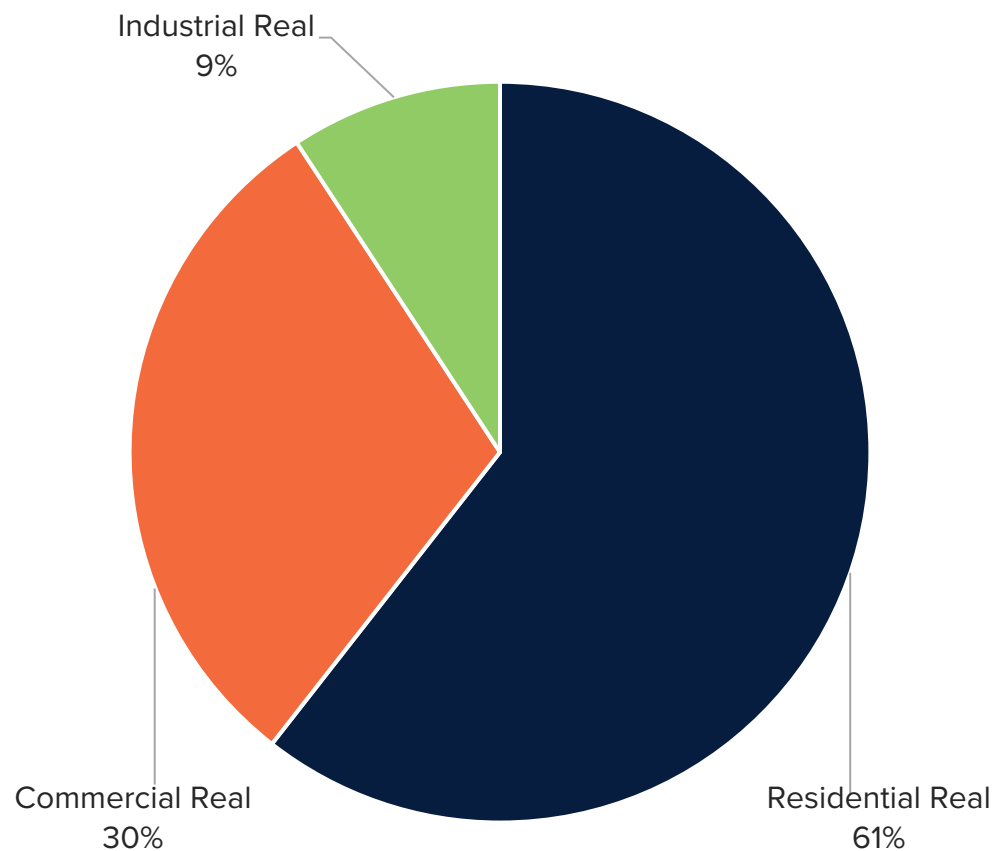
Property Values

- When property values are increasing, the limitation on taxable value growth creates a difference, or gap, between assessed value and taxable value each year there is no addition or transfer.
- This gap is know as the untaxed value.

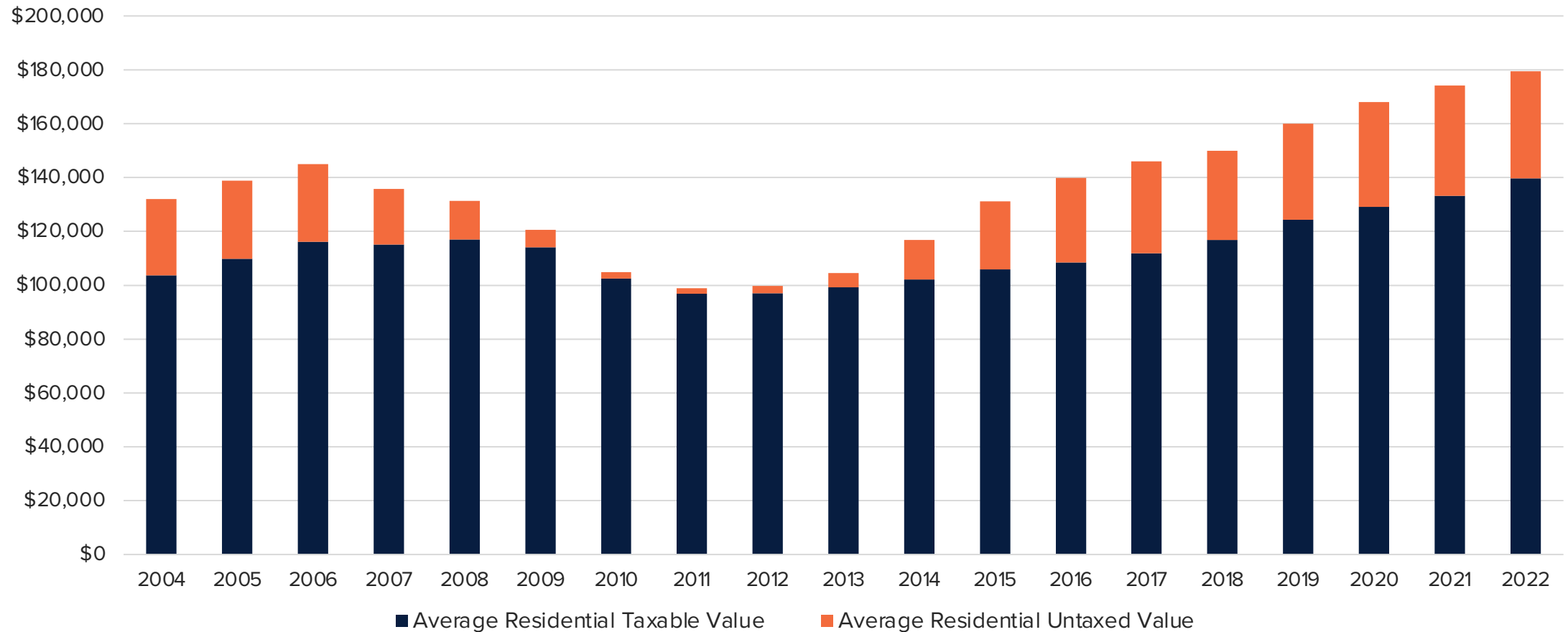
Troy Untaxed Value by Property Class, 2004 and 2021



Troy Untaxed Value by Property Class, 2004 and 2021



Troy Average Residential Property Values, 2004 – 2022



Property Values

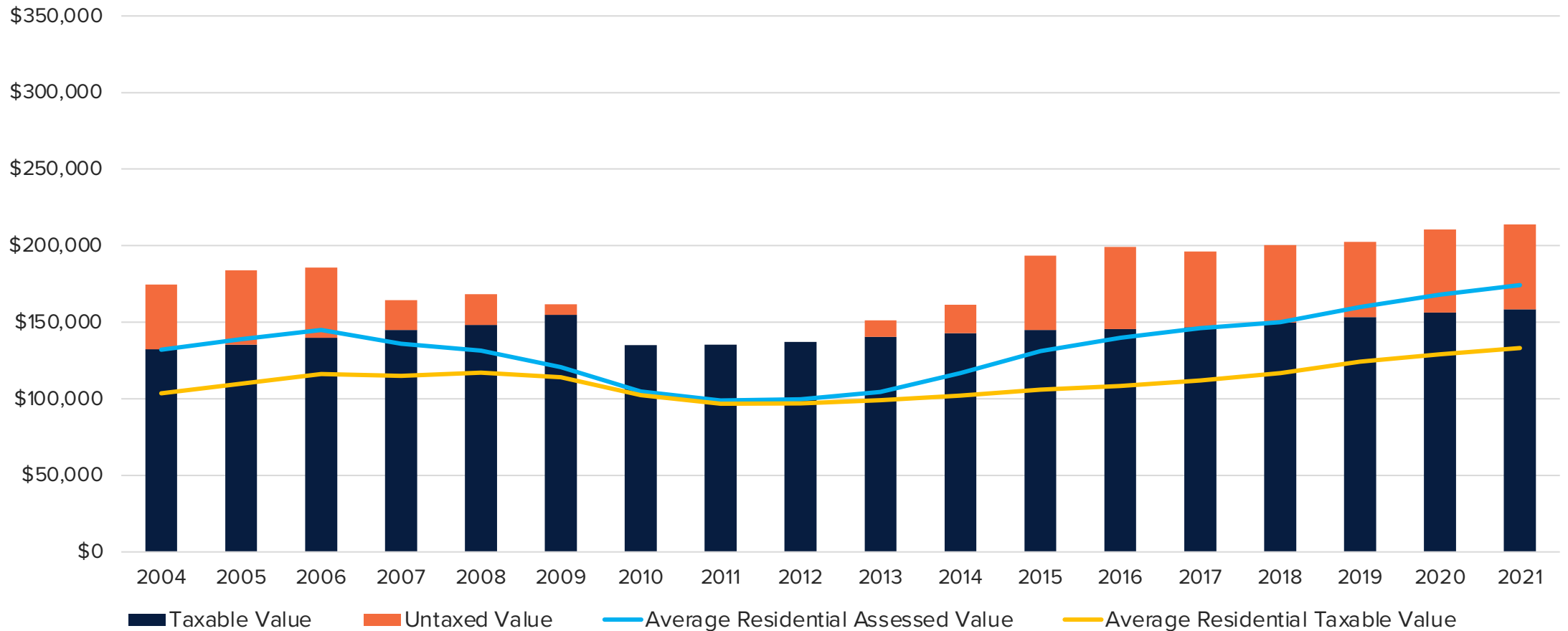
- The untaxed value of the average Troy residential parcel was 21% of assessed value in 2005.
- The Great Recession reduced the average to 2%.
- It has since rebounded to more than 22%.
- Examples help illustrate the affect of capping and uncapping.

