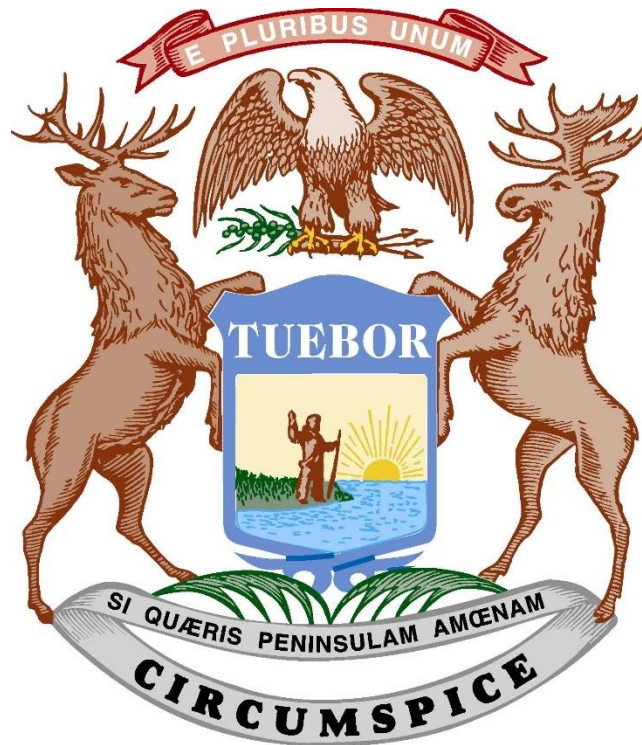


# The Michigan Property Tax Real and Personal, 2022



Office of Revenue and Tax Analysis  
Michigan Department of Treasury  
October 2023

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<http://www.michigan.gov/treasury>.

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## **EXECUTIVE SUMMARY**

### **Property Taxes**

- Michigan taxpayers paid \$17.49 billion in state and local property taxes in 2022.
- In 2022, residential property made up 70.4% of the statewide taxable value. Commercial (real and personal) property was 16.7%, and industrial property constituted 6.0% of the total taxable value.
- The 5 Michigan counties with the highest aggregate taxable values (Oakland, Wayne, Macomb, Kent and Washtenaw) comprised 48 percent of the 2022 statewide total.
- In March 1994, Proposal A was passed, effectively enacting substantial property tax reform. This legislation reduced property taxes by almost 30% in that same year and capped the rise in taxable value to the rate of inflation in the future.
- The 2022 statewide average millage rate was 41.73 mills across all property (homestead and non-homestead). Homestead property had an average rate of 35.59 mills, while the average rate for non-homestead property was 52.95 mills.
- The 2022 homestead millage rate was an average of 21.05 mills lower than the 1993 all-property millage rate; for non-homestead properties, the millage rate decreased by 3.69 mills in comparison to the 1993 millage rate.
- In 2022, the taxable value cap saved taxpayers an estimated \$5.43 billion. Compared to its state equalized value, statewide taxable value was \$130 billion (23.8%) lower. The difference between agricultural SEV and taxable value was 52.7 percent, or more than twice that for all property.
- Between 1994 and 2022, the property tax levy allotted to local school operating taxes decreased, while local school debt taxes increased significantly, rising from 428 million to 2,303 million.

### **Personal Property**

- Michigan personal property tax (PPT) taxes most industrial, commercial, and utility possessions but has exempted business inventory since 1976. Furthermore, commercial personal property is exempt from 12 of 18 school mills, while industrial personal property is exempt from all 18 mills.
- Between 2014 and 2022, PPT was phased out on some industrial and commercial personal property. In 2014, all commercial and industrial personal property held by a taxpayer with a total true cash value of under 80,000 was exempt from PPT.

- Additional personal property related to industrial processing was phased into the exemption from 2014-2022, so that all industrial related personal property was exempt by 2023.
- In 2022, about 8.1% of all of Michigan's taxable value was attributed to personal property. Industrial property made up 21.3%, commercial 28.9%, and utility property accounted for 49.8% of personal property's taxable value.

## INTRODUCTION

Michigan established the General Property Tax Act in 1893 to generate revenue for local governments. This ad valorem tax is based on the value of tangible real and personal property that is not exempt. In 1994, Michigan voters passed Proposal A, a significant reform to property tax and school finance. Proposal A reduced millage rates, set limits on how much taxable value could increase year to year, and equalized the operating millage rates across school districts.

Starting in 1995, the base for property taxes was changed from State Equalized Value (SEV) to taxable value (TV). SEV is equal to 50% of the true cash value (TCV). In the year a property is constructed or transferred the TV is set to equal SEV. Then the TV is capped so it may increase annually by either five percent or the rate of inflation, whichever is less, until the property is transferred. New construction or additions are exempt from this cap. Since 2001, the TV of land used for agriculture remains capped upon transfer.

Proposal A also divided property into non-homestead and homestead (i.e. property used as a principal residence) categories. For non-homestead property, an 18-mill basic operating tax replaced the pre-Proposal A millage. Homestead property and qualified agricultural property were exempt from this school operating tax. Additionally, a 6-mill State Education Tax (SET) was implemented, with the aggregate revenue at the state level distributed to school districts on a per student basis. Beginning in 2008, industrial personal property became exempt from the SET and all 18 mills of the school operating tax. At the same time, commercial personal property became exempt from 12 mills of the 18 mill school operating tax.

Furthermore, Proposal A cut income tax rate from 4.6% to 4.4% and partially offset this cut with increases to other taxes and some new taxes. The sales and use tax rates were raised to 6% and the cigarette tax rate to 75 cents per pack. Additionally, a 16% tax was added to all other tobacco products and a state real estate transfer tax was put in place. All revenue from these taxes was allocated to the School Aid Fund for state-funded local schools. Michigan state law also grants other property tax exemptions, including to property owned by religious and non-profit organizations, schools, and governments. Personal property such as inventories, special tools, and pollution control equipment are also exempt.

This report examines the general ad valorem property tax. In lieu of this tax, some property owners pay a specific one. Most telecommunications and railroad property are subject to a state public utility tax, not the general ad valorem property tax, and are centrally assessed by the state. In addition, many local units levy special assessments on real property for specific public purposes, typically police and fire protection. This report excludes data on specific taxes, the state public utility tax, and special assessments.

Michigan's total taxable value in 2022 was \$415.7 billion, a 6% increase from 2021. This consisted of \$382.3 billion of real property and \$33.5 billion of personal property. Real residential property was the largest class of property at \$292.7 billion, making up 70.4% of the total taxable value. The total State Equalized Value (SEV) was \$545.8 billion, a 6.9% increase from 2021. The gap between SEV and taxable value increased in 2021 and 2022, with SEV currently \$130 billion higher than total real and personal taxable value.

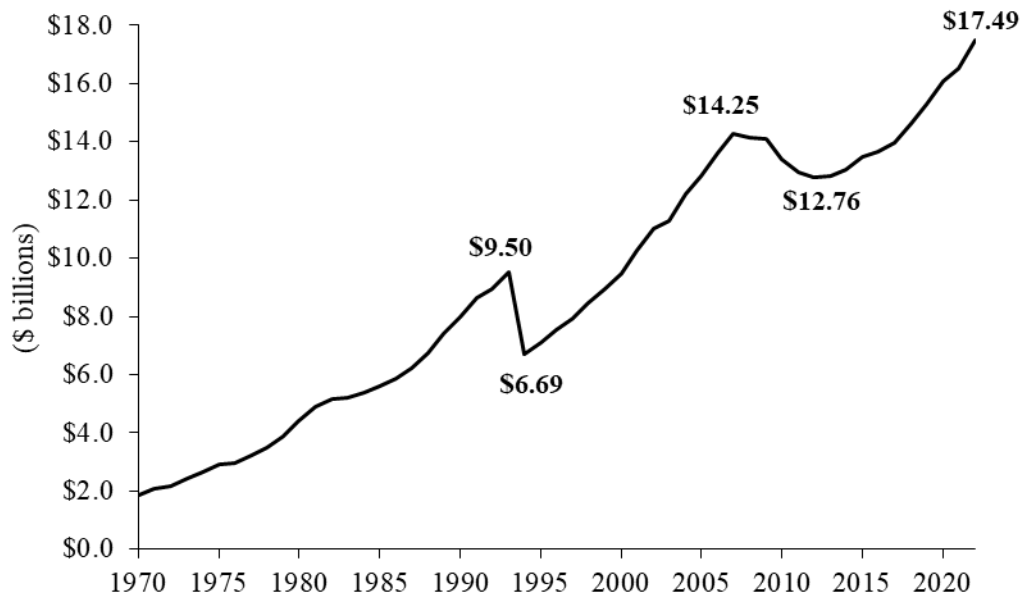
In 2022, 91.9% of property taxes came from real property, with residential property contributing 70.4% and commercial property (real and personal) 16.7%. Personal property accounted for the remaining 8.1%. Personal property is made up of industrial personal property at 21.3%, commercial personal property at 28.9%, and utility personal property at 49.8%. Michigan's average millage rate decreased from 42.16 mills in 2021 to 42.06 mills in 2022. Homesteads were taxed at an average of 34.99 mills while non-homesteads were taxed at 53.79 mills.

This report looks at Michigan's property taxation. Section 1 reviews past property tax collection trends. Section 2 compares Michigan's property tax burden to other states. Section 3 examines taxing unit type composition of property tax collections. Section 4 evaluates the distribution of taxable value according to property classification. Section 5 examines taxable value across Michigan's 83 counties. Section 6 reviews changes in millage rates over time and assesses inter-county rates. Section 7 investigates the taxable value cap and the effect it has on the property tax levy.

## SECTION 1: PROPERTY TAX COLLECTION HISTORY

Through the 1970s and 1980s, the statewide property tax levy more than doubled, rising 107.5 and 67.5 percent respectively. However, in 1994, Proposal A led to a sharp drop in the tax levy of 29.6% due to the reduction in local school operating taxes. From 1994 to 2022, the tax levy has increased by 161%. (Exhibit 1 and 2)

**Exhibit 1**  
**Property Taxes Dropped Dramatically in 1994 and 2009**



Source: Michigan Department of Treasury

**Exhibit 2**  
**Ad Valorem Real and Personal Taxes**

<u>Year</u>	<u>Tax Levy</u>		<u>Inflation Adjusted Property Tax Levy</u>		<u>Property Taxes as Percent of Personal Income</u>	
	<u>Amount (Millions)</u>	<u>Percent Change</u>	<u>Amount (Millions)</u>	<u>Percent Change</u>	<u>Ratio</u>	<u>Percent Point Change</u>
1990	7,998.5	8.2 %	6,219.7	2.9	4.5	0.1
1991	8,638.7	8.0	6,490.4	4.4	4.8	0.3
1992	8,941.7	3.5	6,579.6	1.4	4.7	-0.1
1993	9,500.6	6.3	6,805.6	3.4	4.7	0.0
1994	6,690.7	-29.6	4,646.3	-31.7	3.1	-1.6
1995	7,081.1	5.8	4,765.2	2.6	3.1	0.0
1996	7,536.1	6.4	4,941.7	3.7	3.1	0.0
1997	7,952.7	5.5	5,088.1	3.0	3.1	0.0
1998	8,449.6	6.2	5,287.6	3.9	3.1	0.0
1999	8,933.4	5.7	5,450.5	3.1	3.2	0.1
2000	9,462.3	5.9	5,572.6	2.2	3.1	-0.1
2001	10,250.9	8.3	5,877.8	5.5	3.3	0.2
2002	11,033.3	7.6	6,167.3	4.9	3.6	0.3
2003	11,270.0	2.1	6,175.3	0.1	3.6	0.0
2004	12,190.2	8.2	6,575.1	6.5	3.8	0.2
2005	12,827.4	5.2	6,722.9	2.2	3.9	0.1
2006	13,598.1	6.0	6,916.6	2.9	4.0	0.1
2007	14,254.2	4.8	7,122.5	3.0	4.1	0.1
2008	14,143.5	-0.8	6,907.8	-3.0	4.0	-0.1
2009	14,109.7	-0.2	6,933.6	0.4	4.2	0.2
2010	13,373.8	-5.2	6,521.1	-5.9	3.8	-0.4
2011	12,945.6	-3.2	6,113.3	-6.3	3.5	-0.3
2012	12,756.8	-1.5	5,903.7	-3.4	3.3	-0.2
2013	12,817.6	0.5	5,840.0	-1.1	3.3	0.0
2014	13,033.6	1.7	5,876.7	0.6	3.2	-0.1
2015	13,475.4	3.4	6,161.4	4.8	3.1	-0.1
2016	13,653.1	1.3	6,145.4	-0.3	3.1	0.0
2017	13,983.3	2.4	6,162.9	0.3	3.0	-0.1
2018	14,621.5	4.6	6,295.6	2.2	3.1	0.1
2019	15,293.1	4.6	6,500.3	3.3	3.1	0.0
2020	16,061.1	5.0	6,758.1	4.0	3.0	-0.1
2021	16,525.0	2.9	6,668.5	-1.3	2.9	-0.1
2022	17,487.2	5.8	6,522.1	-2.2	3.1	0.2
	<u>Change</u>	<u>Percent Change</u>	<u>Change</u>	<u>Percent Change</u>	<u>Change</u>	
1970-1979	2,015.1	107.5 %	539.4	11.4 %	-0.6	
1980-1989	2,979.8	67.5	871.8	16.9	-0.3	
1990-1999	934.9	11.7	-769.2	-12.4	-1.3	
2000-2009	4,647.4	49.1	1,361.0	24.4	1.1	
2010-2019	1,919.3	14.4	-20.8	-0.3	-0.7	
2020-2022	1,426.1	8.9	-235.9	-3.5	0.1	

Source: Michigan Department of Treasury

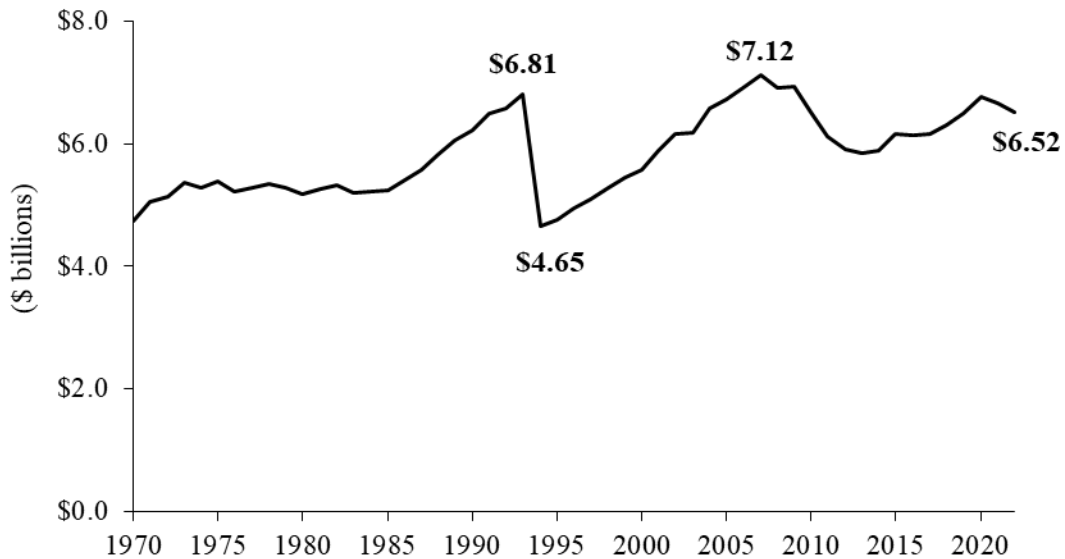
Relative to inflation, property taxes rose 11.4 percent through the 1970s. Inflation-adjusted property taxes remained essentially unchanged through the mid-1980s but then grew sharply over the balance of the decade. Inflation-adjusted property taxes continued to rise sharply through the early 1990s.

In 1994, Proposal A reversed all inflation-adjusted property tax increases since 1970. Then from between 1994 and 2007 property taxes increased by about 53.3%. Following the financial crisis, property taxes declined in real terms from 2008-2012, due to falling property prices.

Between 2013 and 2020, property values growth coupled with low inflation, increased inflation-adjusted property taxes, but the higher inflation rate for 2021 and 2022 led to a small dip. Thus, the inflation-adjusted property taxes in 2022 at about \$6,500 are approximately at the same level as in 1991, 2004, and 2010. (See Exhibit 2-3)

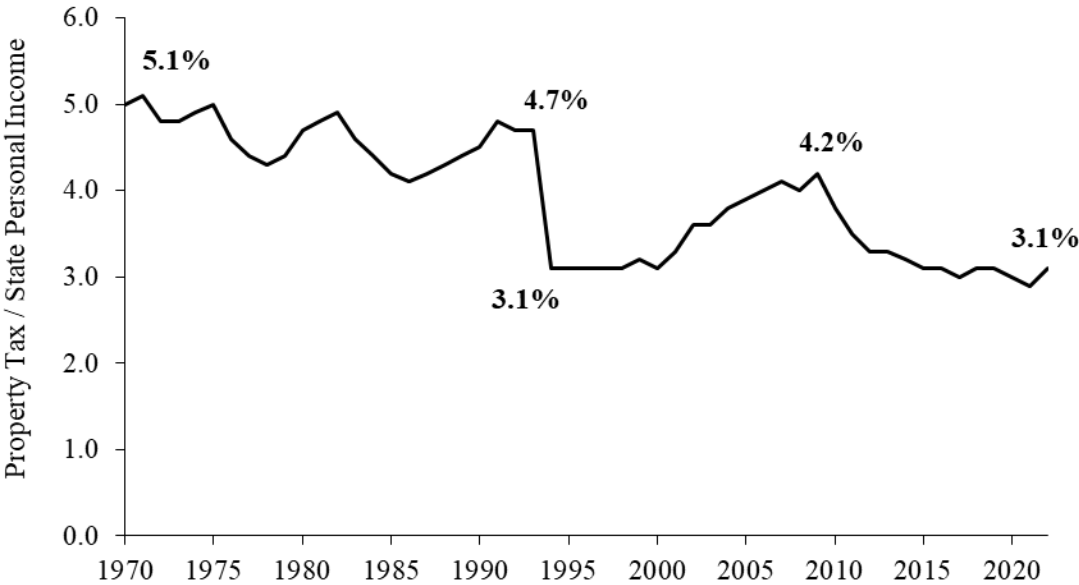
Property taxes relative to Michigan's economic activity can be judged by examining property taxes as a percent of personal income. Between 1970 and 1993, property taxes as a percent of personal income fluctuated between 4.1 percent and 5.1 percent. However, it dropped to a 50-year low in 1994 at 3.1%, then increased through the 2000s to 4.2%. Since 2009, property taxes as a percent of personal income has trended down, ending 2022 at 3.1% - back to the level after Proposal A. (See Exhibit 4)

**Exhibit 3**  
**Inflation-Adjusted Property Taxes Near Early-1990s Level**  
**Property Tax Levy (Detroit CPI, All Urban Consumers)**



Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury, and Bureau of Labor Statistics

**Exhibit 4**  
**Property Tax as a Percent of Personal Income Down Sharply**



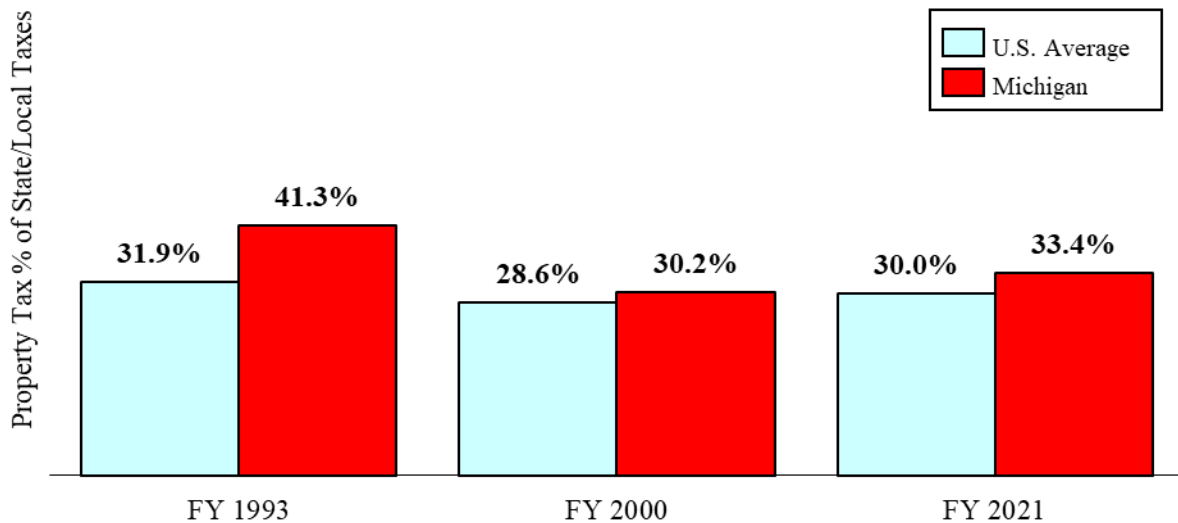
Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury, and Bureau of Economic Analysis, U.S. Department of Commerce.

