

FAQs about PROPERTY TAX, HEADLEE AMENDMENT, and PROPOSAL A

What is a millage rate?

Let's start with what is a mill – a mill is 1/1000th of a dollar, or .001 cents. So if your tax rate (or millage rate) is 5 mills, it means you will be taxed .005 cents for every dollar of the taxable value of your property.

So then, how are property taxes figured?

Property taxes are calculated by taking the taxable value of the property (roughly one-half of what the property is worth) and multiplying it by the number of mills (approved by voters and reduced by the Headlee Amendment).

$$\text{Taxable Value of Property} \times \text{Mills} = \text{Your Property Tax}$$

For example, if a property is worth \$100,000, the taxable value would be about \$50,000 (or less), and if the tax rate was 5 mills, the tax would be \$250 (\$50,000 x .005 mills).

What is the Headlee Amendment and how does it affect me?

The Headlee Amendment of 1978 changed the Michigan Constitution. At the time, real estate was going up in value faster than the rate of inflation. So when taxing entities (cities, townships, state, etc.) calculated property taxes based on how much the property was worth, they would collect more than the increase in inflation – and often the property owner's income. This meant people were paying a greater percentage of their paychecks for taxes year after year. To keep taxes from increasing more than inflation, the Headlee Amendment automatically "rolls back" the millage rate to equal the rate of inflation.

What is Proposal A and how does it affect me?

Proposal A was passed by voters in 1994 and changed the way schools are funded– from local property taxes to state taxes (i.e., the state sales tax). Proposal A also limited tax increases by capping increases to property values by the lesser of the inflation rate or 5%, giving Michigan property owners two limitations on property taxes – reducing tax rates (mills), and capping increases to property values.

So, why are my taxes going up when the value of my property is going down?

When your property value went up, your taxes increased at the lesser of the rate of inflation or 5%. Your taxes will continue to go up until they catch up to the actual value of your property. (The chart to the right shows an example). If you sell or buy property, the taxable value will be reset at the sale price.

What is a Headlee Override?

A Headlee override is a decision by the voters to eliminate the automatic rollback created by the Headlee Amendment. Since voters passed 5.5 the charter mills for special education in Jackson County in 1989, the Headlee Amendment rolled back .7736 mills. As a result, the current charter millage rate is 4.7264.

Definitions

Assessed Value: The value of a property for tax purposes as determined by a taxing entity.

Charter Millage: A "basic" tax for a public agency to provide a public service or services.

Enhancement Millage: Also called a "special assessment", this tax is usually dedicated for a specific purpose and limited time.

Headlee Amendment: A 1978 amendment to the Michigan Constitution that automatically "rolls back" tax rates to the rate of inflation.

Headlee Override: A decision by voters to disregard the automatic Headlee "rollback".

Mill: 1/1000th of a dollar (.001).

Millage Rate: The percentage of the value of real property approved for tax purposes, "rolled back" by the Headlee Amendment.

Proposal A: Passed in 1994, changed school funding from local property taxes to state-level taxes, principally the sales tax. Proposal A also capped tax increases to the lesser of the inflation rate or 5%.

Real Property: Land and structures on the land.

Taxable Value: One-half of the assessed (actual) value of the property, capped by Proposal A. This value is used for calculating real estate taxes by multiplying it by the millage rate, which is capped by the Headlee Amendment.