Residential Property Values: Troy Examples

Property Values, Property Tax Rates, and Property Taxes

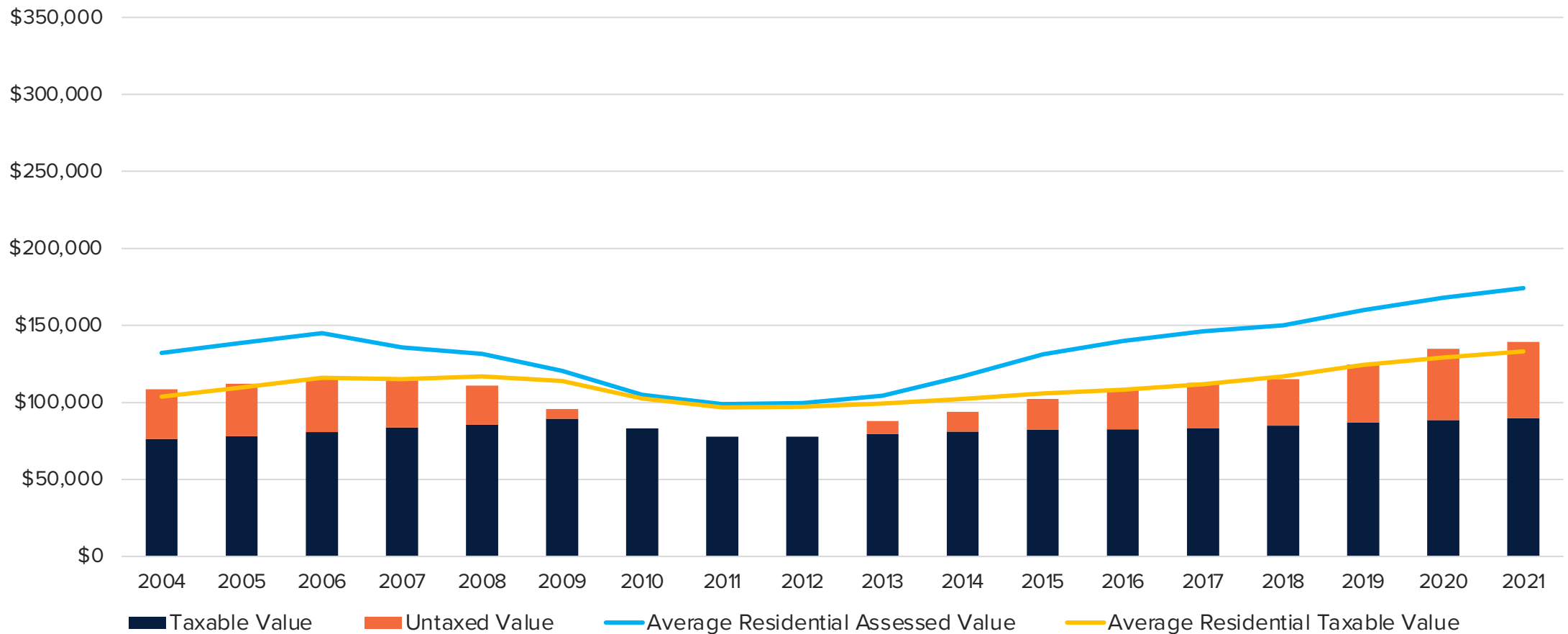
Residential Property Values

4576 Whisper Way, 2004 – 2021 (Capped since 1994)



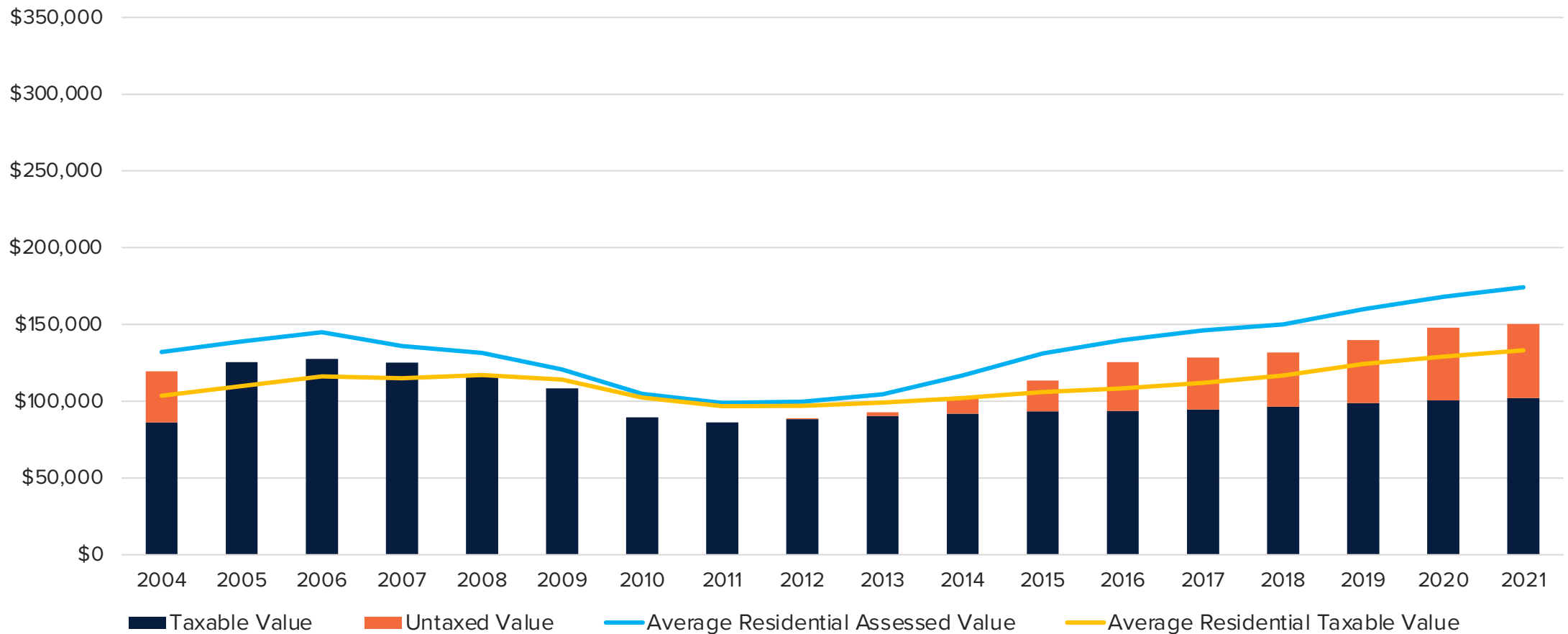
Residential Property Values

4822 Foxcroft, 2004 – 2021 (Capped since 1994)



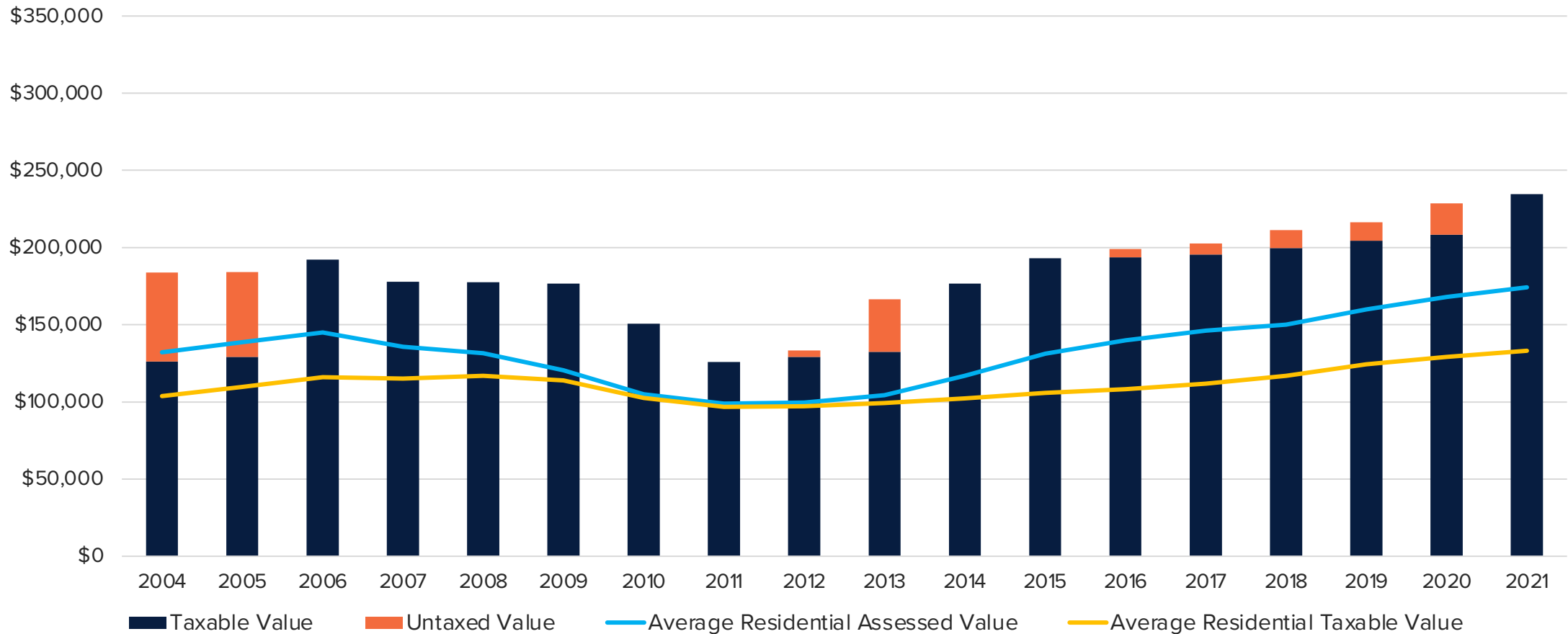
Residential Property Values

5910 Diamond, 2004 – 2021 (Uncapped in 2005)



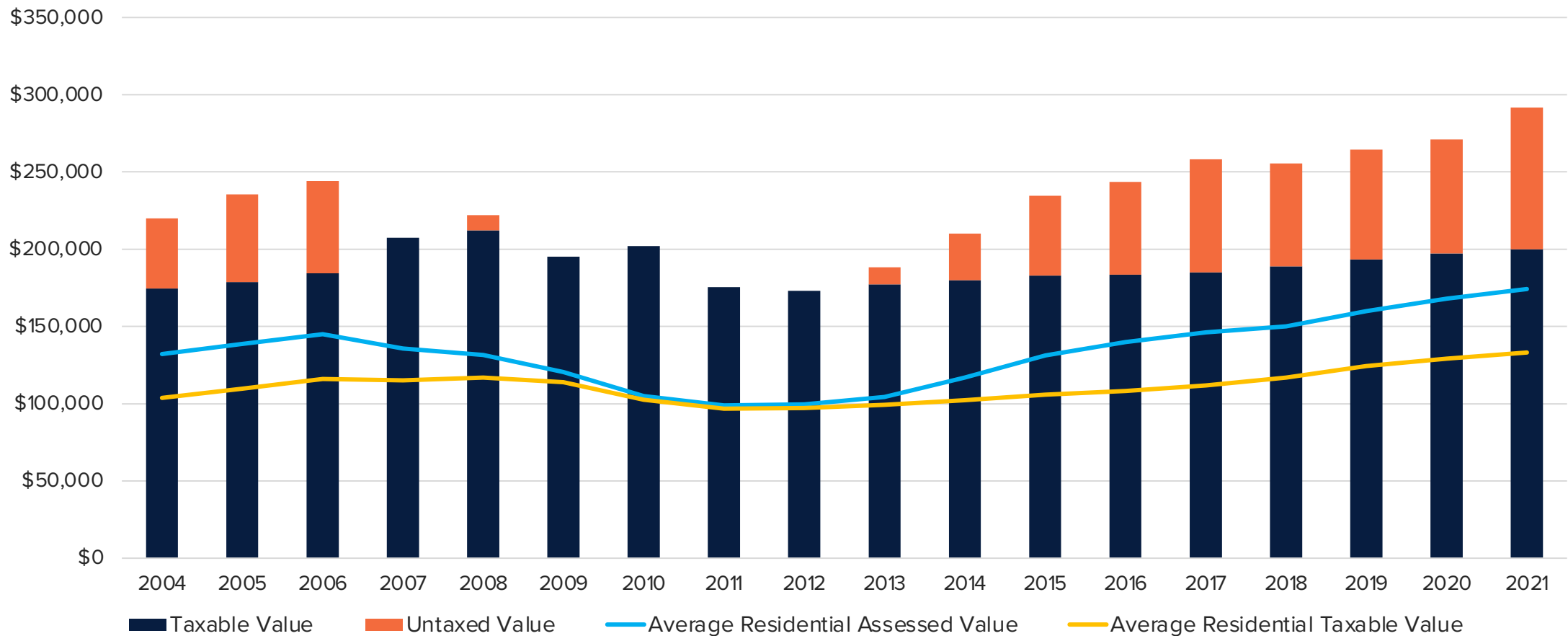
Residential Property Values

2856 Timberwyck Trail, 2004 – 2021 (Uncapped in 2006, 2014, and 2021)



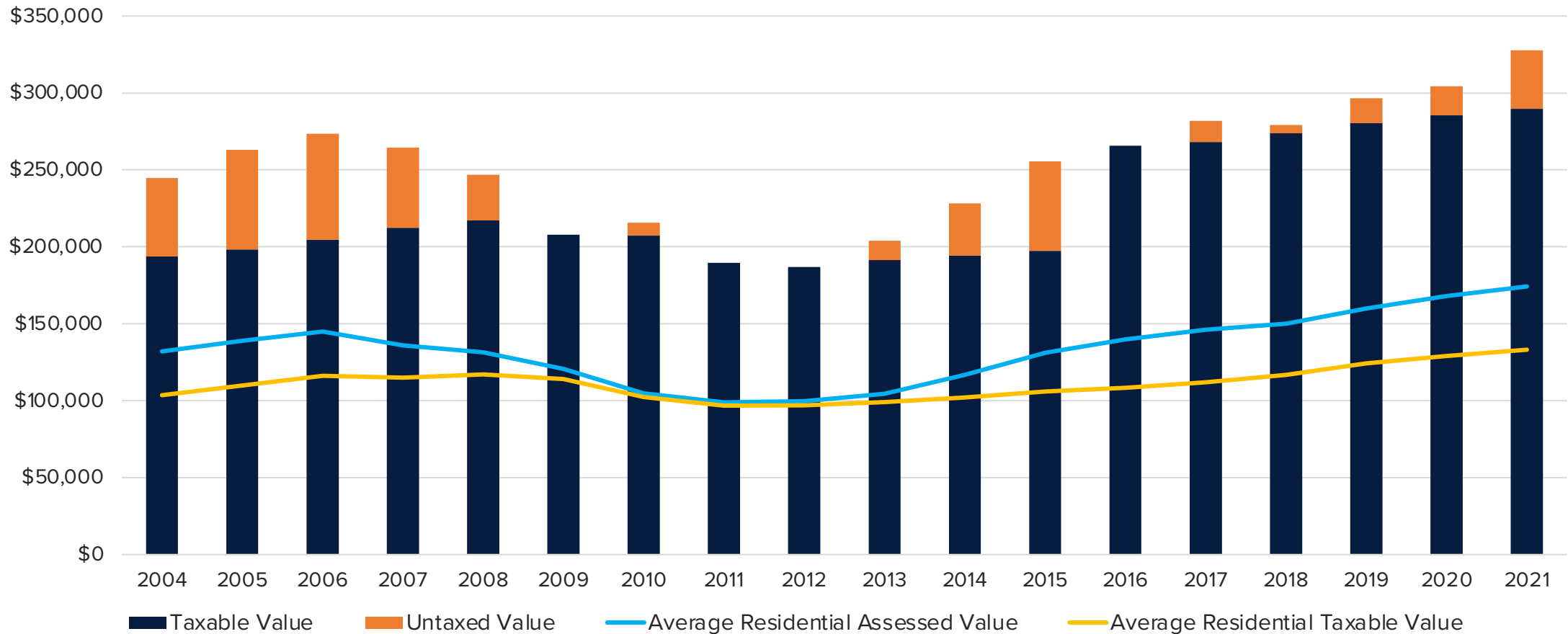
Residential Property Values

6501 Park View, 2004 – 2021 (Uncapped in 2007 and 2010)



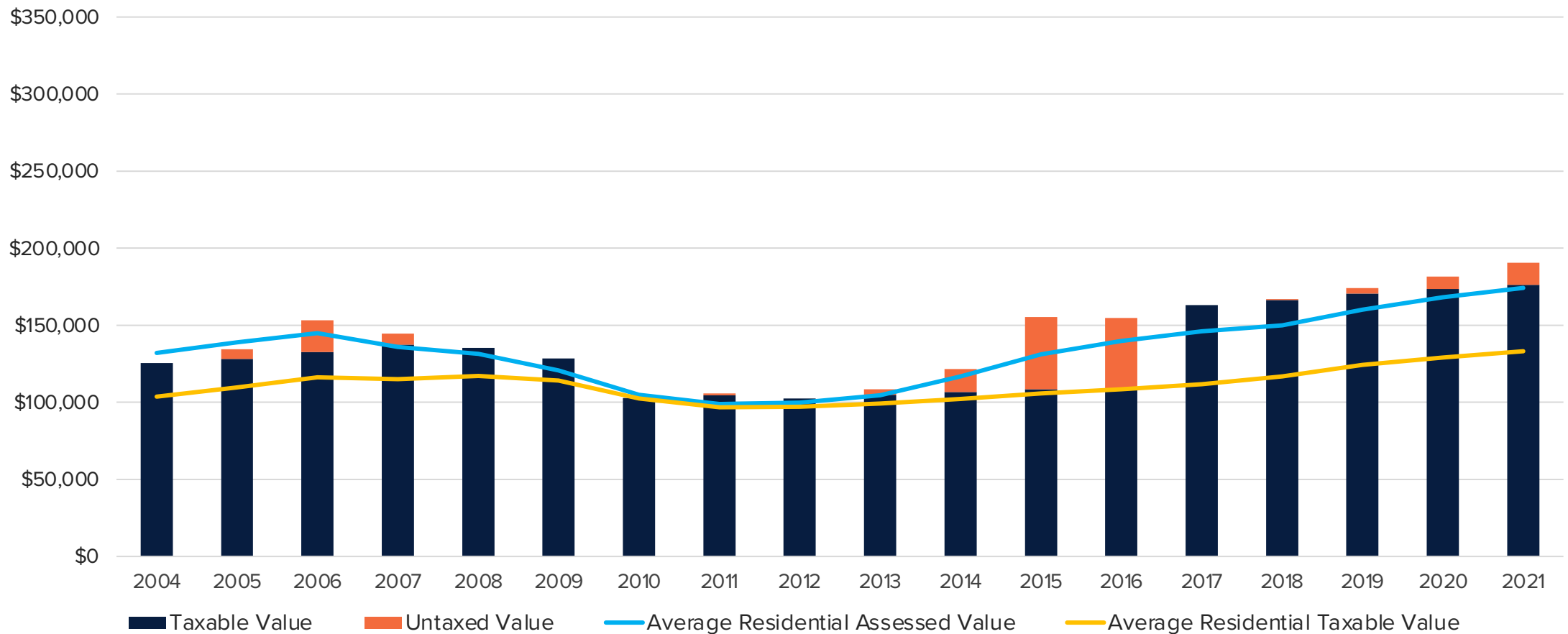
Residential Property Values

2043 Red Maple, 2004 – 2021 (Uncapped in 2016)



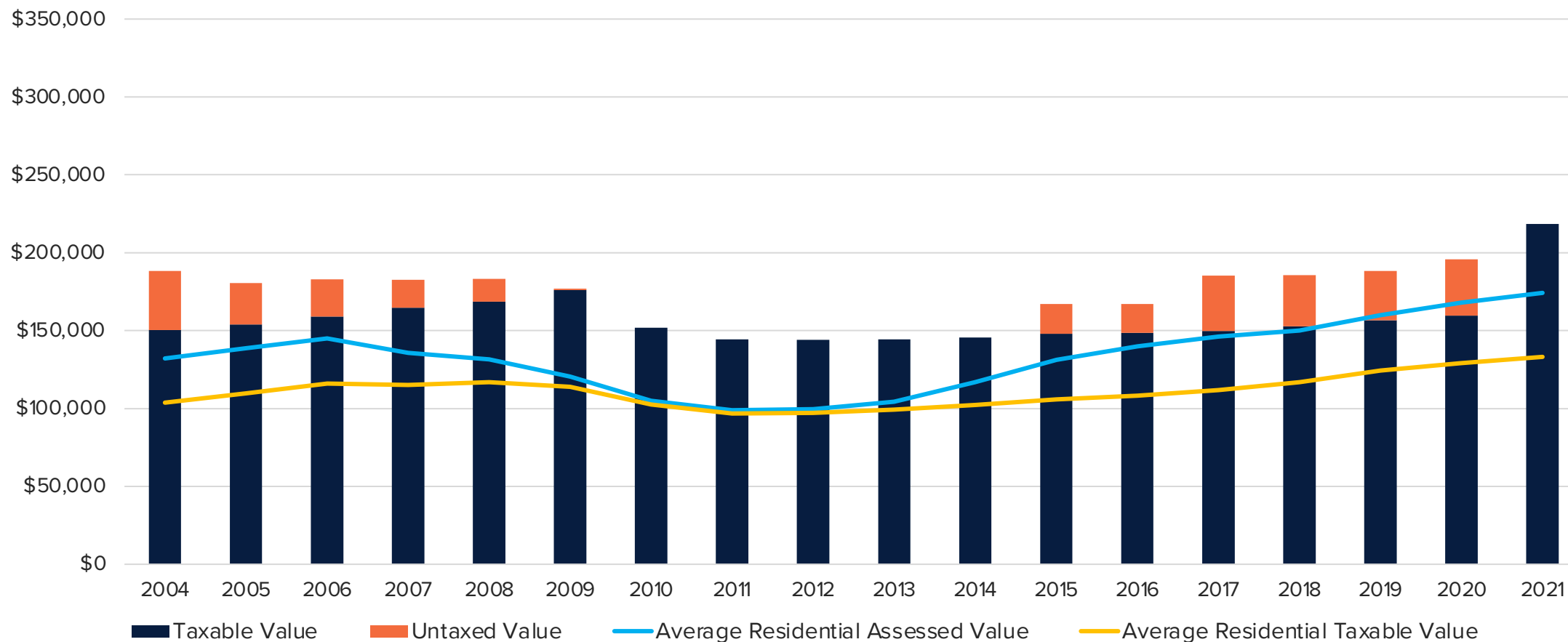
Residential Property Values

3315 Witherbee, 2004 – 2021 (Uncapped in 2017)



Residential Property Values

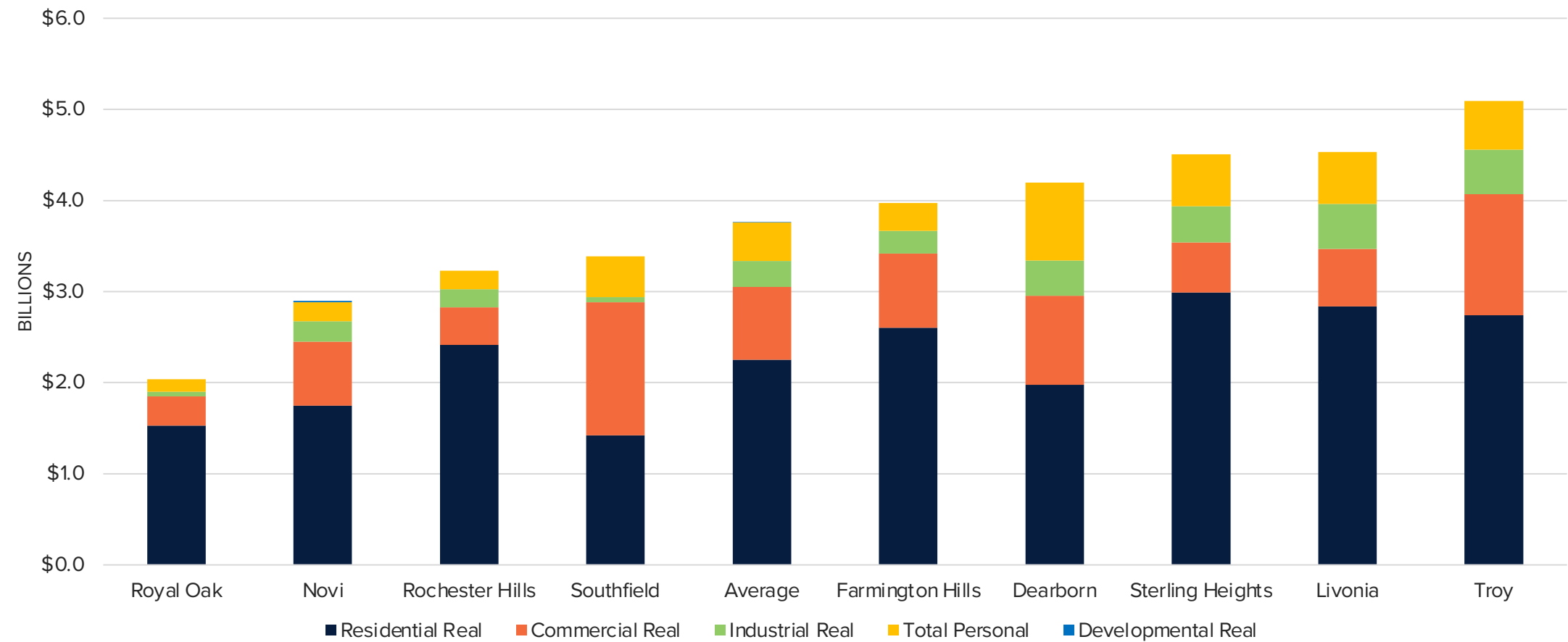
2092 Oakwood, 2004 – 2021 (Uncapped in 2021)



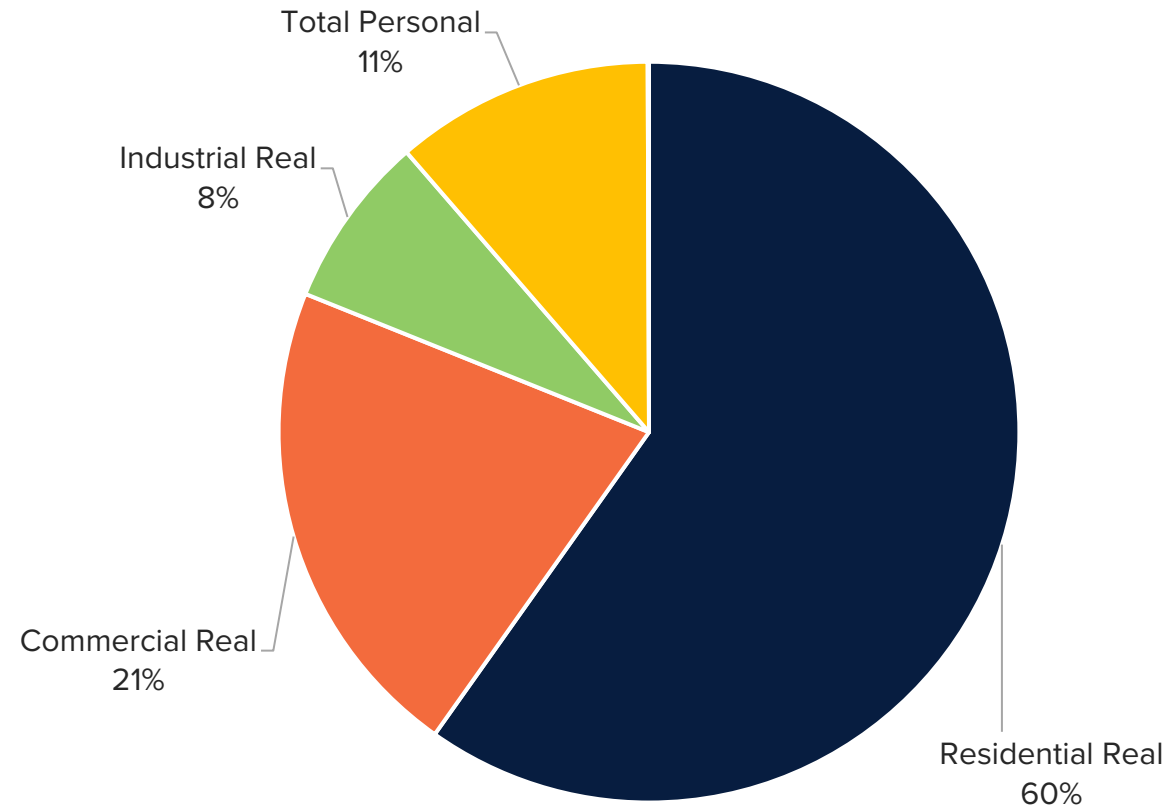
Property Values: Comparisons

Property Values, Property Tax Rates, and Property Taxes

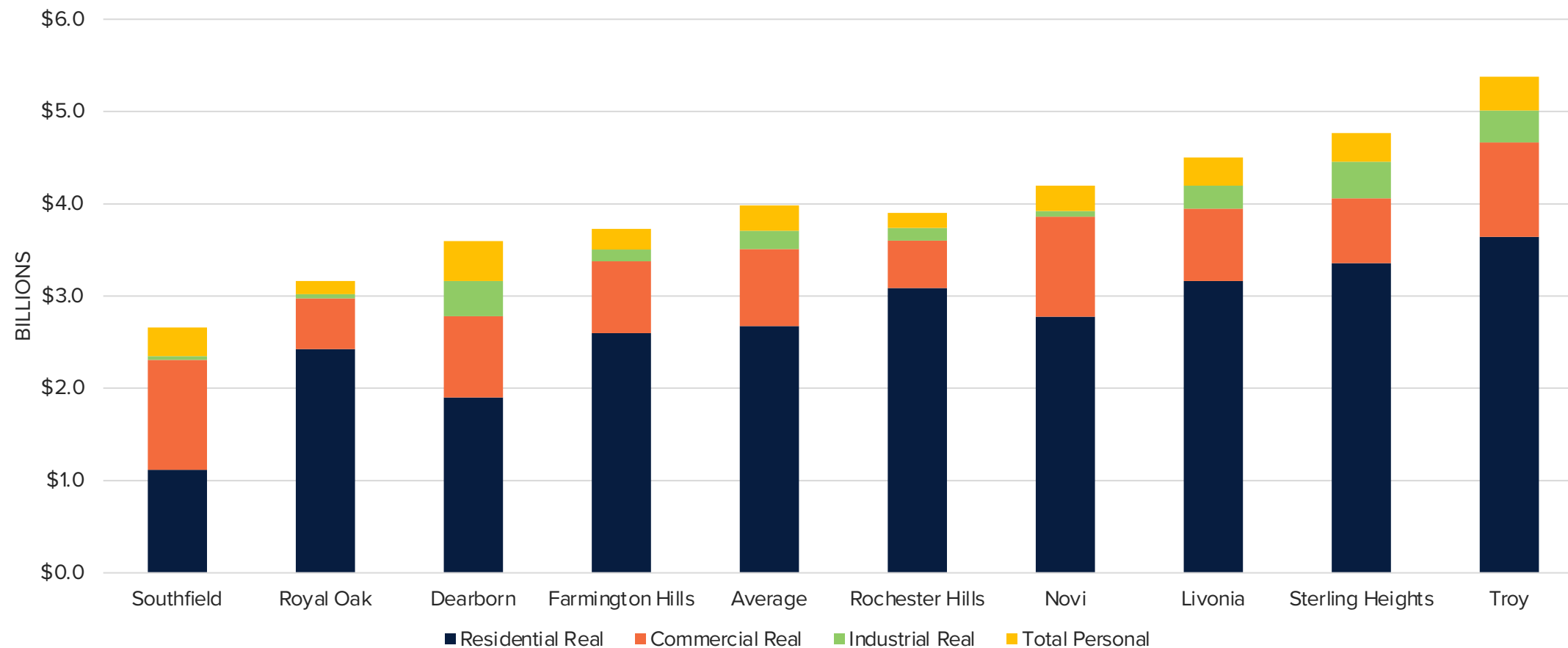
Taxable Value by Property Class, 2004



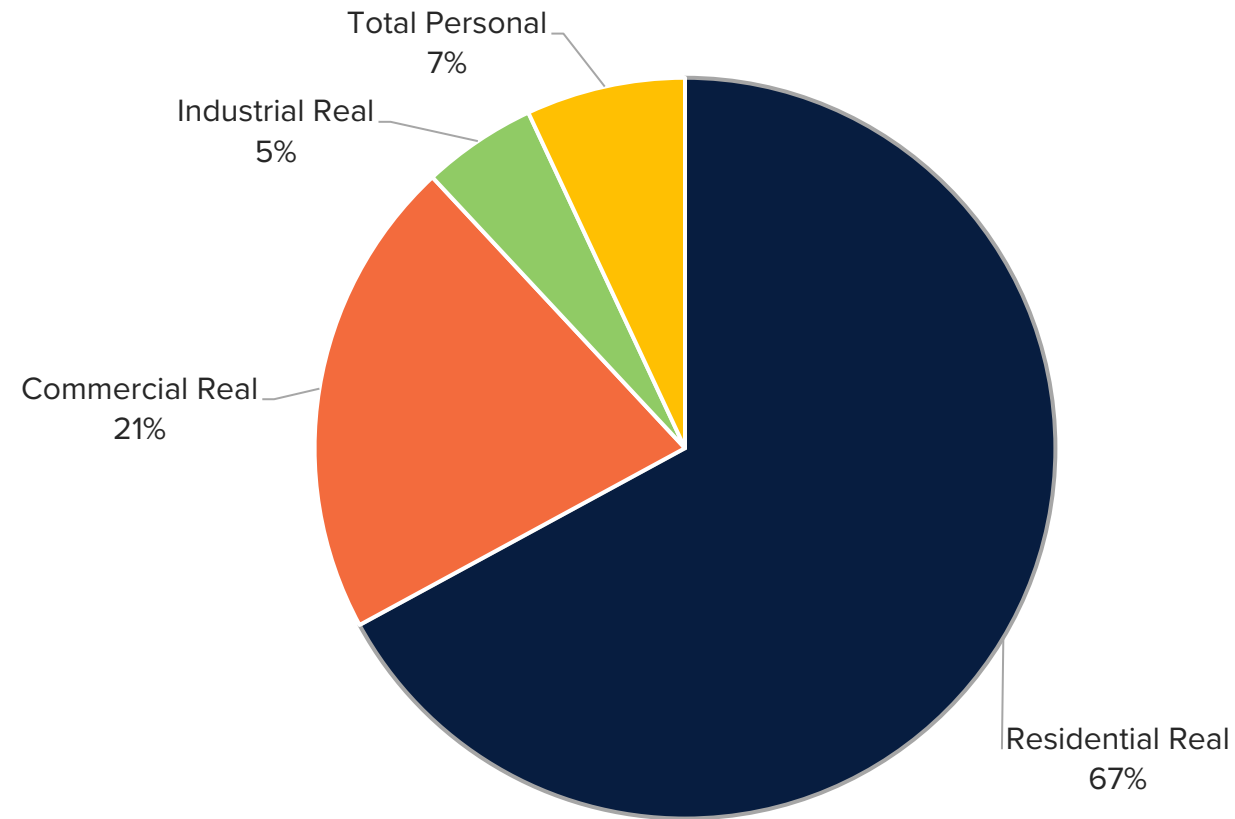
Average Taxable Value by Property Class, 2004