## SECTION 2: INTERSTATE PROPERTY TAX LEVY COMPARISONS

Prior to Proposal A, Michigan had one of the highest property tax burdens in the U.S., accounting for 4.60% of personal income in FY 1993. In FY 2021, Michigan's property tax burden dropped to 2.94% of personal income, which is slightly below the national average of 2.97%, ranking 19th among the 50 U.S. states.<sup>1</sup> (See Exhibit 6-7)

Between FY 1993 and FY 2021, Michigan's tax overhaul decreased governmental reliance on property taxes. Property taxes' revenue to total Michigan state and local revenue dropped from 28.6% (6.1% higher than the US average) to 21.9% (slightly higher than the US average of 21.3%). Over the same period, property taxes' contribution to Michigan's state and local taxes decreased from 41.3% (9.4% higher than the US average) to 33.4% (3.4% higher than the US average). (See Exhibit 8-9)

**Exhibit 5**  
**Michigan's Reliance on Property Taxes Falls**



Source: Bureau of Census, U.S. Dept. of Commerce.

<sup>1</sup> FY 2021 is the latest fiscal year for which combined state and local revenue figures are available from the U.S. Bureau of the Census, U.S. Department of Commerce.

**Exhibit 6**  
**State and Local Property Tax Burden for FY 1993**

<u>State</u>	<u>FY 1993 Property Taxes (thousands)</u>	<u>FY 1993 Personal Income (thousands)</u>	<u>Property Taxes as % of Income</u>	<u>Rank</u>
Alabama	\$768,652	74,702,750	1.03 %	50
Alaska	673,113	14,440,500	4.66	6
Arizona	2,742,049	72,368,000	3.79	19
Arkansas	633,744	40,298,000	1.57	47
California	20,904,055	708,367,250	2.95	32
Colorado	2,541,764	77,066,500	3.30	25
Connecticut	4,219,389	95,182,250	4.43	12
Delaware	241,836	16,297,250	1.48	48
Florida	10,228,512	286,901,250	3.57	22
Georgia	4,026,189	134,766,000	2.99	28
Hawaii	603,125	28,426,500	2.12	40
Idaho	517,743	19,226,500	2.69	36
Illinois	10,762,627	270,034,750	3.99	15
Indiana	3,606,318	111,906,500	3.22	26
Iowa	2,182,471	53,632,750	4.07	14
Kansas	1,753,295	51,404,750	3.41	23
Kentucky	1,145,077	66,294,750	1.73	44
Louisiana	1,190,008	74,170,750	1.60	46
Maine	1,104,476	22,976,000	4.81	5
Maryland	3,613,523	121,630,750	2.97	29
Massachusetts	5,497,034	151,166,000	3.64	21
<b>Michigan</b>	<b>9,246,788</b>	<b>201,015,250</b>	<b>4.60</b>	<b>7</b>
Minnesota	3,843,498	98,954,500	3.88	18
Mississippi	1,021,327	39,502,250	2.59	37
Missouri	2,148,120	103,894,250	2.07	41
Montana	667,208	14,640,250	4.56	9
Nebraska	1,248,364	32,029,500	3.90	17
Nevada	681,349	31,341,750	2.17	39
New Hampshire	1,578,768	24,883,500	6.34	1
New Jersey	11,012,116	210,738,250	5.23	2
New Mexico	378,471	26,821,250	1.41	49
New York	22,413,158	455,697,000	4.92	4
North Carolina	2,962,701	134,813,000	2.20	38
North Dakota	355,733	11,397,250	3.12	27
Ohio	6,690,900	227,352,000	2.94	33
Oklahoma	939,861	57,335,250	1.64	45
Oregon	2,549,537	60,043,250	4.25	13
Pennsylvania	7,743,760	262,397,250	2.95	31
Rhode Island	966,150	21,665,250	4.46	11
South Carolina	1,833,679	63,314,500	2.90	34
South Dakota	476,496	13,046,500	3.65	20
Tennessee	1,890,943	97,448,250	1.94	43
Texas	13,895,659	350,875,833	3.96	16
Utah	862,522	30,850,500	2.80	35
Vermont	566,317	11,175,500	5.07	3
Virginia	4,251,962	143,794,500	2.96	30
Washington	3,869,992	115,417,250	3.35	24
West Virginia	581,747	29,839,250	1.95	42
Wisconsin	4,679,753	101,991,750	4.59	8
Wyoming	419,592	9,276,000	4.52	10
U.S. Total	\$188,731,471	5,472,810,583	3.45	

Sources:

1 - Tax data from Government Finances, Bureau of the Census, U.S. Dept of Commerce.

2 - Personal income data from Bureau of Economic Analysis, U.S. Dept of Commerce.

**Exhibit 7**  
**State and Local Property Tax Burden for FY 2021**

<u>State</u>	<u>FY 2021 Property Taxes (thousands)</u>	<u>FY 2021 Personal Income (thousands)</u>	<u>Property Taxes Revenue as % of Income</u>	<u>Rank</u>
Alabama	\$3,329,023	\$250,828,800	1.33%	50
Alaska	\$1,707,204	48,219,200	3.54%	11
Arizona	\$9,105,708	403,739,300	2.26%	36
Arkansas	\$2,524,045	153,185,800	1.65%	48
California	\$82,076,484	3,006,183,900	2.73%	23
Colorado	\$12,034,572	410,948,200	2.93%	20
Connecticut	\$11,870,805	300,323,500	3.95%	6
Delaware	\$1,110,532	60,133,600	1.85%	45
Florida	\$35,443,117	1,356,318,600	2.61%	29
Georgia	\$15,081,641	602,464,000	2.50%	33
Hawaii	\$2,321,006	87,857,700	2.64%	25
Idaho	\$2,108,600	99,549,600	2.12%	40
Illinois	\$31,251,650	852,082,100	3.67%	9
Indiana	\$8,241,583	384,520,000	2.14%	39
Iowa	\$6,193,386	182,524,500	3.39%	12
Kansas	\$5,260,176	172,918,300	3.04%	16
Kentucky	\$4,364,207	231,179,800	1.89%	43
Louisiana	\$4,590,963	250,700,700	1.83%	46
Maine	\$3,904,106	80,254,400	4.86%	1
Maryland	\$11,203,432	430,429,300	2.60%	30
Massachusetts	\$19,569,400	584,291,100	3.35%	13
<b>Michigan</b>	<b>\$16,680,773</b>	<b>567,807,100</b>	<b>2.94%</b>	<b>19</b>
Minnesota	\$10,678,549	378,284,700	2.82%	22
Mississippi	\$3,557,321	135,347,400	2.63%	27
Missouri	\$8,226,703	341,254,000	2.41%	35
Montana	\$2,035,976	62,886,700	3.24%	14
Nebraska	\$4,263,899	120,188,500	3.55%	10
Nevada	\$3,822,680	189,308,200	2.02%	41
New Hampshire	\$4,588,816	101,674,500	4.51%	4
New Jersey	\$32,793,053	713,720,600	4.59%	3
New Mexico	\$1,980,250	106,451,200	1.86%	44
New York	\$66,384,750	1,524,128,500	4.36%	5
North Carolina	\$11,862,825	592,695,000	2.00%	42
North Dakota	\$1,219,863	50,002,900	2.44%	34
Ohio	\$18,256,164	670,035,600	2.72%	24
Oklahoma	\$3,662,013	214,760,700	1.71%	47
Oregon	\$7,716,196	261,546,500	2.95%	18
Pennsylvania	\$21,835,969	833,314,500	2.62%	28
Rhode Island	\$2,700,714	70,531,500	3.83%	7
South Carolina	\$7,166,475	272,339,500	2.63%	26
South Dakota	\$1,488,436	57,717,800	2.58%	31
Tennessee	\$6,455,899	394,520,400	1.64%	49
Texas	\$65,553,293	1,767,681,700	3.71%	8
Utah	\$4,104,422	186,990,500	2.19%	38
Vermont	\$1,935,556	39,949,400	4.85%	2
Virginia	\$16,566,844	573,027,900	2.89%	21
Washington	\$14,711,643	570,920,800	2.58%	32
West Virginia	\$1,921,893	86,451,800	2.22%	37
Wisconsin	\$10,485,666	351,551,300	2.98%	17
Wyoming	\$1,251,792	40,322,800	3.10%	15
U.S. Totals	630,207,794	21,224,064,400	2.97%	

Sources:

1) Tax data from Government Finances, Bureau of the Census, U.S. Department of Commerce

2) Personal income data from Bureau of Economic Analysis, June 2021

**Exhibit 8**  
**FY 1993 Property Tax Share of State and Local Revenues**

	<u>Own Source Revenues</u>			<u>Taxes</u>		
	<u>State and</u>			<u>State and</u>		
	<u>Local</u>	<u>State</u>	<u>Local</u>	<u>Local</u>	<u>State</u>	<u>Local</u>
United States	22.5 %	1.7 %	48.3 %	31.9 %	2.2 %	76.1 %
Alabama	7.3	1.5	17.3	11.8	2.2	35.5
Alaska	10.2	1.3	44.2	22.8	3.0	83.6
Arizona	24.3	5.1	49.1	32.7	6.2	78.1
Arkansas	11.6	0.1	37.2	16.4	0.2	68.5
California	19.3	4.9	36.8	27.9	5.9	70.4
Colorado	21.6	0.2	41.9	33.5	0.2	66.9
Connecticut	30.9	0.0	83.8	38.6	0.0	98.9
Delaware	9.1	0.0	43.2	14.8	0.0	82.7
Florida	24.1	3.3	43.3	36.4	4.1	81.8
Georgia	20.0	0.3	38.3	29.2	0.4	71.0
Hawaii	12.3	0.0	55.1	17.3	0.0	82.5
Idaho	17.3	0.0	49.2	26.1	0.0	95.8
Illinois	29.8	1.2	59.7	39.3	1.5	82.0
Indiana	22.0	0.0	53.6	32.8	0.0	88.5
Iowa	24.1	0.0	57.1	35.2	0.0	94.7
Kansas	22.9	0.8	50.0	32.6	1.1	83.0
Kentucky	11.7	5.2	26.9	16.6	6.7	50.7
Louisiana	9.7	0.5	23.5	16.4	0.9	40.1
Maine	29.2	1.8	75.6	38.9	2.4	98.5
Maryland	21.7	2.2	46.2	28.4	2.9	61.4
Massachusetts	25.2	0.0	73.0	34.3	0.0	97.3
<b>Michigan</b>	<b>28.6</b>	<b>1.8</b>	<b>61.2</b>	<b>41.3</b>	<b>2.4</b>	<b>93.7</b>
Minnesota	21.4	0.1	49.0	31.6	0.1	95.5
Mississippi	16.4	0.6	40.1	25.2	0.8	94.0
Missouri	17.1	0.2	39.2	23.5	0.2	58.1
Montana	27.5	14.3	55.0	42.1	20.8	95.2
Nebraska	25.2	0.1	56.6	36.5	0.1	86.6
Nevada	15.1	1.8	31.9	21.8	2.1	67.8
New Hampshire	44.9	0.0	86.8	61.1	0.0	99.4
New Jersey	34.4	0.1	77.9	45.4	0.1	98.2
New Mexico	7.4	0.7	26.7	12.0	1.1	53.1
New York	25.7	0.0	46.9	33.4	0.0	62.6
North Carolina	15.6	1.0	39.0	21.6	1.2	71.2
North Dakota	18.2	0.2	56.2	29.1	0.3	91.7
Ohio	20.5	0.1	43.7	29.6	0.1	68.2
Oklahoma	11.1	0.0	29.8	16.4	0.0	57.1
Oregon	25.7	0.0	56.6	38.6	0.0	86.7
Pennsylvania	20.7	1.1	48.1	28.4	1.4	70.6
Rhode Island	29.8	0.5	86.1	40.2	0.7	98.8
South Carolina	18.8	0.2	46.8	29.1	0.3	90.5
South Dakota	26.5	0.0	59.9	40.2	0.0	79.9
Tennessee	15.1	0.0	34.8	21.7	0.0	62.6
Texas	27.1	0.0	52.5	39.4	0.0	81.5
Utah	16.9	0.0	44.9	25.6	0.0	74.4
Vermont	30.9	0.8	85.2	41.8	1.2	99.1
Virginia	22.0	0.1	51.4	31.7	0.2	72.3
Washington	21.2	13.5	32.9	30.3	16.8	61.3
West Virginia	12.5	0.1	40.9	18.3	0.1	82.0
Wisconsin	27.0	0.7	65.1	36.6	0.9	95.5
Wyoming	21.7	7.1	43.1	38.9	12.5	80.8

Source: Bureau of the Census, U.S. Dept. of Commerce.

**Exhibit 9**  
**FY 2021 Property Tax Share of State and Local Revenues**

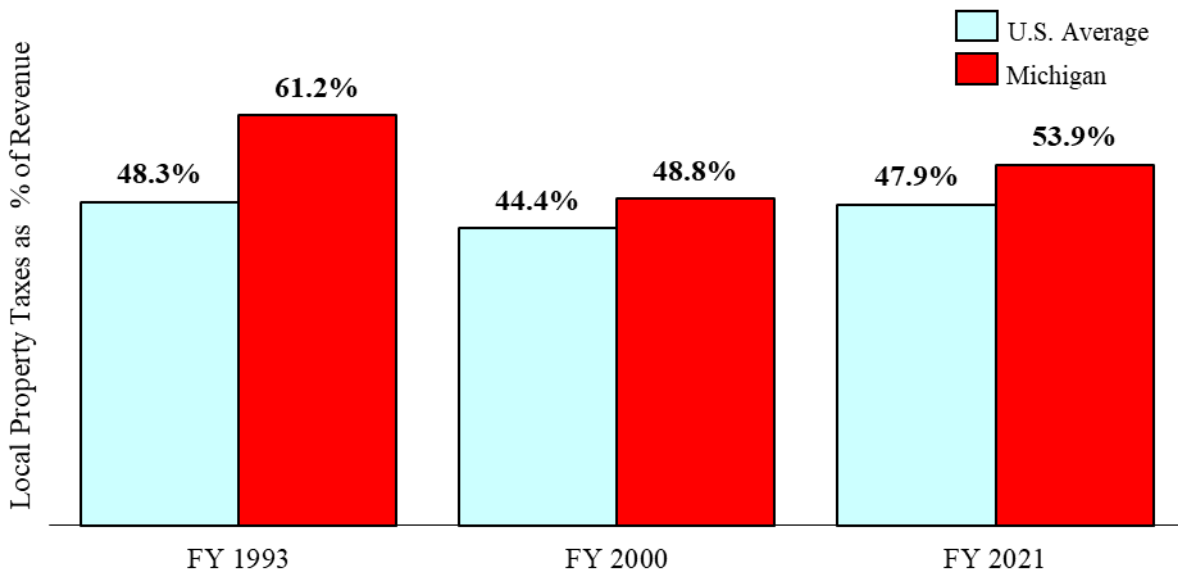
	<u>Own Source Revenues</u>			<u>Taxes</u>		
	<u>State and</u>		<u>Local</u>	<u>State and</u>		<u>Local</u>
	<u>Local</u>	<u>State</u>		<u>Local</u>	<u>State</u>	
United States	21.3	1.2	47.9	30.0	1.6	72.5
Alabama	8.9	2.1	19.0	15.6	3.3	40.0
Alaska	20.7	3.1	36.7	55.5	11.4	78.5
Arizona	20.0	4.8	41.2	27.0	6.1	60.8
Arkansas	12.2	8.2	25.6	17.2	11.2	40.8
California	16.9	1.1	40.8	22.7	1.3	70.1
Colorado	22.7	0.0	44.2	32.3	0.0	65.4
Connecticut	29.8	0.0	87.2	34.8	0.0	98.3
Delaware	11.5	0.0	56.6	16.5	0.0	82.1
Florida	23.1	0.0	42.8	37.1	0.0	76.5
Georgia	21.4	2.1	40.1	30.5	2.6	66.6
Hawaii	14.8	0.0	55.2	20.7	0.0	73.0
Idaho	16.9	0.0	47.9	24.2	0.0	93.5
Illinois	26.8	0.1	61.9	33.5	0.1	82.7
Indiana	15.3	0.0	40.1	22.6	0.1	83.3
Iowa	20.7	0.0	50.4	32.7	0.0	86.7
Kansas	19.5	4.6	48.5	30.1	7.0	76.0
Kentucky	14.3	3.4	38.1	20.7	4.8	56.7
Louisiana	14.0	0.6	28.6	20.5	0.8	44.4
Maine	33.6	0.6	81.5	41.7	0.8	99.0
Maryland	20.0	2.8	42.3	25.1	3.5	52.9
Massachusetts	27.2	0.0	78.2	34.5	0.0	96.2
<b>Michigan</b>	<b>21.9</b>	<b>4.8</b>	<b>53.9</b>	<b>33.4</b>	<b>7.0</b>	<b>91.8</b>
Minnesota	18.9	2.2	51.3	25.1	2.5	91.4
Mississippi	17.1	0.2	43.9	27.2	0.3	94.2
Missouri	19.4	0.2	40.2	28.8	0.2	60.6
Montana	26.8	6.9	61.7	36.1	8.6	96.4
Nebraska	24.5	0.0	50.7	34.2	0.0	77.3
Nevada	17.4	3.2	34.5	23.8	3.7	60.8
New Hampshire	46.2	8.0	84.5	61.1	12.5	97.6
New Jersey	34.0	0.0	83.4	42.6	0.0	98.5
New Mexico	11.0	0.7	39.2	18.1	1.2	54.2
New York	25.6	0.0	46.4	32.4	0.0	59.5
North Carolina	14.7	0.0	34.2	23.0	0.0	70.0
North Dakota	14.9	0.1	46.7	22.4	0.1	78.6
Ohio	19.8	0.0	44.6	29.0	0.0	65.3
Oklahoma	13.2	0.0	35.0	20.5	0.0	56.1
Oregon	18.1	0.1	52.1	28.0	0.1	78.5
Pennsylvania	19.2	0.1	51.4	26.8	0.1	68.5
Rhode Island	28.2	0.1	80.1	37.9	0.1	97.3
South Carolina	18.1	0.4	40.2	31.3	0.6	73.6
South Dakota	25.2	0.0	54.4	35.7	0.0	73.6
Tennessee	14.9	0.0	34.2	21.8	0.0	66.6
Texas	30.2	0.0	58.7	45.6	0.0	83.7
Utah	13.5	0.0	39.1	21.7	0.0	65.8
Vermont	31.2	23.4	68.8	39.7	29.3	95.4
Virginia	21.8	0.1	59.4	30.9	0.1	77.8
Washington	19.5	10.3	31.1	28.5	13.3	54.6
West Virginia	14.8	0.1	51.8	22.9	0.1	81.8
Wisconsin	22.1	0.3	63.5	31.3	0.4	92.4
Wyoming	19.5	9.0	30.5	41.5	15.8	83.8

Source: Bureau of the Census, U.S. Department of Commerce.

