



FAQs ABOUT PROPERTY TAX, HEADLEE AMENDMENT and PROPOSAL A

What is a millage rate?

Let's start with what a mill is - a mill is 1/1000th of a dollar, or .001 cents. 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.

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).

Taxable Value of Property x Mills = Your Property Tax

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

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. 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.

How have Proposal A and the Headlee Amendment affected the taxable value of homes?

Despite a county-wide increase of property values by about 28% since 2013, the taxable value of Oakland County properties has only increased about 7.2% since that time (see chart) as a result of Proposal A and the Headlee Amendment.

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.

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.

Change in County-wide Property Values