Taxable Value by Property Class, 2021

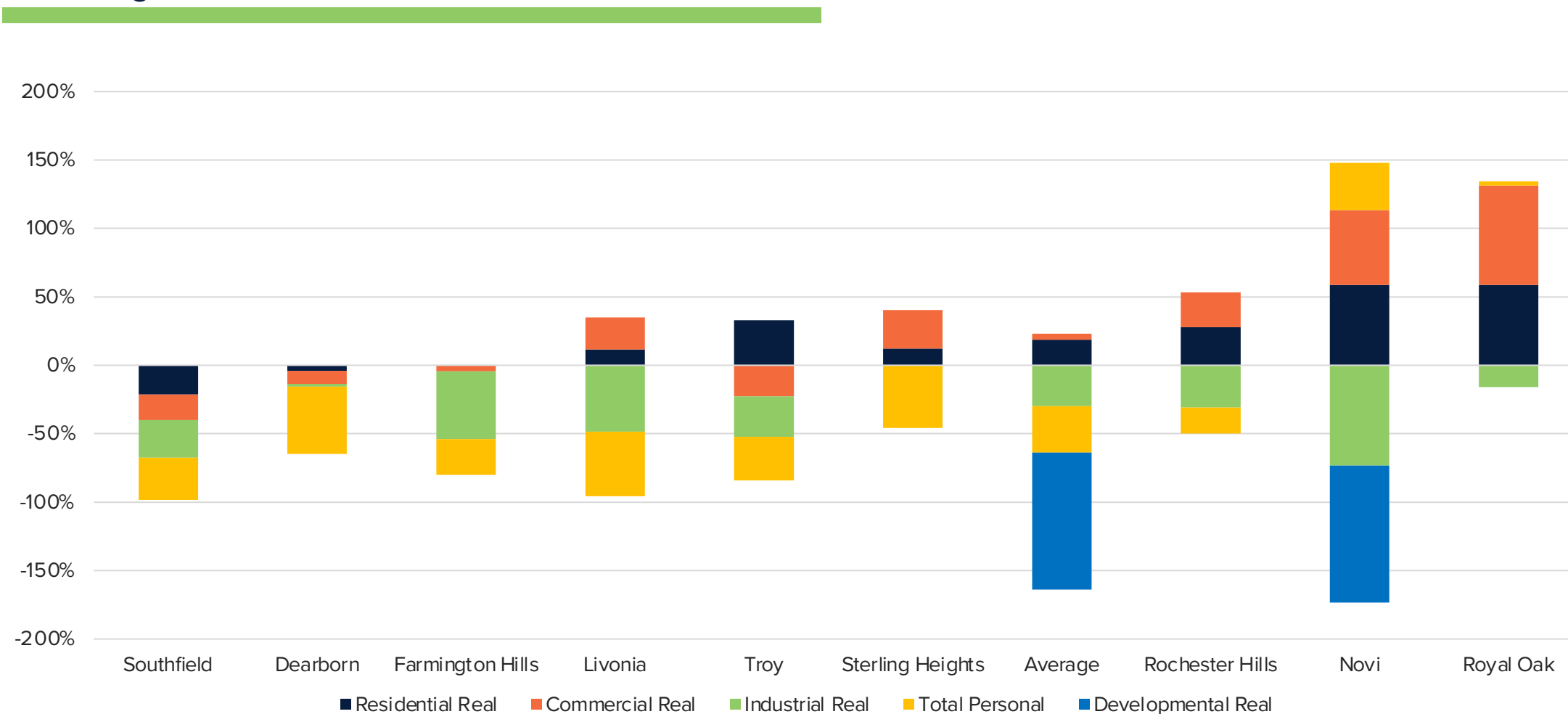


Average Taxable Value by Property Class, 2021

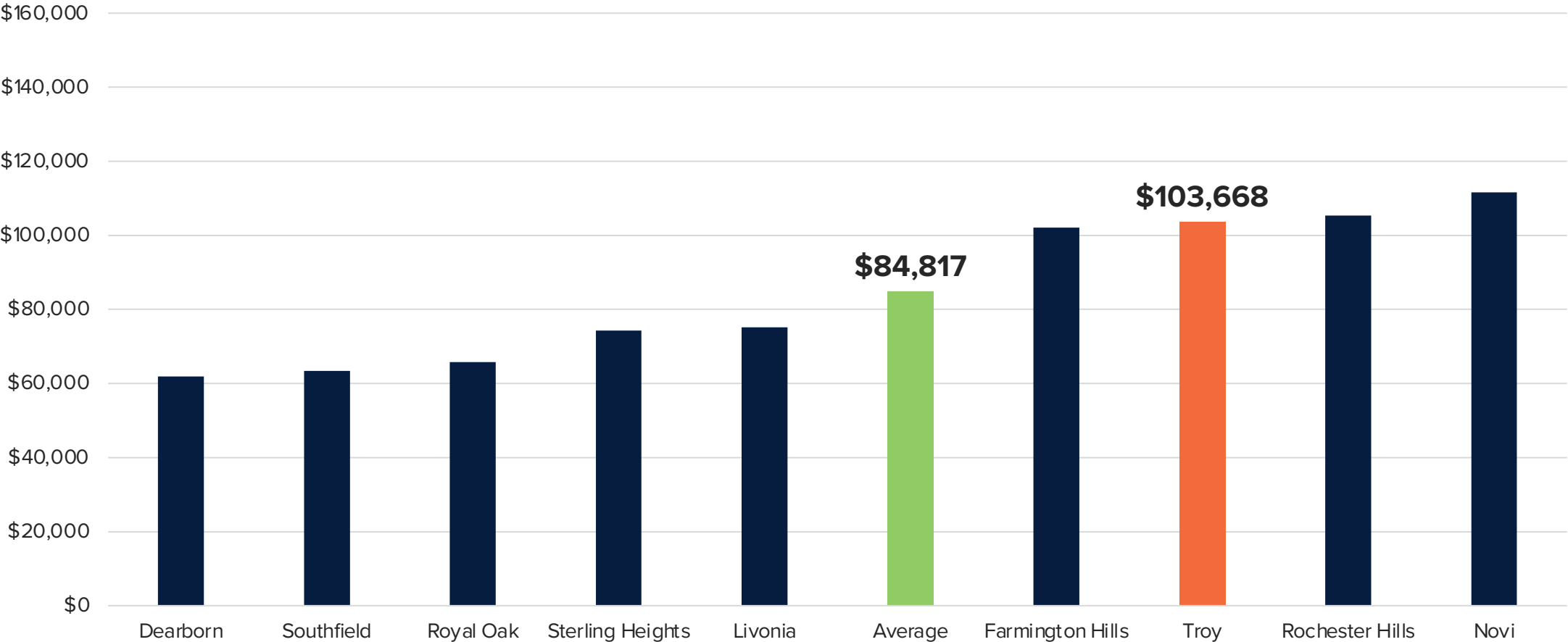


Taxable Value by Property Class,

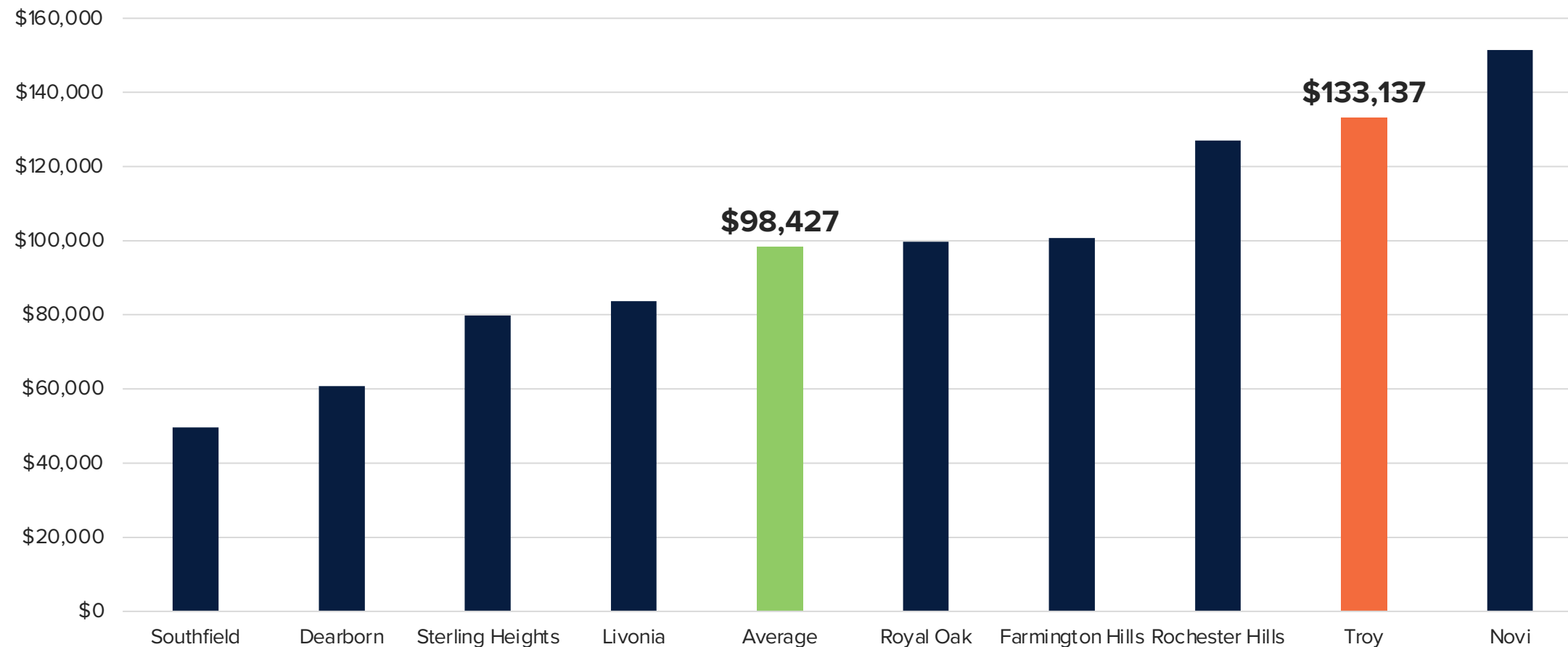
% Change 2004 and 2021



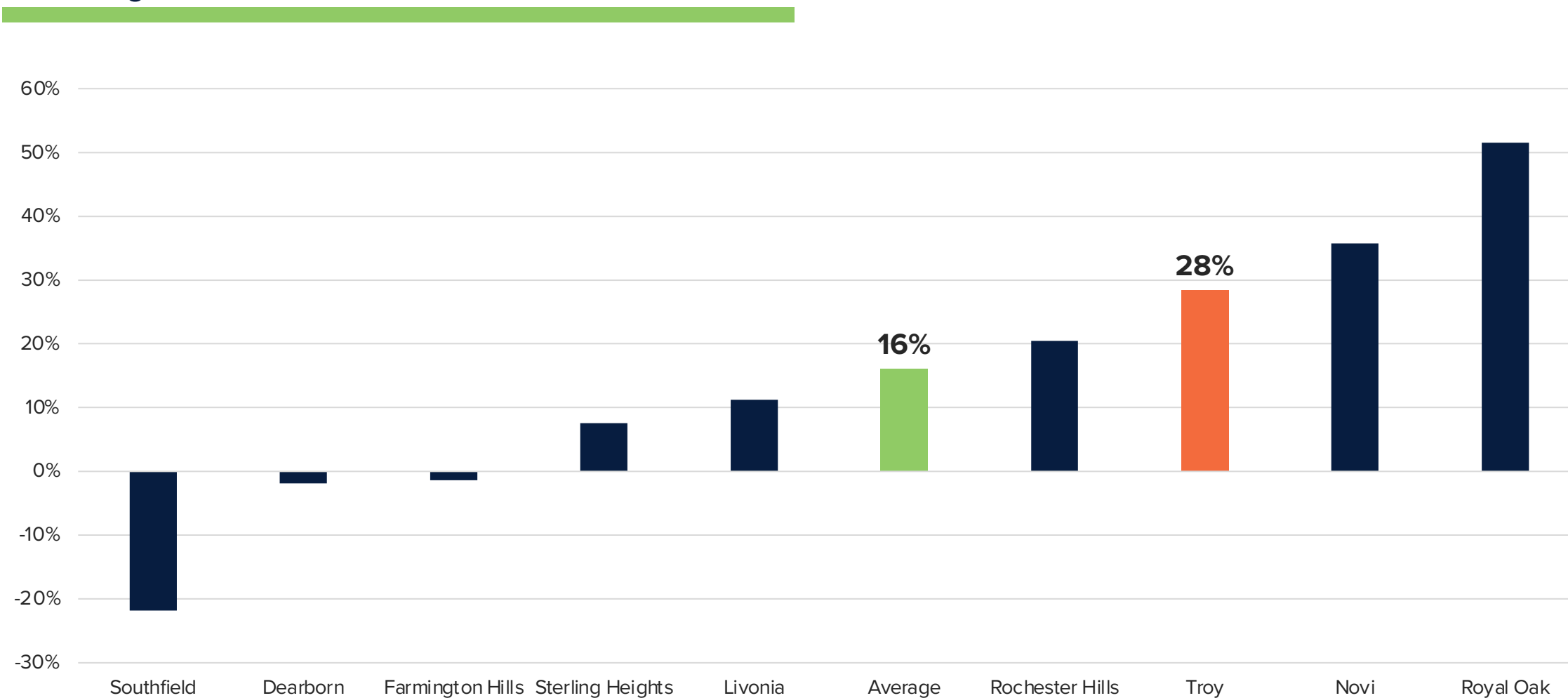
Average Residential Taxable Value, 2004



Average Residential Taxable Value, 2021



Average Residential Taxable Value, % Change 2004 and 2021



Property Tax Rates

Property Values, Property Tax Rates, and Property Taxes

Property Tax Rates

- Principal Residence Exemption (PRE): An exemption from taxation for property that is the principal residence of a property owner.
- A Principal Residence Exemption (PRE) exempts a residence from the tax levied by a local school district for school operating purposes up to 18 mills.
- All other tax rates are the same.

Property Tax Rates: Troy

Property Values, Property Tax Rates, and Property Taxes

Everything Else

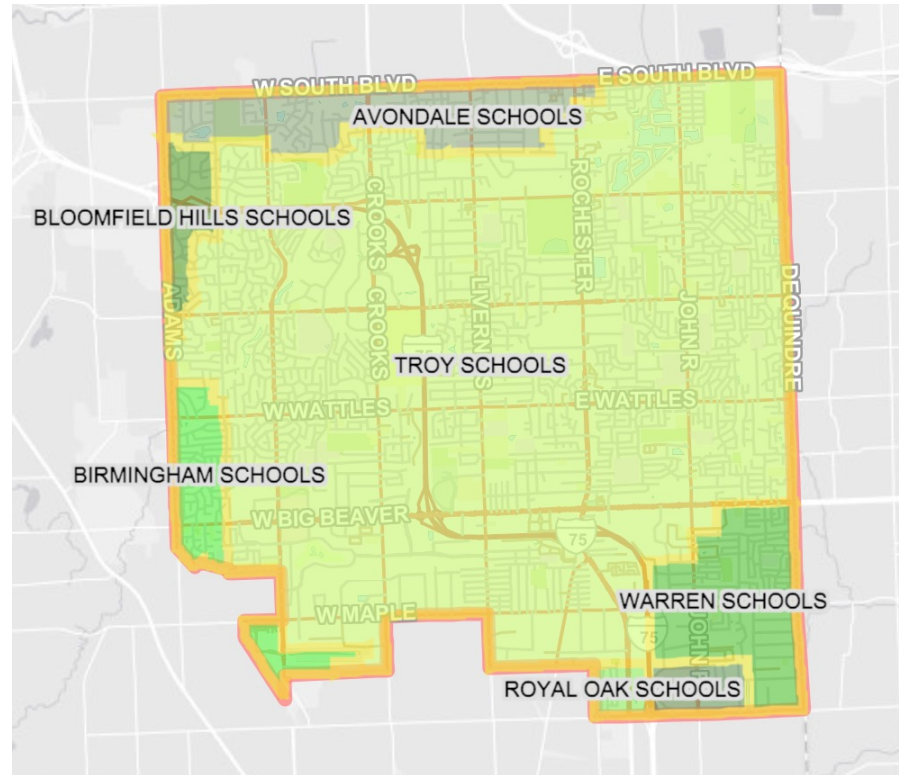
The City collects property taxes for all taxing jurisdictions including the following:

- Huron-Clinton Metroparks
- Oakland Community College
- Oakland County (operations)
- Oakland County Art Institute Authority (Detroit Institute of Arts)
- Oakland County Parks
- Oakland County Public Transportation Authority (Suburban Mobility Authority for Regional Transportation (SMART))
- Oakland County Zoological Authority (Detroit Zoo)
- Oakland Schools (Intermediate School District)

Schools

The City of Troy collects taxes for seven different school districts:

- Avondale
- Birmingham
- Bloomfield
- Lamphere
- Royal Oak
- Troy
- Warren Consolidated

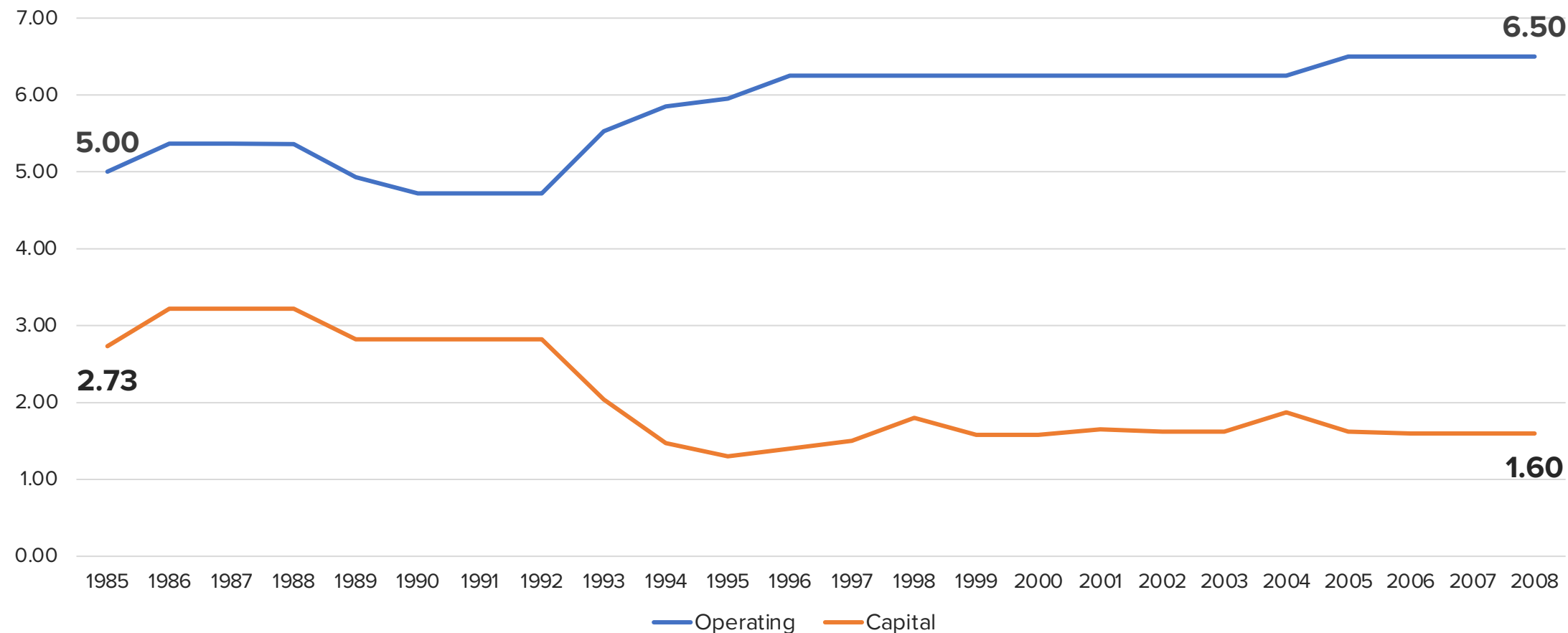


Troy Tax Rates

Operating & Capital

- Section 9.16 of the City Charter authorizes a “general tax” not to exceed in amount one percent of the assessed valuation (10 mills).
- The City divided that authority into an “operating” tax and a “capital” tax as far back as 1985 (maybe earlier).

Troy Operating & Capital Tax Rates, 1985 – 2008

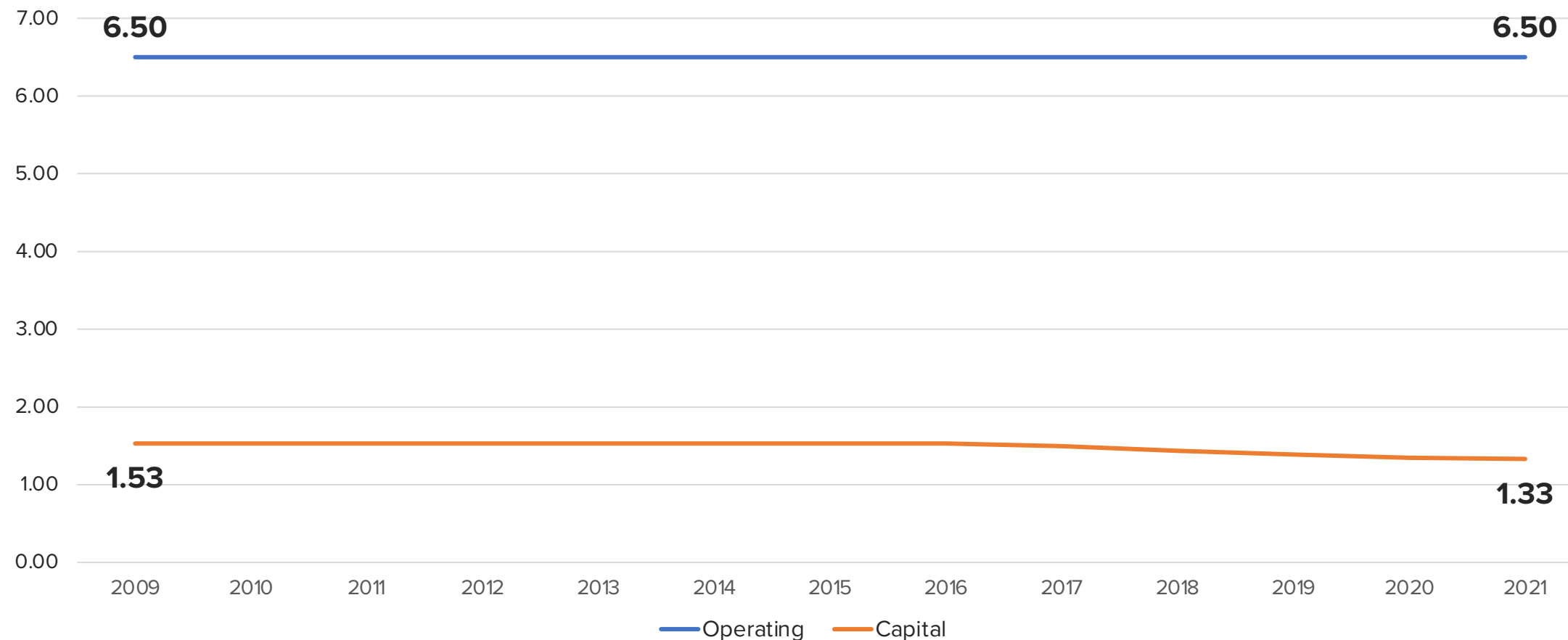


Troy Operating & Capital Tax Rates

Operating & Capital (continued)

- On November 4, 2008, voters approved the following City Charter amendment found in Section 9.16.5:
 - *The Council shall not increase the millage rate imposed pursuant to Section 9.16 of this charter above a current rate actually imposed, levied, and collected unless the increased rate shall be first approved by a majority of the City electors voting on the question.*
- Since then, the City has levied 6.5 mills for operations and reduced the capital millage when required by rollbacks.

Troy Operating & Capital Tax Rates, 2009 – 2021



Troy Tax Rates

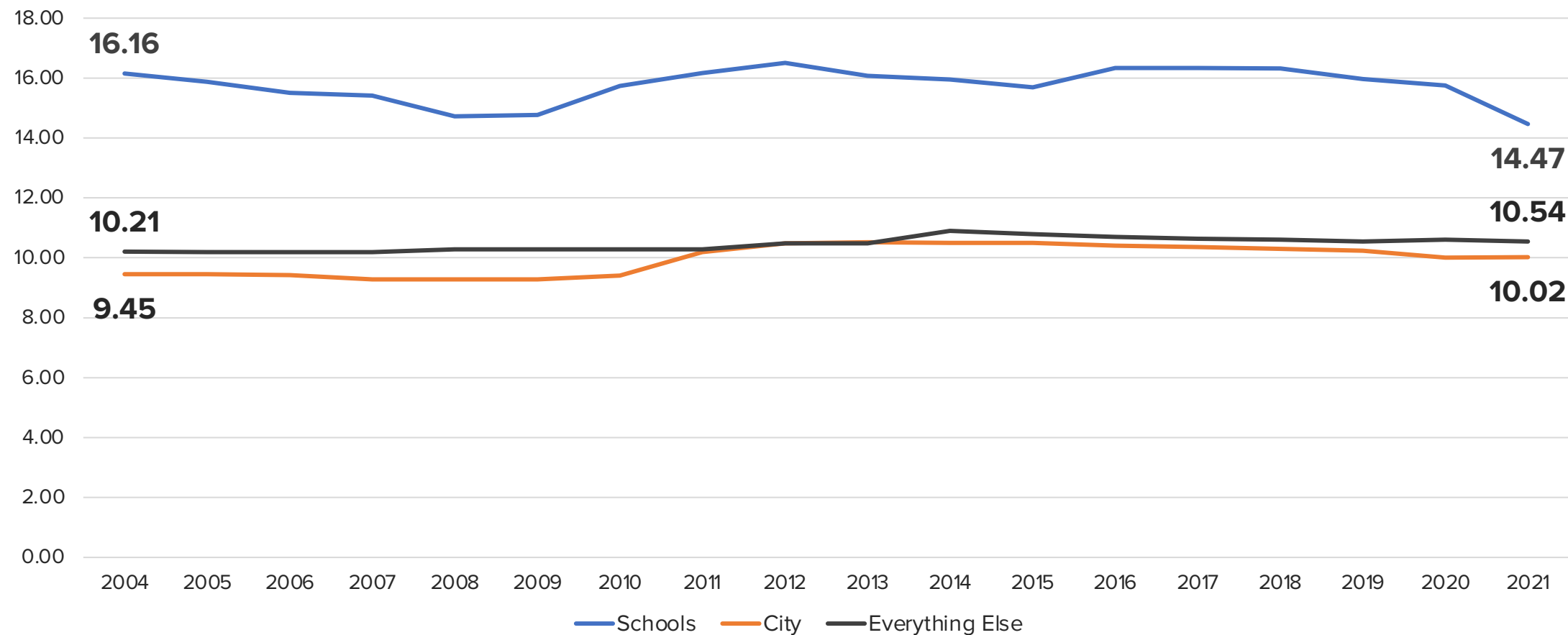
Refuse

- Public Act (PA) 298 of 1917 authorizes cities and villages to levy an “annual garbage tax” not to exceed 3 mills.
- It is more often referred to as refuse, rubbish, or solid waste.

Library

- On November 3, 2020, Troy voters authorized an annual library tax not to exceed 1.1 mills for up to ten years.