In most states, state governments levy an extremely small share of total property taxes. In FY 2021, 18 states did not levy any property taxes. In 14 other states, property taxes accounted for less than 1% of all tax revenue. In FY 1993, Michigan ranked 10th among the 50 states in property tax revenue; 2.4% of all taxes came from property taxes. The State Education Tax (SET) enacted in 1994 increased the state's share of total property taxes drastically. In FY 2021, the State of Michigan accounted for 7% of all property taxes imposed, exceeding the national average of 1.6%.

After property tax reform, Michigan local units' reliance on property taxes more closely resembles the average state. In FY 2021, Michigan local units relied on property taxes for 53.9% of their own source revenues -- compared to the 47.9% national average. Compared to the 9th place ranking in FY 1993, they are now 16th among states for their reliance on property taxes. (Exhibit 10) As a percent of local taxes, Michigan's property taxes at 93.7% for 2021 are significantly higher than the national average of 76.1%. One reason for this is that unlike many other states, Michigan has no local sales tax.

**Exhibit 10**  
**Michigan's Local Government Reliance on Property Taxes**  
**Above the National Average**



Source: Bureau of Census, U.S. Department of Commerce.

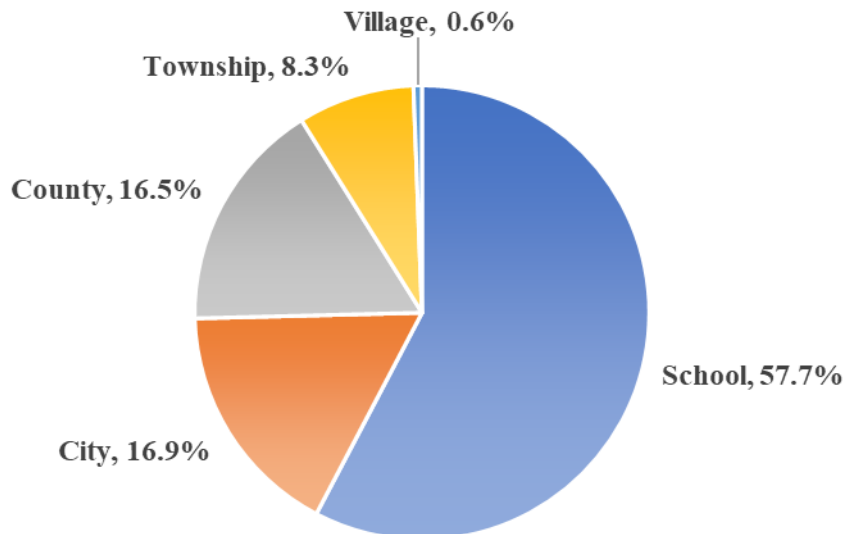
### **SECTION 3: PROPERTY TAXES BY TAXING UNIT TYPE**

#### Taxing Unit Type

Property taxes are very decentralized as it is levied by multiple local government units including counties, townships, cities, villages, school districts, intermediate school districts and community college districts.<sup>2</sup> Additionally, numerous authorities, such as Downtown Development Authorities, district libraries, and transportation authorities, also levy this tax. In addition, the state levies a 6-mill State Education Tax (SET) while the federal government does not levy any property tax. As these taxing units overlap, the property tax system involves an interconnected system.

After Proposal A, tax levies shifted from schools to cities, counties, and townships. Since then, township's share of property taxes has shown a general upward trend while the city share has declined. From 1970 to 1993, the share of Michigan's property taxes going to local school districts, intermediate school districts, and community colleges grew from 62.3% to 72 of total property taxes. Reform in 1994 caused school taxes' share to drop to 57.8%, which has stayed roughly steady through 2022. For 2022, 57.8% of property taxes were school taxes (local school district, intermediate school district, community college, and SET) (See Exhibit 11-13)

**Exhibit 11  
Most CY 2022 Property Taxes Fund Schools**



Source: State Tax Commission.  
Note: Schools include ISDs and community colleges.

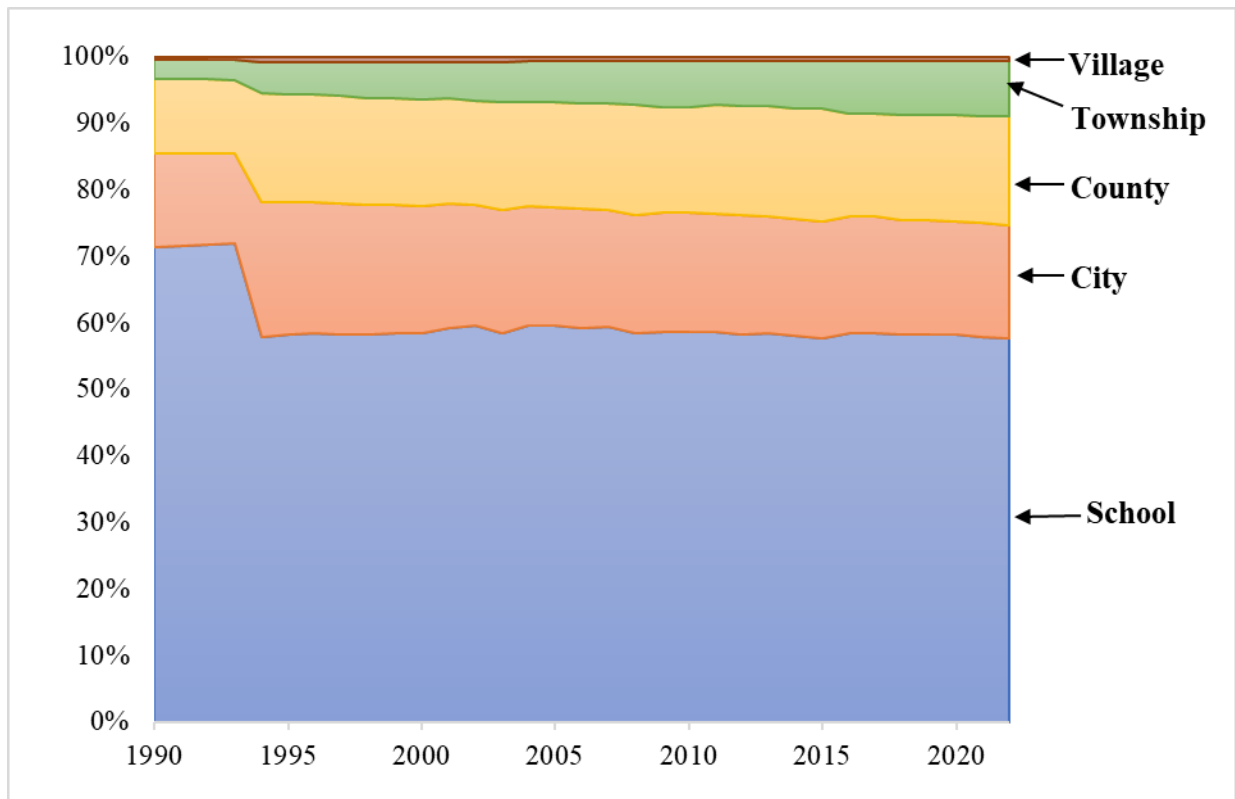
<sup>2</sup> A substantial portion of the State is not contained within a community college district. Dearborn School District levies Henry Ford College's millage.

Cities accounted for the second highest amount of the statewide property tax levy at 16.9 percent, down from 17.2 percent in 2021. Over time Michigan cities' share of property taxes decreased from 22.3% in 1970 to 13.6% in 1993. Then, due to a reduction in local school operating taxes, the share increased to 20.3 percent (1994). Since 1994, however, the share has dropped to 16.9 percent. (Exhibit 12-13)

Counties' share of property taxes remained relatively steady between 1970 and 1993, averaging 11.1 percent of property taxes. In 1994, counties share increased to 16.4% and since then has moved between 15.5% and 16.9%, ending in 2022 at 16.5%

Township's share of property taxes rose steadily through the 1970 to 1993, going from 2.1% to 3% of property taxes. After 1994, their share rose to 4.7 % as schools' share declined. Between 1994 and 2022, townships' share of property taxes steadily rose from 4.7 percent to 8.3 percent of the statewide property tax levy. Lastly villages' share of property taxes was 0.5% in 1993 and went up to 0.8% in 1994, and since then slowly declined to 0.6% of the levy in 2022.

**Exhibit 12**  
**Schools' Share of Property Taxes Falls Sharply in 1994**



Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.  
 Note: Schools include ISDs and community colleges.

**Exhibit 13**  
**Share of Michigan General Property Taxes, by Local Unit of Government**

<b>Year</b>	<b>School</b>	<b>City</b>	<b>County</b>	<b>Township</b>	<b>Village</b>	<b>Total</b>
1990	71.3 %	14.1%	11.2%	2.9%	0.5%	100.0%
1991	71.4	14.0	11.1	2.9	0.5	
1992	71.7	13.8	11.1	2.9	0.5	
1993	72.0	13.6	11.0	3.0	0.5	
1994	57.8	20.3	16.4	4.7	0.8	
1995	58.2	19.9	16.1	4.9	0.8	
1996	58.4	19.7	16.2	4.9	0.8	
1997	58.2	19.8	16.1	5.1	0.8	
1998	58.2	19.6	16.0	5.4	0.8	
1999	58.4	19.4	16.0	5.4	0.8	
2000	58.4	19.3	16.0	5.6	0.8	
2001	59.2	18.8	15.7	5.5	0.8	
2002	59.5	18.3	15.6	5.8	0.8	
2003	58.4	18.7	16.1	6.1	0.8	
2004	59.6	17.9	15.7	6.1	0.7	
2005	59.5	17.9	15.7	6.2	0.7	
2006	59.2	17.8	15.9	6.3	0.7	
2007	59.4	17.5	16.0	6.4	0.7	
2008	58.4	17.8	16.5	6.6	0.7	
2009	58.6	17.9	15.8	6.9	0.7	
2010	58.7	18.0	15.7	7.0	0.7	
2011	58.6	17.7	16.4	6.6	0.7	
2012	58.2	17.9	16.5	6.7	0.7	
2013	58.3	17.6	16.5	6.8	0.7	
2014	58.0	17.5	16.7	7.0	0.7	
2015	57.6	17.7	16.9	7.2	0.6	
2016	58.4	17.6	15.5	7.9	0.6	
2017	58.5	17.4	15.5	8.0	0.6	
2018	58.2	17.3	15.8	8.1	0.6	
2019	58.1	17.3	15.8	8.1	0.6	
2020	58.2	17.1	15.9	8.2	0.6	
2021	57.9	17.2	16.0	8.3	0.6	
2022	57.7	16.9	16.5	8.3	0.6	

**Percentage Point Changes**

1970-79	5.1 %	-4.9 %	-1.3 %	1.0 %	0.1 %
1980-89	2.8	-2.3	-0.3	-0.1	0.0
1990-99	-12.9	5.3	4.8	2.5	0.3
2000-09	0.2	-1.4	-0.2	1.3	-0.1
2010-19	-0.6	-0.7	0.1	1.1	-0.1
2020-22	-0.5	-0.2	0.6	0.1	0.0
1990-2022	-13.6 %	2.8 %	5.3 %	5.4 %	0.1 %

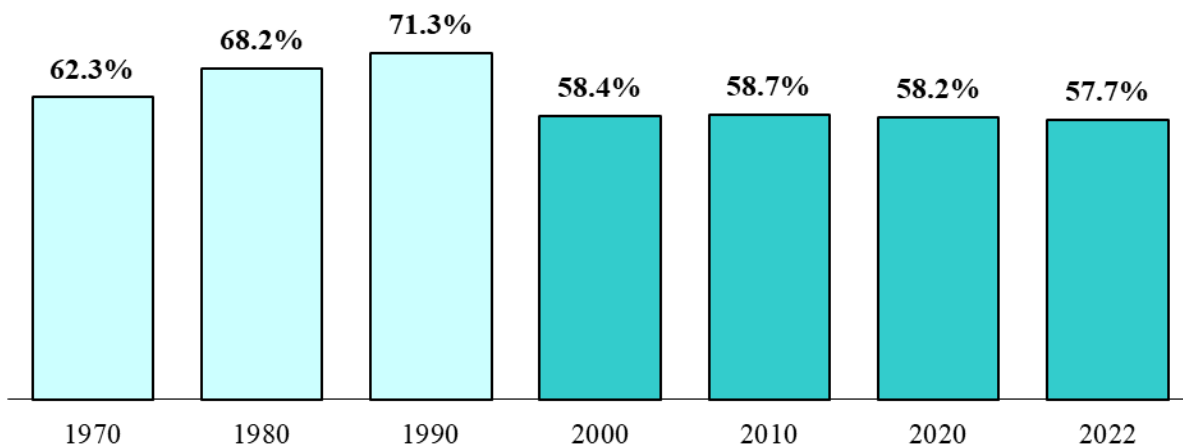
Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury.

## **School Taxes and Debt**

As the school share of property taxes declined after Proposal A, local school debt and sinking fund taxes have risen, growing from \$428 million in 1993 to \$2,303 million in 2022 (Exhibit 15). This comprises 13% of the statewide property tax levy, up dramatically from 4.5% levied before the 1993 property tax reform and 6.8% from 1994.<sup>3</sup>

Increased local school debt has manifested itself through increased borrowing from the School Bond Loan (SBL) program as provided by the Michigan Constitution. The SBL program provides a credit enhancement mechanism for school district bonds issued for capital expenditure purposes and provides loans to school districts that need funds to pay debt service obligations. The program provides resources to K-12 school districts whose debt mill levy is insufficient to service debt obligations.<sup>4</sup>

**Exhibit 14**  
**Schools' Share of Property Taxes Falls Since Proposal A**

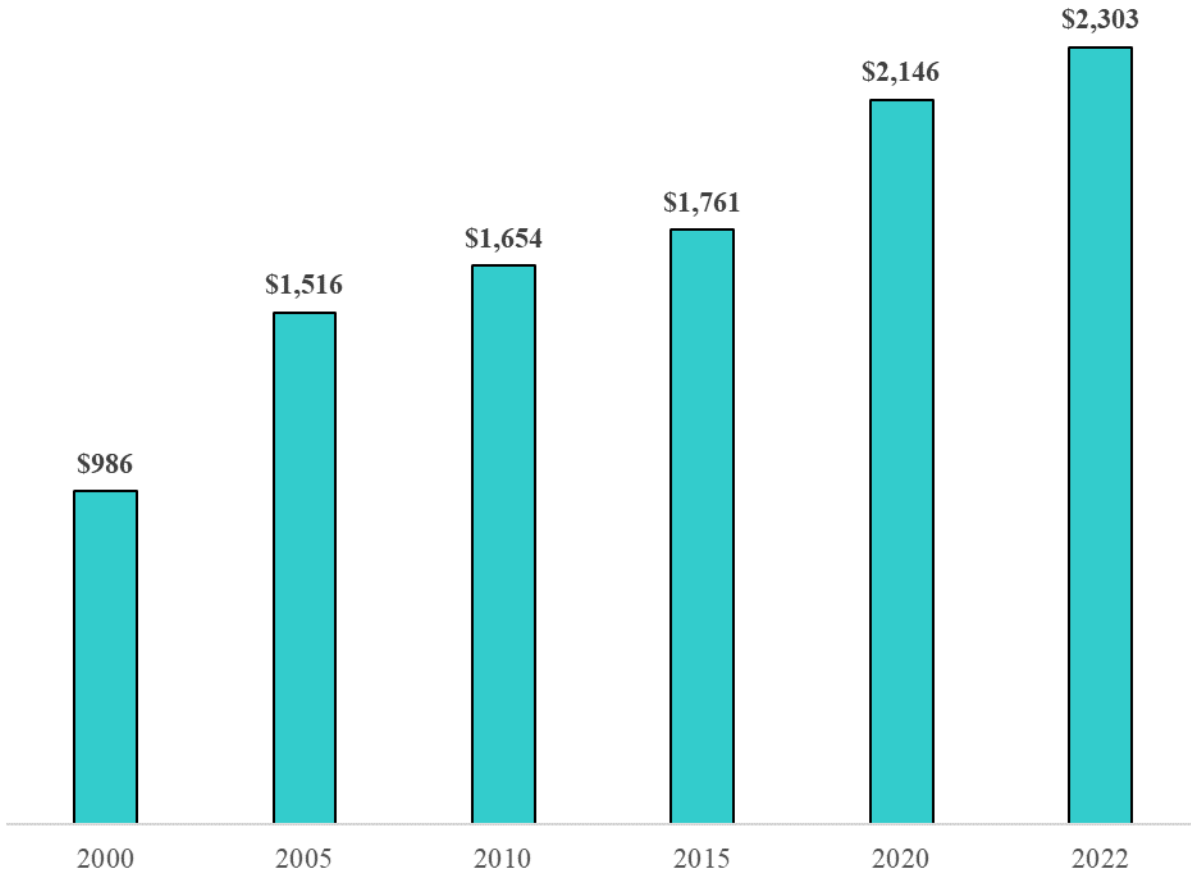


Source: State Tax Commission.

<sup>3</sup> Figures for all years include debt and sinking fund taxes. The 1993 total also includes building and site taxes.

