

City of Saginaw Property Tax Information

Presented by: Lori Brown, City Assessor
and the Ad Hoc Committee on City Tax Structure
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Assessing Terms

- Ad Valorem: Latin for “according to value”. An Ad valorem tax roll is the general tax roll as opposed to the special act roll which include IFTs, NEZ, and OPRAs.
 - Real Property: Land and buildings
 - Personal Property: Equipment used to run a business such as machinery, computers, fax machines and desks.
 - State Equalized Value (SEV): Half of market value.
 - Taxable Value (TV): The value used to calculate taxes. TV is based upon the prior years taxable value and can only increase at the rate of inflation or 5%, whichever is less, outside of any physical additions or losses to the property. Taxable Value can not exceed State Equalized Value.
 - Mill: One- tenth of one cent: \$.001. Also known as a \$1.00 levy on every \$1,000 of taxable value.
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2008 Millage Rates

	<u>Real</u>	<u>Personal</u>
City	14.2588	8.2588
County	7.5508	7.5508
School Operating	18.0000	18.0000
School Debt	3.9000	3.9000
Saginaw ISD	2.1046	2.1046
Delta College	2.0427	2.0427
Saginaw Transit Authority	3.0000	3.0000
Saginaw Public Library	3.9947	3.9947
State Education	<u>6.0000</u>	<u>6.0000</u>
Non Homestead	60.8516	
Homestead Residential	42.8516	
Comm. Personal (exempt from school op)		42.8516
Ind. Personal (exempt from state & school)		30.8516
Utility Personal		54.8516

2008 Millage Summary

City Operating	5.3056	
Rubbish Collection	2.9532	
Police & Fire Special	<u>6.0000</u>	(Real only)
Real Total	14.2588	
Personal Total	8.2588	

Millage Rates around the State

City	Estimated Population 2007 Census	Income Tax City	2008 City Millage Rate
Ypsilanti	22,362	No	30.6016
Kalamazoo	72,637	No	21.8205
Taylor	62,374	No	20.9226
Roseville	46,977	No	20.2270
Wyandotte	25,622	No	20.0000
Bay City	34,026	No	19.5503
East Lansing	46,254	No	19.2800
Flint	114,662	Yes	16.1000
Saginaw	56,263	Yes	14.2588

There is a 20 mill limitation in the State of Michigan for operating levies. The cities above 20 mills have extra voter approved millages for items like debt or police and fire services

What is the allowable operating millage per the State of Michigan?

MCL 117.3 Section 3(g) The annual laying and collecting taxes in a sum, except as otherwise provided by law, not to exceed 2% of the taxable value of the real and personal property in the city. Unless the charter provides for a different tax rate limitation, the governing body of a city may levy and collect taxes for municipal purposes in a sum not to exceed 1% of the taxable value of the real and personal property in the city. As used in this subdivision, "taxable value" is that value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

MCL 117.5 Prohibited powers. Sec. 5. A city does not have power:

- (a) To increase the rate of taxation now fixed by law, unless the authority to do so is given by a majority of the electors of the city voting at the election at which the proposition is submitted, but the increase in any case shall not be in an amount as to cause the rate to exceed 2%, except as provided by law, of the assessed value of the real and personal property in the city.
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What is the allowable operating millage per the State of Michigan?

A City may levy and collect taxes on the taxable value of real and personal property in the city up to a rate of 20 mills.

State of Michigan Limits on the Growth of Property Tax Revenues:

Taken from Citizens Research Council of Michigan:

Headlee Amendment (Article IX, Sec. 31 of the Michigan Constitution). If the total value of existing taxable property in a local taxing unit increases faster than the U.S. Consumer Price Index (CPI) from one year to the next, the maximum authorized tax rate in that jurisdiction must be "rolled back (reduced). The rollback may be reversed by a vote of the electors.

Truth in Taxation (Act No. 5, PA of 1982). Any increase in the total value of existing taxable property in a local taxing unit must be offset by a corresponding decrease in the tax rate actually levied so that the yield does not increase from one year to the next. The rollback may be reversed by a special vote of the legislative body of the local unit provided that the action is preceded by a public advertisement and hearing.

What is the allowable operating millage per the City charter?

The charter restricts the property tax levy for general operating purposes to \$3.8 million dollars or 7.5 mills, whichever is less.