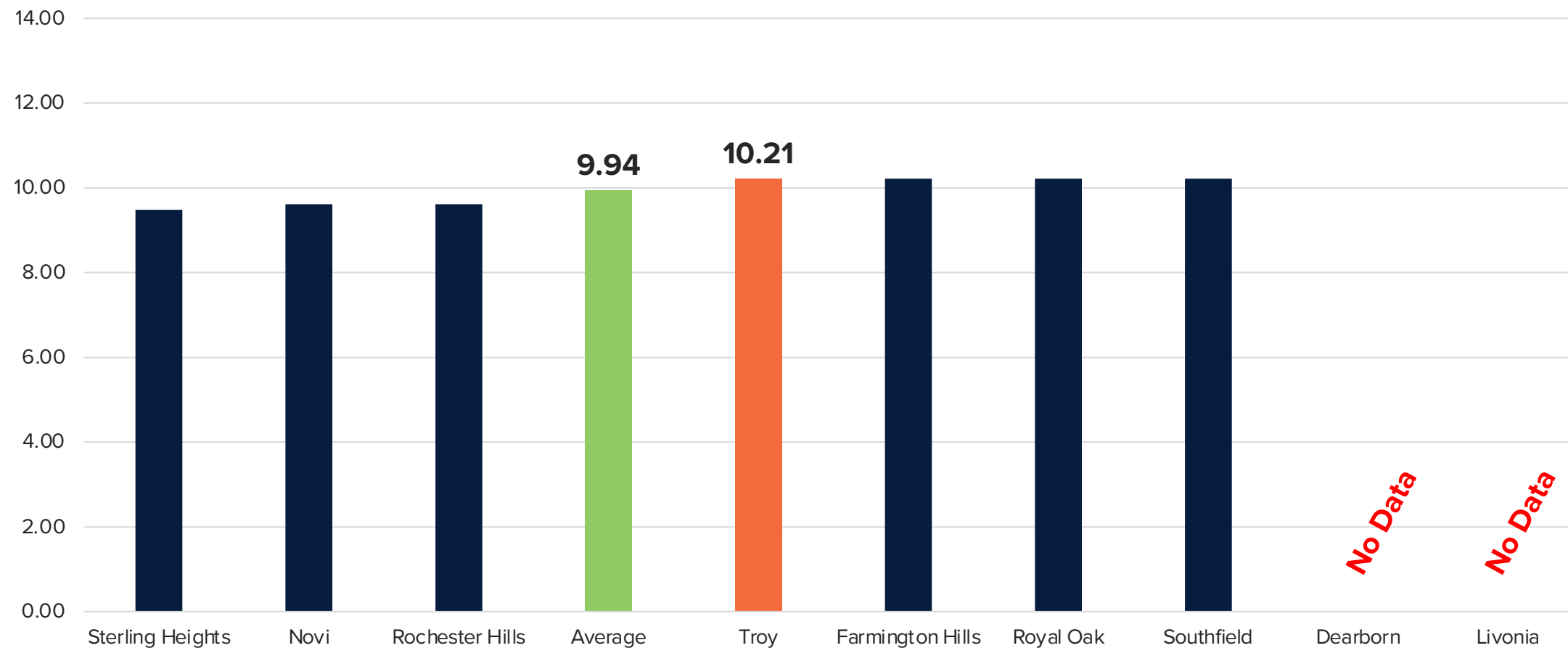
Troy Tax Rates, 2004 – 2021



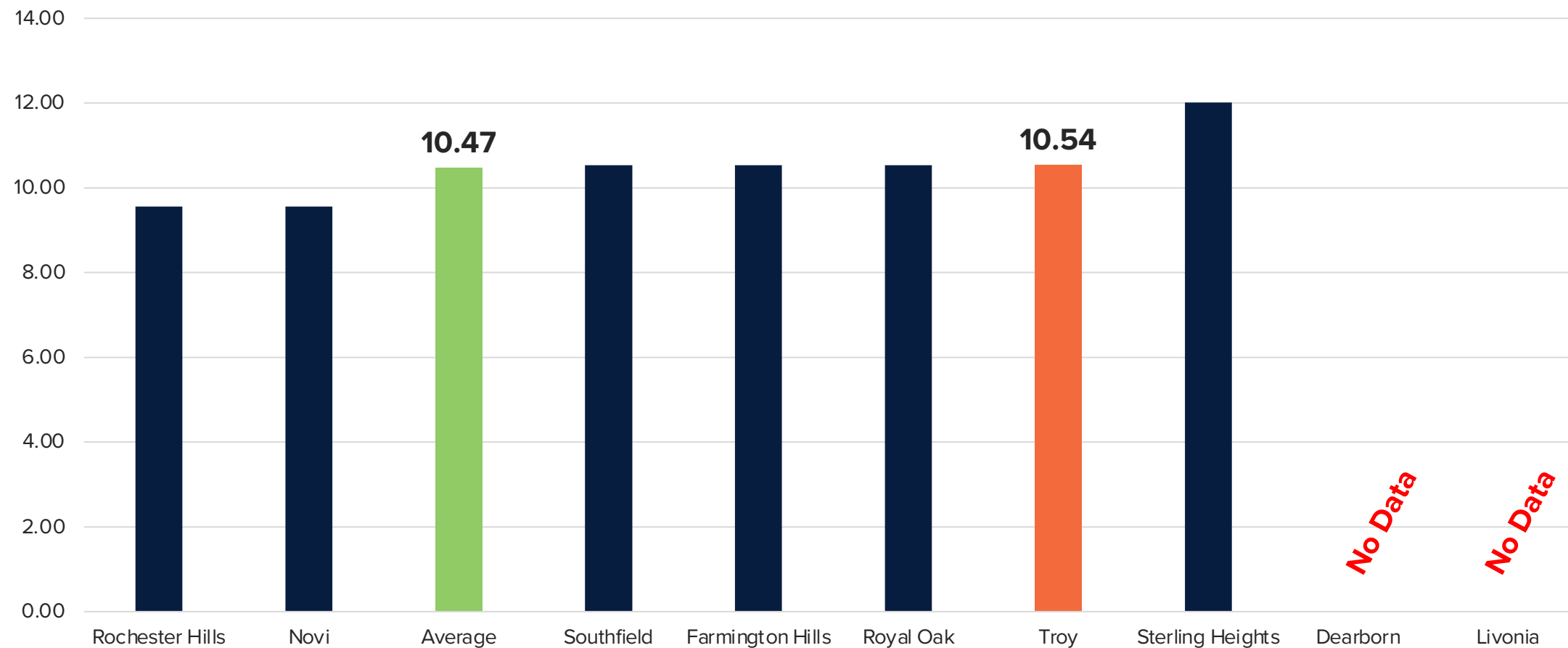
Property Tax Rates: Comparisons

Property Values, Property Tax Rates, and Property Taxes

Everything Else, 2004

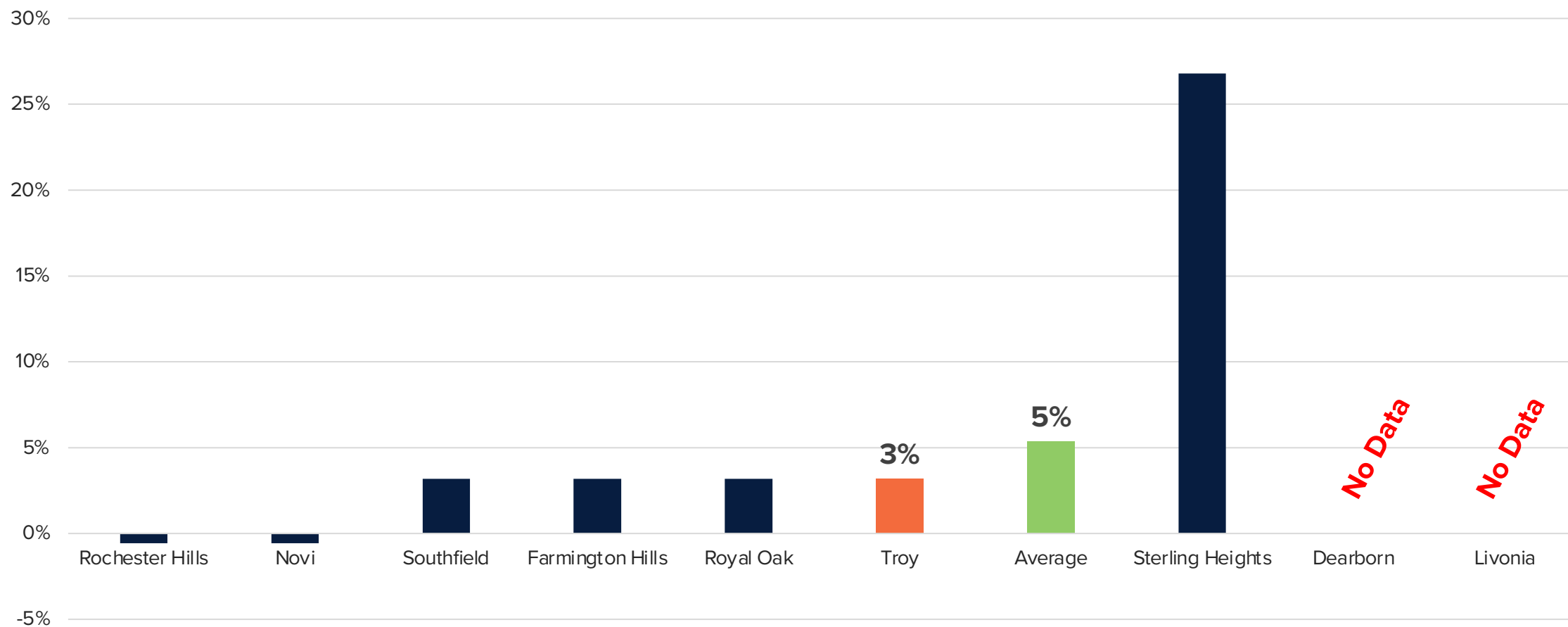


Everything Else, 2021

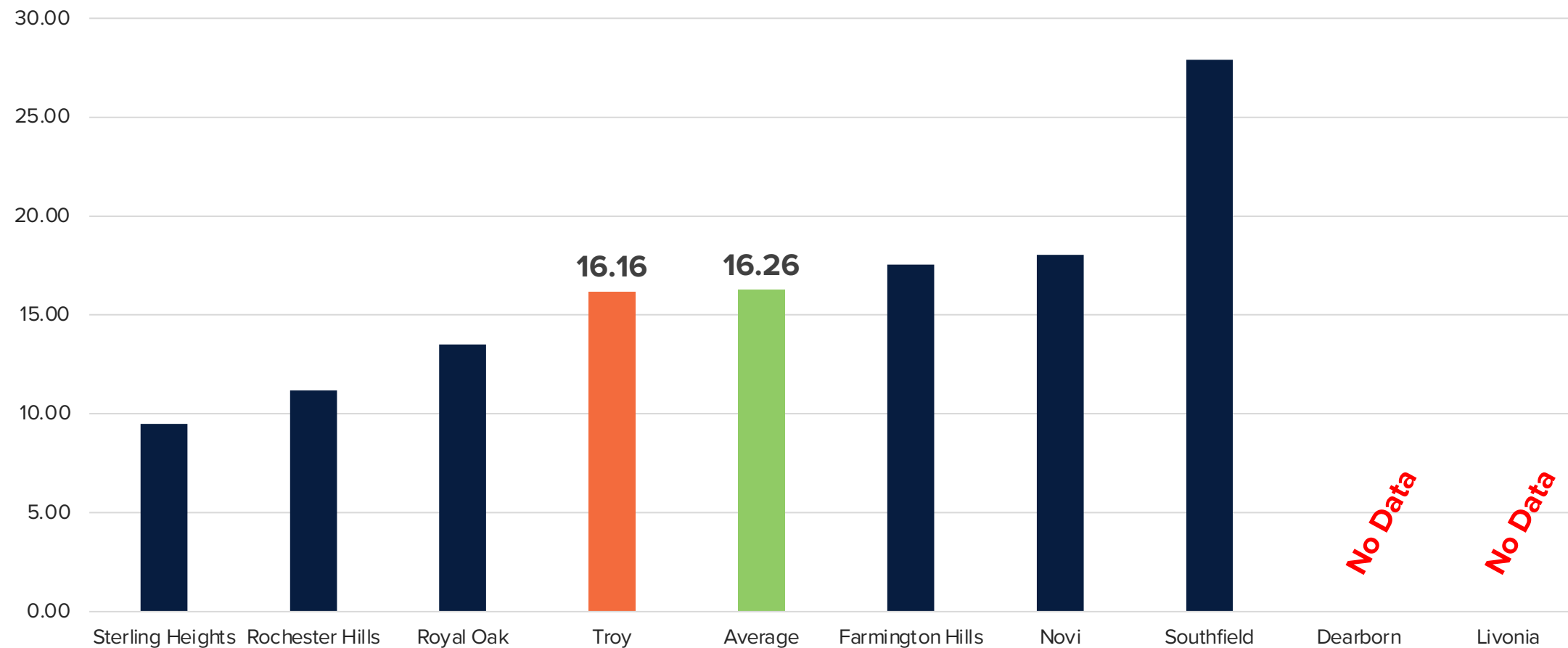


Everything Else,

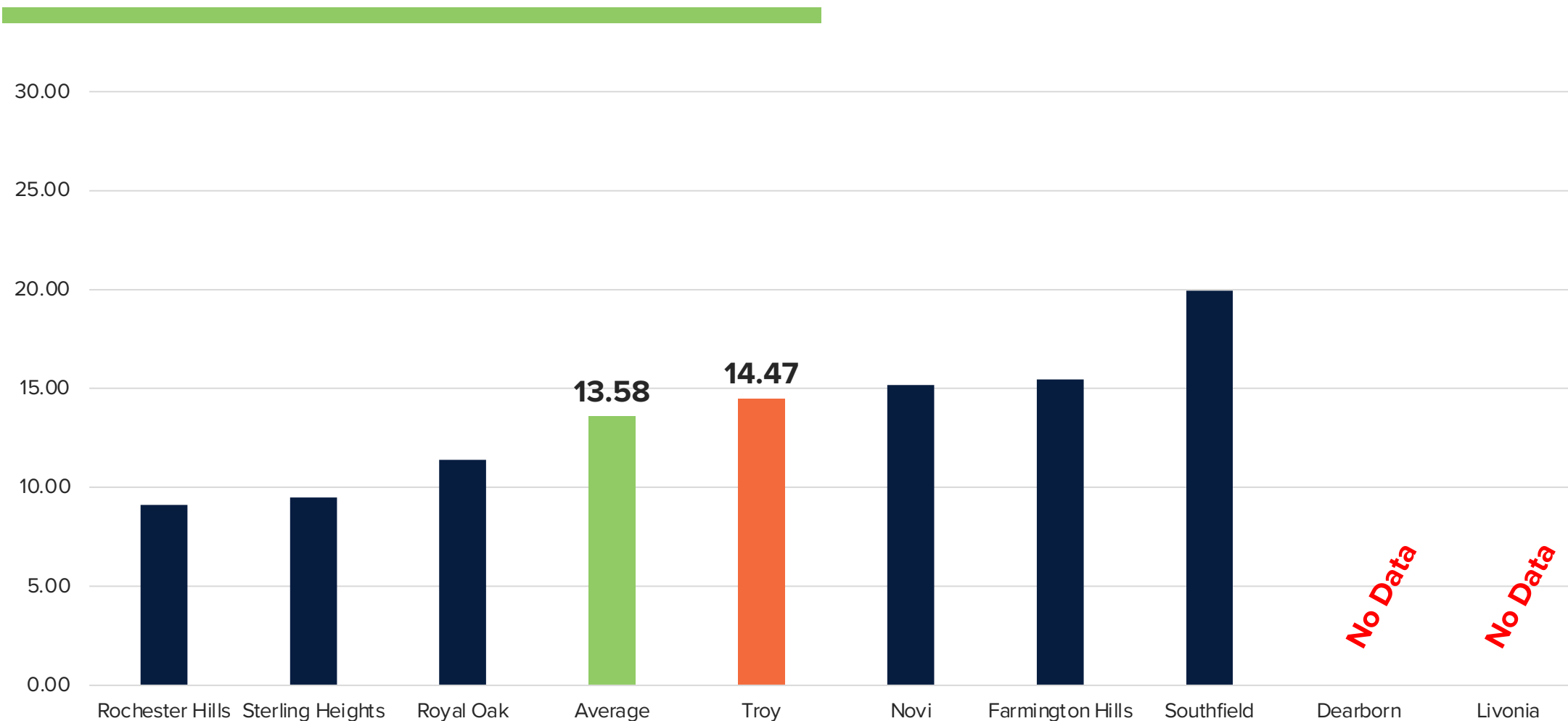
% Change 2004 and 2021



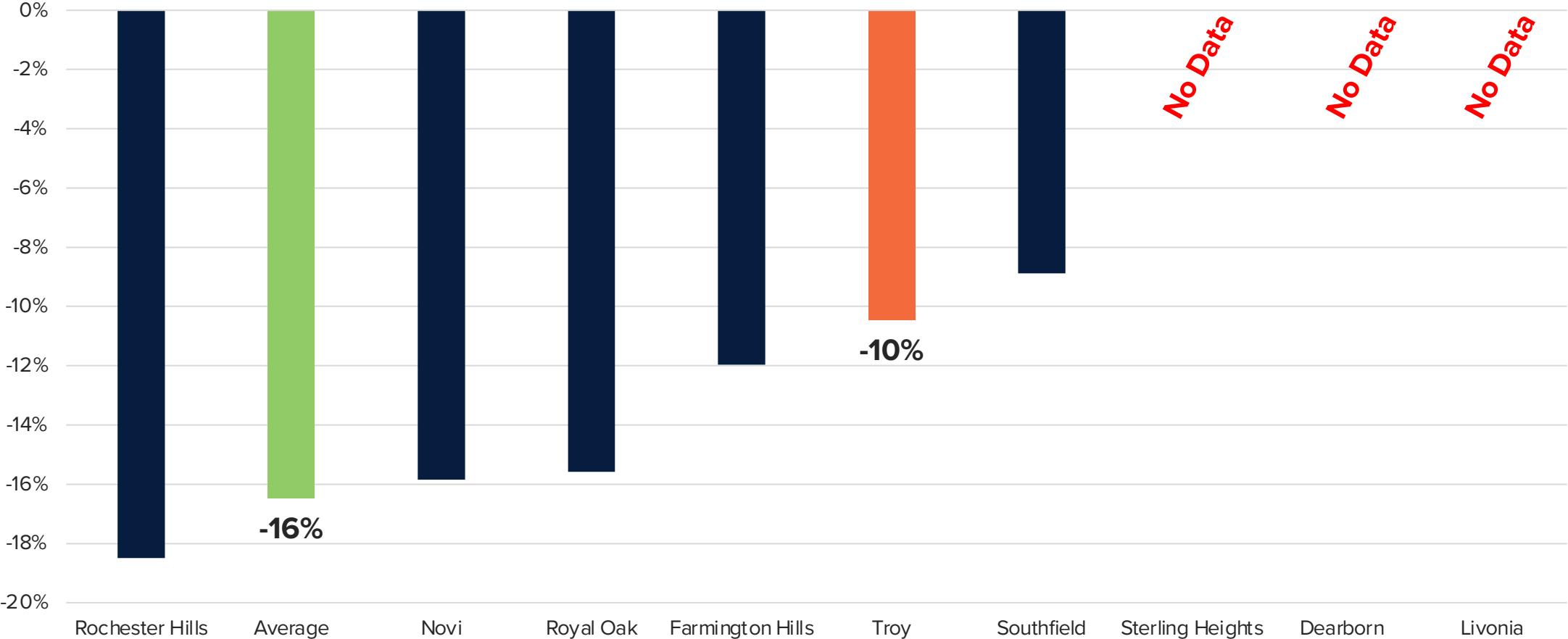
PRE School Rates, 2004



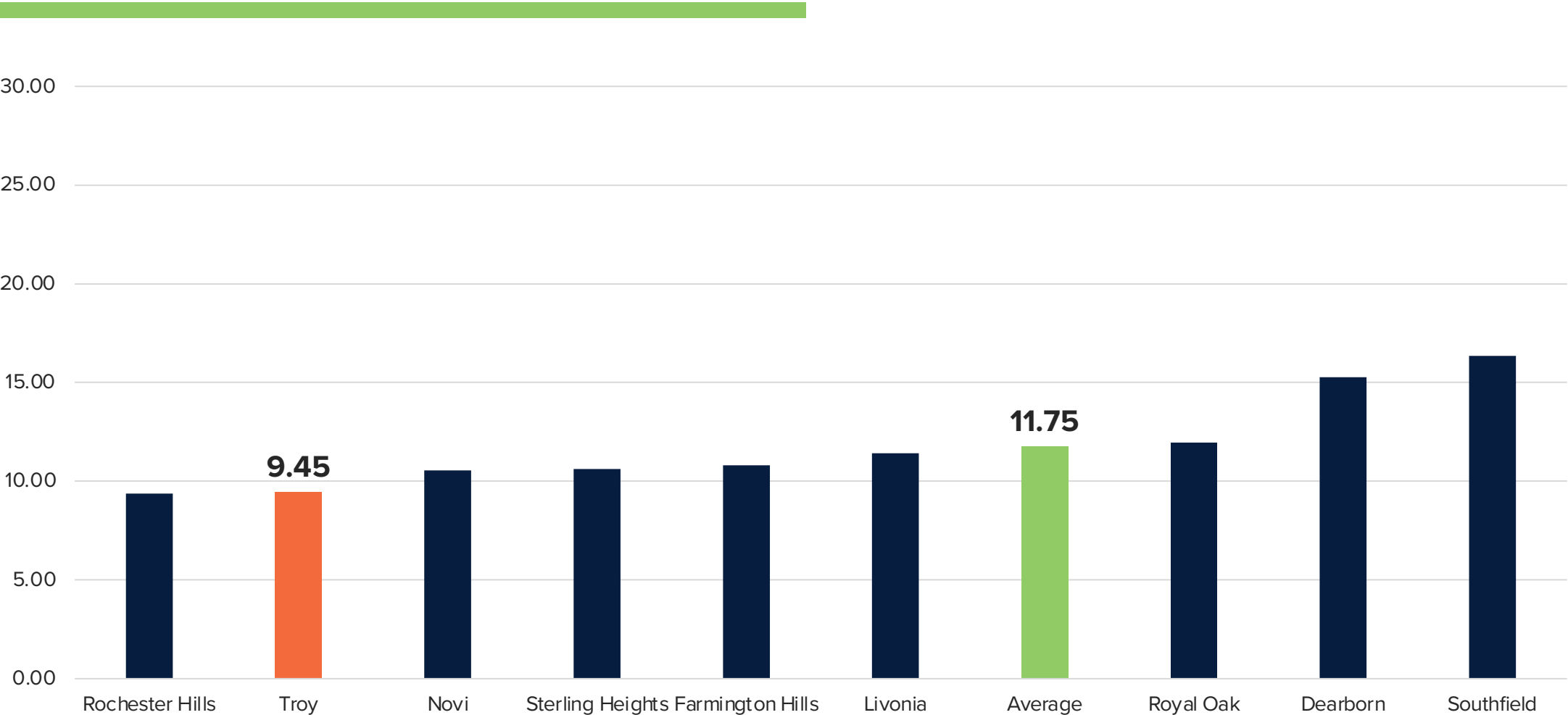
PRE School Rates, 2021



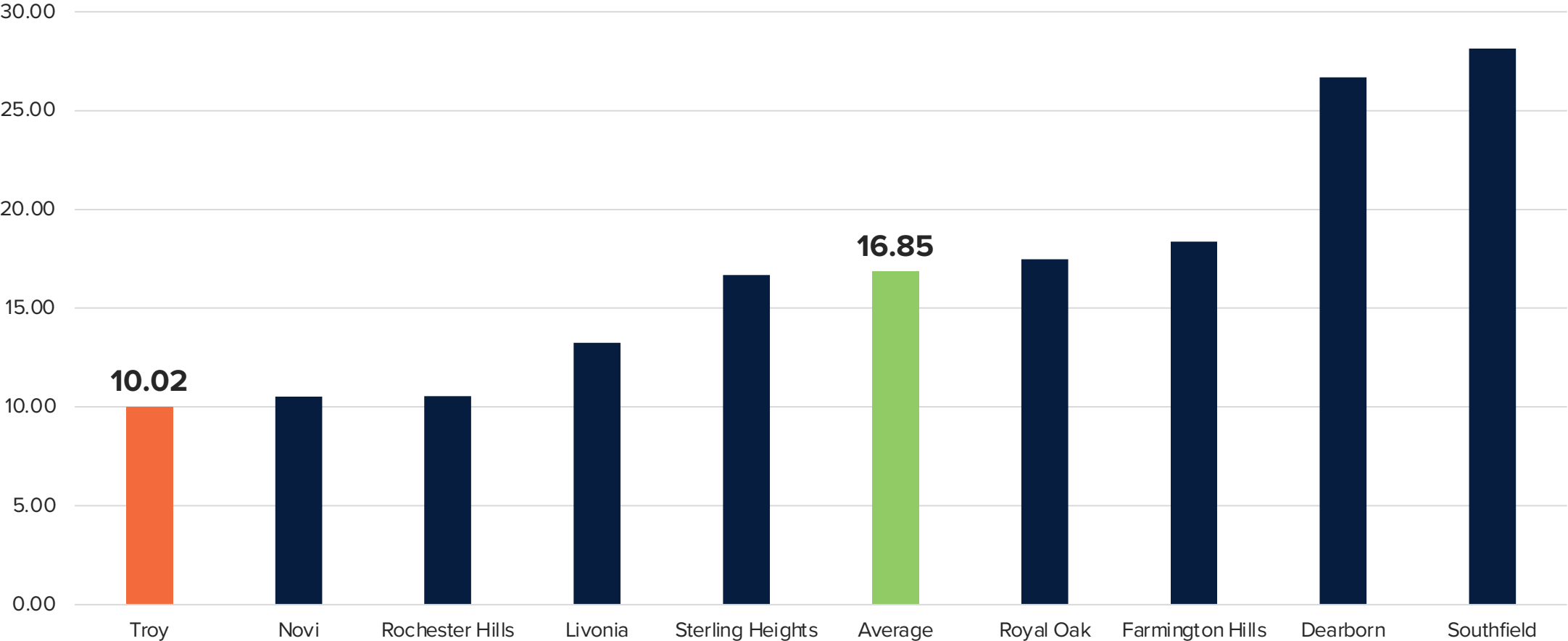
PRE School Rates, % Change 2004 and 2021