<sup>4</sup> School districts that are accepted into the SBL program have their new bond issues qualified by the State, thus the State guarantees the bonded debt service and the qualified bonds benefit from the State's credit rating. The program also allows school districts to borrow from the State an amount sufficient to enable the district to pay principal and interest requirements on its outstanding qualified bonds. To qualify for the program, the school district must demonstrate a need for increased classroom space based on enrollment. Bond proceeds from the SBL program may be used for new school buildings, renovation of existing buildings, land, playgrounds, buses, furniture, and technology but cannot be used for repairs, maintenance, salaries, or textbooks (i.e., school operating purposes).

**Exhibit 15**  
**School Debt Up Dramatically**  
**Annual Debt Millage Revenue (millions)**



Source: Tax Analysis Division, Michigan Department of Treasury, and Michigan Department of Education.

## **SECTION 4: PROPERTY TAX VALUE BY CLASSIFICATION**

In Michigan, property is divided into two groups: real property (land and buildings) and personal property (machinery, furniture, fixtures, etc.). Real property is further divided into six categories: agricultural, commercial, industrial, residential, timber cutover, and developmental. Personal property is divided into five categories: agricultural, commercial, industrial, residential, and utility.

### **Valuation**

The value of most real property is determined through a combination of one or more of the following methods:

- **Cost Approach:** The cost approach uses the replacement or reproduction cost of a property, less depreciation. Depreciation includes physical, functional, and economic depreciation.
- **Income Approach:** The income approach values property by calculating the net present value of estimated net operating income. Some methods base estimates on past years' income figures, while others incorporate anticipated future trends. Factors like forecasted prices and market share affect projections, as does the capitalization rate used to discount the future income.
- **Comparable Sales Approach:** The comparable sales approach is a method of property valuation wherein similar properties are identified and their selling prices are used to determine the value of a given property.

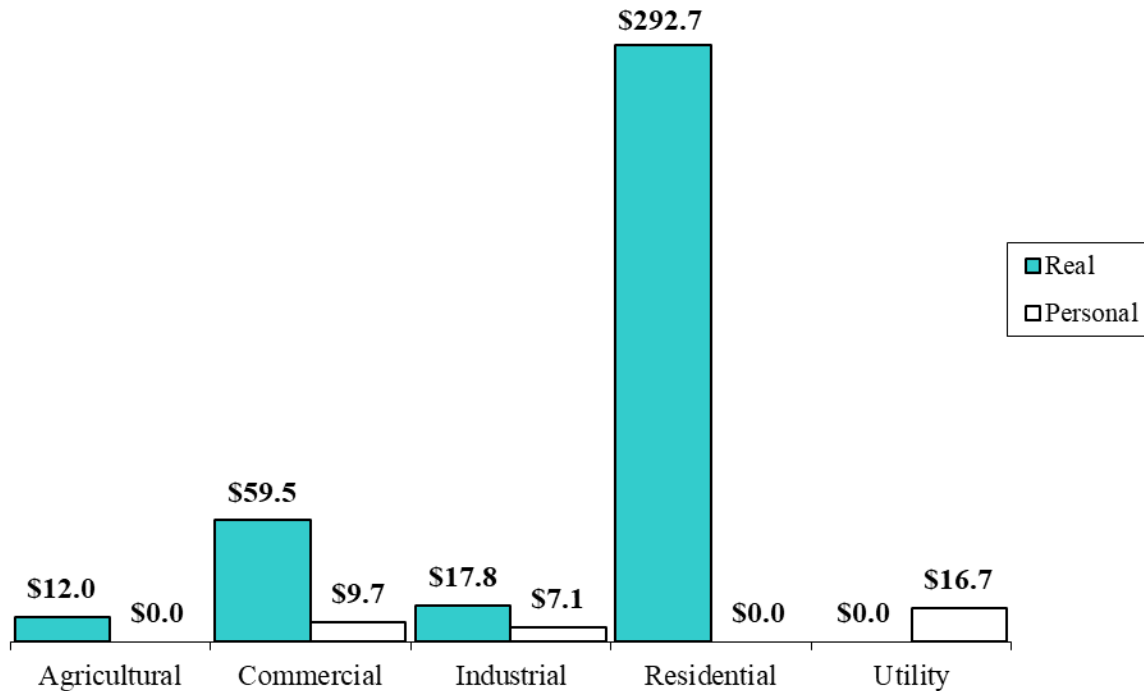
Most real property appreciates over time. Under the cost approach, increases in replacement/reproduction cost may outweigh depreciation. Under the income approach, the net present value of the real property's income stream may increase as product prices rise, market conditions improve, or interest rates fall. Under the comparable sales approach, inflation or increased tightness in the real estate market may increase a property's value.

In contrast, personal property typically only depreciates. In Michigan, personal property value equals its acquisition cost less depreciation. Personal property value is depreciated by multiplying acquisition cost times a depreciation multiplier, using multiplier tables. All depreciation multipliers are less than one.

## Taxable Value Distribution by Classification

Residential property made up 70.4% of statewide taxable value in 2022. Commercial property accounted for 16.7%, industrial 6.0%, agricultural 2.9%, and utility 4.0% (Exhibit 16).

**Exhibit 16**  
**Residential Property Comprised Over 70 Percent of Taxable Value, 2022 (billions)**

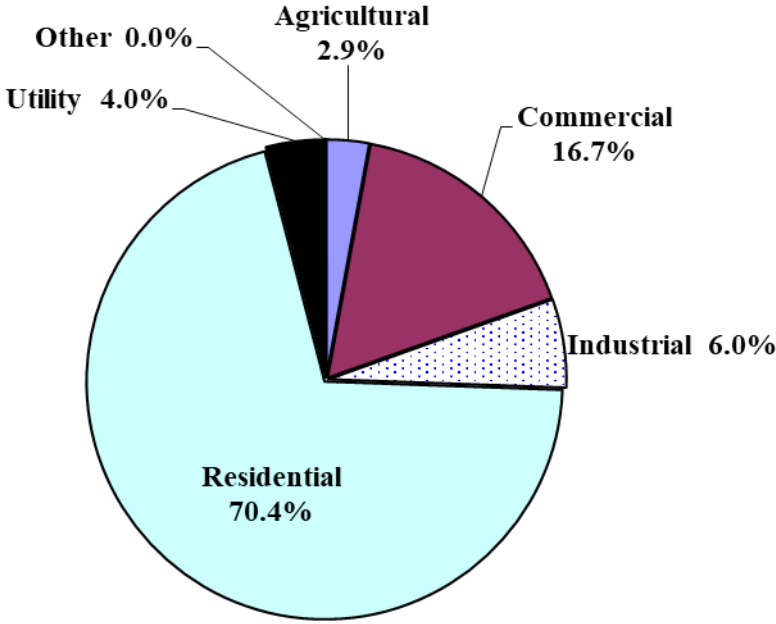


Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.

In 2022, real property accounted for about 91.9% of statewide taxable value. Residential property accounted for 76.6% of statewide real taxable value. Commercial property comprised 15.6% of the total real taxable value, while industrial property accounted for 4.7%. Agricultural property comprised 3.2% of real property. (Exhibit 18)

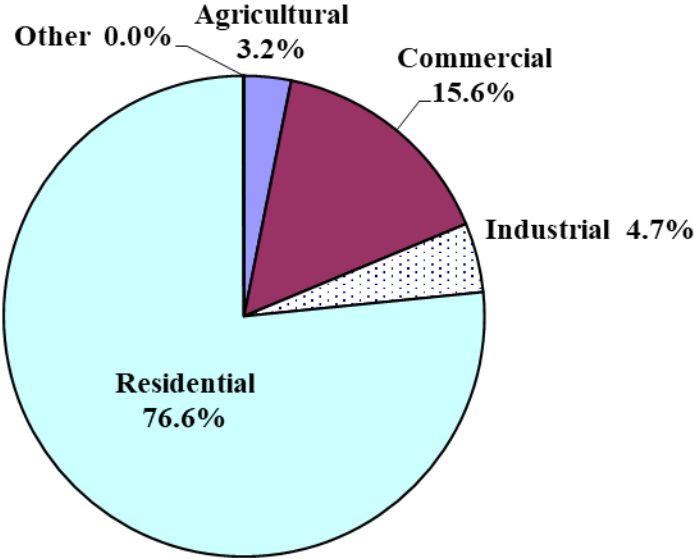
Commercial, industrial, and utility property account for nearly all the State's personal property value. In 2022, 21.3% of statewide personal property value was industrial property, 28.9% was commercial, and 49.8% was utility. All property classified as utility property is personal property. In 2022, personal property accounted for 14 percent of commercial taxable value and 28.6 percent of industrial taxable value. Agricultural and residential personal property are largely exempt from property taxation. (Exhibit 19-20)

**Exhibit 17**  
**Real and Personal Property Taxable Value, 2022**



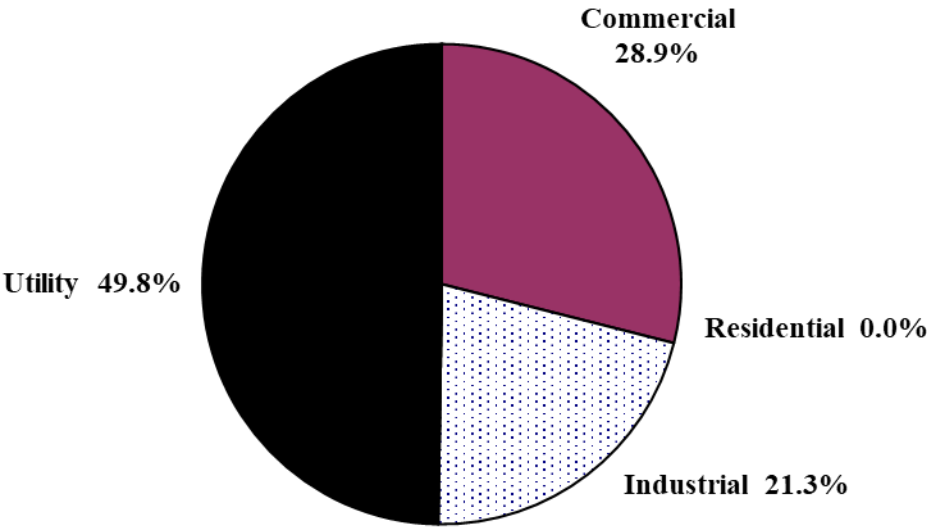
Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 18**  
**Real Property Taxable Value, 2022**



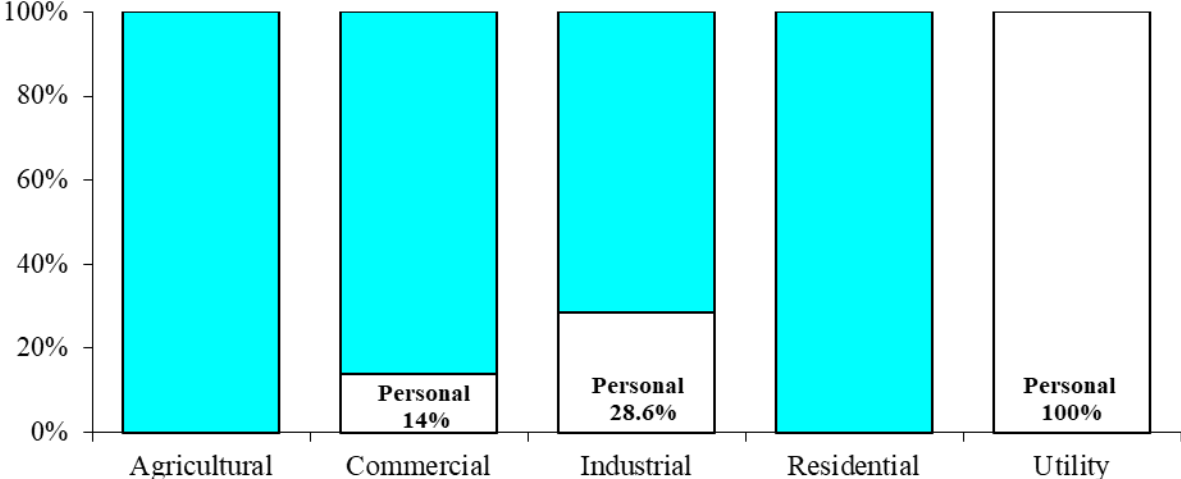
Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 19  
Personal Property Taxable Value, 2022**



Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 20  
Personal Property Value as Percent of Total Value, 2022**

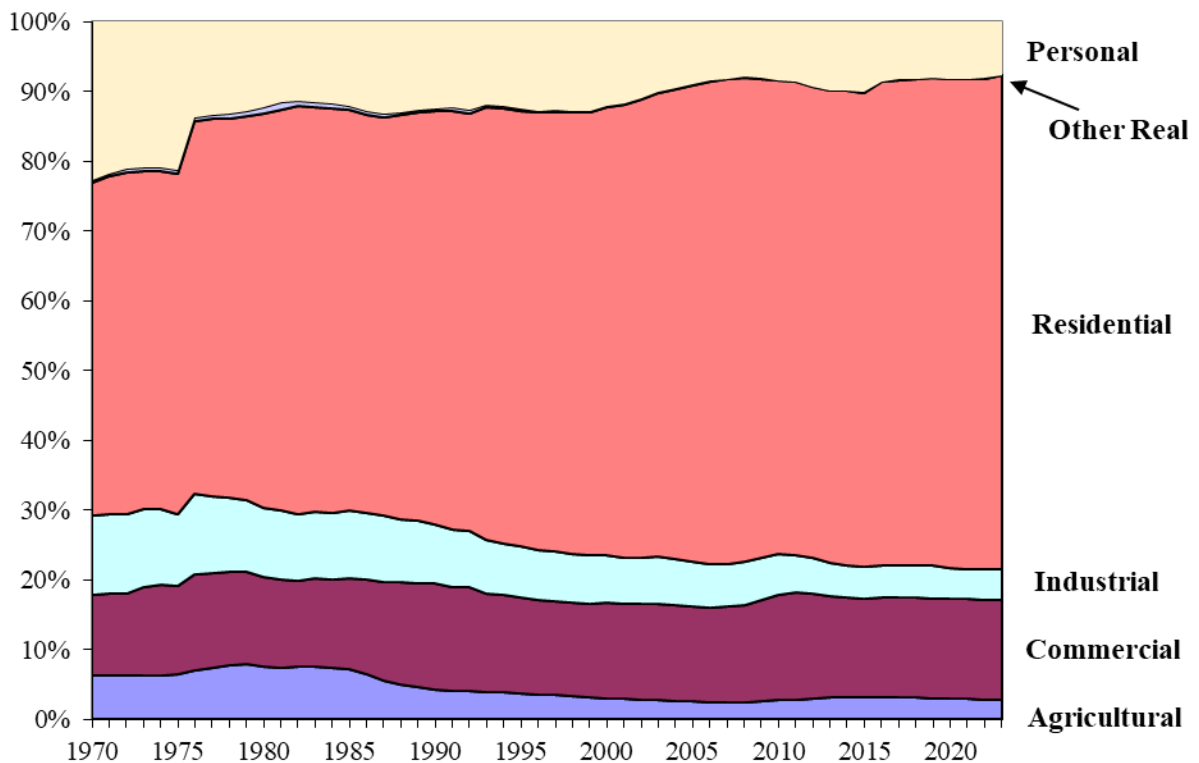


Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury

## Changes in Composition Over Time

Property value composition has shifted over time and several trends have emerged. Agricultural property's property tax base share has fallen drastically in the last 50 years, from 8.0% of total SEV in 1979 to 4.67% in 2022. This is due to agriculture property having not only an annual taxable value cap, but also no change in taxable value after transfer. Thus agricultural taxable value growth declined more than other classes, resulting in a share of 2.9% of statewide taxable value in 2022. (Exhibit 21)

**Exhibit 21**  
**Residential Share Grows – Agricultural, Industrial, Personal Shares Decline –**  
**Share of SEV/Taxable Value**



Source: State Tax Commission, Tax Analysis Division, Department of Treasury

The share of Michigan's property value made up by industrial real estate has also decreased since 1970 due to the state's decreased reliance on the manufacturing sector. This has been compounded by PA 198 of 1974, which granted many industrial properties tax exemptions. In 1970, this sector accounted for 11.3% of the SEV, which decreased to 7.4% by 1994. By 2022, this share of taxable value had further dropped to 4.03%.

Residential property's share of property value has grown steadily. In the early 1970s, it made up slightly less than half of the state equalized value of all property. This share rose to 62.4% by 1994, when the cap on taxable value growth was initiated. Despite the cap on taxable value growth, residential TV has continued to rise to 70.4% in 2022.

Between 1970 and 1975, Michigan's personal property made up an average of 21.4% of total SEV. However, in 1976, inventories were exempted from the property tax, causing the percentage of personal property to drop to 13.6%.<sup>21</sup> This continued to decrease to 11.2% in 1982. From 1983 to 1999, personal property fluctuated between 11.5% and 13.0% of taxable value.

In 1999, the STC updated personal property depreciation tables for use from 2000 onward. The share of taxable value for personal property fell from 12.7% in 2000 to 11.6% in 2001, Local units implemented the new tables for non-utility property but did not for utility property.<sup>22</sup> After implementing the new tables, a motion was filed with the Michigan Tax Tribunal to rule them invalid. The Tribunal ruled the multipliers were valid in 2002, and the decision was upheld by the Court of Appeals in 2004. As of 2022, personal property's share of taxable value has fallen to 8.1%. (Exhibit 21-22)

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<sup>21</sup>The personal property tax on inventories was one of seven taxes that the Single Business Tax (SBT) replaced in 1976. At that time, the tax on inventories accounted for 30 percent of the tax revenue that the SBT replaced.

<sup>22</sup>Utility generation property is classified as real industrial property. Utility personal property includes utility poles and lines and gas pipelines.