City of Saginaw - Historical Property Values

	Taxable Values
2008	721,640,702
2007	740,549,396
2006	727,926,061
2005	706,601,023
2004	690,961,250

City of Saginaw - Current Property Values

2008 Ad Valorem Taxable Values

Real Property	615,739,514
Personal Property	<u>105,901,188</u>
Total	721,640,702

2008 Property Tax Revenue

	<u>Millage</u>	<u>Revenue</u>
City Operating	5.3056	3,562,005
City Rubbish	2.9532	1,982,625
Police & Fire	<u>6.0000</u>	<u>3,692,634</u> (Real Only)
Real	14.2588	\$ 9,237,263
Personal	8.2588	

What is the combined millage rate levied equally on real and personal property that maintains existing revenues?

Current Revenues from all sources:	\$9,237,263
Real Property Millage	14.2588
Personal Property Millage	8.2588
Ad Valorem Taxable Value	721,640,702

The combined millage needed to maintain current revenues:

$$\$9,237,263 / 721,640,702 = 12.8$$

$$\$9,237,263 / 671,640,702 = 13.75 \text{ with renaissance zone considered}$$

This would reduce a real property owner's tax bill by .5 mills and increase personal property tax by 5.5 mills.

What if rubbish were removed from the millage rate and a flat fee was charged?

Current Rubbish Revenue:

22,467 units billed \$50.00 each	\$1,123,350
2.9532 mills levied on all real and personal	<u>\$2,011,299</u>
\$3,134,649 / 22,467 = \$140 per unit	

We could collect the same rubbish revenue, by removing the millage rate from the tax bill and charging \$140 per unit.

Rubbish customers: Residential real property

Fees and taxes are currently paid by: All properties including commercial and industrial real property, and personal property.

What is the millage needed to maintain existing revenues?

After removing rubbish from the property tax levy, \$7.2 million dollars remain. To maintain existing property tax revenues of \$7.2 million dollars, the millage rate would be 10 to 11 mills:

\$7.2 million / 721,640,702 taxable value = 10 mills

With renaissance zone considered;
\$7.2 million / 671,000,000 taxable value = 11 mills

This would decrease a real property tax bill by 3.5 to 4.2 mills.

This would increase a personal property tax bill by 1.8 to 2.5 mills.

Impact to Residential Property

Example #1

Market Value	\$25,000	Taxable Value	\$12,500
Tax Cap in Place	12,500 x 14.2588 / 1000 = \$178.00		
Without Tax Cap	12,500 x 11.0000 / 1000 = \$138.00		
Decrease in Property Tax		\$	(40.00)
Increase in Rubbish Fee		\$	<u>90.00</u>
Annual Net Change		\$	50.00

Example #2

Market Value	\$50,000	Taxable Value	\$25,000
Tax Cap in Place	25,000 x 14.2588 / 1000 = \$357.00		
Without Tax Cap	25,000 x 11.0000 / 1000 = \$275.00		
Decrease in Property Tax		\$	(82.00)
Increase in Rubbish Fee		\$	<u>90.00</u>
Annual Net Change		\$	8.00

Example #3

Market Value	\$100,000	Taxable Value	\$50,000
Tax Cap in Place	50,000 x 14.2588 / 1000 = \$713.00		
Without Tax Cap	50,000 x 11.0000 / 1000 = \$550.00		
Decrease in Property Tax		\$	(163.00)
Increase in Rubbish Fee		\$	<u>90.00</u>
Annual Net Change		\$	(73.00)