City Rates, 2004

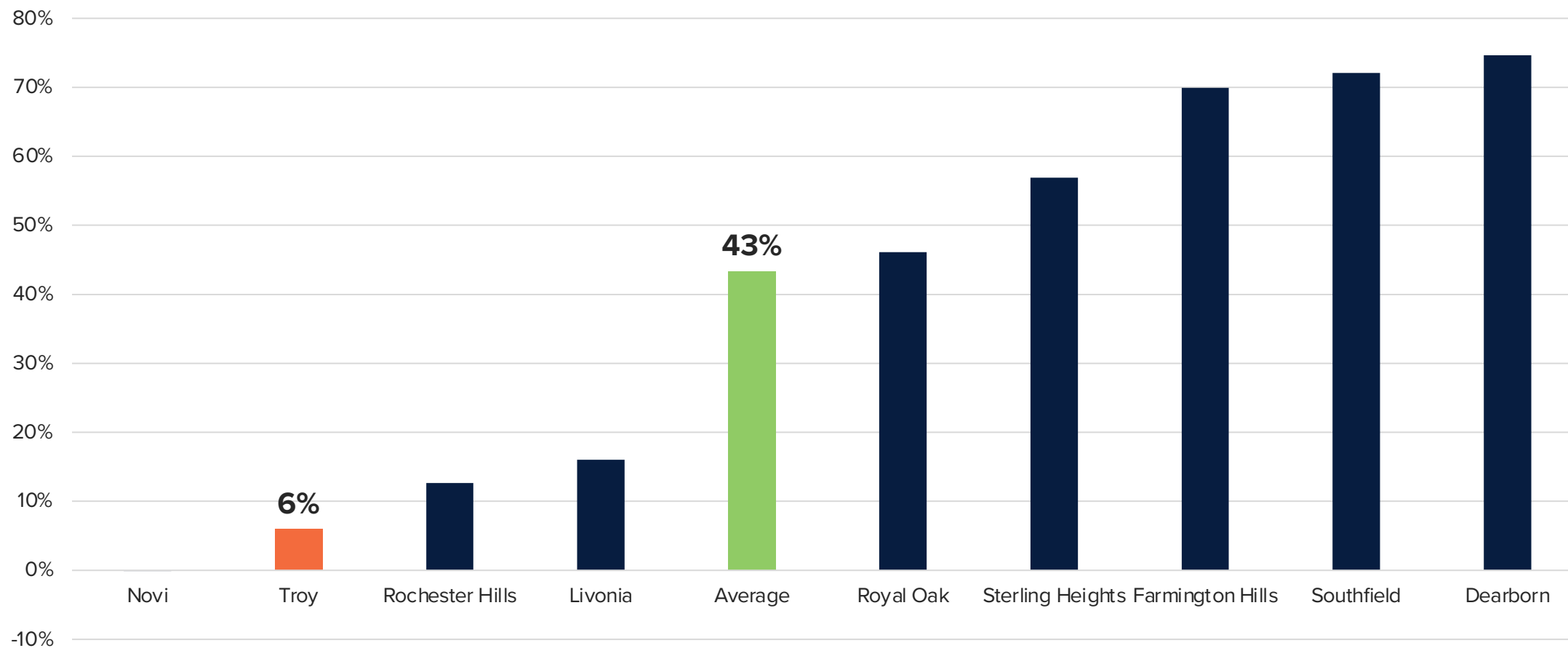


City Rates, 2021

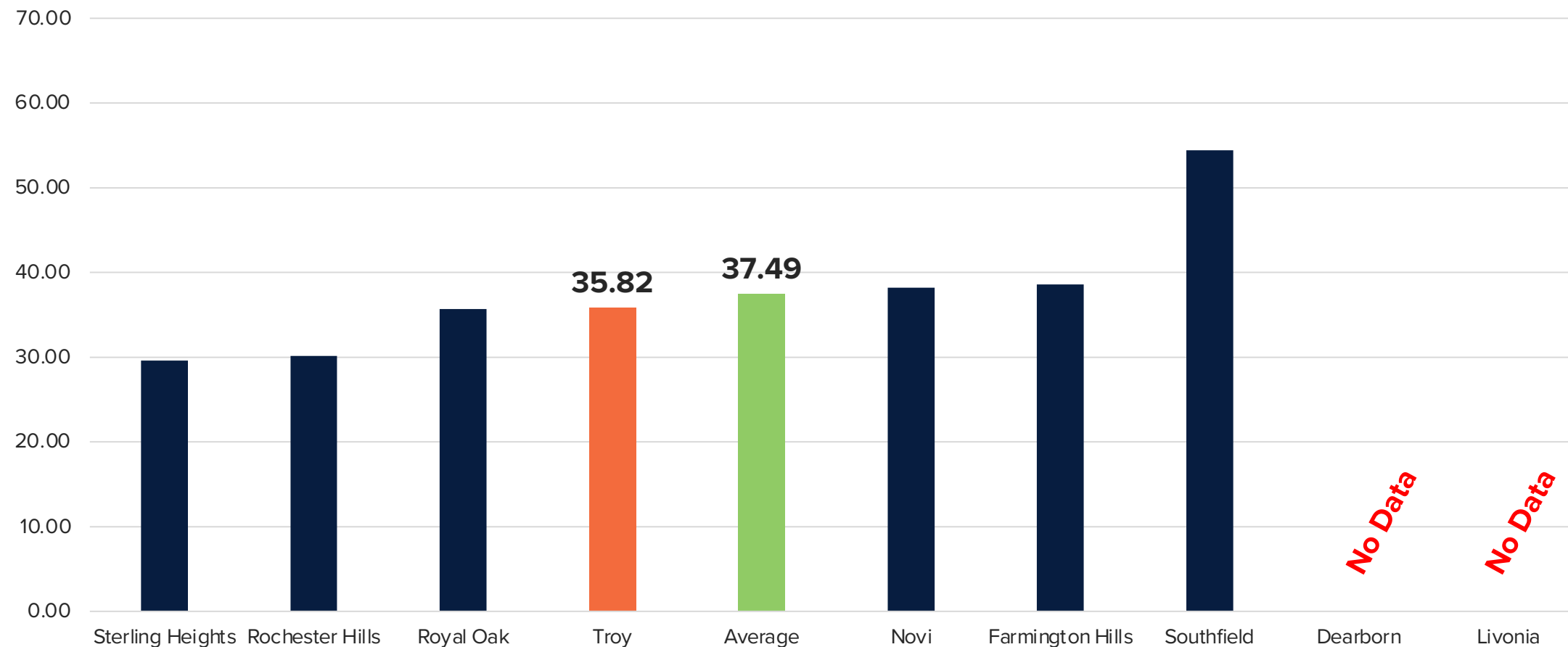


City Rates,

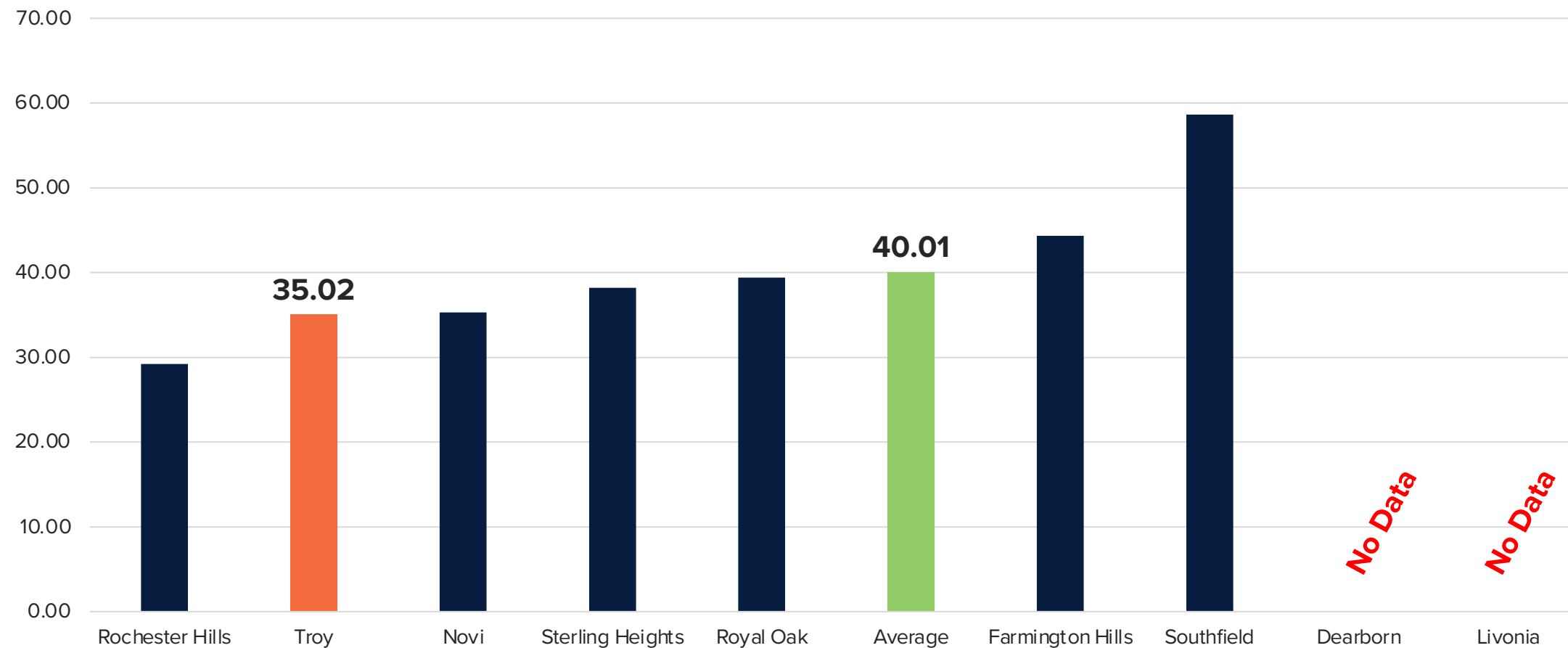
% Change 2004 and 2021



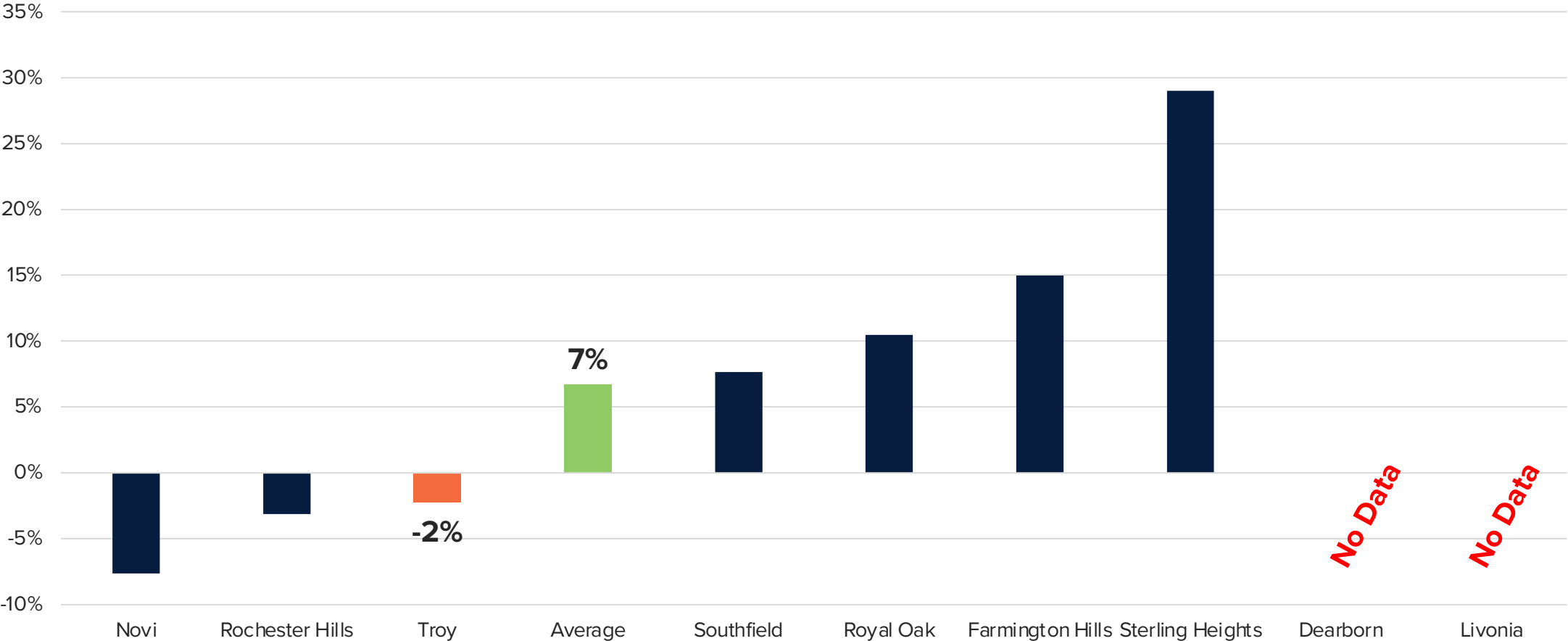
Total PRE Rates, 2004



Total PRE Rates, 2021

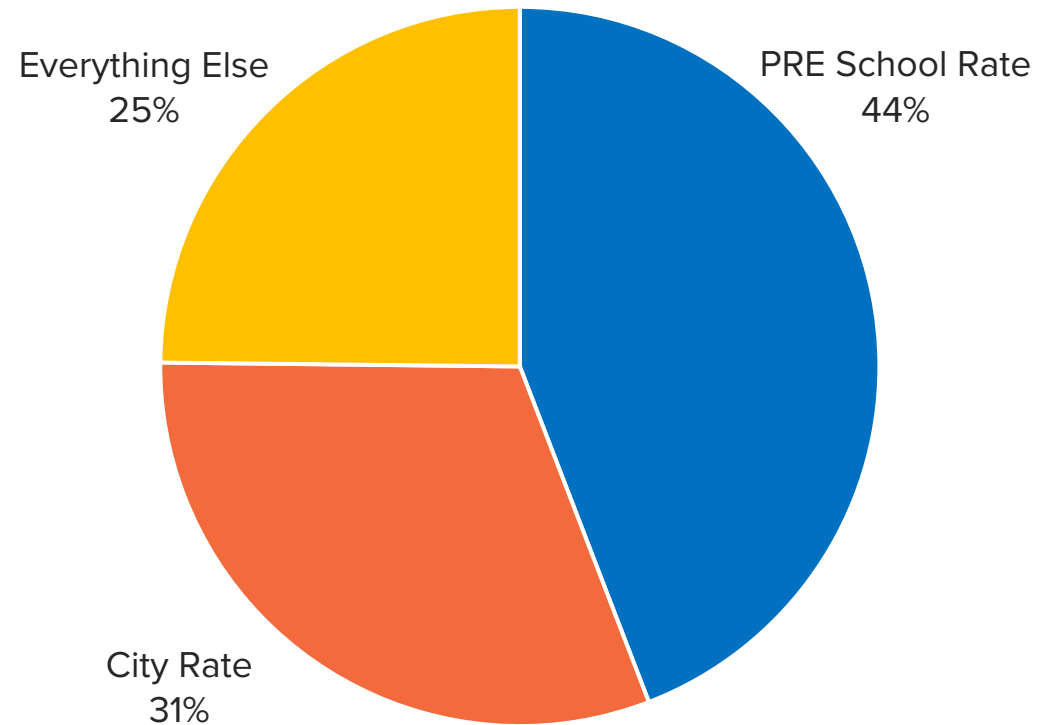


Total PRE Tax Rates, % Change 2004 and 2021

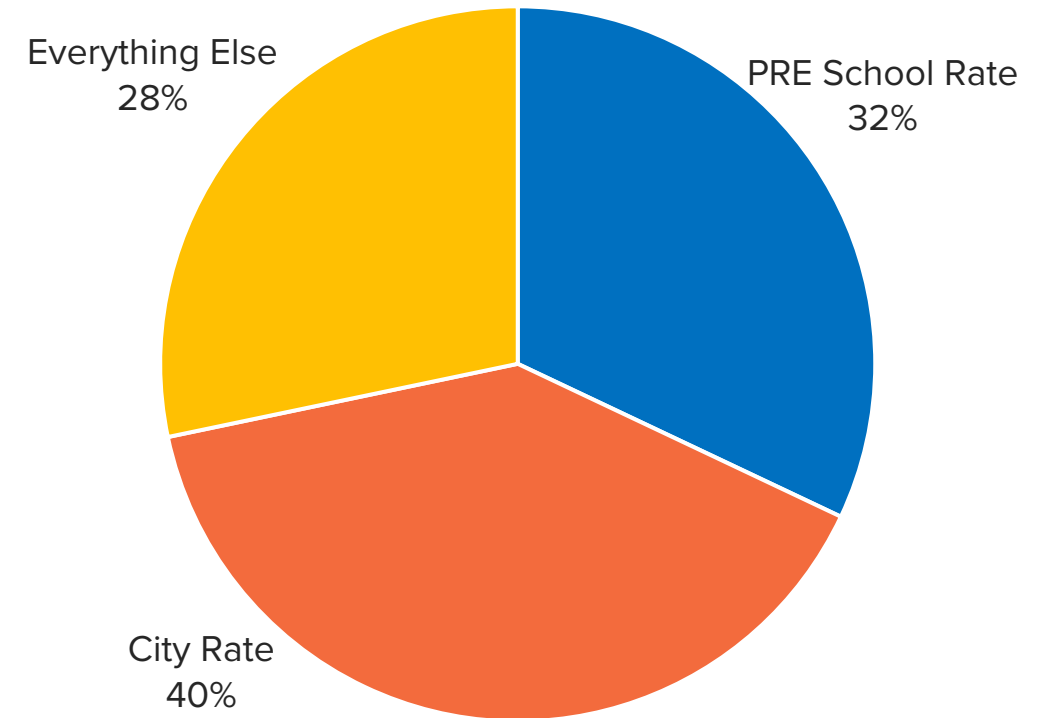


Average PRE Property Tax Rates

2004

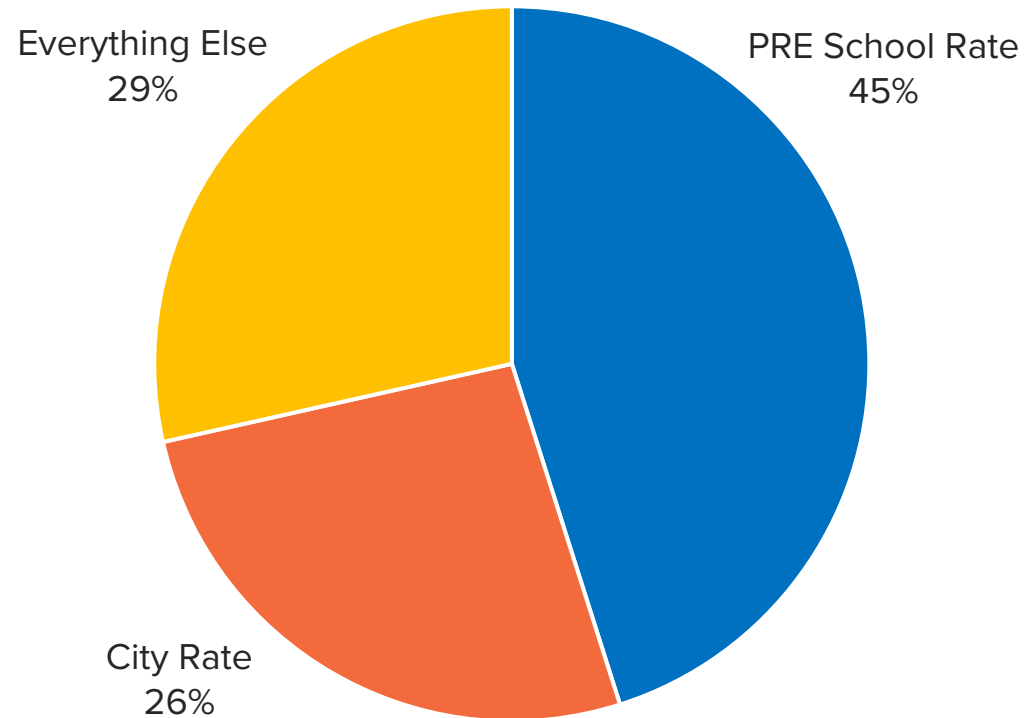


2021

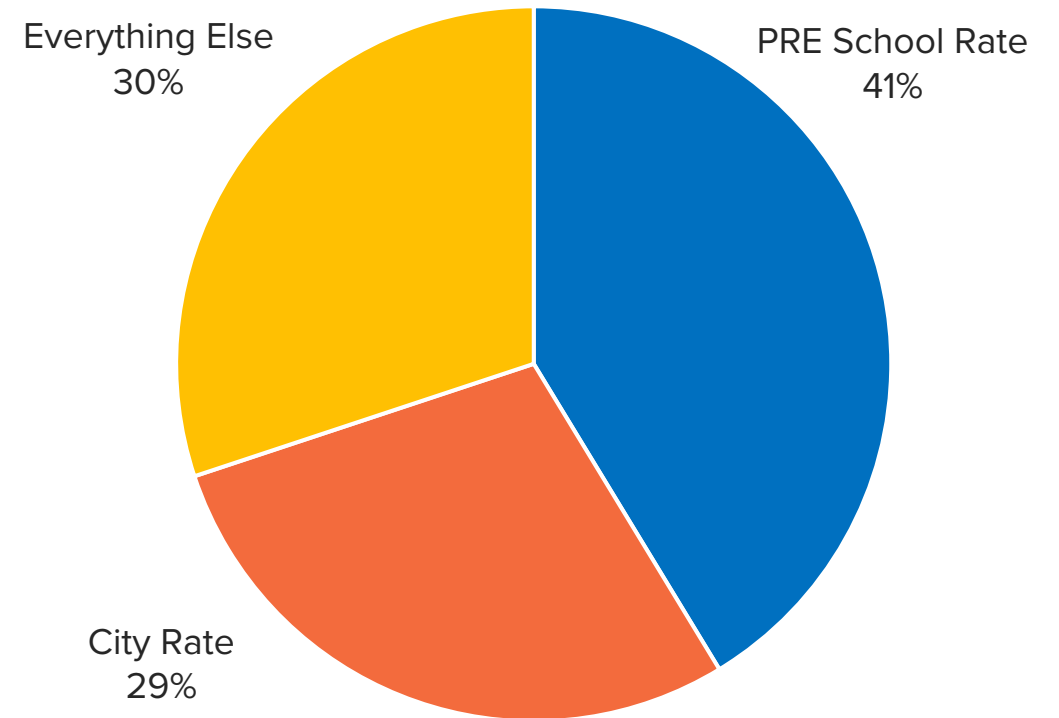


Troy PRE Property Tax Rates

2004



2021



Total PRE Tax Rates

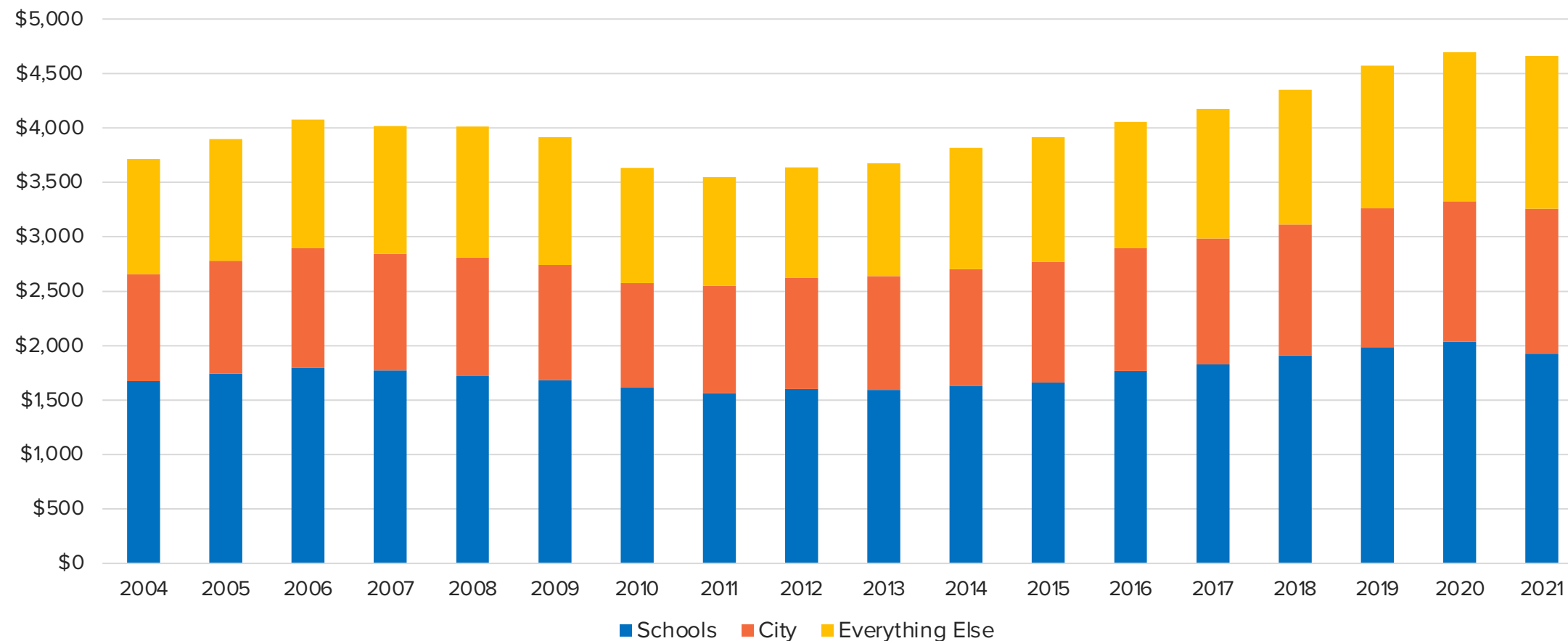
In 2021, there were the only three cities in Macomb, Oakland, and Wayne counties where the city portion of the tax bill was the smallest portion of the tax bill:

- Orchard Lake
- Romulus
- Troy

Property Taxes

Property Values, Property Tax Rates, and Property Taxes

Troy Average Total Tax Bill, 2004 – 2021



Property Taxes,

2004 – 2021

Calculating Property Tax

$$\text{TAXABLE VALUE} / 1,000 * \text{TAX RATE} = \text{TAX}$$

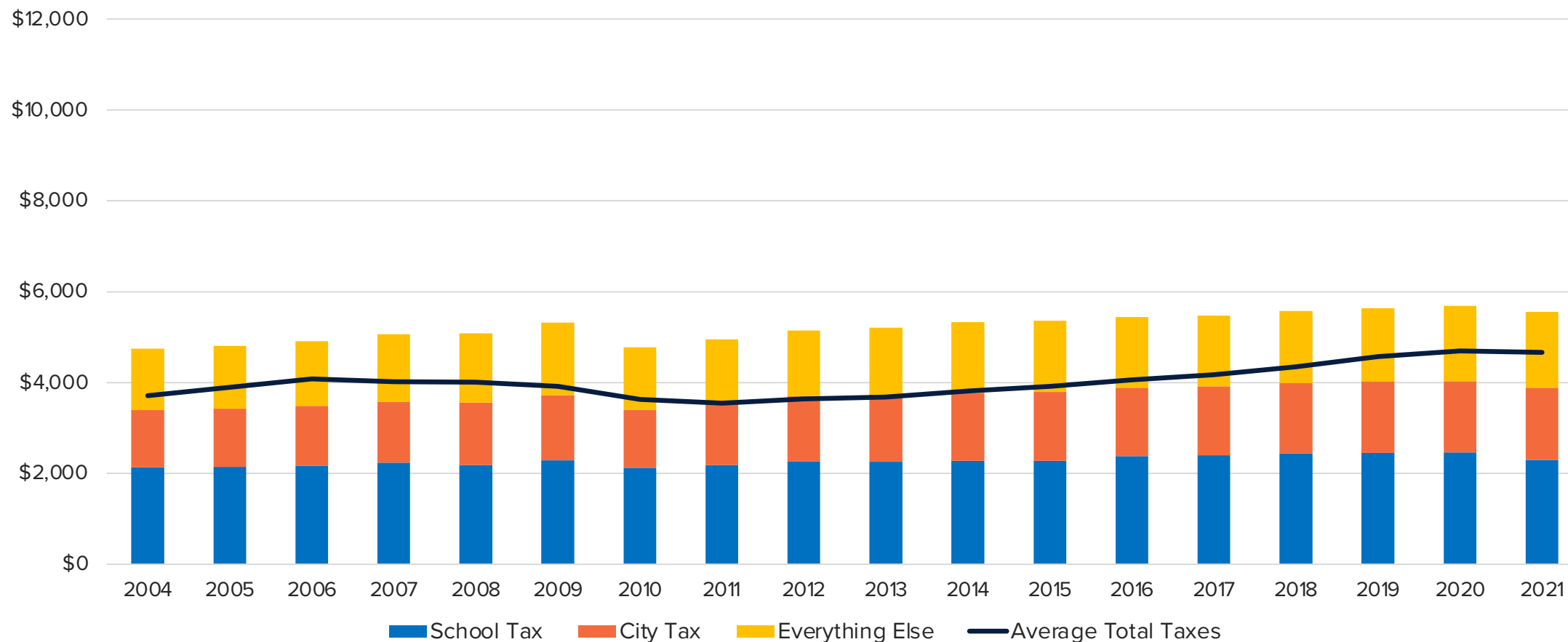
- Understanding the affects of capping and uncapping can be difficult.
- Examples help illustrate the affect of capping and uncapping.

Property Taxes: Troy Examples

Property Values, Property Tax Rates, and Property Taxes

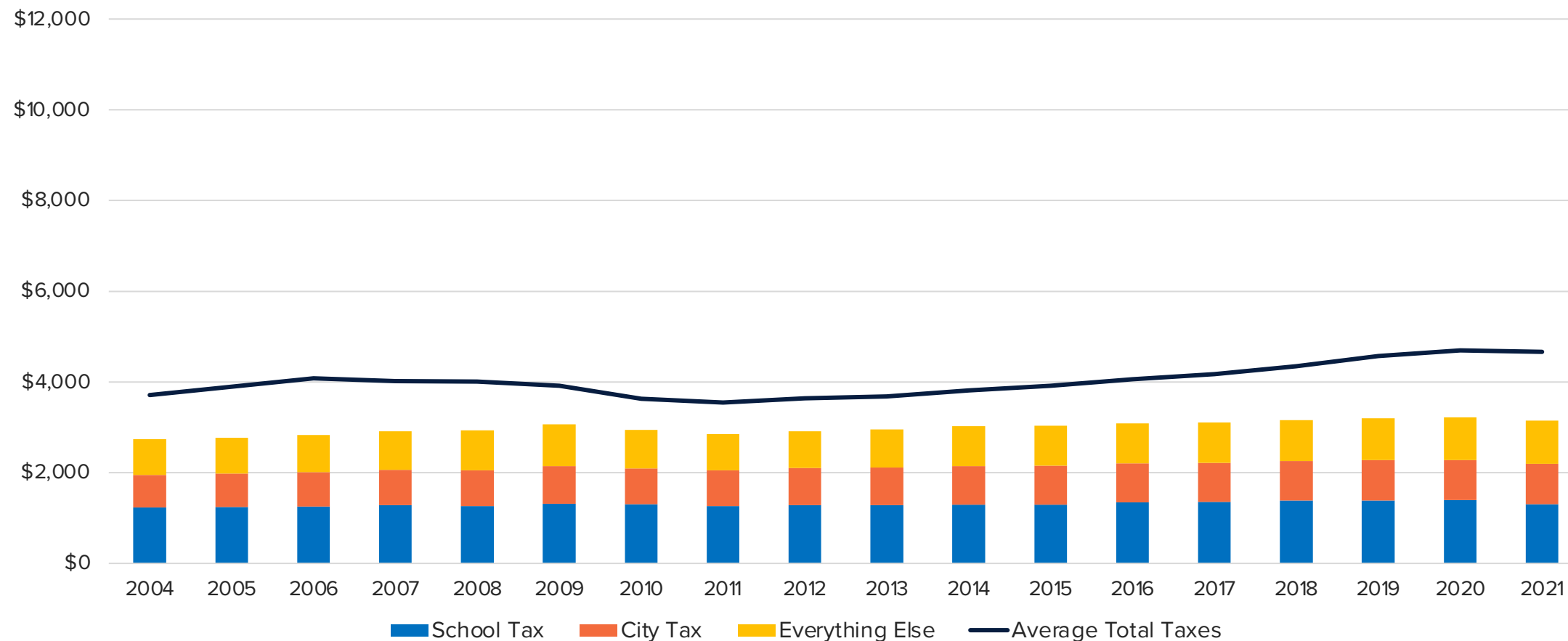
Troy Property Tax Example

4576 Whisper Way, 2004 – 2021 (Capped since 1994)



Troy Property Tax Example

4822 Foxcroft, 2004 – 2021 (Capped since 1994)



What If They Had Uncapped in 2021?

4576 Whisper Way



\$5,700 total tax bill
\$7,500 total tax bill

\$1,800 (\$150/month)
32% increase

Illustration only. This did not happen.

4822 Foxcroft



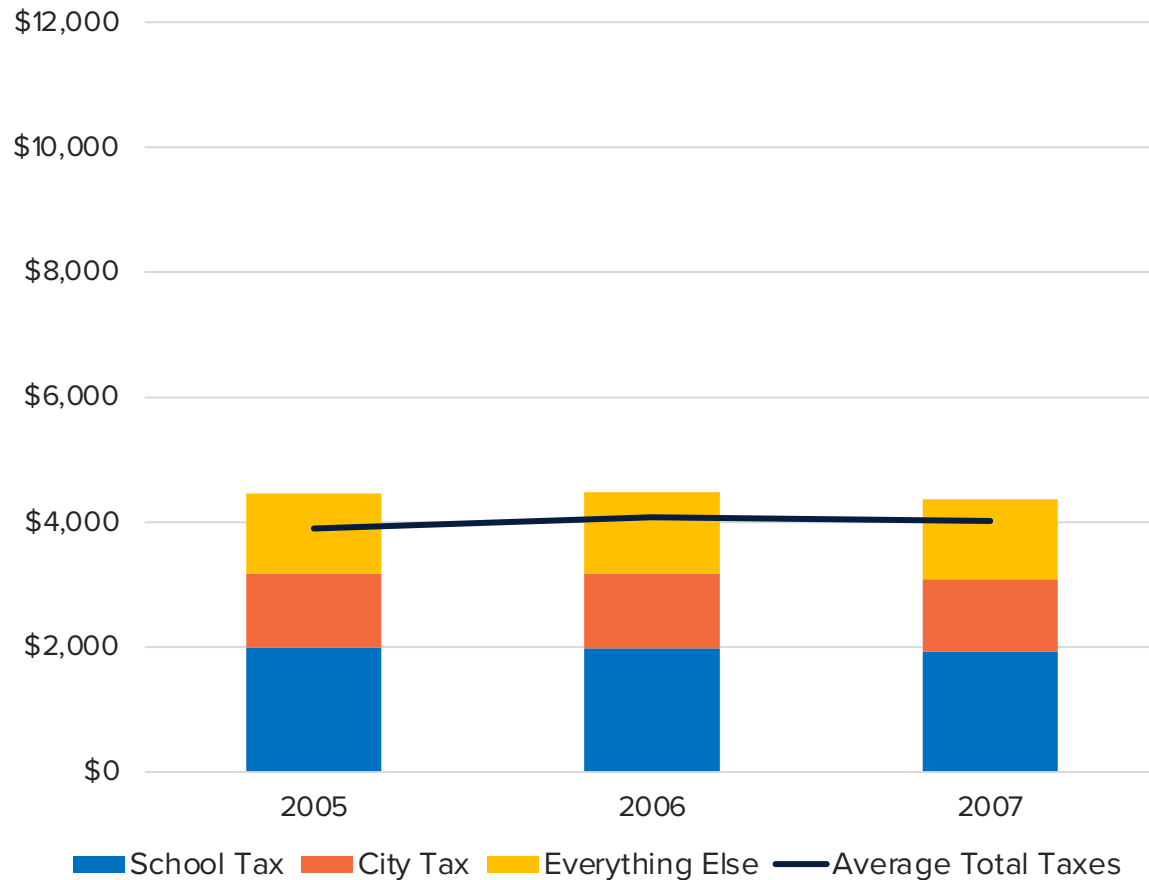
\$3,200 total tax bill
\$4,900 total tax bill

\$1,700 (\$142/month)
53% increase

Illustration only. This did not happen.