**Exhibit 22**  
**Taxable Value of Michigan's Real and Personal Property by Class**  
**2019-2022 (millions)**

	2019				2020				
	Taxable Value			Personal	Taxable Value			Personal	
	Real	Personal	Total	Percent	Real	Personal	Total	Percent	
Agriculture	11,193.0	\$0.0	\$11,193.0	- %	\$11,421.8	\$0.0	\$11,421.8	- %	
Timber Cutover	109.6	0.0	\$109.6	-	110.2	0.0	\$110.2	-	
Developmental	40.7	0.0	\$40.7	-	35.0	0.0	\$35.0	-	
Commercial	52,092.8	9,373.9	\$61,466.8	15.3	54,369.7	9,523.2	\$63,893.0	14.9	
Industrial	16,726.1	6,211.8	\$22,937.8	27.1	16,614.6	6,645.3	\$23,259.9	28.6	
Residential	254,151.8	0.0	\$254,151.8	0.0	265,124.8	0.0	\$265,124.8	0.0	
Utility	<u>0.0</u>	<u>13,595.81</u>	<u>\$13,595.8</u>	<u>100.0</u>	<u>0.0</u>	<u>14,582.9</u>	<u>\$14,582.9</u>	<u>100.0</u>	
Total	\$334,313.9	\$29,181.5	\$363,495.5	8.0 %	\$347,676.1	\$30,751.5	\$378,427.6	8.1 %	

	2021				2022				
	Taxable Value			Personal	Taxable Value			Personal	
	Real	Personal	Total	Percent	Real	Personal	Total	Percent	
Agriculture	\$11,625.9	\$0.0	\$11,625.9	- %	\$12,047.8	\$0.0	\$12,047.8	- %	
Timber Cutover	110.4	0.0	\$110.4	-	117.3	0.0	\$117.3	-	
Developmental	37.7	0.0	\$37.7	-	43.2	0.0	\$43.2	-	
Commercial	55,981.1	9,377.6	\$65,358.7	14.3	59,546.5	9,693.4	\$69,239.8	14.0	
Industrial	17,140.9	7,096.7	\$24,237.5	29.3	17,842.2	7,131.8	\$24,974.0	28.6	
Residential	275,332.8	0.0	\$275,332.8	0.0	292,665.3	0.0	\$292,665.3	0.0	
Utility	<u>0.0</u>	<u>15,509.9</u>	<u>\$15,509.9</u>	<u>100.0</u>	<u>0.0</u>	<u>16,660.4</u>	<u>\$16,660.4</u>	<u>100.0</u>	
Total	\$360,228.7	\$31,984.2	\$392,212.9	8.2 %	\$382,262.3	\$33,485.6	\$415,747.9	8.1 %	

Sources: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 23**  
**Statewide Taxable Value and SEV by Class of Property, 2014-2022**

**Michigan Taxable Value**

<u>Year</u>	<u>Agriculture</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Other Real</u>	<u>Total Real</u>	<u>Personal</u>	<u>Total Real &amp; Personal</u>
2014	10,159,057,061	45,696,993,833	15,005,328,915	217,228,996,914	219,794,355	288,310,171,078	31,191,632,545	319,501,803,623
2015	10,400,901,985	46,232,437,956	15,232,173,035	222,669,176,470	211,662,276	294,746,351,722	32,986,172,348	327,732,524,070
2016	10,479,877,007	46,766,368,399	15,362,787,699	226,802,656,860	186,090,921	299,597,780,886	27,808,021,575	327,405,802,461
2017	10,661,601,032	48,109,531,086	15,554,139,502	233,317,845,350	179,608,323	307,822,725,293	27,658,447,016	335,481,172,309
2018	10,936,948,543	49,881,422,960	16,070,194,723	243,015,578,106	172,014,106	320,076,158,438	28,185,496,790	348,261,655,228
2019	11,192,965,576	52,092,849,559	16,726,083,649	254,151,753,054	150,284,151	334,313,935,989	29,181,518,940	363,495,454,929
2020	11,421,805,608	54,369,715,094	16,614,603,202	265,124,804,570	145,183,432	347,676,111,906	30,751,469,155	378,427,581,061
2021	11,625,898,883	55,981,093,039	17,140,870,482	275,332,797,858	148,077,775	360,228,738,037	31,984,204,617	392,212,942,654
2022	12,047,841,325	59,546,460,263	17,842,156,257	292,665,321,569	160,504,662	382,262,284,076	33,485,594,304	415,747,878,380

**Michigan State Equalized Value**

<u>Year</u>	<u>Agriculture</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Other Real</u>	<u>Total Real</u>	<u>Personal</u>	<u>Total Real &amp; Personal</u>
2014	20,065,665,671	50,367,573,850	15,921,715,951	242,389,931,020	428,601,587	329,173,488,079	31,419,449,925	360,592,938,004
2015	21,623,537,941	51,697,675,218	16,369,452,454	259,196,283,521	410,462,847	349,297,411,981	33,117,877,535	382,415,289,516
2016	22,795,411,527	53,870,354,704	16,849,199,209	274,930,187,551	373,757,026	368,818,910,017	27,898,913,829	396,717,823,846
2017	23,373,256,261	56,938,386,359	17,497,180,650	289,601,352,471	357,851,095	387,768,026,836	27,771,545,919	415,539,572,755
2018	23,875,128,209	59,886,541,936	18,399,190,366	298,806,050,473	335,049,516	401,301,960,500	28,268,257,483	429,570,217,983
2019	24,127,707,286	66,044,428,409	19,610,294,569	319,596,513,032	295,067,376	429,674,010,672	29,241,372,608	458,915,383,280
2020	24,553,962,563	69,841,897,854	19,910,622,871	341,436,868,836	282,502,374	456,025,854,498	30,842,019,912	486,867,874,410
2021	24,725,862,338	72,011,183,737	20,909,443,109	360,665,143,888	275,693,042	478,587,326,114	32,020,646,613	510,607,972,727
2022	25,476,646,978	77,162,293,616	22,004,880,324	387,275,059,205	283,234,225	512,202,114,348	33,559,227,962	545,761,342,310

**Ratio of Taxable Value to State Equalized Value**

<u>Year</u>	<u>Agriculture</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Other Real</u>	<u>Total Real</u>	<u>Personal</u>	<u>Total Real &amp; Personal</u>
2014	50.6%	90.7%	94.2%	89.6%	51.3%	87.6%	99.3%	88.6%
2015	48.1%	89.4%	93.1%	85.9%	51.6%	84.4%	99.6%	85.7%
2016	46.0%	86.8%	91.2%	82.5%	49.8%	81.2%	99.7%	82.5%
2017	45.6%	84.5%	88.9%	80.6%	50.2%	79.4%	99.6%	80.7%
2018	45.8%	83.3%	87.3%	81.3%	51.3%	79.8%	99.7%	81.1%
2019	46.4%	78.9%	85.3%	79.5%	50.9%	77.8%	99.8%	79.2%
2020	46.5%	77.8%	83.4%	77.6%	51.4%	76.2%	99.7%	77.7%
2021	47.0%	77.7%	82.0%	76.3%	53.7%	75.3%	99.9%	76.8%
2022	47.3%	77.2%	81.1%	75.6%	56.7%	74.6%	99.8%	76.2%

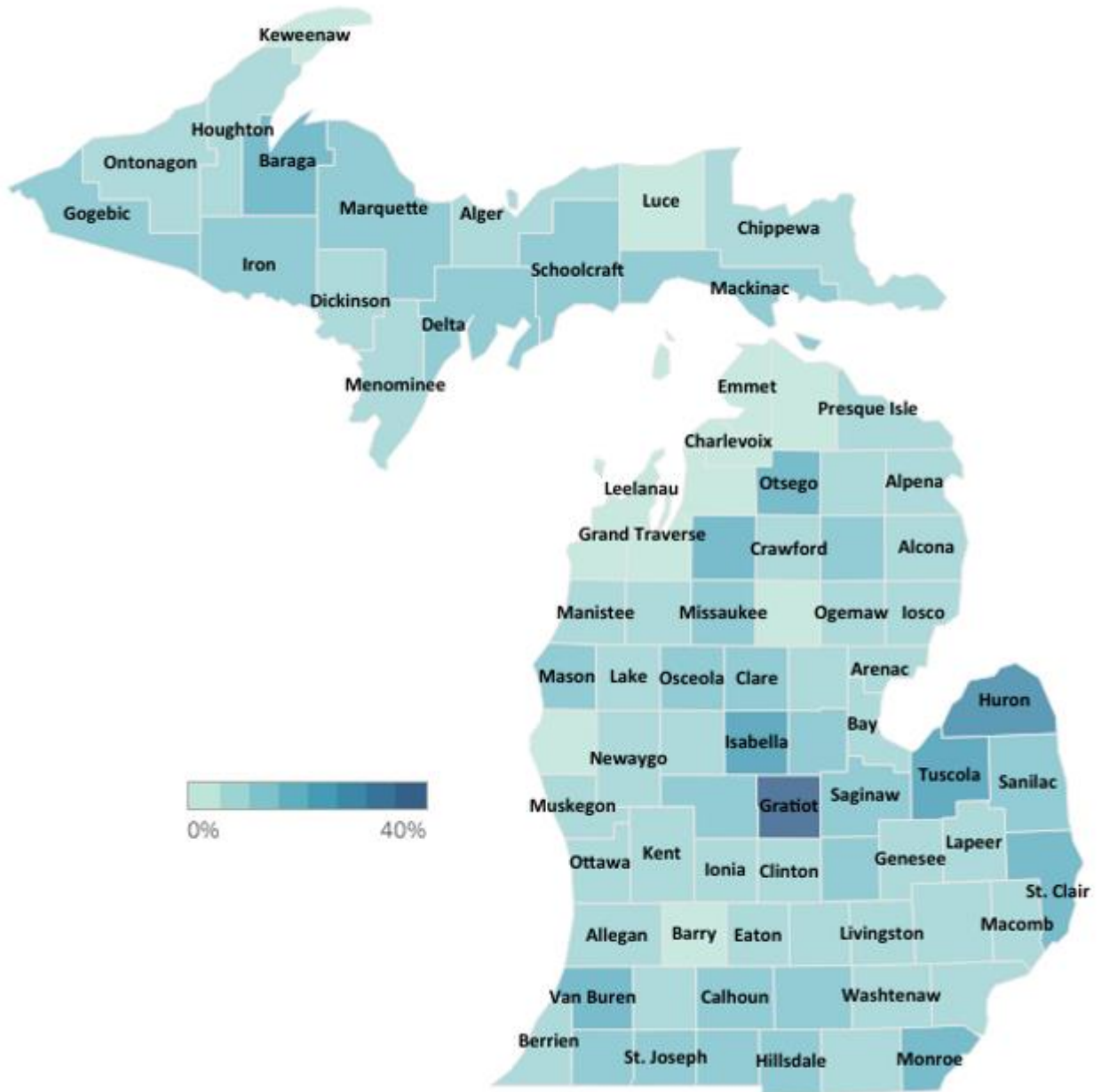
Source: Michigan State Tax Commission

## **SECTION 5: PROPERTY TAX VALUE BY COUNTY**

In Michigan, the majority of taxable value is concentrated in the State's southern Lower Peninsula. In 2022, four of the five largest counties by taxable value were Oakland (16.75%), Wayne (11.59%), Macomb (7.9%), and Washtenaw (4.87%), located in southeast Lower Michigan. The fifth county, Kent County, is in the western Lower Peninsula and accounted for 6.94% of the statewide taxable value. These top five counties combined made up 48.05% of the statewide total taxable value in 2022, down from 2002's 52.6%.

Taxable value varies across the State. Personal property (PP) makes up the highest share of county taxable value in the middle and thumb areas of the Lower Peninsula and western Upper Peninsula. PP's share of the overall property tax base is shrinking: 8.1% of the 2022 statewide total, down from 8.2% in 2021. Gratiot (35.8%), Huron (27.6%), Isabella (20.5%), and Tuscola (25%) are the only counties where PP is more than 20.0% of county taxable value. The five biggest counties account for 37.33% of the State's 2022 PP taxable value (Exhibit 24).

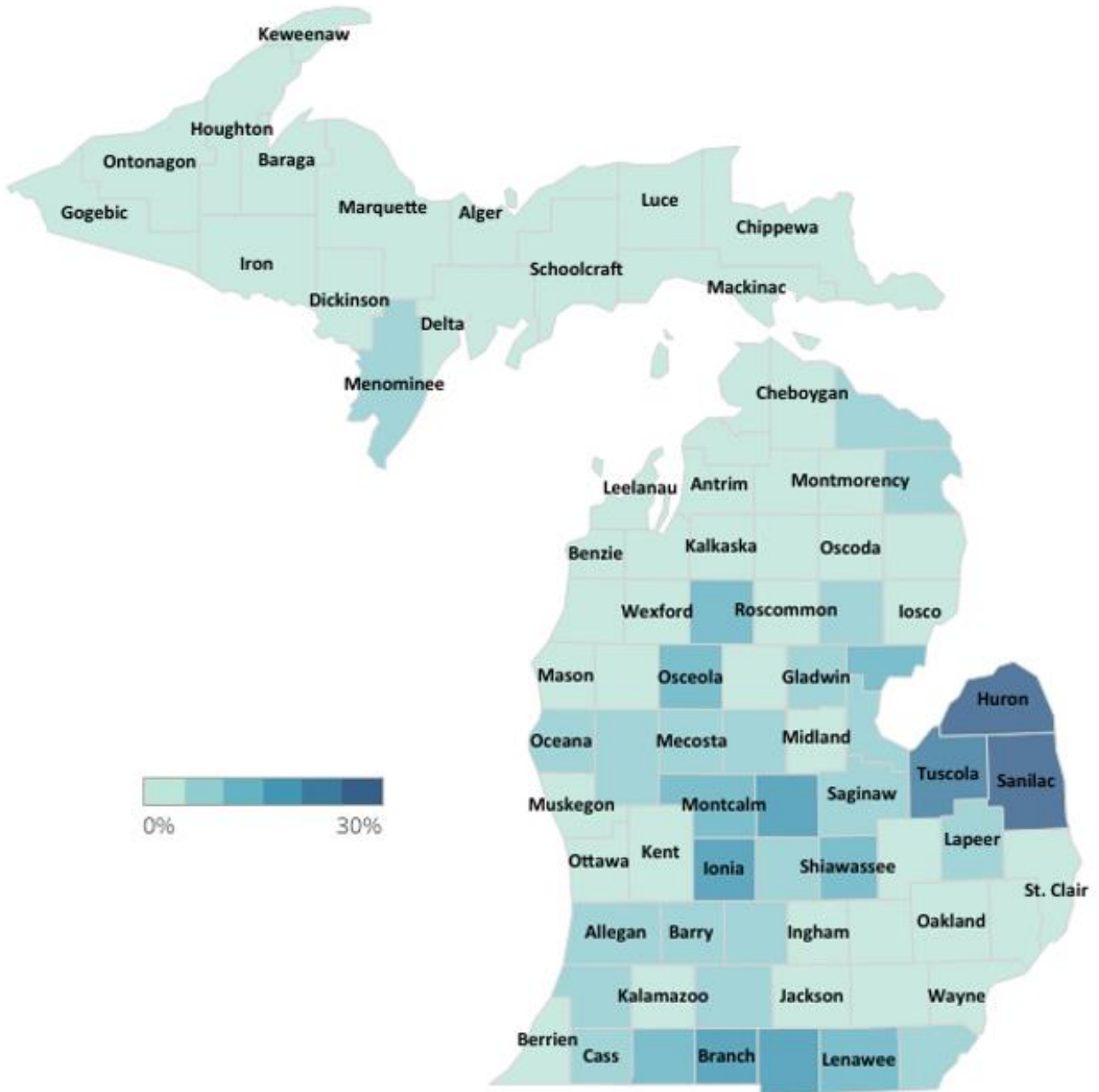
**Exhibit 24**  
**Taxable Value of Personal Property as a Percent of Total Value, 2022**



Source: State Tax Commission.

Seven counties in Michigan's Thumb and Central Lower Peninsula areas comprised almost a quarter of the agricultural taxable value in 2022: Branch, Gratiot, Hillsdale, Huron, Ionia, Sanilac, and Tuscola. These seven counties contained 23.58% of the state's total agricultural value though that is only 3.22% of all the state's taxable value. In contrast, the five counties with the highest overall taxable value only accounted for 8.48% of the statewide agricultural taxable value. Agricultural property made up less than 5% of taxable value in 50 counties. (Exhibit 25)

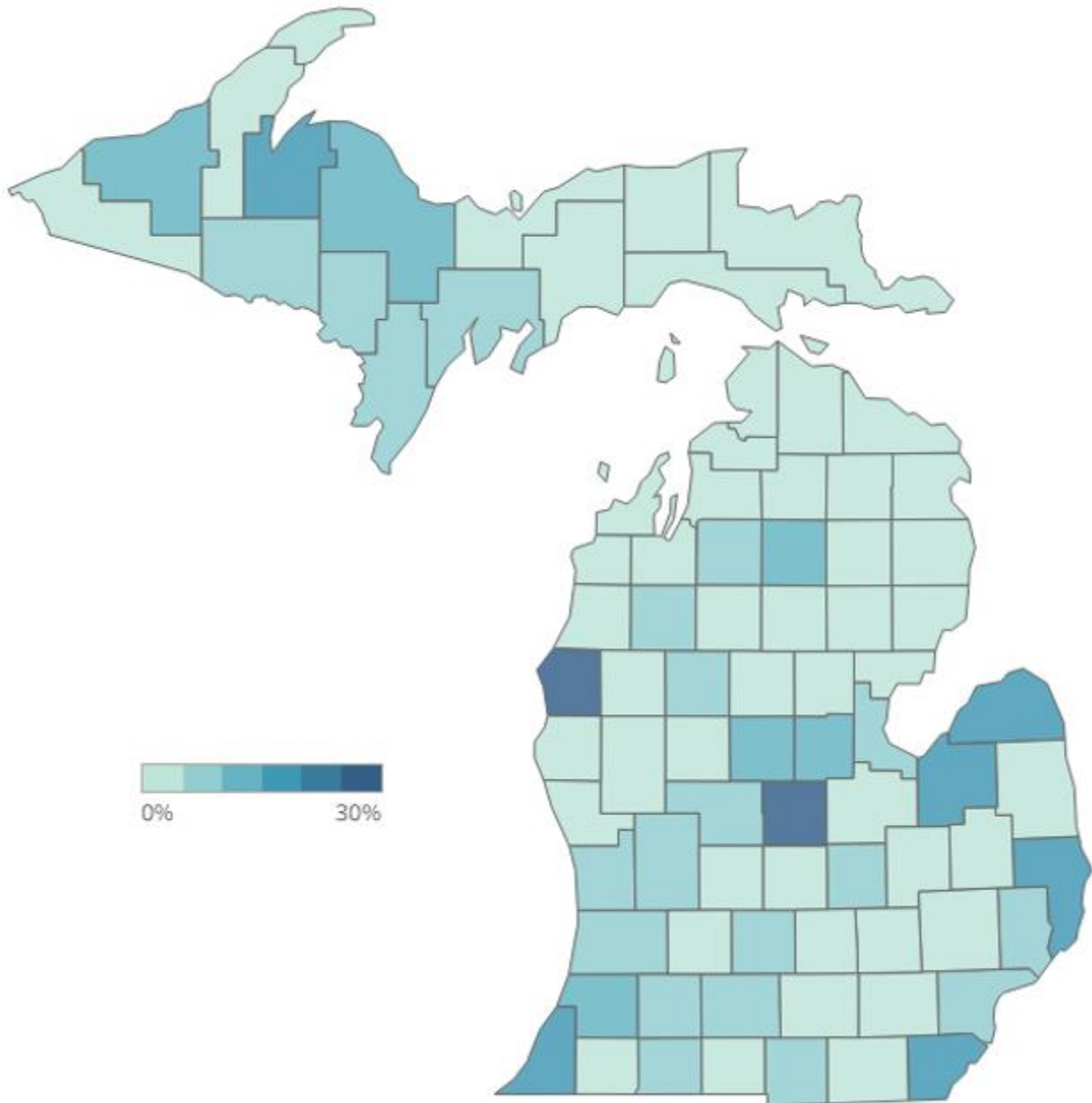
**Exhibit 25**  
**Taxable Value of Agricultural Property as a Percent of Total Value, 2022**



Source: State Tax Commission.

Industrial property makes up a large portion of county taxable value in counties near the Great Lakes, throughout the southern Lower Peninsula, and in the western Upper Peninsula. Mason had the highest percentage at 30.1%, followed by Gratiot with 27.2%. Michigan's five largest counties had a combined 37.9% of the state's industrial real taxable value. In most counties, industrial taxable value makes up a small share of county taxable value. In 50 of the 83 counties, industrial real taxable value accounted for less than 5% of total taxable value in 2022.

