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## Taxable Value Cap to be 1.7% for 2011

For 2011, the Proposal A inflation cap will be 1.7%. This means that increases in taxable value, excluding “additions” and “losses,” will be capped at 1.7% for the 2011 tax year. Of course, the inflation calculation is based on the consumer price index and not the change in property value. There is considerable evidence that property assessments in many sectors should decline for the 2011 tax year.

## Property within Renaissance Zones Could See Additional Tax Reduction

Generally, property located within Michigan Renaissance Zones (Zones) is exempt from all property taxes except those levied to pay general obligation debt. This means that in some Zones in Michigan property is completely exempt, but property in others continues to experience a significant tax liability. In the City of Detroit, for example, the total debt millage applied in the various Zones throughout the city is over 20 mills.

Recently the Michigan Court of Appeals ruled in *Lafarge Midwest, Inc. v City of Detroit* that a school district’s debt millage cannot be levied on property within a Renaissance Zone. The City may appeal the decision, but even if it is not appealed, it is unlikely that December tax bills for Renaissance Zone properties across the state will reflect the additional exemption. In order to preserve your rights, a wrong tax bill must be appealed within 60 days after it is mailed. If you have property in a Renaissance Zone we would be happy to discuss your options with you, including possible strategies for claiming refunds for past years.

## The Use of Auction Sales in Valuation Appeals

The ongoing troubles with the economy have caused foreclosure and auction sales to have a significant impact on the real estate market in many areas of the country. As a result, there is a debate as to what extent foreclosure and auction sales prices are reflective of the market value of similar properties.

Michigan law prohibits the use of forced or liquidation sales to determine value; however, auction sales may be used if they have become a common method of acquisition for that type of property in that locality. A key consideration for whether an auction or foreclosure sale may be considered an indication of market value for the property is if the property was adequately exposed to the market before the sale.

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## **Tax Payments for Texas Properties Under Appeal**

For those with 2010 property tax appeals in the State of Texas, it is important to know that taxes must be paid before January 31, 2011. If taxes are not paid or are paid late, the Court will dismiss the pending appeal. We recommend paying the full amount of the tax, but if that is not possible, you are best served to be conservative since the penalty for underpayment is significantly higher than the interest rate you will receive for any amount overpaid.

If you own property in Texas that you have not appealed, we would be happy to provide a complimentary review. The review would be performed in conjunction with our American Property Tax Counsel affiliate in Austin.

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