Troy Property Tax Example

Uncapped in 2005



5910 Diamond



\$3,100 total tax bill

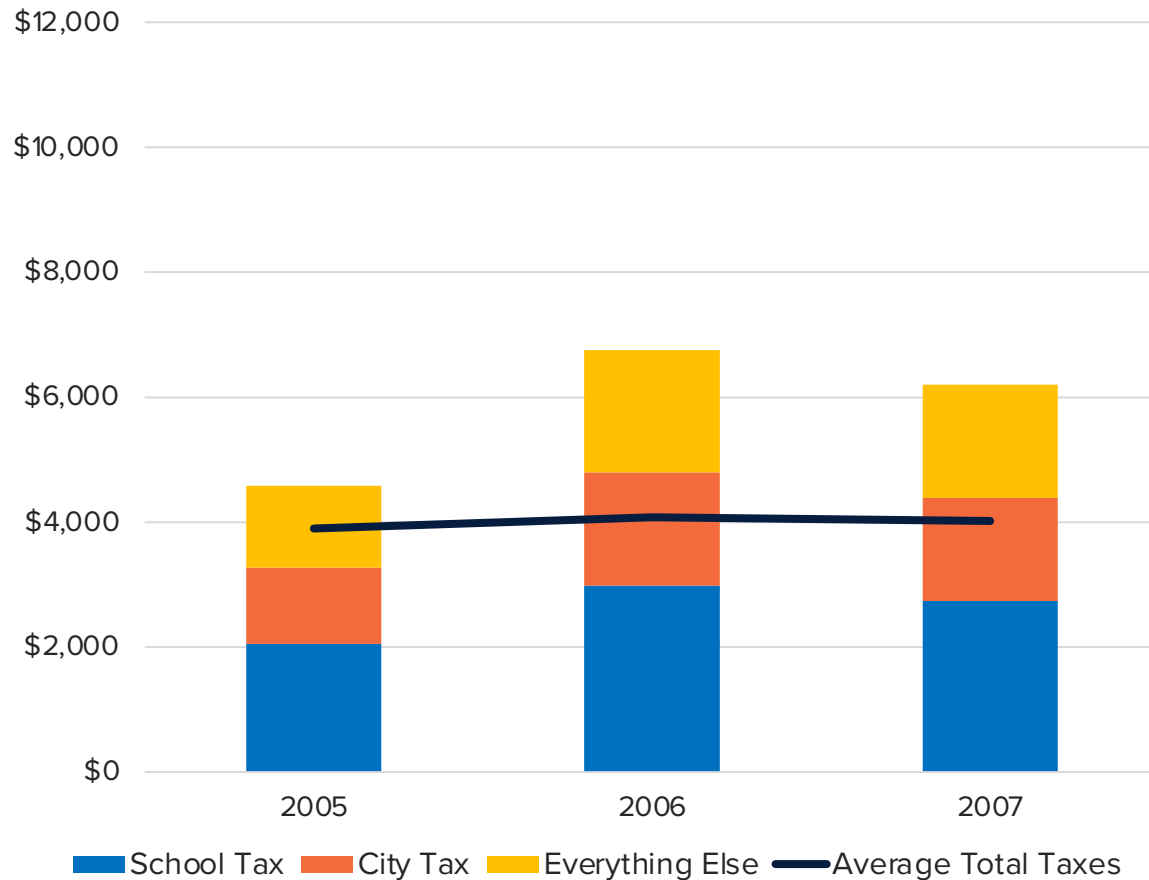
\$4,500 total tax bill

\$1,400 (\$117/month)

45% increase

Troy Property Tax Example

Uncapped in 2006



2856 Timberwyck Trail



\$4,600 total tax bill

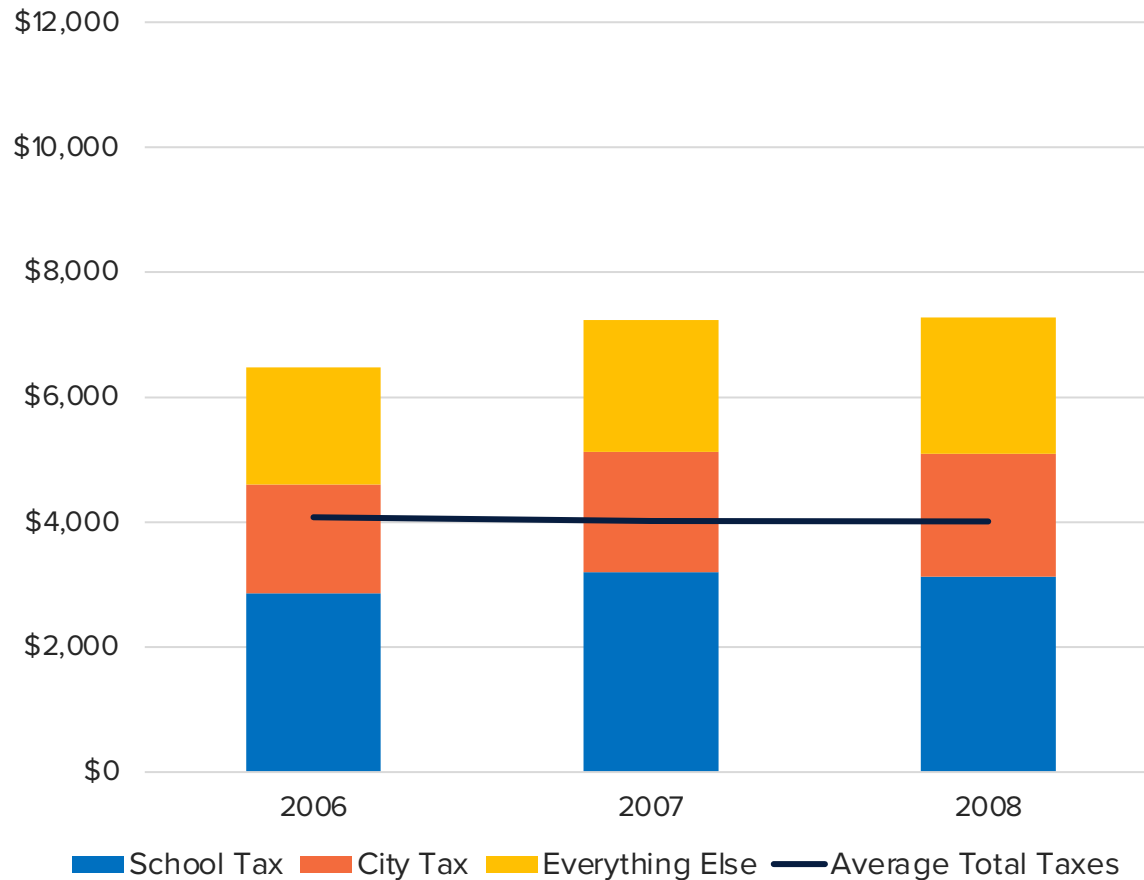
\$6,800 total tax bill

\$2,200 (\$183/month)

48% increase

Troy Property Tax Example

Uncapped in 2007



6501 Park View



\$6,500 total tax bill

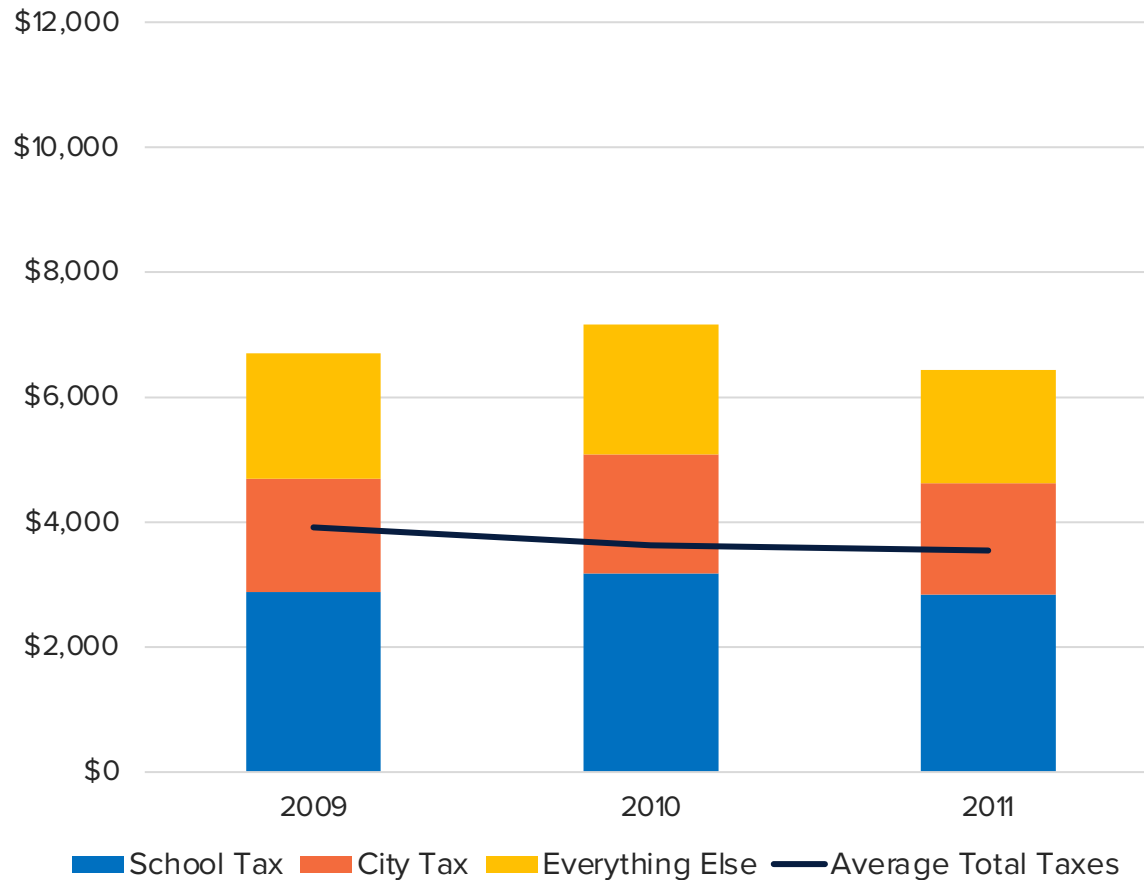
\$7,200 total tax bill

\$800 (\$67/month)

12% increase

Troy Property Tax Example

Uncapped in 2010



6501 Park View



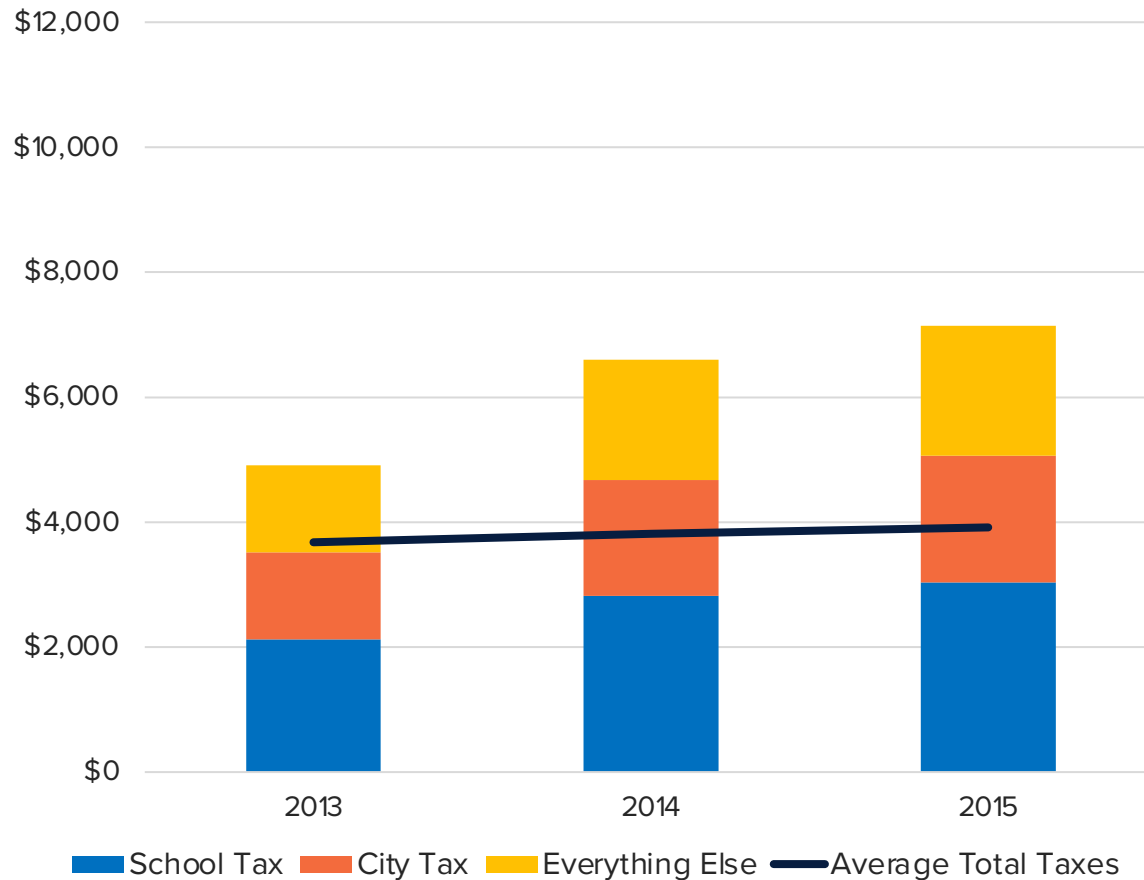
\$6,700 total tax bill

\$7,200 total tax bill

\$500 (\$42/month)
7% increase

Troy Property Tax Example

Uncapped in 2014



2856 Timberwyck Trail



\$4,900 total tax bill

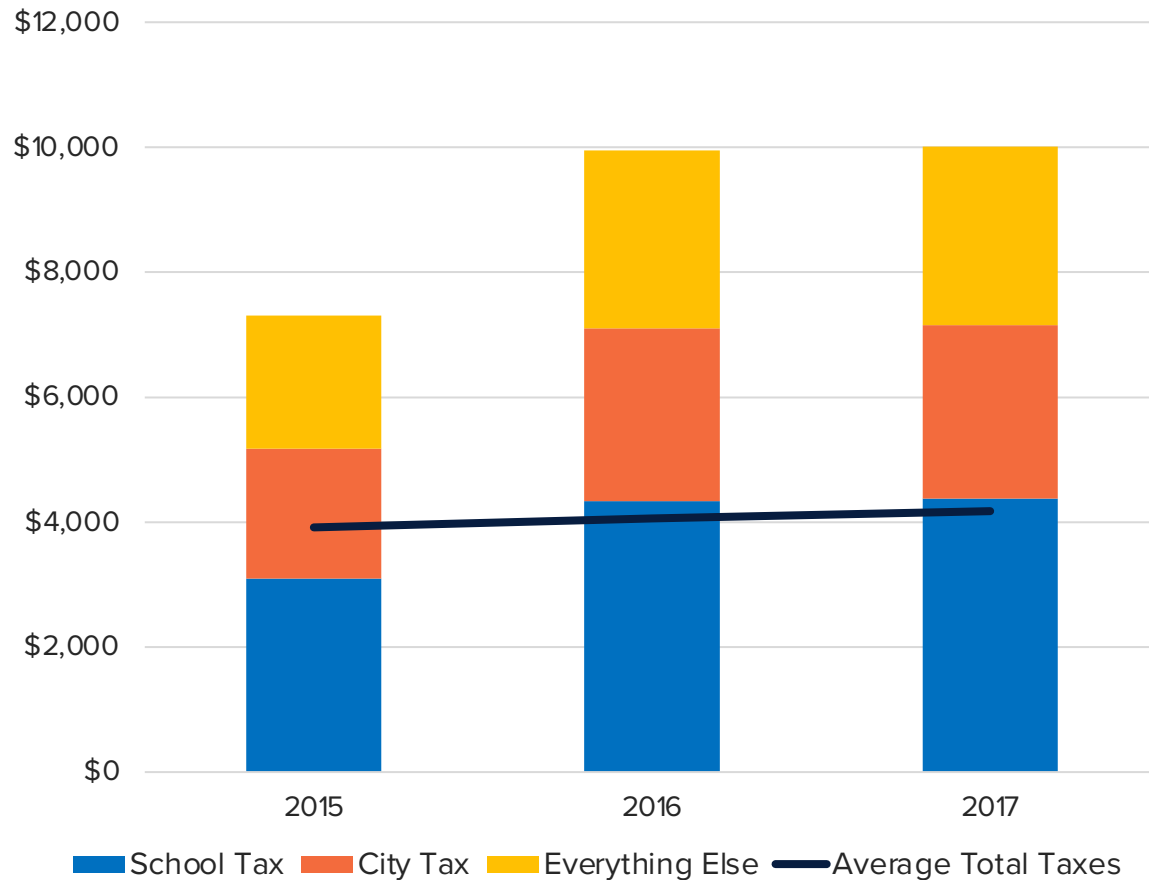
\$6,600 total tax bill

\$1,700 (\$142/month)

35% increase

Troy Property Tax Example

Uncapped in 2016



2043 Red Maple



\$7,300 total tax bill

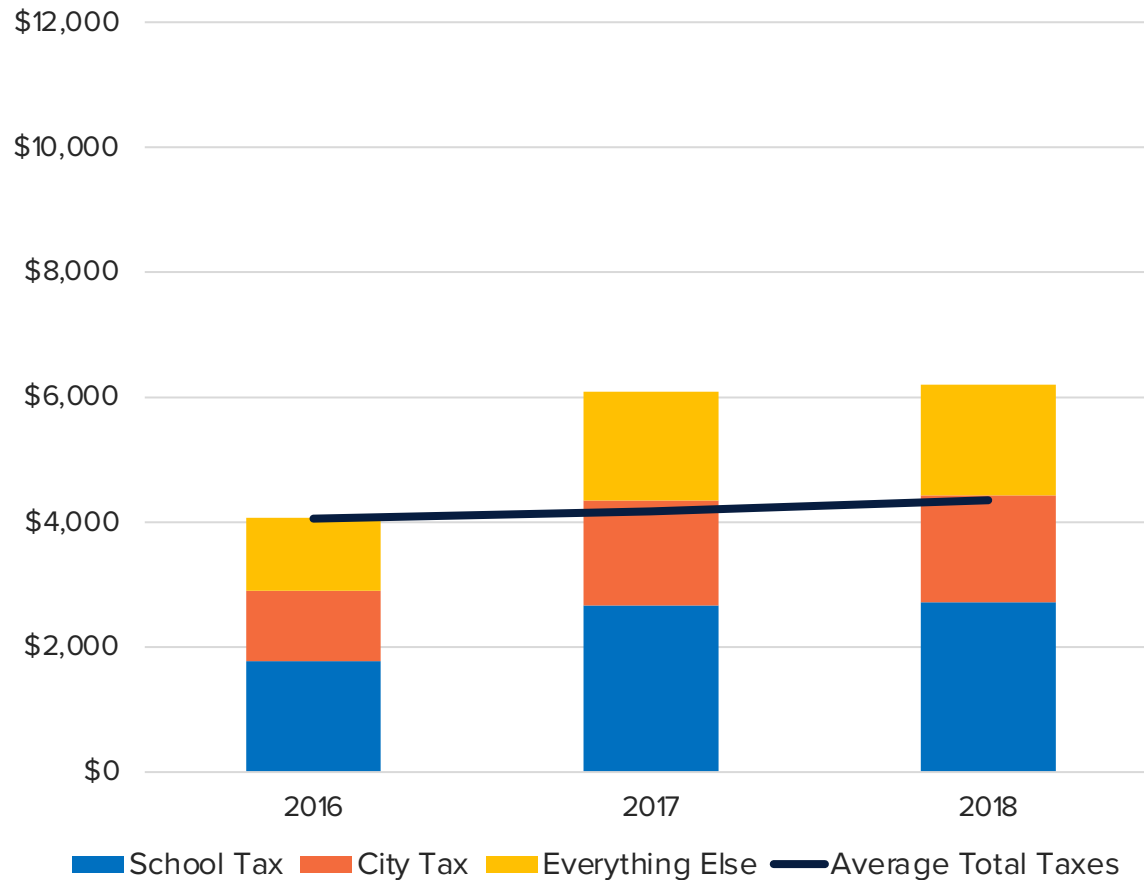
\$9,900 total tax bill

\$2,600 (\$217/month)

36% increase

Troy Property Tax Example

Uncapped in 2017



3315 Witherbee



\$4,100 total tax bill

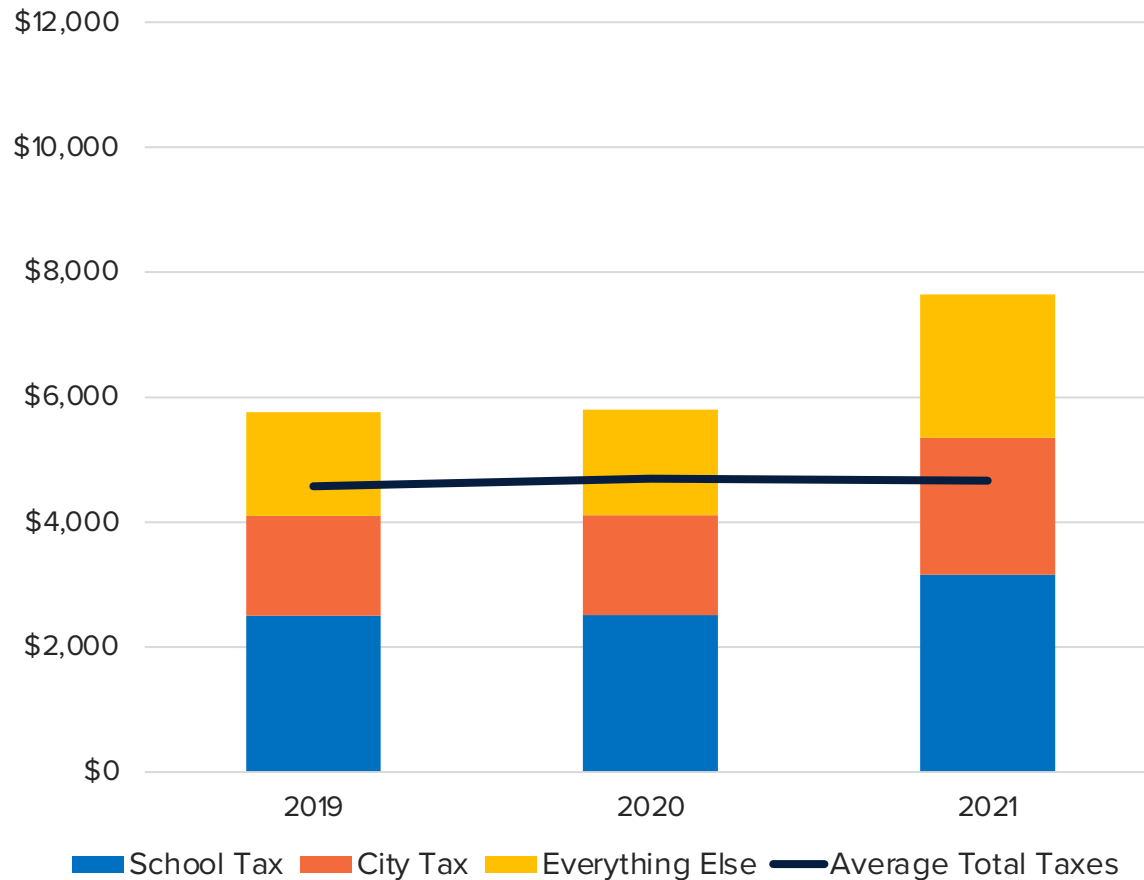
\$6,100 total tax bill

\$2,000 (\$67/month)

49% increase

Troy Property Tax Example

Uncapped in 2021



2092 Oakwood



\$5,800 total tax bill

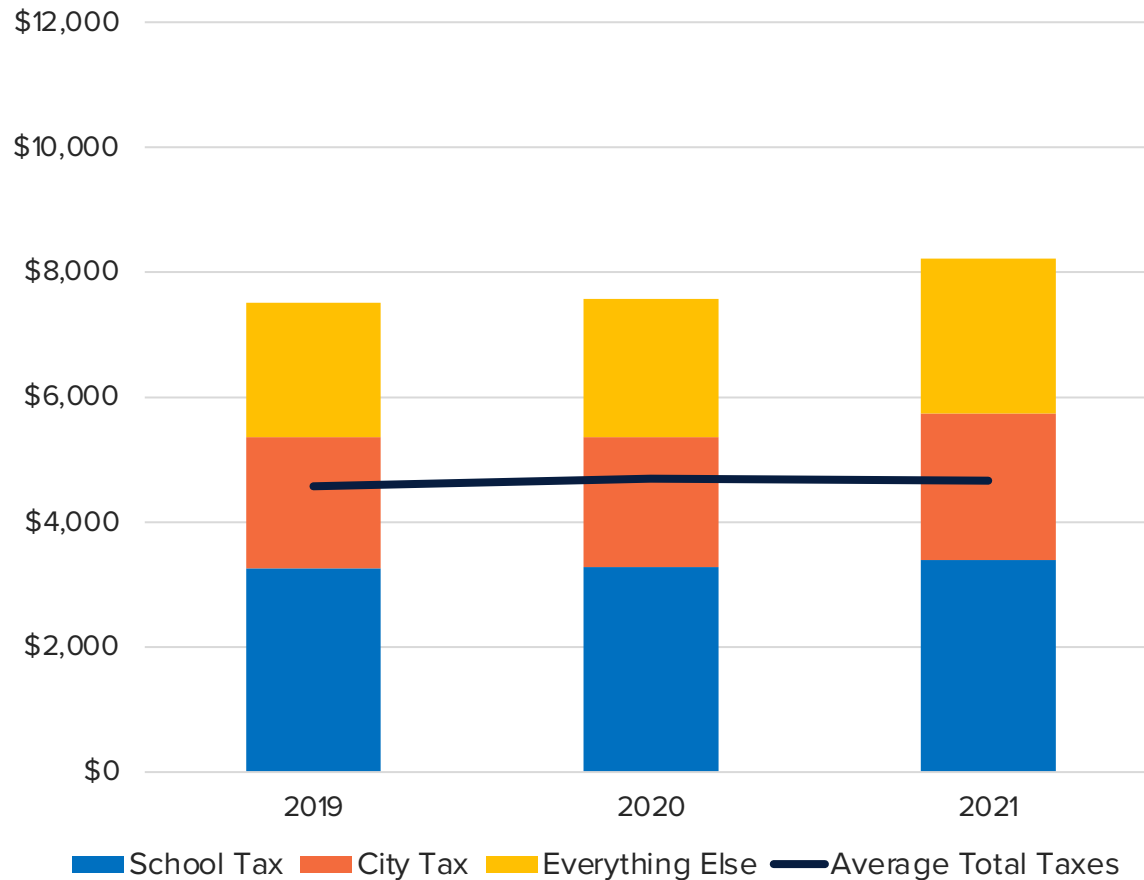
\$7,600 total tax bill

\$1,800 (\$150/month)