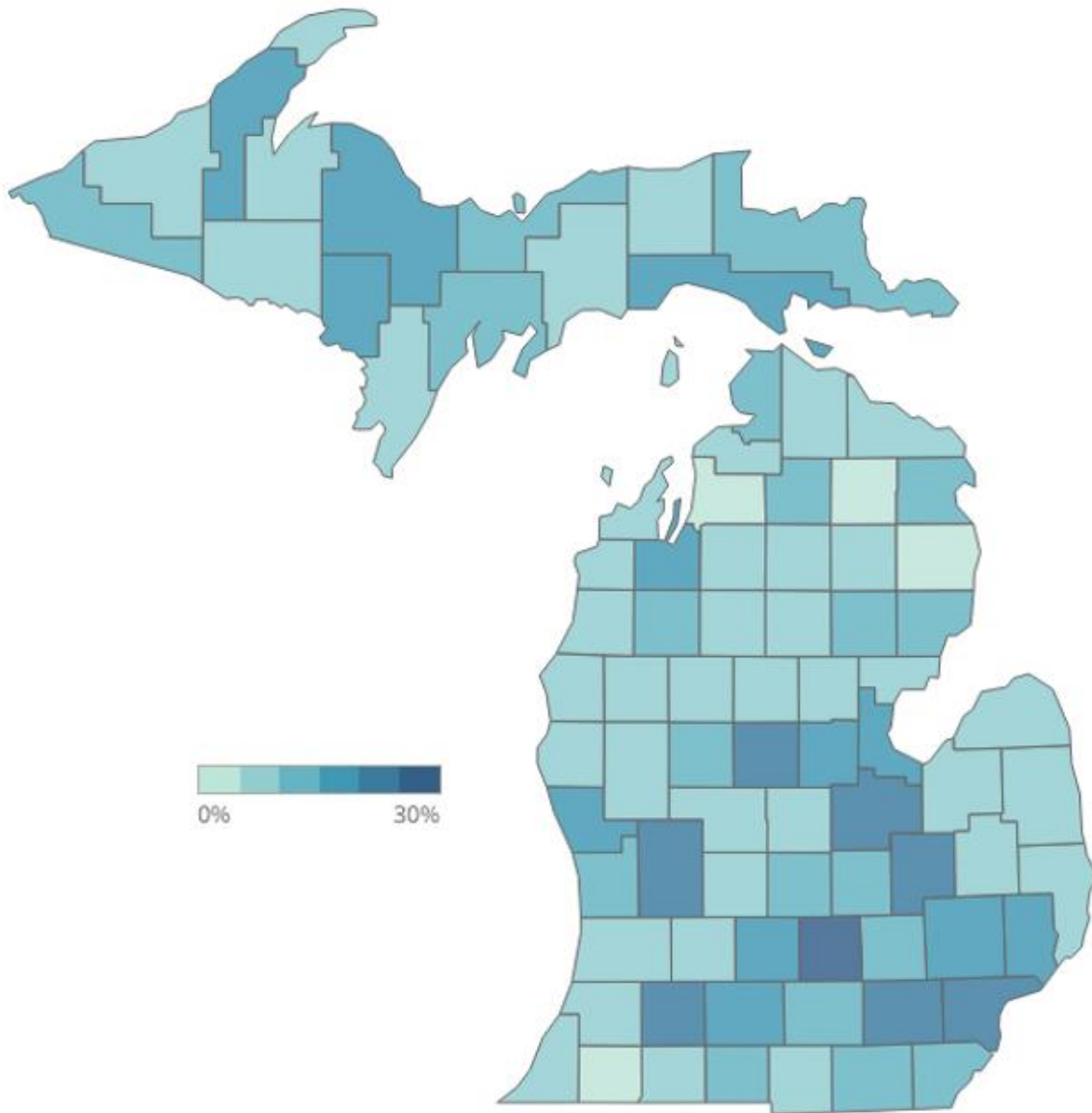
**Exhibit 26**  
**Taxable Value of Industrial Property as a Percent of Total Value, 2022**



Source: State Tax Commission.

Counties with the highest shares of commercial taxable value are located in the inland southern Lower Peninsula and eastern Upper Peninsula. Ingham County had the greatest commercial property share of county taxable value in 2022 (28%) followed by Kent (23.9%), Washtenaw (22.4%) and Wayne (22.3%). The five largest counties comprised 52.44% of statewide commercial taxable value. (Exhibit 27)

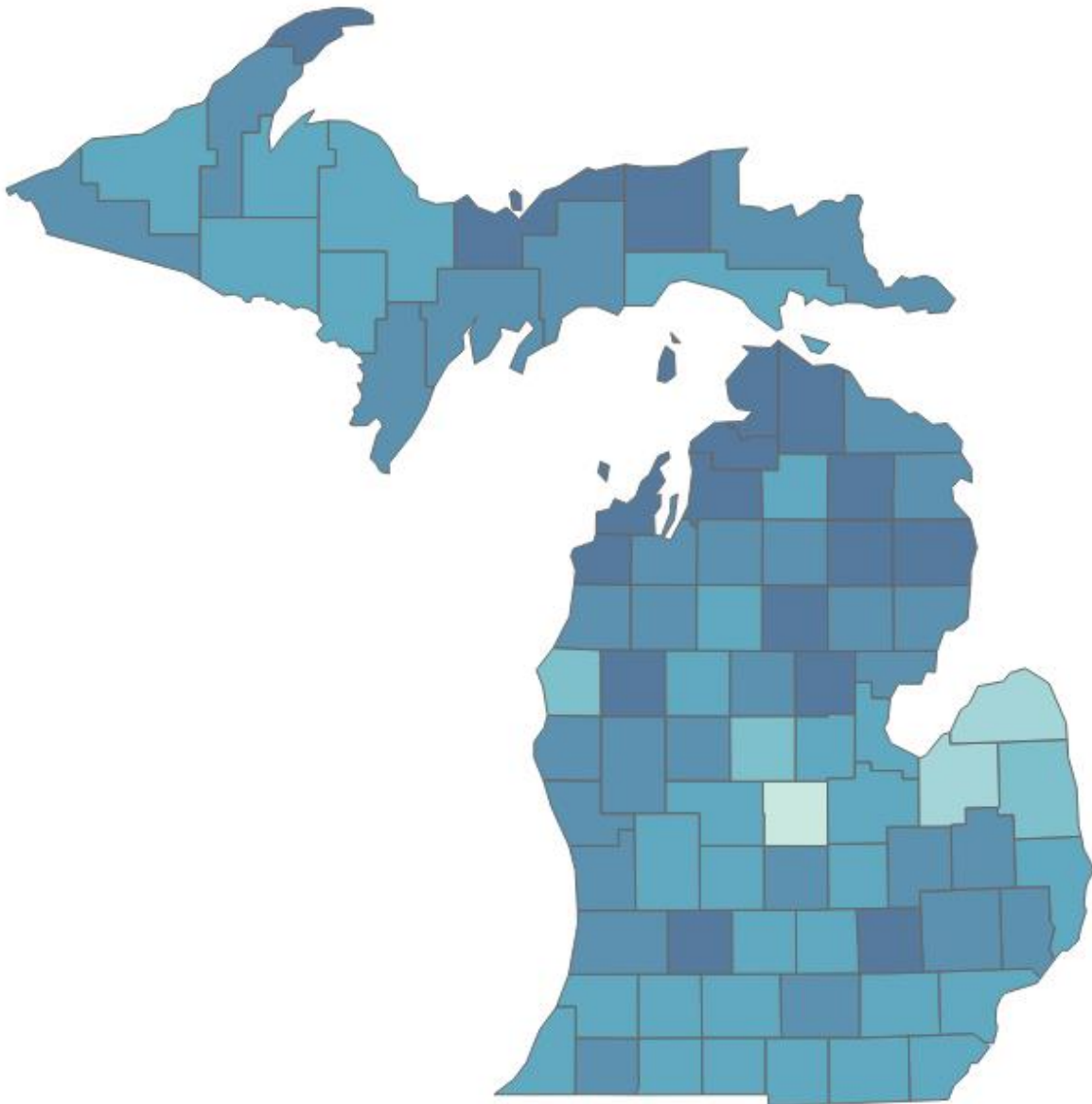
**Exhibit 27**  
**Taxable Value of Commercial Property as a Percent of Total Value, 2022**



Source: State Tax Commission.

In 2022, residential taxable value comprised the largest share of taxable value in all 83 Michigan counties. Only Gratiot (highly agricultural), Huron and Tuscola had residential taxable value under 50%. The counties with the largest residential share were mostly in the northern Lower Peninsula. Eight counties - Alcona (86.3%), Antrim (89.1%), Benzie (89.7%), Charlevoix (86.6%), Keweenaw (88.1%), Leelanau (89.7%), Montmorency (85%) and Roscommon (86.8%) - had residential value above 85% of total county taxable value in 2022. The five biggest counties accounted for 41.38% of statewide residential taxable value. (Exhibit 28)

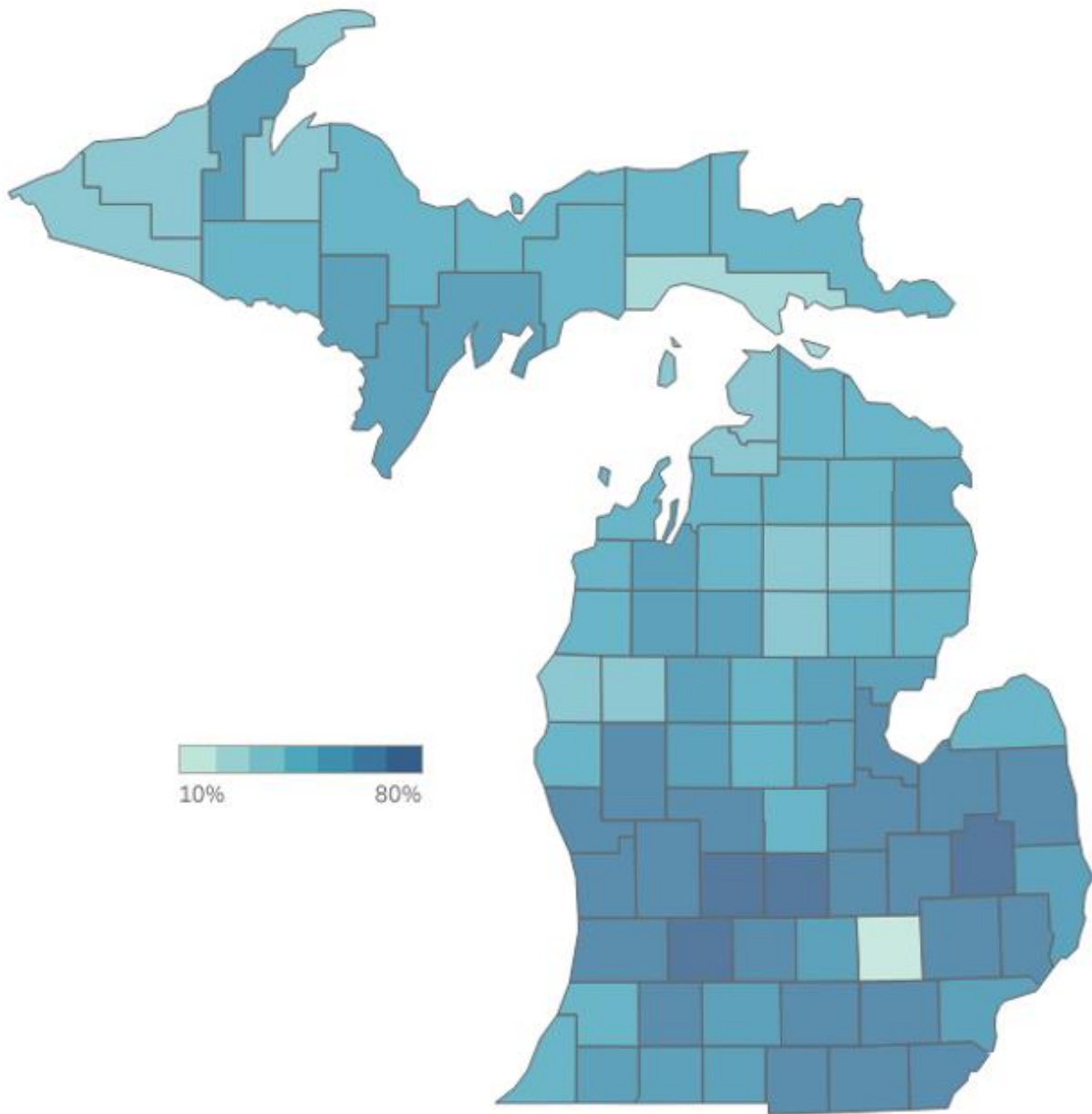
**Exhibit 28**  
**Taxable Value of Residential Property as a Percent of Total Value, 2022**



Source: State Tax Commission.

Homestead and qualified agricultural property accounts for the greatest share of county taxable value primarily in mid-Michigan and thumb counties. In four counties, homestead and qualified agricultural property comprised more than 70.0 percent of 2022 county taxable value. Lapeer County had the highest share at 74.3%, followed by Ionia (74.25%), Clinton (74.19%), and Barry (72.7%). Of the five biggest counties, 43.7% of the statewide homestead taxable value came from them. (Exhibit 29)

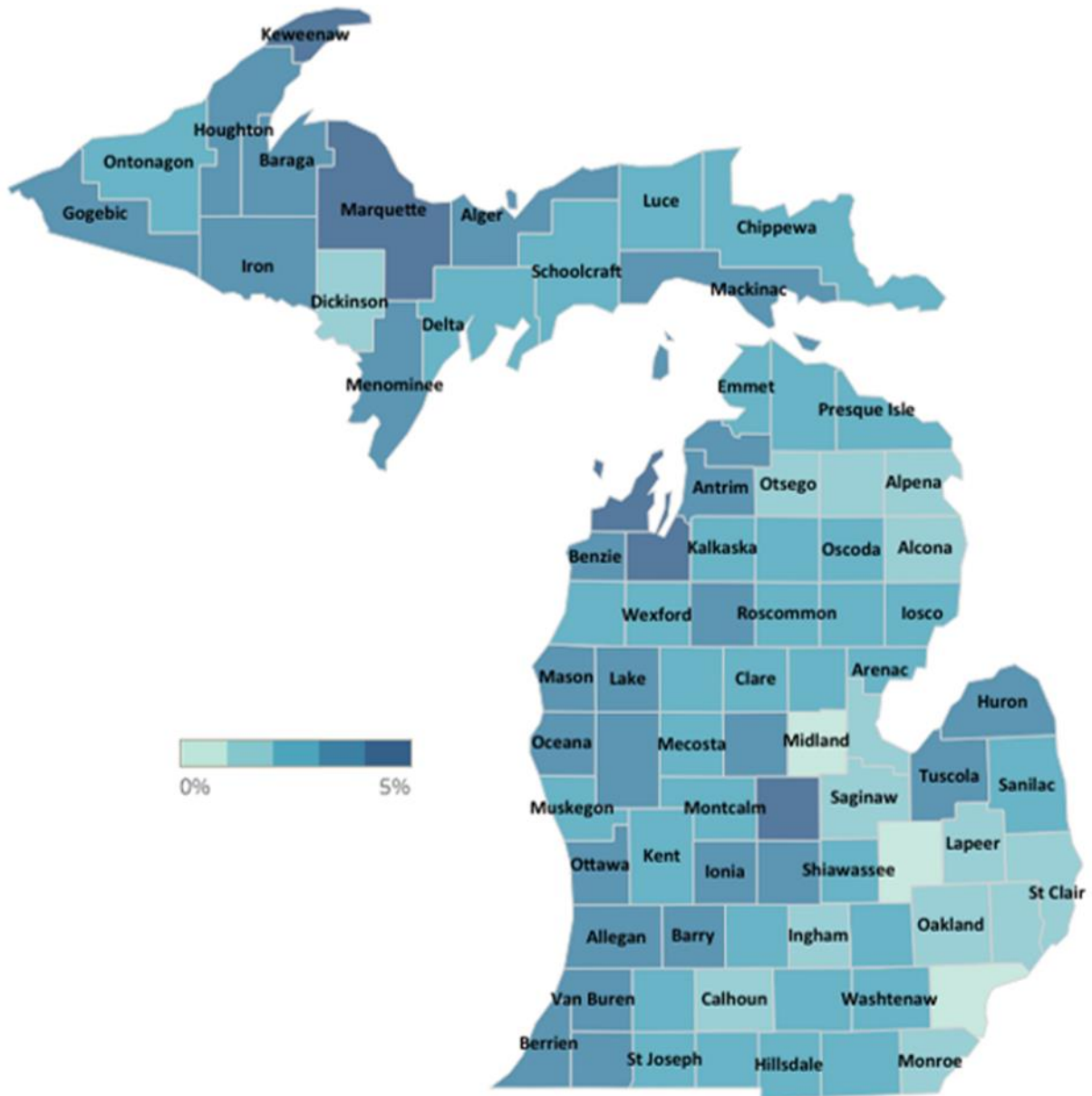
**Exhibit 29**  
**Taxable Value of Homestead and Qualified Agricultural Property**  
**as a Percent of Total Value, 2022**



Source: State Tax Commission.

From 1994 to 2022, statewide taxable value growth averaged 2.3% yearly. However, the range of that growth varied widely. Gratiot County had the highest growth with 4.6% annually, followed by Marquette County with 4.4%. Genesee, Midland, and Wayne had the lowest growth, each averaging under 1%. (Exhibit 30)

**Exhibit 30**  
**2002-2022 Average Taxable Value Growth**



Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury

### **Property Tax Levy by Classification**

Proposal A lowered the millage rates for agricultural and the homestead residential property compared to other classifications (commercial, industrial, timber cutover, developmental, and personal property). However, taxable values vary by region, resulting in unequal property tax distribution relative to taxable value distribution. For example, though residential property accounts for most of the state's taxable value, its exemption from school operating mills (18 mills) results in a lower share of property tax revenue. Likewise, agricultural property's exemption from school operating mills also reduces its share of property tax revenue compared to its taxable value.

On the other hand, nearly all commercial and industrial property is subject to the local school basic operating millage rate. In addition, commercial and industrial property is disproportionately concentrated in cities, which tend to levy higher millages than townships. As a result, commercial and industrial property comprises a substantially larger share of the property tax levy than taxable value. In 2022, commercial property comprised 19.9% of the statewide property tax levy, while representing 16.7% of the taxable value. Industrial property accounted for 8.1% of the levy and 6% of the value. Utility personal property's share of the levy (6.2%) was larger than its share of the value (4%).

Business property (commercial, industrial, and utility) comprises a larger share of the statewide property taxes than its share of taxable value. Business property's share of property taxes and the difference between its share of taxable value and taxes declined from 6.8 to 2010 to 6.4 in 2014 but since then has grown to 7.3 in 2022. (Exhibit 31) On average, between 2010 and 2022, commercial, industrial, and utility personal property accounted for an about 6.9% larger share of the statewide property tax levy than of statewide taxable value (28.1 percent vs. 34.9 percent).