Summary of Residential Impact

Taxable Value	Millage Rate	Taxes	\$50 Rubbish	Total Bill With Cap	Millage Rate	Taxes	\$140 Rubbish	Total Bill Without Cap	Net Change
10,000	14.2588	\$ 142.59	\$ 50	\$ 192.59	11.0000	110	\$ 140	\$ 250.00	\$ 57.41
20,000	14.2588	\$ 285.18	\$ 50	\$ 335.18	11.0000	220	\$ 140	\$ 360.00	\$ 24.82
30,000	14.2588	\$ 427.76	\$ 50	\$ 477.76	11.0000	330	\$ 140	\$ 470.00	\$ (7.76)
40,000	14.2588	\$ 570.35	\$ 50	\$ 620.35	11.0000	440	\$ 140	\$ 580.00	\$ (40.35)
50,000	14.2588	\$ 712.94	\$ 50	\$ 762.94	11.0000	550	\$ 140	\$ 690.00	\$ (72.94)
60,000	14.2588	\$ 855.53	\$ 50	\$ 905.53	11.0000	660	\$ 140	\$ 800.00	\$ (105.53)
70,000	14.2588	\$ 998.12	\$ 50	\$ 1,048.12	11.0000	770	\$ 140	\$ 910.00	\$ (138.12)
80,000	14.2588	\$ 1,140.70	\$ 50	\$ 1,190.70	11.0000	880	\$ 140	\$ 1,020.00	\$ (170.70)
90,000	14.2588	\$ 1,283.29	\$ 50	\$ 1,333.29	11.0000	990	\$ 140	\$ 1,130.00	\$ (203.29)
100,000	14.2588	\$ 1,425.88	\$ 50	\$ 1,475.88	11.0000	1100	\$ 140	\$ 1,240.00	\$ (235.88)
110,000	14.2588	\$ 1,568.47	\$ 50	\$ 1,618.47	11.0000	1210	\$ 140	\$ 1,350.00	\$ (268.47)
120,000	14.2588	\$ 1,711.06	\$ 50	\$ 1,761.06	11.0000	1320	\$ 140	\$ 1,460.00	\$ (301.06)
130,000	14.2588	\$ 1,853.64	\$ 50	\$ 1,903.64	11.0000	1430	\$ 140	\$ 1,570.00	\$ (333.64)
140,000	14.2588	\$ 1,996.23	\$ 50	\$ 2,046.23	11.0000	1540	\$ 140	\$ 1,680.00	\$ (366.23)
150,000	14.2588	\$ 2,138.82	\$ 50	\$ 2,188.82	11.0000	1650	\$ 140	\$ 1,790.00	\$ (398.82)

Impact to Commercial Property

The following example would represent a small office building or small retail shop:

Real Property: Market Value: \$120,000 Taxable Value \$60,000
 Tax Cap in Place: 60,000 x 14.2588 / 1000 = \$856.00
 Without Tax Cap: 60,000 x 11.0000 / 1000 = \$660.00
 Decrease in real property taxes \$ (196.00)

Personal Property: Market Value: \$20,000 Taxable Value \$10,000
 Tax Cap in Place: 10,000 x 8.2588 / 1000 = \$83.00
 Without Tax Cap: 10,000 x 11.0000 / 1000 = \$110.00
 Increase in personal property taxes \$ 27.00
Annual Net Change \$ (169.00)

Impact to Industrial Property

The following would represent a medium size manufacturing facility:

Real Property: Market Value \$400,000, Taxable Value \$200,000
 Tax Cap in Place 200,000 x 14.2588 / 1000 = \$2,850.00
 Without Tax Cap 200,000 x 11.0000 / 1000 = \$2,200.00
 Decrease in real property taxes \$ (650.00)

Personal Property: Market Value \$200,000, Taxable Value \$100,000
 Tax Cap in Place 100,000 x 8.2588 / 1000 = \$826.00
 Without Tax Cap 100,000 x 11.0000 / 1000 = \$1,100.00
 Increase in personal property taxes \$ 274.00
Annual Net change \$ (376.00)

What does removing the tax cap and restructuring rubbish accomplish?

- Removing the tax cap and lowering the combined millage rate from 14.2 to 11 mills reduces property taxes on all real property.
 - Allows the City to collect new revenue on new investment just like all other entities and municipalities.
 - Creates stability in property tax revenue.
 - Provides for a combined millage rate which allows for flexibility during budgeting. Property tax revenue will be allocated to areas of need as opposed to separate levies for rubbish, police and fire and general fund.
 - Allows for equal taxation on real and personal property.
 - Creates a new method for collection of rubbish revenue. The cost of the service is spread to the actual users of the service and relieves the non-users from paying for a service they do not receive.
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What can change these projections?

- Declining property values may increase the necessary millage rate.
- Increasing property values may decrease the necessary millage rate.
- Increasing the amount of properties qualified in renaissance zones or granting other abatements will decrease City revenues.
- Expiration of renaissance zones beginning in 2012 will increase revenues.
- Increased captured tax dollars in LDFAs, TIFAs and DDAs will reduce the revenue to the City.
- Decreased captured tax dollars in LDFAs, TIFAs and DDAs will increase the revenue to the City.
- The millage rate will need to be increased for revenues beyond \$9.2 million.