31% increase

Troy Property Tax Example

Uncapped in 2021



2856 Timberwyck Trail



\$7,600 total tax bill

\$8,200 total tax bill

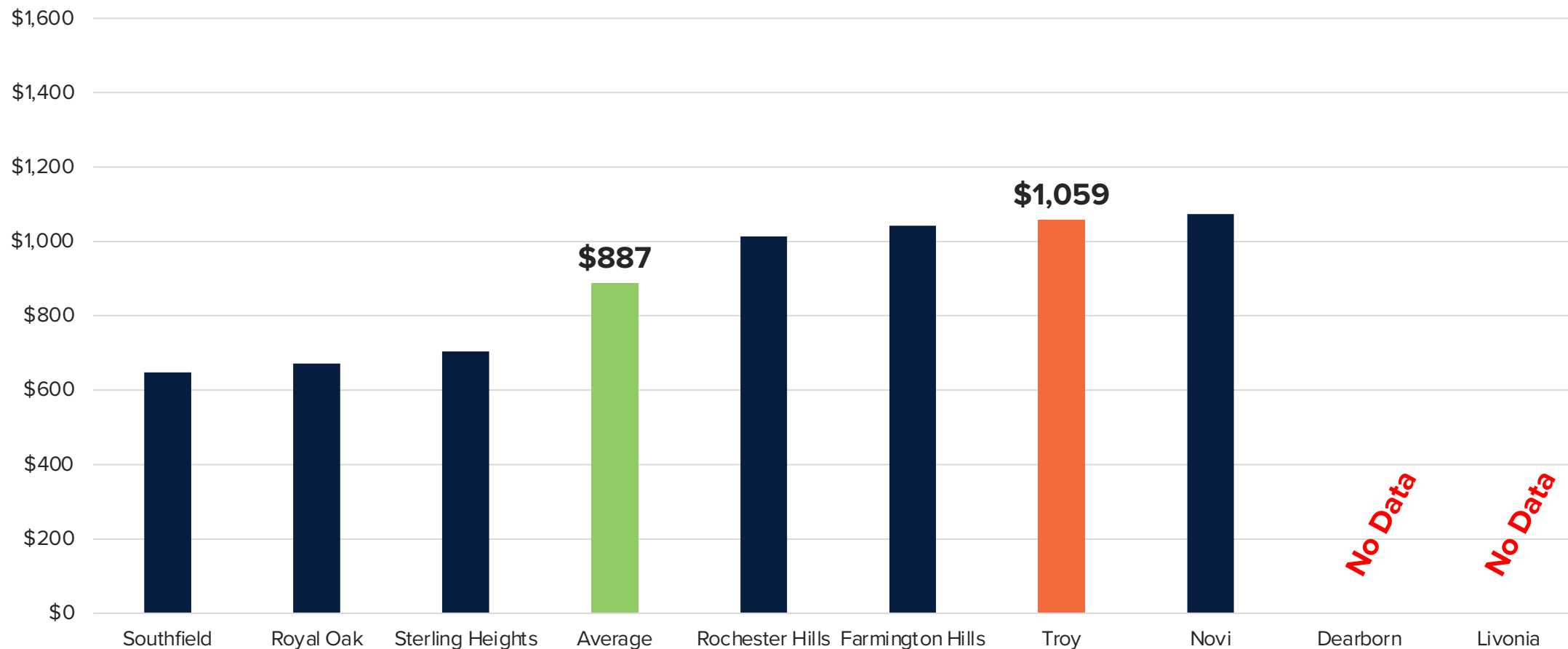
\$600 (\$50/month)

8% increase

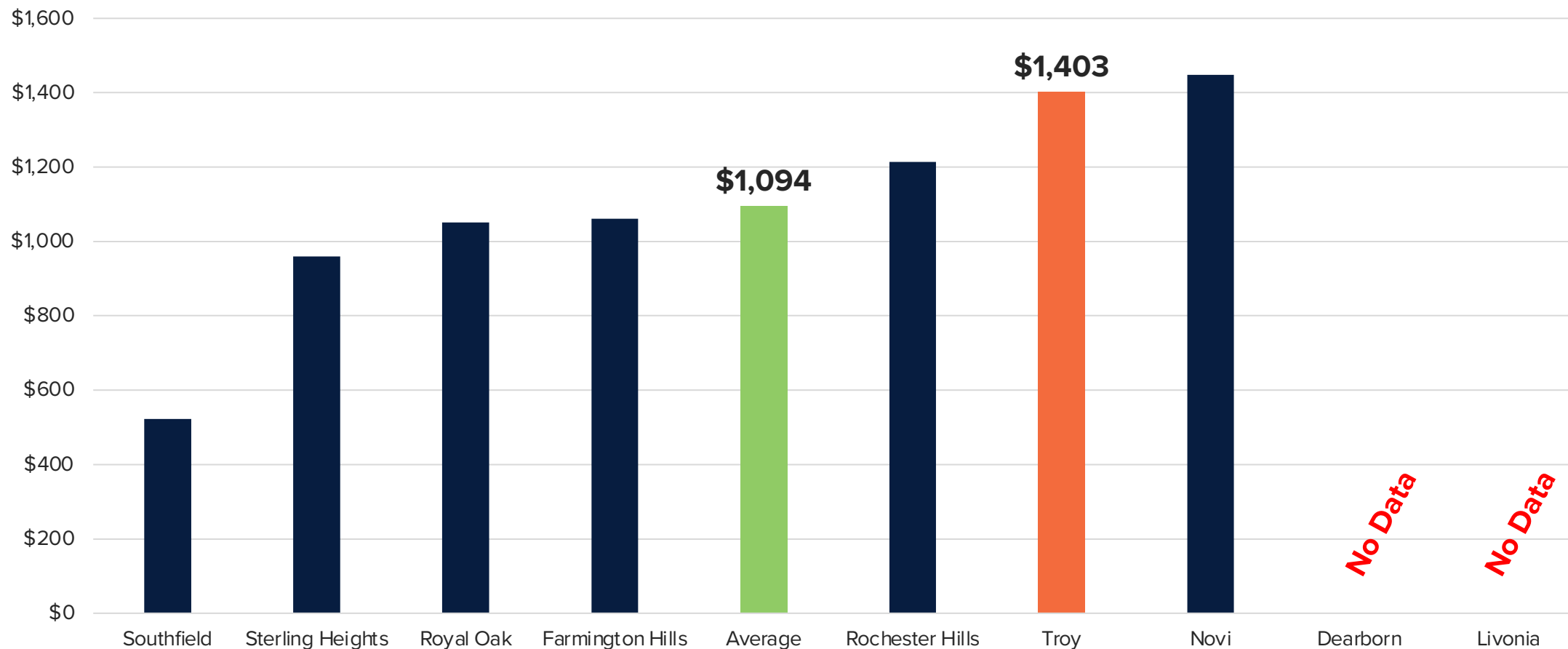
Property Taxes: Comparisons

Property Values, Property Tax Rates, and Property Taxes

Everything Else, 2004

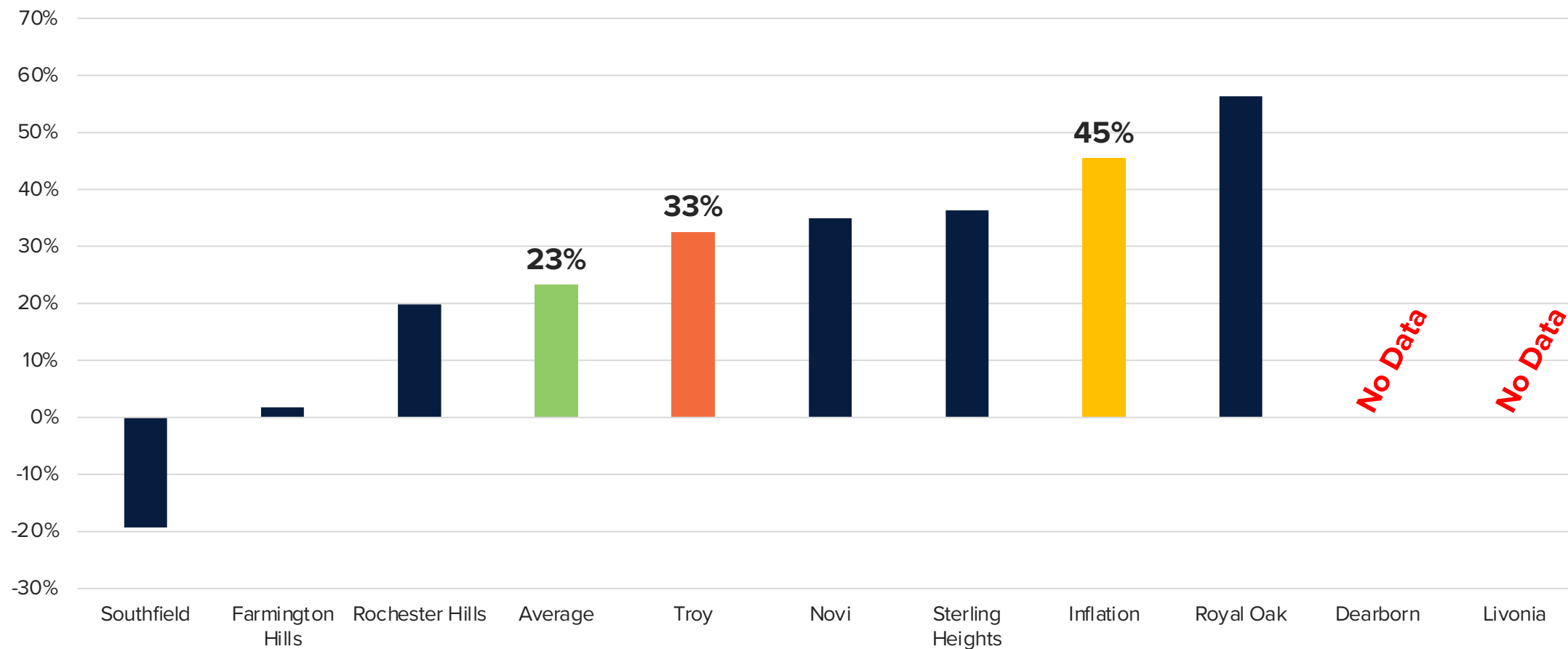


Everything Else, 2021

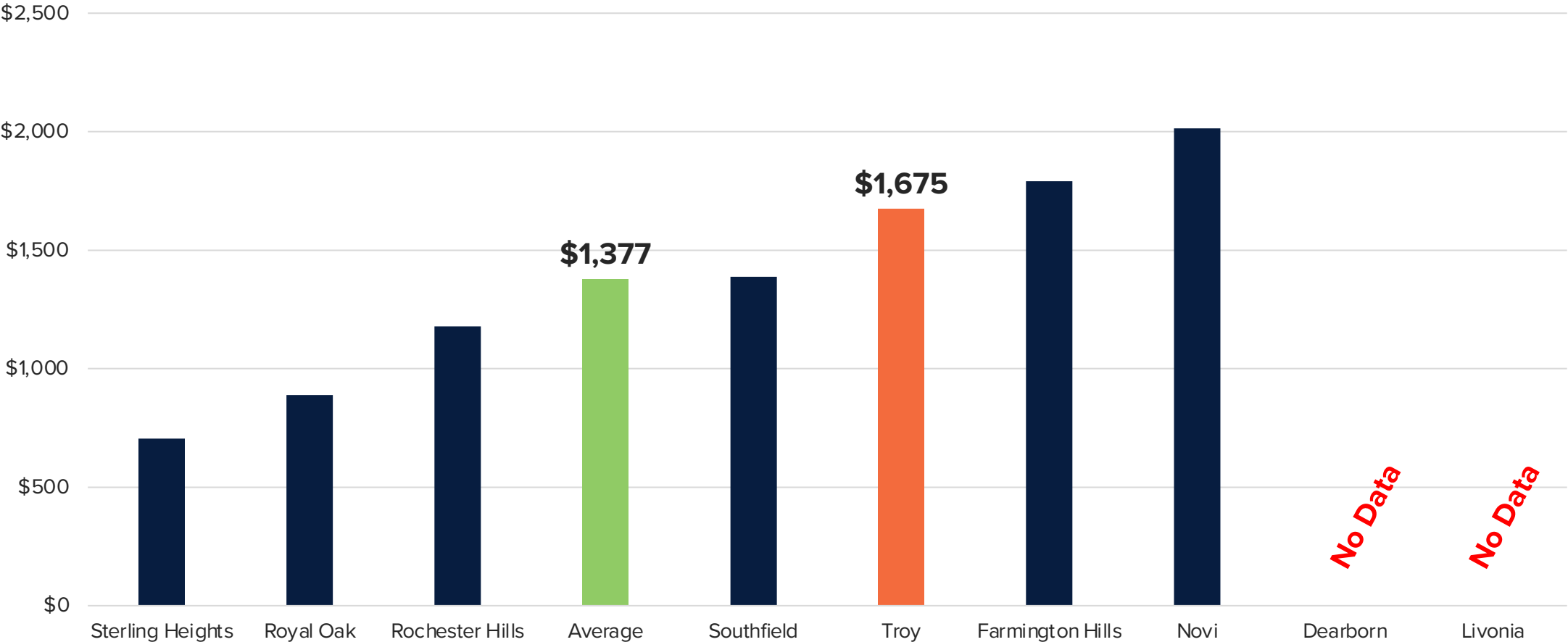


Everything Else,

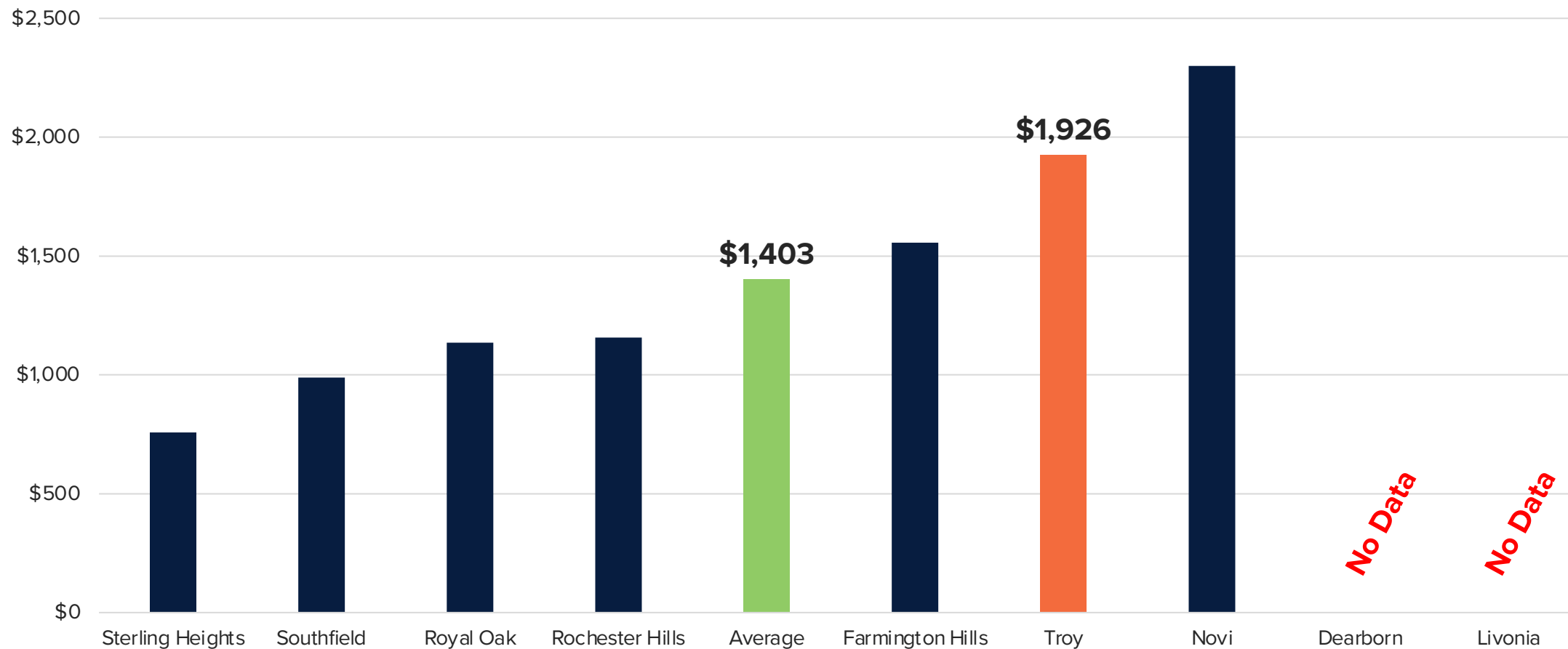
% Change 2004 and 2021



PRE School Taxes, 2004

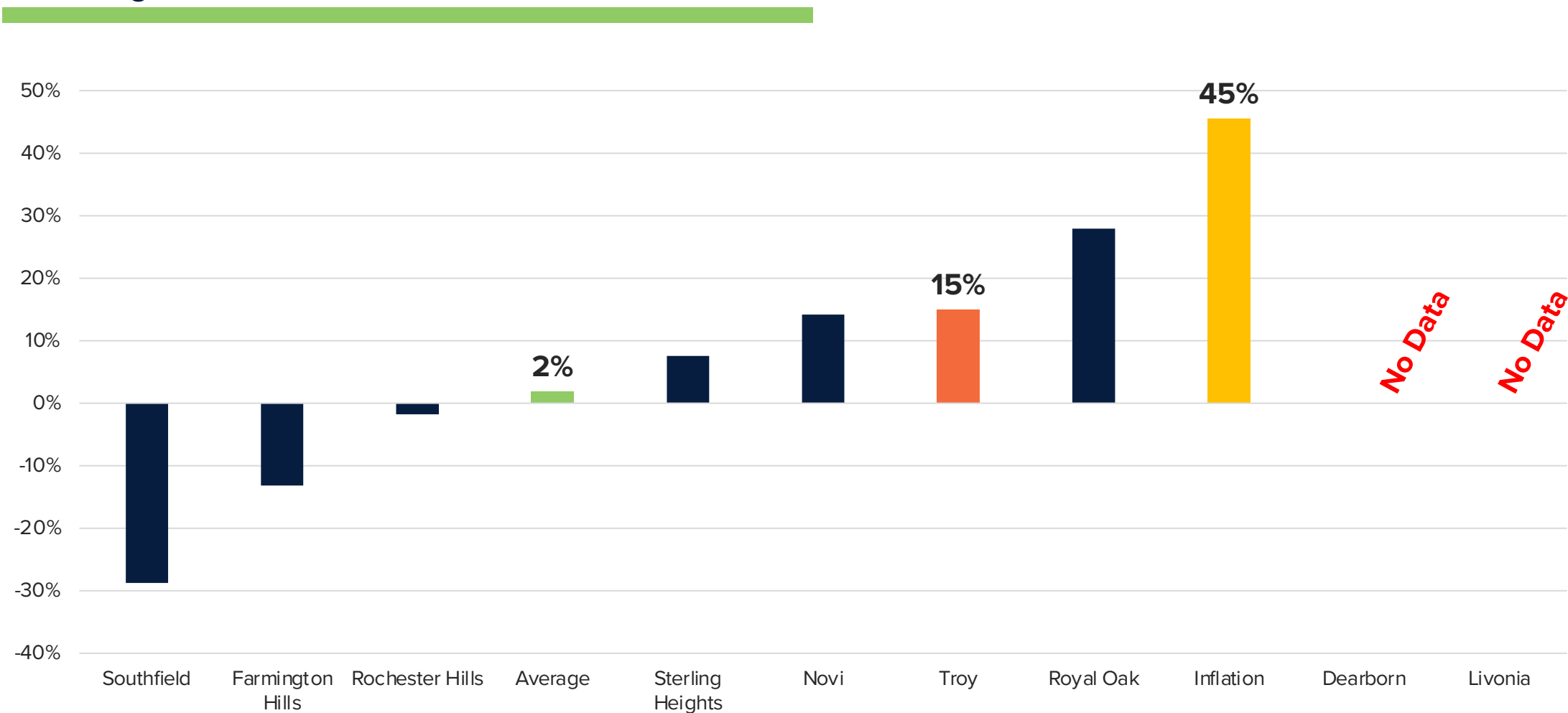


PRE School Taxes, 2021

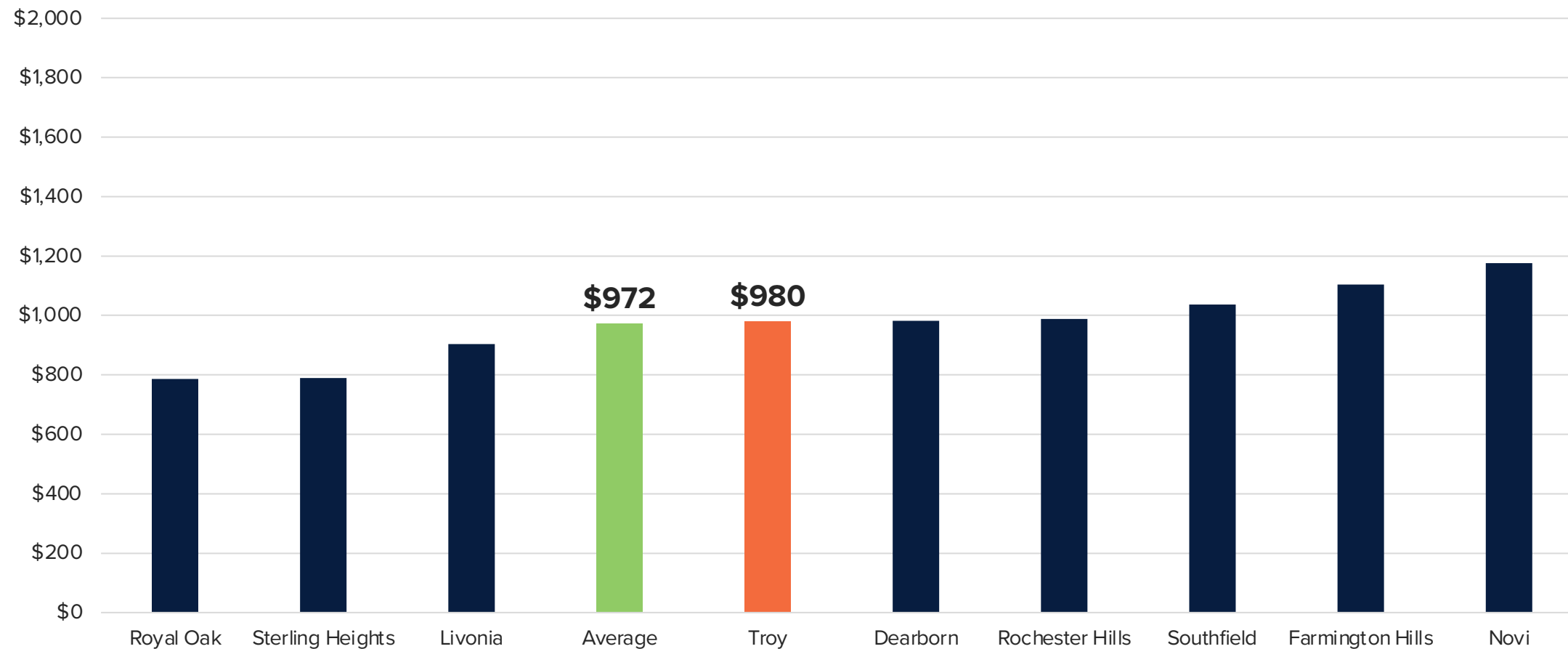


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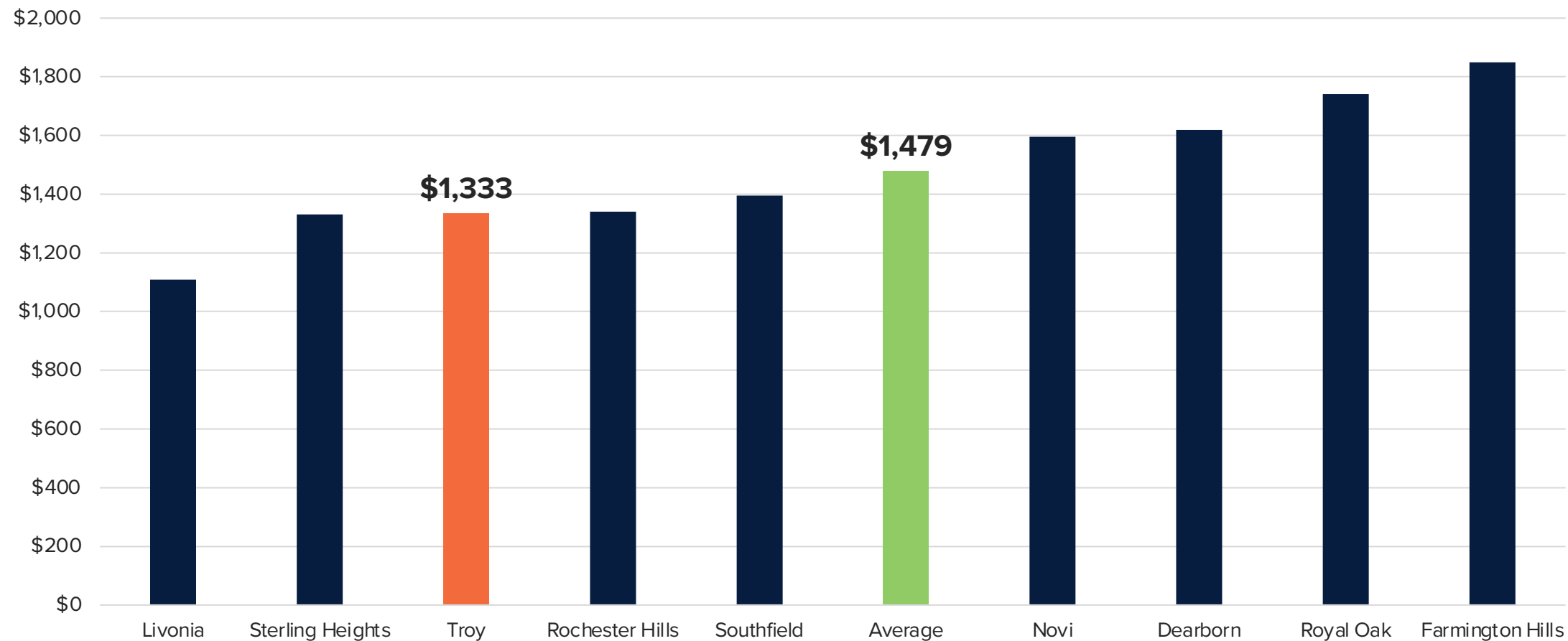
% Change 2004 and 2021