**Exhibit 31**  
**Commercial, Industrial, Utility Property Share of Taxable Value and Tax Levy**  
**(millions)**

<u>Year</u>	<u>CIU Property</u>		<u>All Property</u>		<u>CIU Share</u>		<u>Difference</u>
	<u>Value</u>	<u>Taxes</u>	<u>Value</u>	<u>Taxes</u>	<u>Value</u>	<u>Taxes</u>	
2010	103,740	5,017	360,567	14,110	28.8%	35.6%	6.8% pts
2011	99,006	4,845	336,845	13,374	29.4	36.2	6.8
2012	94,559	4,653	323,616	12,946	29.2	35.9	6.7
2013	92,246	4,570	315,772	12,757	29.2	35.8	6.6
2014	92,215	4,551	316,726	12,818	29.1	35.5	6.4
2015	91,969	4,591	319,540	13,034	28.8	35.2	6.4
2016	94,423	4,754	327,674	13,475	28.8	35.3	6.5
2017	89,958	4,712	327,405	13,653	27.5	34.5	7
2018	91,186	4,801	335,481	13,983	27.2	34.3	7.2
2019	94,130	4,995	348,261	14,622	27	34.2	7.1
2020	98,071	5,229	363,560	15,293	27	34.2	7.2
2021	101,736	5,469	378,423	16,061	26.9	34.1	7.2
2022	104,812	5,621	391,917	16,525	26.7	34	7.3
Average					28.1%	34.9%	6.9% pts

Source: State Tax Commission.

## **SECTION 6: PROPERTY MILLAGE RATES**

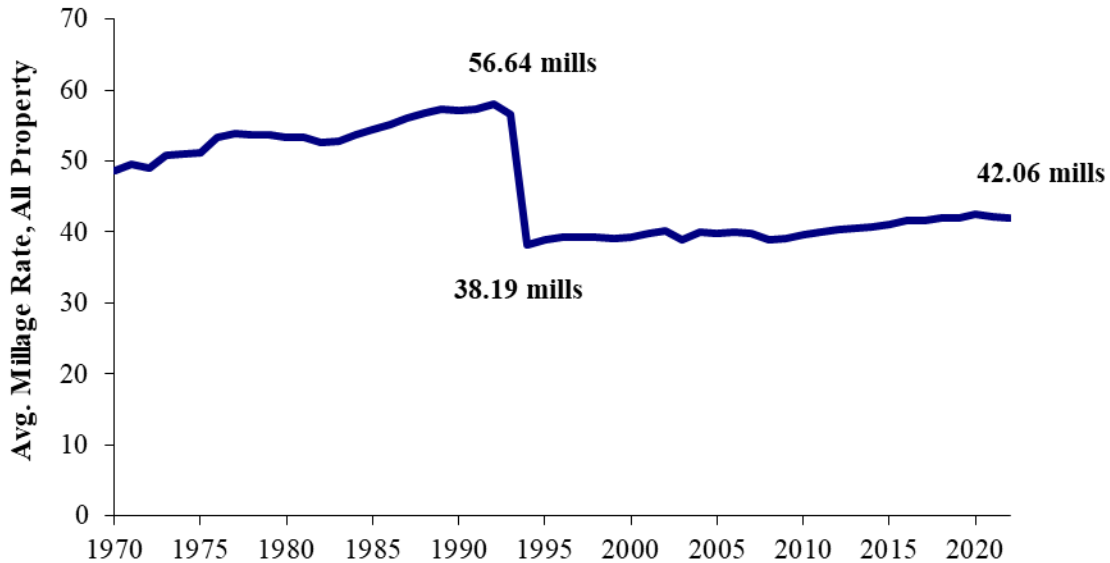
From 1970 to 1993, the statewide average millage rate rose by 16.5%, from 48.62 mills to 56.64 mills. Most of this increase occurred in the mid-1970s and late 1980s, with changes ranging between 2.25 mills in 1976 (the year inventories were exempted from the property tax base) and -1.45 mills in 1993. Millage rollbacks following the 1992 assessment freeze contributed to this decline. The subsequent implementation of property tax and school finance reform in 1994 resulted in the lowest statewide average millage rate since 1964, at 38.19 mills -- a 32.6% decline. This was the cause of the sharp drop in property taxes that same year (Exhibit 32).

In 1994, the statewide average millage rate for local school operating purposes declined 55% to 15.26 mills. (Exhibit 33) Since then, the rate has decreased an additional 13.6%. This decline is primarily attributable to three factors:

1. The local school enhancement millage, levied by several school districts in 1994, could not be levied after 1996,
2. Millage rollbacks have reduced local school operating millage rates (both basic operating and hold-harmless), and
3. The share of homestead property, which is exempt from the local school basic operating millage rate, has grown.

While the statewide local school operating rate fell, the statewide local school debt millage rate rose sharply. Between 1994 and 2022, the statewide average local school debt millage rate rose from 2.56 mills to 5.54 mills, an 116.4% increase. In the same period, statewide average township millage went from 3.56 mills to 3.48 mills, a 2.3% drop. For cities the average millage rate dropped 54.7% between 1994 and 2022. The statewide average millage rate levied by cities dropped 54.7% moving from 15.75 mills in 1994 to 7.13 mills in 2022. In contrast, county millage rates rose by 10.5% from 6.27 mills in 1994 to 6.93 mills in 2022.

**Exhibit 32**  
**Property Tax Cut Due to Lower Millage Rates**



Source: State Tax Commission.

**Homestead and Non-Homestead Property**

Property tax reform separated property into homestead and non-homestead classes for tax purposes. Homestead property is property that a taxpayer declares as his or her primary residence. Qualified agricultural property is also taxed like homestead property. All other property such as businesses, rental homes or vacation homes are non-homestead property. Non-homestead property is subject to a local school basic operating millage rate of up to 18 mills, subject to voter approval. The school aid formula results in almost every school district imposing 18 mills. Thus, while all properties average millage rate dropped from 1993 to 2022, there was a large difference between homestead and non-homestead properties. Homestead property owners experienced a much larger decrease of 37.2% (21.05 mills), compared to the 6.5% decrease for non-homestead property owners (3.69 mills). (See Exhibit 34)

**Exhibit 33**  
**Estimated Statewide Average Millage Rates**

<b><u>Purpose</u></b>	<b><u>1993</u></b>	<b><u>1994</u></b>	<b><u>1995</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2020</u></b>	<b><u>2022</u></b>
County	6.22	6.27	6.28	6.27	6.22	6.74	6.93
Township	3.36	3.56	3.68	4.09	2.76	3.47	3.48
City	15.45	15.75	15.95	16.36	7.16	7.28	7.13
Village	<u>11.94</u>	<u>12.13</u>	<u>12.34</u>	<u>12.20</u>	<u>0.26</u>	<u>0.27</u>	<u>0.26</u>
Total Non-School	<b>15.89</b>	<b>16.13</b>	<b>16.23</b>	<b>16.37</b>	<b>16.40</b>	<b>17.76</b>	<b>17.80</b>
Local School Operating	33.91	9.26	9.26	8.41	7.05	7.35	7.19
Local School Debt <sup>(2)</sup>	2.54	2.56	3.03	4.01	4.91	5.67	5.54
ISD/Comm College <sup>(3)</sup>	4.30	4.24	4.36	4.51	5.54	5.78	5.65
State Education Tax (SET)	0.00	6.00	6.00	6.00	5.80	5.88	5.89
Total School	<u>40.75</u>	<u>22.06</u>	<u>22.65</u>	<u>22.95</u>	<u>23.30</u>	<u>24.69</u>	<u>24.26</u>
<b>TOTAL MILLS</b>	<b>56.64</b>	<b>38.19</b>	<b>38.88</b>	<b>39.32</b>	<b>39.70</b>	<b>42.44</b>	<b>42.06</b>
Local School Operating and SET	33.91	15.26	15.26	14.41	13.05	13.35	13.19

(1) Does not include special assessments.

(2) Includes sinking fund mills for all years. Includes 1993 building and site mills.

(3) Includes intermediate school district and community college debt mills.

Sources: State Tax Commission & Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 34**  
**Estimated Statewide Average Millage Rates**

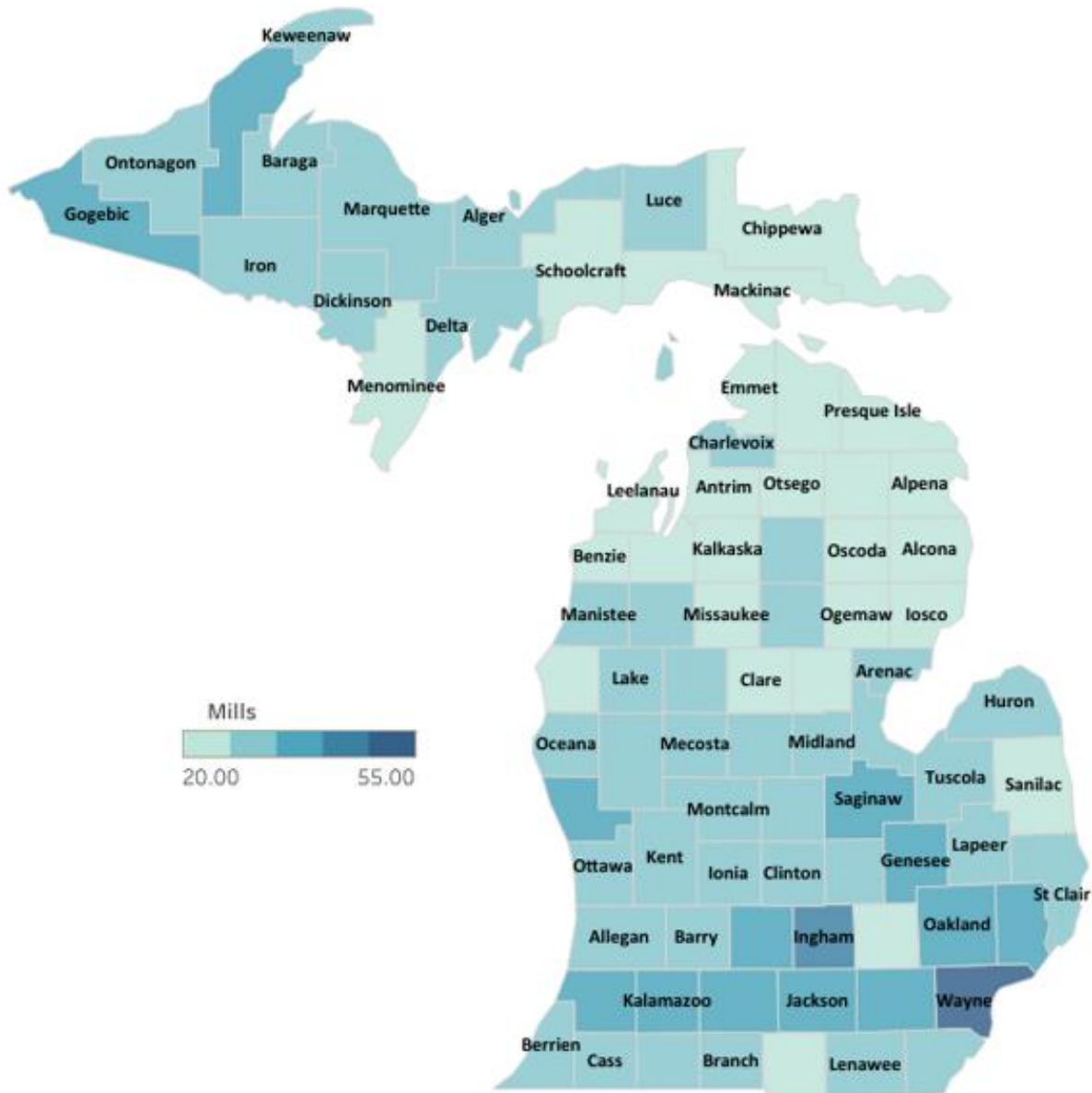
	<b><u>1993</u></b>	<b><u>1994</u></b>	<b><u>1995</u></b>	<b><u>2000</u></b>	<b><u>2005</u></b>	<b><u>2010</u></b>	<b><u>2015</u></b>	<b><u>2020</u></b>	<b><u>2022</u></b>
All Property	56.64	38.19	38.88	39.32	39.88	39.70	41.12	42.44	42.06
Homestead	NA	30.22	31.00	31.54	32.60	33.13	34.21	35.44	34.99
Non-Homestead	NA	48.17	48.79	50.10	51.38	50.40	52.33	53.86	53.79

Sources: State Tax Commission & Office of Revenue and Tax Analysis.

**Average 2022 Homestead and Non-Homestead Millage Rates by County**

County homestead millage rates for 2022 ranged between 20.44 to 52.34 mills while non-homestead rates ranged from 35.41 to 69.70 mills. Median county rates (29.53 and 47.33 mills) were similar to statewide averages (29.90 and 47.54 mills). (See Exhibits 35 and 36)

**Exhibit 35  
2022 Homestead Millage Rates**



Source: Tax Analysis Division, Michigan Department of Treasury.



**Exhibit 37**  
**Average Millage Rates by County**  
**Pre- and Post-Proposal A**

<u>County</u>	<u>1993</u> <u>Rate</u>	<u>2022 Rates</u>		<u>Homestead Difference</u>		<u>Other Non-Homestead Difference</u>	
		<u>Homestead</u>	<u>Other Non-</u> <u>Homestead</u>	<u>Mills</u>	<u>Percent</u>	<u>Mills</u>	<u>Percent</u>
Alcona	31.32	20.57	38.57	-10.75	-34.3%	7.25	23.2%
Alger	51.46	27.85	45.85	-23.61	-45.9	-5.61	-10.9
Allegan	52.40	33.33	51.12	-19.07	-36.4	-1.28	-2.4
Alpena	47.42	26.15	43.99	-21.27	-44.8	-3.43	-7.2
Antrim	37.45	26.99	44.78	-10.46	-27.9	7.33	19.6
Arenac	43.26	31.99	49.99	-11.27	-26.0	6.73	15.6
Baraga	54.21	30.92	47.91	-23.29	-43.0	-6.30	-11.6
Barry	52.13	30.54	48.51	-21.59	-41.4	-3.62	-7.0
Bay	57.24	33.32	51.31	-23.92	-41.8	-5.93	-10.4
Benzie	38.90	25.64	43.52	-13.26	-34.1	4.62	11.9
Berrien	42.61	27.34	44.91	-15.27	-35.8	2.30	5.4
Branch	56.78	29.53	47.41	-27.25	-48.0	-9.37	-16.5
Calhoun	65.35	34.78	51.96	-30.57	-46.8	-13.39	-20.5
Cass	49.93	27.70	45.65	-22.23	-44.5	-4.28	-8.6
Charlevoix	43.57	27.34	45.13	-16.23	-37.2	1.56	3.6
Cheboygan	40.30	23.46	41.42	-16.84	-41.8	1.12	2.8
Chippewa	49.15	26.50	44.50	-22.65	-46.1	-4.65	-9.5
Clare	46.04	26.24	44.04	-19.80	-43.0	-2.00	-4.3
Clinton	57.56	33.23	51.12	-24.33	-42.3	-6.44	-11.2
Crawford	43.54	28.21	46.20	-15.33	-35.2	2.66	6.1
Delta	55.65	28.89	46.86	-26.76	-48.1	-8.79	-15.8
Dickinson	57.48	30.78	48.74	-26.70	-46.5	-8.74	-15.2
Eaton	59.83	34.72	52.24	-25.11	-42.0	-7.59	-12.7
Emmet	36.77	25.43	42.50	-11.34	-30.8	5.73	15.6
Genesee	61.59	39.19	57.01	-22.40	-36.4	-4.58	-7.4
Gladwin	48.70	26.88	44.87	-21.82	-44.8	-3.83	-7.9
Gogebic	55.64	35.26	53.16	-20.38	-36.6	-2.48	-4.5
Grand Traverse	48.44	26.17	44.17	-22.27	-46.0	-4.27	-8.8
Gratiot	54.37	29.61	47.56	-24.76	-45.5	-6.81	-12.5
Hillsdale	50.95	26.99	44.83	-23.96	-47.0	-6.12	-12.0
Houghton	55.17	34.46	51.89	-20.71	-37.5	-3.28	-5.9
Huron	44.36	27.68	44.38	-16.68	-37.6	0.02	0.0
Ingham	72.27	44.12	61.89	-28.15	-39.0	-10.38	-14.4
Ionia	53.80	29.33	47.13	-24.47	-45.5	-6.67	-12.4
Iosco	39.48	23.44	41.44	-16.04	-40.6	1.96	5.0
Iron	57.55	33.12	51.05	-24.43	-42.5	-6.50	-11.3
Isabella	53.43	30.61	48.58	-22.82	-42.7	-4.85	-9.1
Jackson	59.42	34.79	52.77	-24.63	-41.4	-6.65	-11.2
Kalamazoo	62.00	38.78	56.55	-23.22	-37.5	-5.45	-8.8
Kalkaska	41.89	25.94	43.64	-15.95	-38.1	1.75	4.2
Kent	54.76	33.05	50.70	-21.71	-39.7	-4.06	-7.4
Keweenaw	38.40	30.76	45.95	-7.64	-19.9	7.55	19.7

### Exhibit 37 – Continued

<u>County</u>	<u>1993 Rate</u>	<u>2022 Rates</u>		<u>Homestead Difference</u>		<u>Other Non-Homestead Difference</u>	
		<u>Homestead</u>	<u>Other Non- Homestead</u>	<u>Mills</u>	<u>Percent</u>	<u>Mills</u>	<u>Percent</u>
		Lake	46.45	31.48	49.48	-14.97	-32.2%
Lapeer	50.21	27.23	45.00	-22.98	-45.8	-5.21	-10.4
Leelanau	27.99	20.44	35.41	-7.55	-27.0	7.42	26.5
Lenawee	56.58	29.97	47.96	-26.61	-47.0	-8.62	-15.2
Livingston	52.56	26.04	43.06	-26.52	-50.5	-9.50	-18.1
Luce	45.07	27.49	45.43	-17.58	-39.0	0.36	0.8
Mackinac	33.71	23.54	39.89	-10.17	-30.2	6.18	18.3
Macomb	59.79	39.82	57.01	-19.97	-33.4	-2.78	-4.6
Manistee	48.28	28.78	46.77	-19.50	-40.4	-1.51	-3.1
Marquette	51.88	27.08	45.07	-24.80	-47.8	-6.81	-13.1
Mason	43.11	26.45	43.48	-16.66	-38.6	0.37	0.9
Mecosta	48.59	27.16	45.15	-21.43	-44.1	-3.44	-7.1
Menominee	57.02	24.23	42.11	-32.79	-57.5	-14.91	-26.2
Midland	46.96	31.30	49.22	-15.66	-33.3	2.26	4.8
Missaukee	47.12	26.50	44.25	-20.62	-43.8	-2.87	-6.1
Monroe	49.25	29.75	47.72	-19.50	-39.6	-1.53	-3.1
Montcalm	52.06	31.44	49.14	-20.62	-39.6	-2.92	-5.6
Montmorency	36.97	25.19	43.10	-11.78	-31.9	6.13	16.6
Muskegon	58.23	36.91	54.78	-21.32	-36.6	-3.45	-5.9
Newaygo	53.55	31.18	48.75	-22.37	-41.8	-4.80	-9.0
Oakland	55.17	36.52	52.85	-18.65	-33.8	-2.32	-4.2
Oceana	46.01	33.11	48.81	-12.90	-28.0	2.80	6.1
Ogemaw	42.63	26.09	44.05	-16.54	-38.8	1.42	3.3
Ontonagon	54.16	33.31	51.20	-20.85	-38.5	-2.96	-5.5
Osceola	50.42	31.25	49.25	-19.17	-38.0	-1.17	-2.3
Oscoda	40.06	23.25	41.24	-16.81	-42.0	1.18	3.0
Otsego	38.67	22.92	39.72	-15.75	-40.7	1.05	2.7
Ottawa	49.06	30.88	48.76	-18.18	-37.1	-0.30	-0.6
Presque Isle	39.95	22.85	40.83	-17.10	-42.8	0.88	2.2
Roscommon	40.65	27.08	44.84	-13.57	-33.4	4.19	10.3
Saginaw	54.34	34.60	52.06	-19.74	-36.3	-2.28	-4.2
Saint Clair	50.34	29.45	47.33	-20.89	-41.5	-3.01	-6.0
Saint Joseph	52.07	30.75	48.69	-21.32	-40.9	-3.38	-6.5
Sanilac	47.79	26.40	44.13	-21.39	-44.8	-3.66	-7.7
Schoolcraft	52.24	23.28	41.28	-28.96	-55.4	-10.96	-21.0
Shiawassee	53.29	31.16	48.32	-22.13	-41.5	-4.97	-9.3
Tuscola	52.53	30.07	47.95	-22.46	-42.8	-4.58	-8.7
Van Buren	53.25	35.42	53.31	-17.83	-33.5	0.06	0.1
Washtenaw	59.97	37.23	54.75	-22.74	-37.9	-5.22	-8.7
Wayne	67.77	52.34	69.70	-15.43	-22.8	1.93	2.9
Wexford	56.78	30.48	48.39	-26.30	-46.3	-8.39	-14.8
<b>State Average</b>	<b>56.64</b>	<b>35.59</b>	<b>52.95</b>	<b>-21.05</b>	<b>-37.2%</b>	<b>-3.69</b>	<b>-6.5%</b>

Note: Commercial personal property tax rate is 6 mills more than homestead/PRE rate.

