

Appendix B: Glossary of Terms

Glossary of Terms

Assessed Valuation. 50 percent of the true cash value of the property as determined by the local assessor. This amount appears on the assessment notice.

Homestead property. Property used as a principal residence, as well as certain qualified agricultural property, as claimed by the property owner per statute.

Local debt. Local millage approved by voters for capital improvements.

Median. Used in statistics, the median represents the middle value in an ordered set of values. The median salary would indicate that 50 percent of people had higher salaries and 50 percent had lower salaries.

Mill. Unit used in property tax assessment. One mill is equal to 1/1000 of a dollar and is multiplied by the taxable value of property to determine the total amount of property tax due.

Nonhomestead property. Property that is not a principal residence or qualified agricultural property, including second homes, vacation homes, rental housing and commercial property.

Personal Property. Items such as business equipment, vehicles, collectibles and inventory. Land, buildings, and improvements to property do not qualify as personal property.

Proposal A. The general term for Michigan's 1994 vote that approved school finance reform. Among other changes, Proposal A established a 6-mill State Education Tax (SET) on all homestead property and an 18-mill tax on all nonhomestead property to fund operating expenses of public elementary and secondary education in Michigan. Proposal A, approved by Michigan voters in 1994, eliminated locally levied school operating taxes.

Renaissance Zone. A defined geographical area in which all state and local taxes (except local debt) are waived, as an economic development incentive, for a term of years. Zone applications are developed locally and awarded competitively by the Michigan Economic Development Corporation. Flint has one Renaissance Zone.

Sinking Fund. A fund created to repay principal on a debt or to save funds for a future major purchase. The uses of sinking funds are restricted by Michigan law.

State Education Tax (SET). The 6-mill tax levied on all homestead property to fund public elementary and secondary education under Proposal A.

State Equalized Value (SEV). The value of a property after the state and county apply the various equalization factors to all the property in a certain geographical area. While property is always taxed on the taxable value (post-Proposal A.), the taxable value will revert to the SEV whenever the property is sold.

Taxable Value. Proposal A includes a limit on the maximum annual increase of the assessment on each individual parcel of property to the Consumers Price Index. This produces a "taxable" value which is often less than the assessed value.