City Taxes, 2004

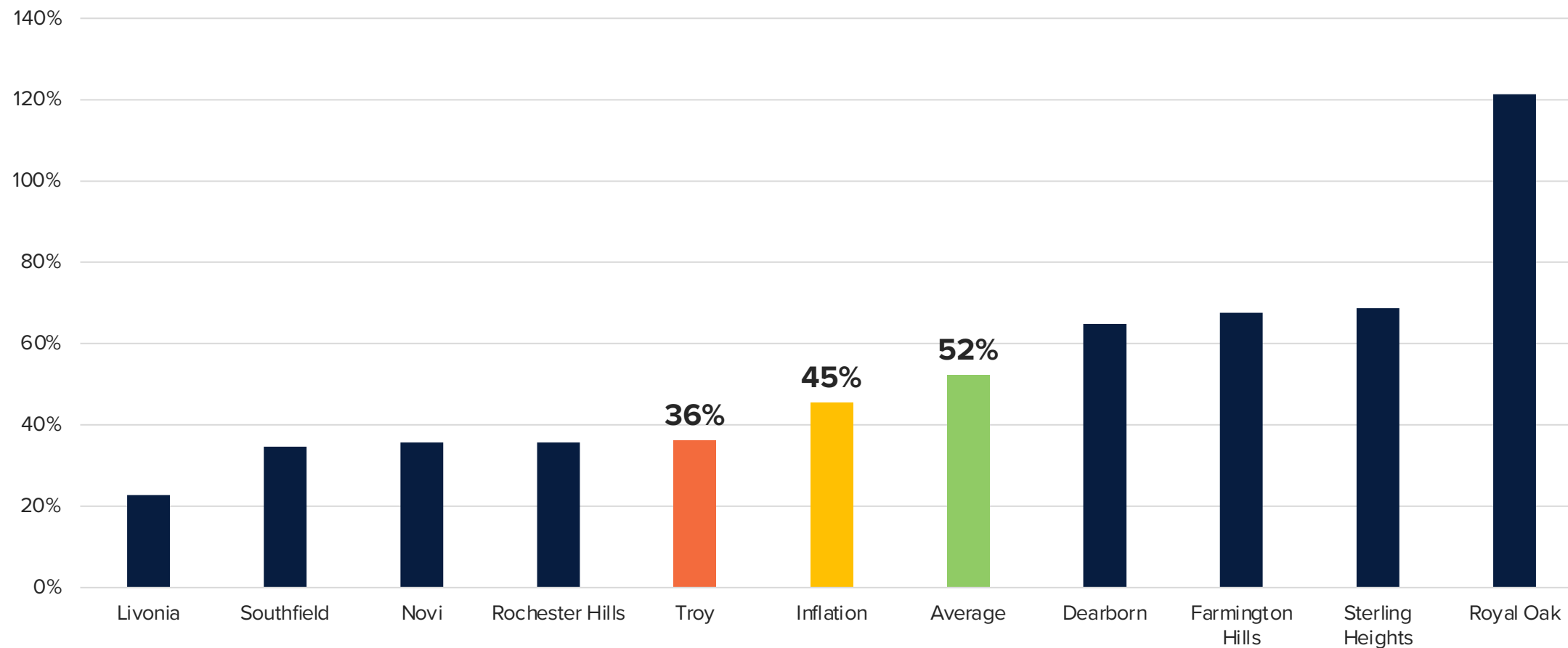


City Taxes, 2021

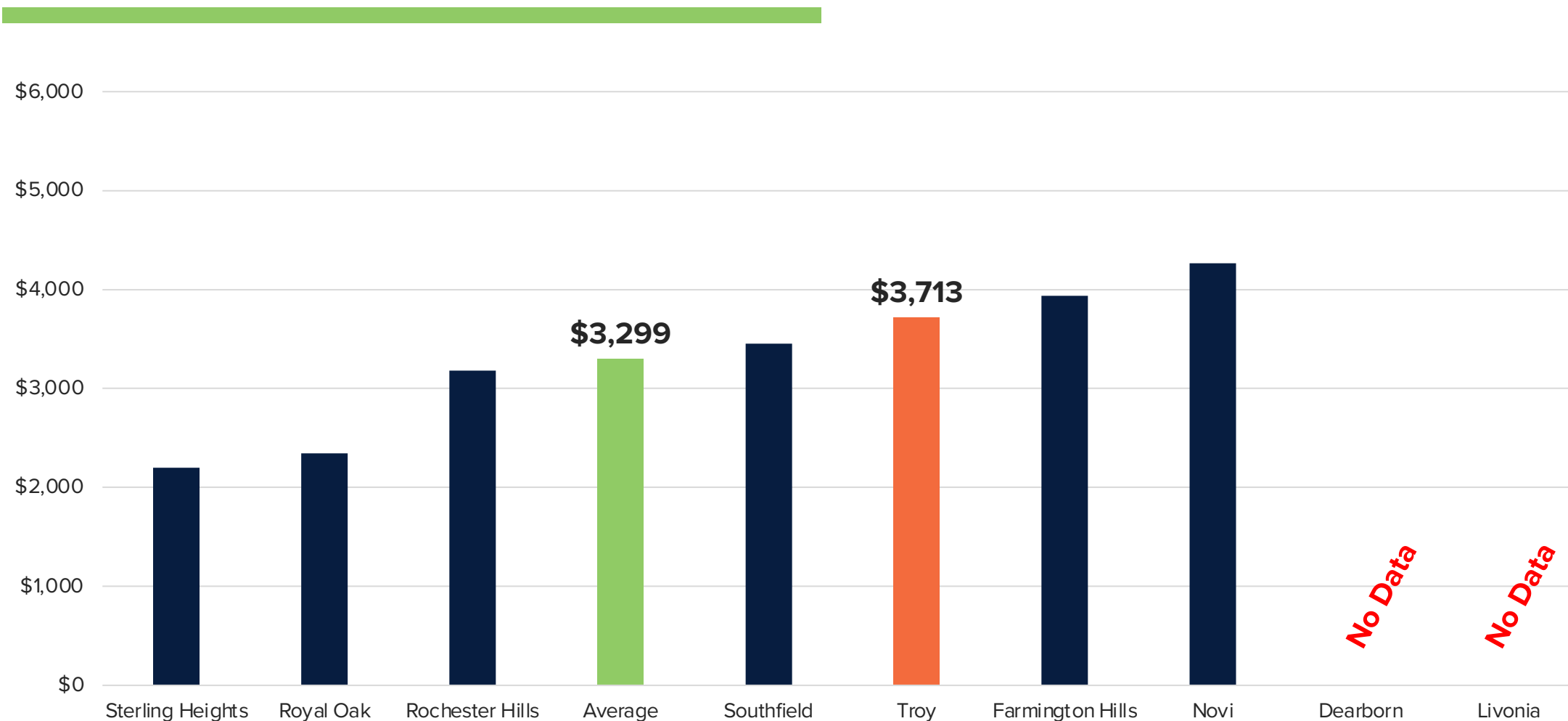


City Taxes,

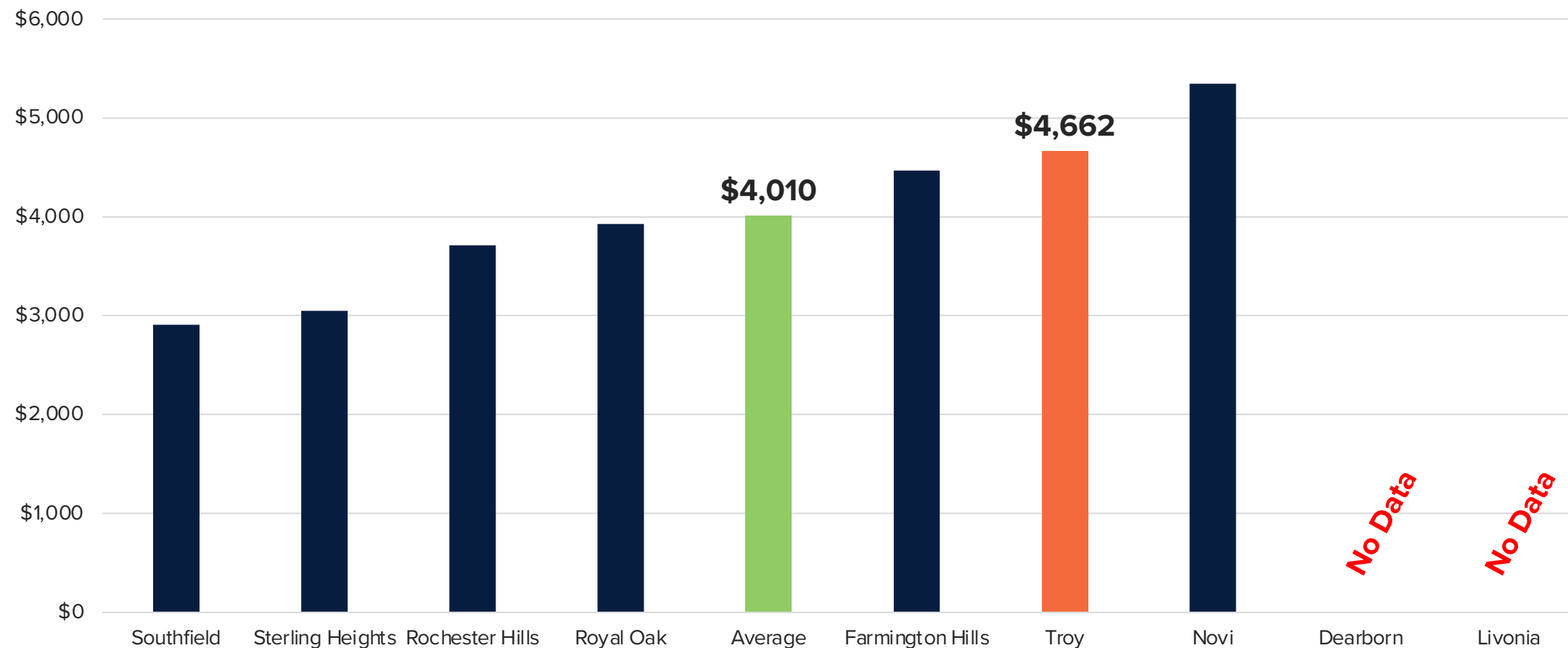
% Change 2004 and 2021



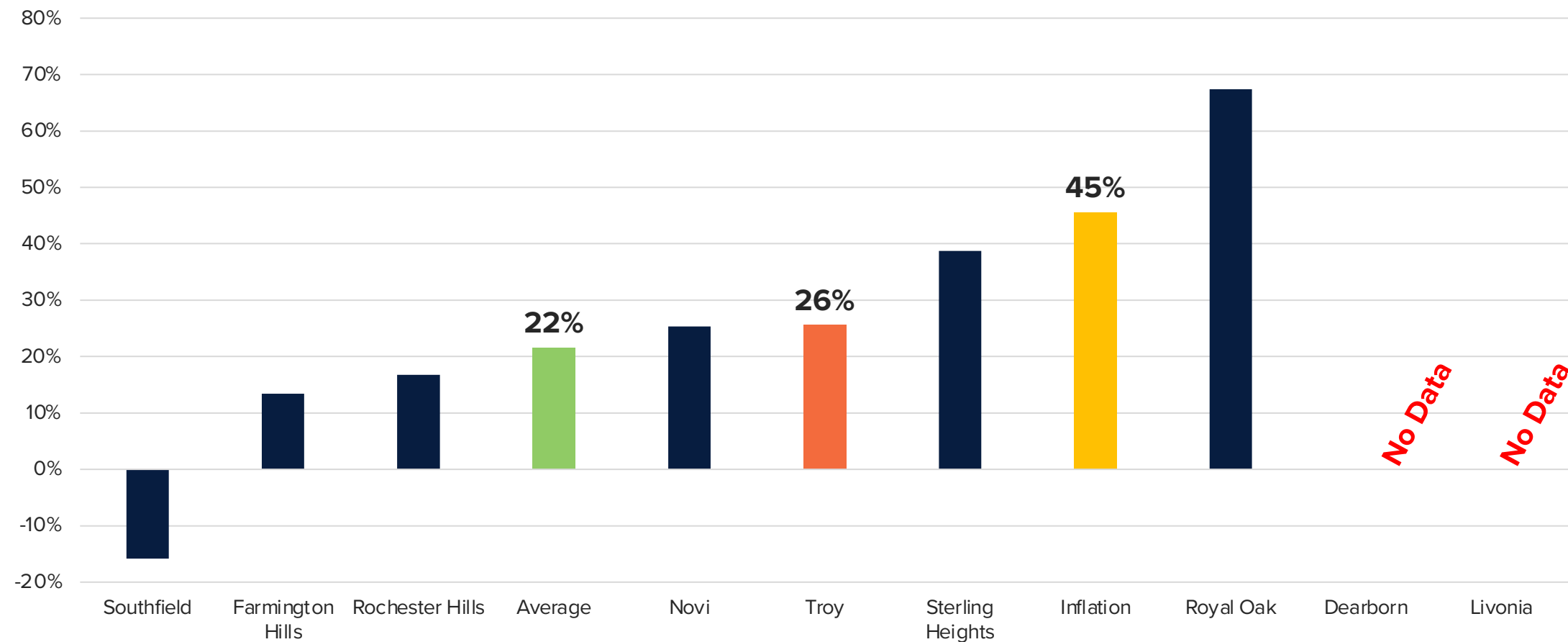
Total PRE Taxes, 2004



Total PRE Taxes, 2021



Total PRE Taxes, % Change 2004 and 2021



Conclusions

Property Values, Property Tax Rates, and Property Taxes

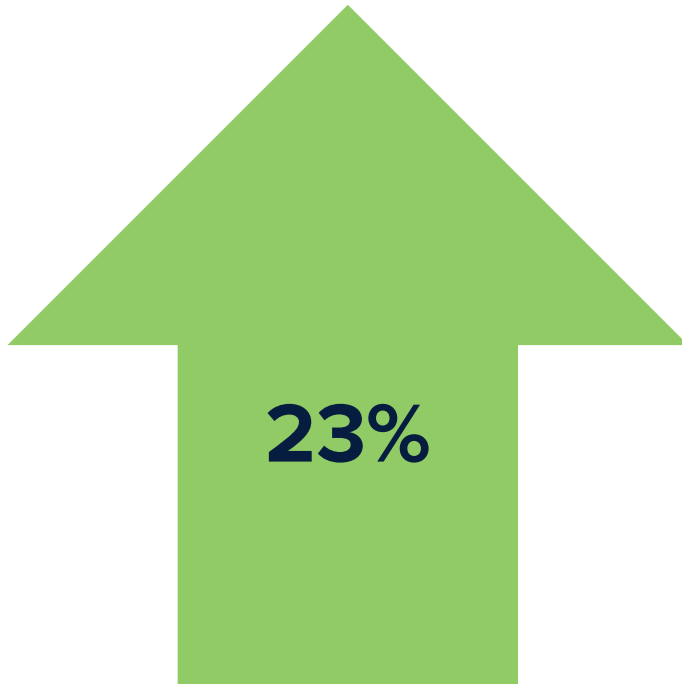
Conclusions

- When property values are increasing, capping and uncapping creates inequity between existing and new taxpayers. (Proposal A)
- Uncapping does not create a windfall for the City or other taxing jurisdictions. Instead, it triggers tax rate rollbacks. (Headlee)
- Meanwhile, existing homeowners enjoy the benefits of both capped taxable value and tax rate rollbacks.
- When moving means trading a capped taxable value for an uncapped taxable value, the cost of homeownership increases.

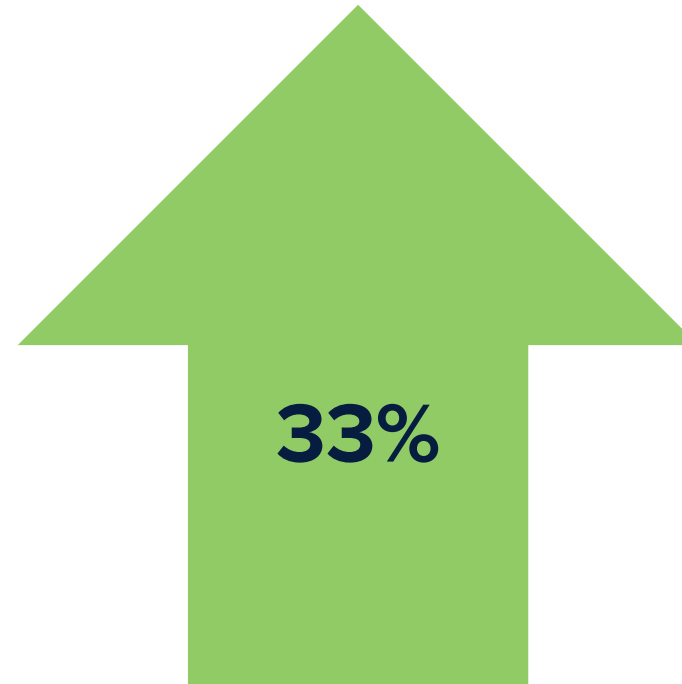
Conclusions

Everything Else

Average



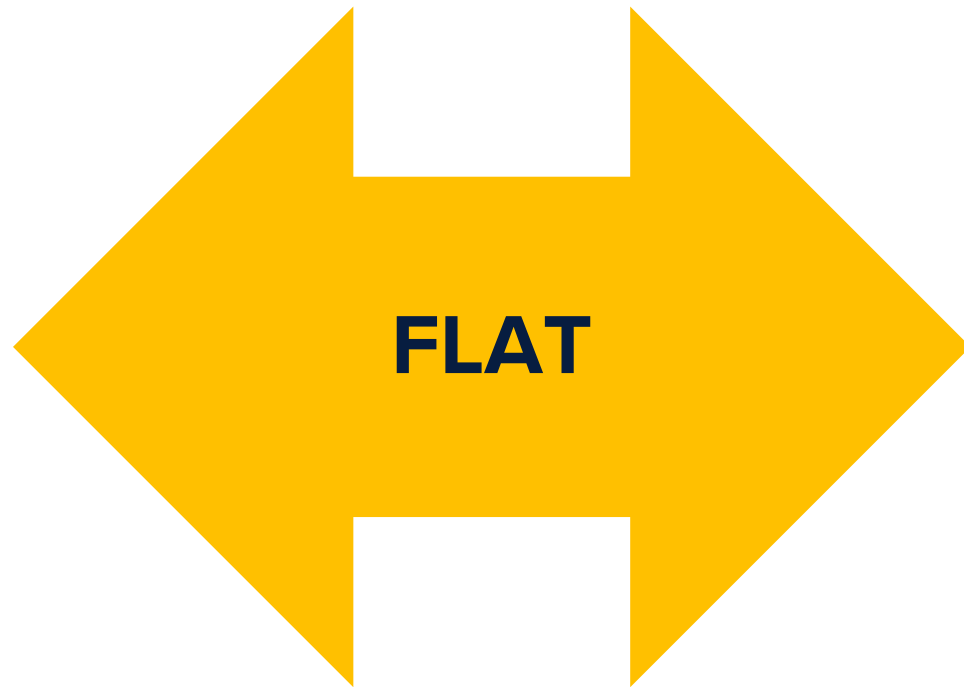
Troy



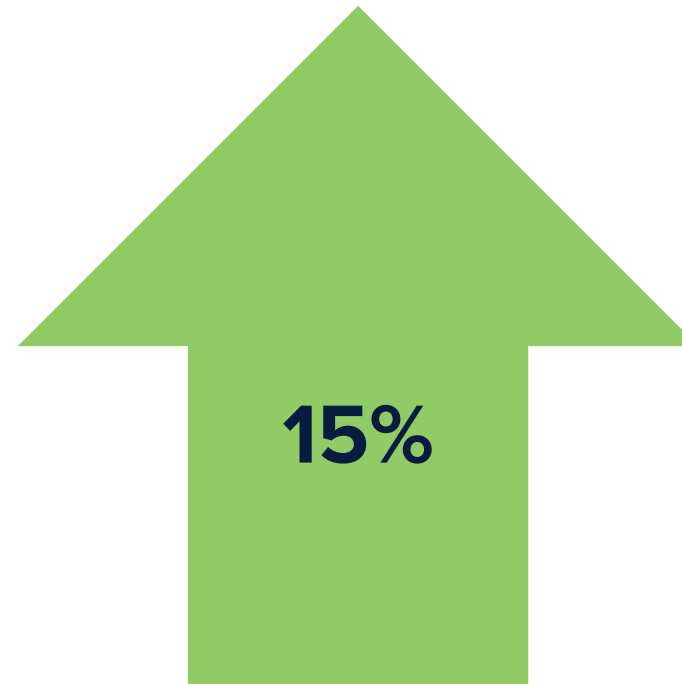
Conclusions

PRE Schools Taxes

Average



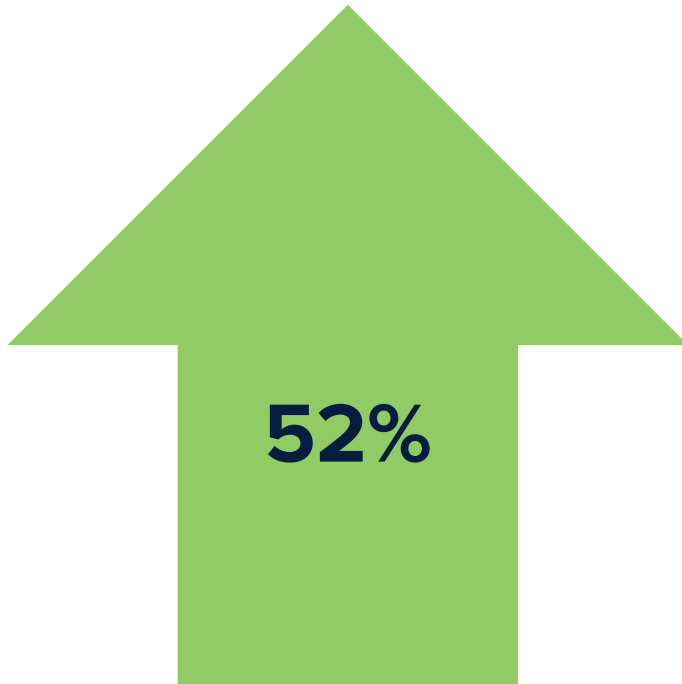
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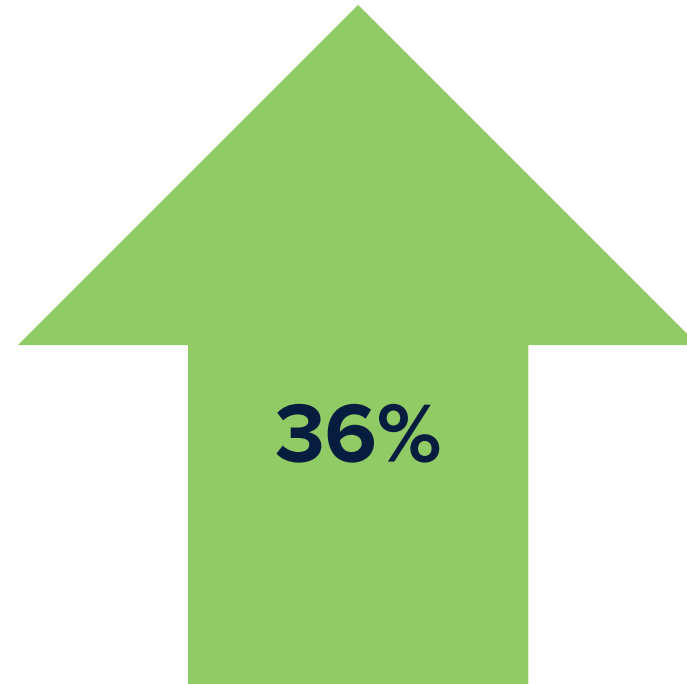
Conclusions

City Taxes

Average



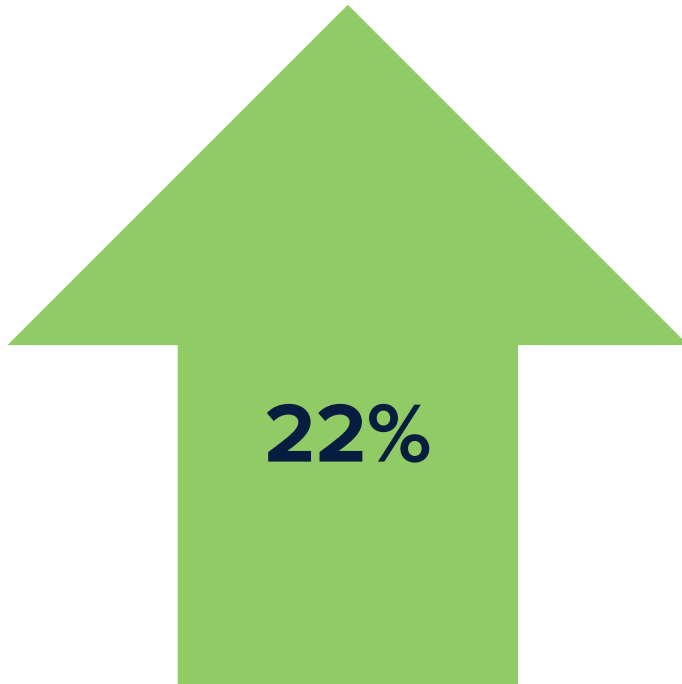
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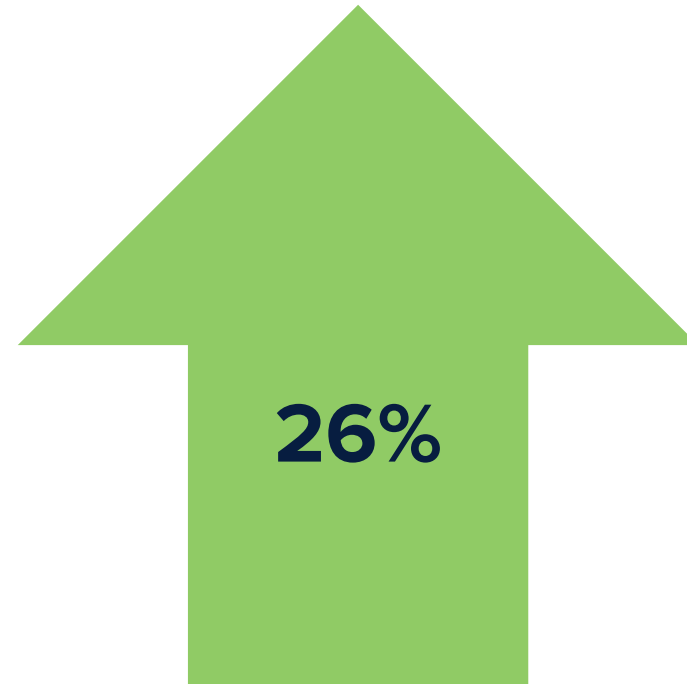
Conclusions

Total PRE Taxes

Average



Troy



Questions & Answers

Property Values, Property Tax Rates, and Property Taxes