Industrial personal property tax rate is 6 mills less than homestead/PRE rate.

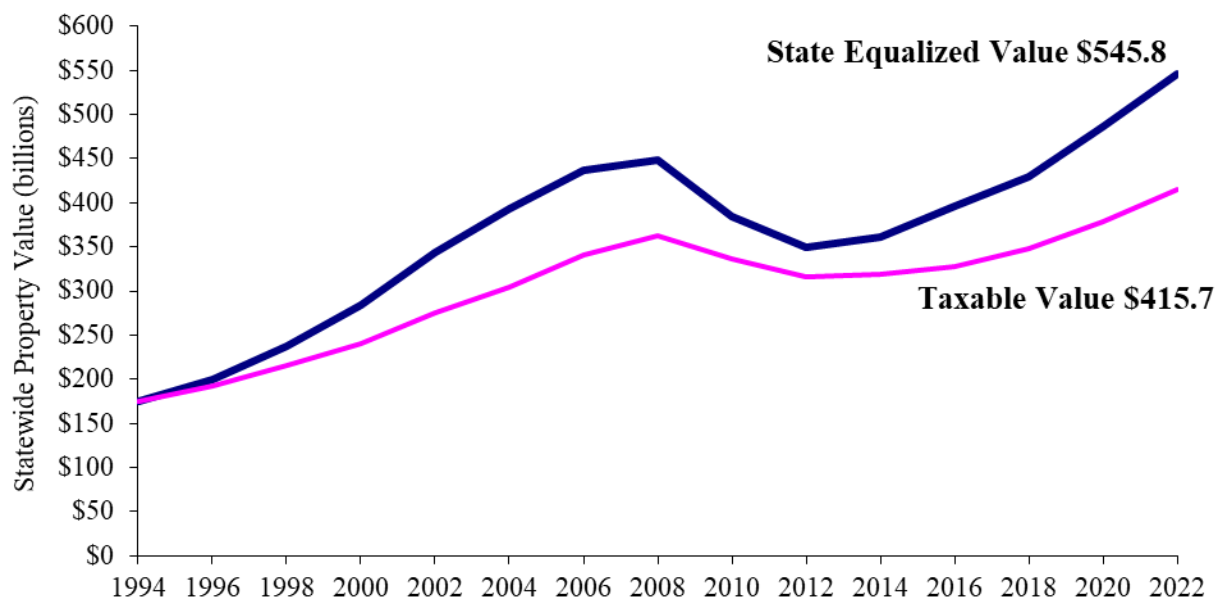
Source: 1993 average millage rates from State Tax Commission; 2008 average millage rates from Tax Analysis Division, Michigan Department of Treasury.

## SECTION 7: TAXABLE VALUE CAP

Through 1994, property taxes were levied on a property's SEV, which is equal to 50 percent of the true cash value of the property. Proposal A amended the Michigan Constitution so that from 1995 Michigan property taxes are levied on taxable value, not SEV. Proposal A provided that the taxable value of property cannot increase in any one year by more than 5 percent or the rate of inflation, whichever is less (excluding the value of new constructions and additions).<sup>7</sup>

For example, if the true cash value of a property increased by 8 percent, SEV would also increase by 8 percent. However, taxable value would increase by 5 percent or the rate of inflation, whichever was less. The tax base reverts to SEV in the year after a property is transferred (except for agricultural property that is continuing to be used for agriculture). After that, its taxable value growth is capped until it is transferred again.

**Exhibit 38**  
**Gap Between SEV and Taxable Value Grows**



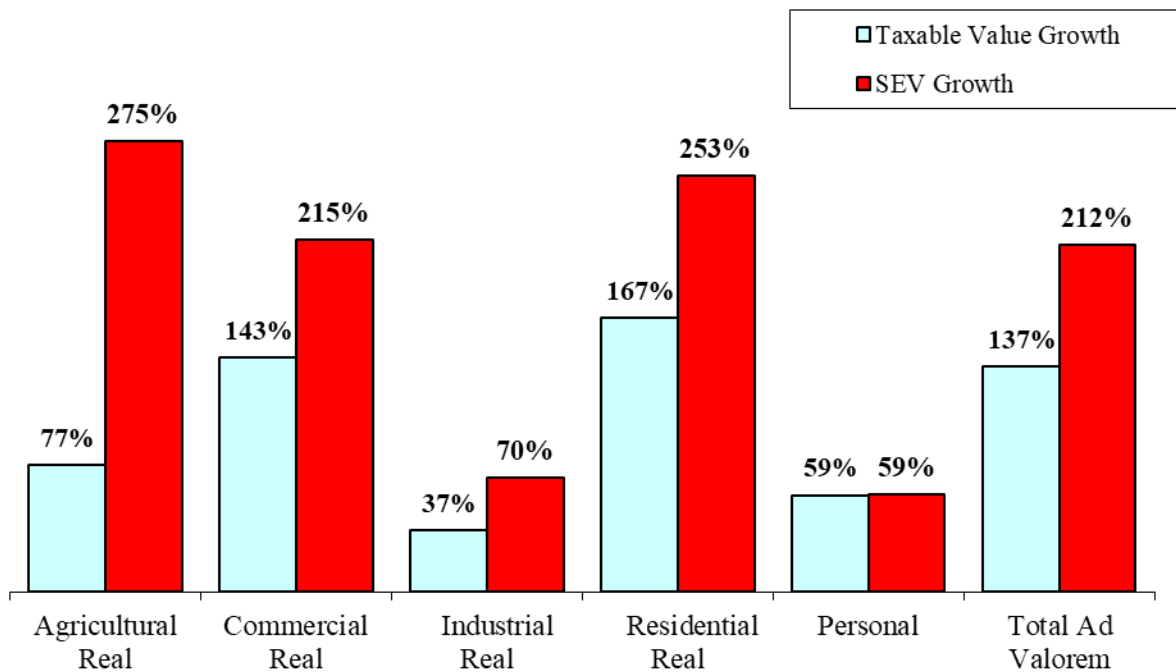
Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury.

<sup>7</sup> More specifically, the taxable value cap limits a property's taxable value growth in a given calendar year (e.g., 2022) to 5 percent or inflation in the previous fiscal year (e.g., FY 2021). The annual inflation rate is calculated by dividing the average U.S. CPI for all urban consumers for the relevant fiscal year (e.g., FY 2021) by the average U.S. CPI from the previous fiscal year (e.g., FY 2020).

Since between 1994 and 2022, inflation has ranged between -0.3 percent and 4.4 percent, the annual taxable value increases on most existing property have been substantially less than 5.0 percent. The gap between SEV and taxable value has grown steadily to \$130.1 billion by 2022. (Exhibit 38)

The impact of the taxable value cap varies widely both across property classifications and across Michigan’s counties. Agricultural property has benefited most from the value cap, with SEV increasing 275% since 1994, but taxable value only 77%. This gap is driven by existing agricultural property values increasing quickly and low turnover rate. The gap increased even more after 2001, when transferred agriculture property’s taxable value remained capped as long as the property remains in agriculture use. In 2022, the statewide agricultural taxable value to SEV was 47.3%, resulting in a TV reduction of 52.7%. This TV reduction is significantly higher than for other property classes. (Exhibit 39-40)

**Exhibit 39**  
**Taxable Value and SEV Growth**  
**Cumulative Growth, 1994 – 2022**

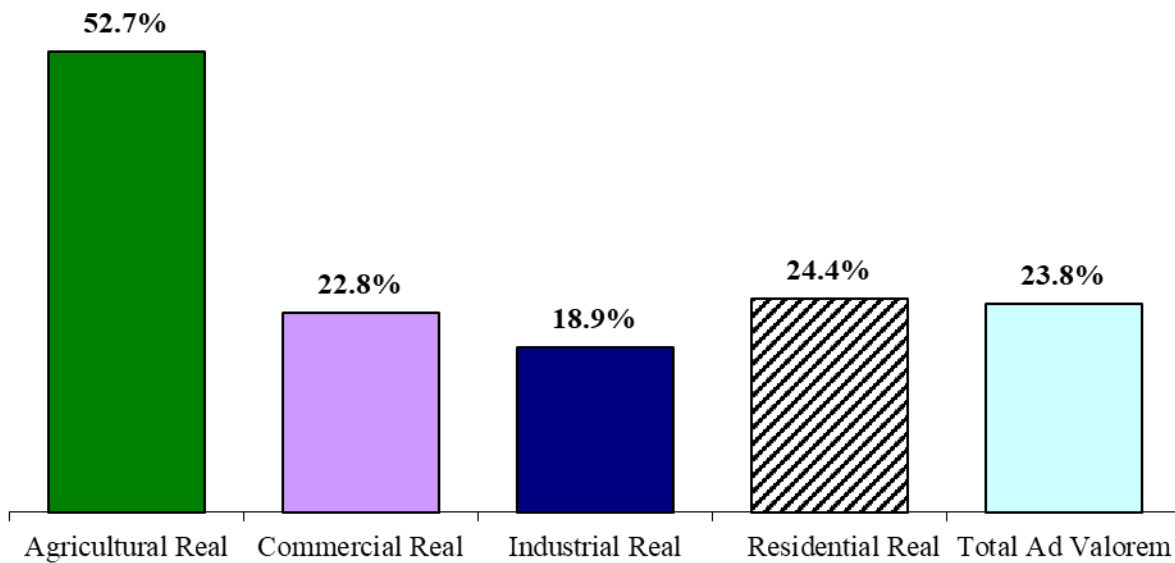


Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury

Since 1994, SEV for residential real estate has grown 253%, while taxable value has only increased 167%. As a result, by 2022 residential taxable value was 24.4% less than the SEV. A strong housing market with rising market values has contributed to a widening gap between the SEV and TV resulting in increased tax savings. (Exhibit 39)

The taxable value cap has also been beneficial for commercial real property. Between 1994 and 2022, commercial real property's SEV increased by 215%, but its taxable value only increased by 143%. Thus as of 2022, commercial real property's taxable value is 22.8% less than SEV.

**Exhibit 40**  
**Percent Difference, Taxable Value and SEV, 2022**



Source: State Tax Commission and Tax Analysis Division, Michigan Department of Treasury.

Industrial property saw a smaller difference between SEV and taxable value growth from 1994-2022, with a 70% SEV growth and 37% taxable value growth. This resulted in an 18.9% gap between industrial SEV and taxable value in 2022. On the other hand, personal property SEV and taxable value are nearly the same, as it depreciates.

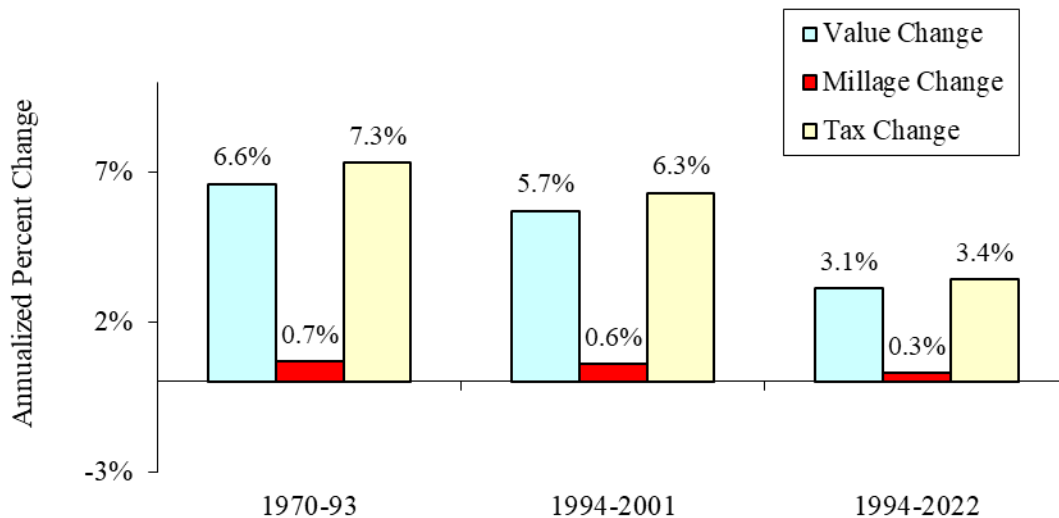
## **Composition Of Recent Property Tax Growth**

Property tax is calculated by multiplying the property tax value (real and personal) by the millage rate. Thus, changes in property taxes can be attributed to changes in the millage rate or the value.

Between 1970 and 1993, increases in SEV accounted for the vast majority of the State's property tax increase. Property taxes rose an average of 7.3 percent per year between 1970 and 1993. Over that time, SEV rose 6.6 percent per year, while the statewide average millage rate rose an average of 0.7 percent each year.<sup>8</sup> In 1994, the statewide average millage rate fell 32.6 percent as property tax reform was implemented, while the SEV rose 4.4 percent. On net, property taxes declined 29.6 percent. (See Exhibit 41-42)

Property taxes rose on average 6.3% a year from 1994-2001; 90.5% of this was due to the cumulative increase in taxable value (5.7% per year). The statewide average millage rate increased only 0.6% annually during this time. From 1994-2022, property taxes, taxable value and millage rate growth have all slowed with annual growth declining to 3.4%, 3.1% and 0.3% respectively (Exhibit 41).

**Exhibit 41**  
**Property Value Growth Accounts for Most of Tax Increases Since 1970**



Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury

<sup>8</sup> The location and composition of property across the State affect the statewide average millage rate. All else equal, the larger the share of property in lower millage rate areas, the lower the statewide average millage rate. For example, increases in townships' share of taxable value since 1994 has lowered the statewide average millage rate. Similarly, since 1994, increases in homestead property's share of statewide taxable value has lowered the statewide average millage rate.

**Exhibit 42**  
**Michigan Real and Personal Property Values, Taxes and Tax Rates**

<u>Year</u>	<u>SEV/ Taxable Value</u>		<u>Tax Levy</u>		<u>Average Millage Rate</u>	
	<u>(Thousands)</u>	<u>% Chg</u>	<u>(Thousands)</u>	<u>Percent Change</u>	<u>Millage</u>	<u>Percent Change</u>
1990	139,901,357		7,998,491	8.2	57.17	
1991	150,665,065	7.7%	8,638,678	8.0	57.34	0.3%
1992	153,928,613	2.2	8,941,685	3.5	58.09	1.3
1993	167,731,374	9.0	9,500,582	6.3	56.64	-2.5
1994	175,195,104	4.4	6,690,701	-29.6	38.19	-32.6
1995	182,125,153	4.0	7,081,111	5.8	38.88	1.8
1996	191,680,559	5.2	7,536,108	6.4	39.32	1.1
1997	202,615,532	5.7	7,952,659	5.5	39.25	-0.2
1998	215,179,108	6.2	8,449,614	6.2	39.27	0.1
1999	228,096,397	6.0	8,933,372	5.7	39.16	-0.3
2000	240,647,490	5.5	9,462,264	5.9	39.32	0.4
2001	257,712,099	7.1	10,250,893	8.3	39.78	1.2
2002	275,040,863	6.7	11,033,307	7.6	40.17	1.0
2003	288,259,666	4.8	11,269,974	2.1	39.00	-2.9
2004	304,697,456	5.7	12,190,160	8.2	40.00	2.6
2005	321,859,050	5.6	12,827,379	5.2	39.88	-0.3
2006	340,545,761	5.8	13,598,087	6.0	39.96	0.2
2007	358,165,981	5.2	14,254,167	4.8	39.89	-0.2
2008	363,195,672	1.4	14,143,524	-0.8	38.94	-2.4
2009	360,437,556	-0.8	14,109,656	-0.2	39.13	0.5
2010	336,744,660	-6.6	13,373,803	-5.2	39.70	1.5
2011	323,605,289	-3.9	12,945,615	-3.2	40.00	0.8
2012	315,782,771	-2.4	12,756,792	-1.5	40.40	1.0
2013	316,736,946	0.3	12,817,640	0.5	40.47	0.2
2014	319,501,804	0.9	13,033,564	1.7	40.79	0.8
2015	327,732,524	2.6	13,475,399	3.4	41.12	0.8
2016	327,405,802	-0.1	13,653,142	1.3	41.70	1.4
2017	335,481,172	2.5	13,983,326	2.4	41.68	0.0
2018	348,261,655	3.8	14,621,532	4.6	41.98	0.7
2019	363,495,455	4.4	15,293,062	4.6	42.06	0.2
2020	378,427,581	4.1	16,061,150	5.0	42.44	0.9
2021	392,212,943	3.6	16,524,954	2.9	42.16	-0.7
2022	415,747,878	6.0	17,487,242	5.8	42.06	-0.2

**Average Annual Change**

1990-1993	6.2%	7.3%	0.7%
1993-1994	4.4	-29.6	-32.6
1994-2001	5.7	6.3	0.6
1994-2022	3.1	3.5	0.3

Source: State Tax Commission and Office of Revenue and Tax Analysis, Michigan Department of Treasury.