

LEGISLATIVE SNAPSHOT

HEADLEE ROLLBACKS AND MILLAGE REDUCTION FRACTION

Date: January 2023

Analyst: Holly Kuhn

Summary

[Section 31 of Article IX](#) of the Michigan Constitution—one of several sections added in 1978 commonly known as the “Headlee Amendments”—provides that if a tax base of a local unit of government is broadened, then the tax rate on that base must be proportionally reduced so that property tax revenues can increase no more than the rate of inflation for that year. This is referred to as a “Headlee rollback”: if taxable value (TV) goes up, then the millage rate generally must be reduced.

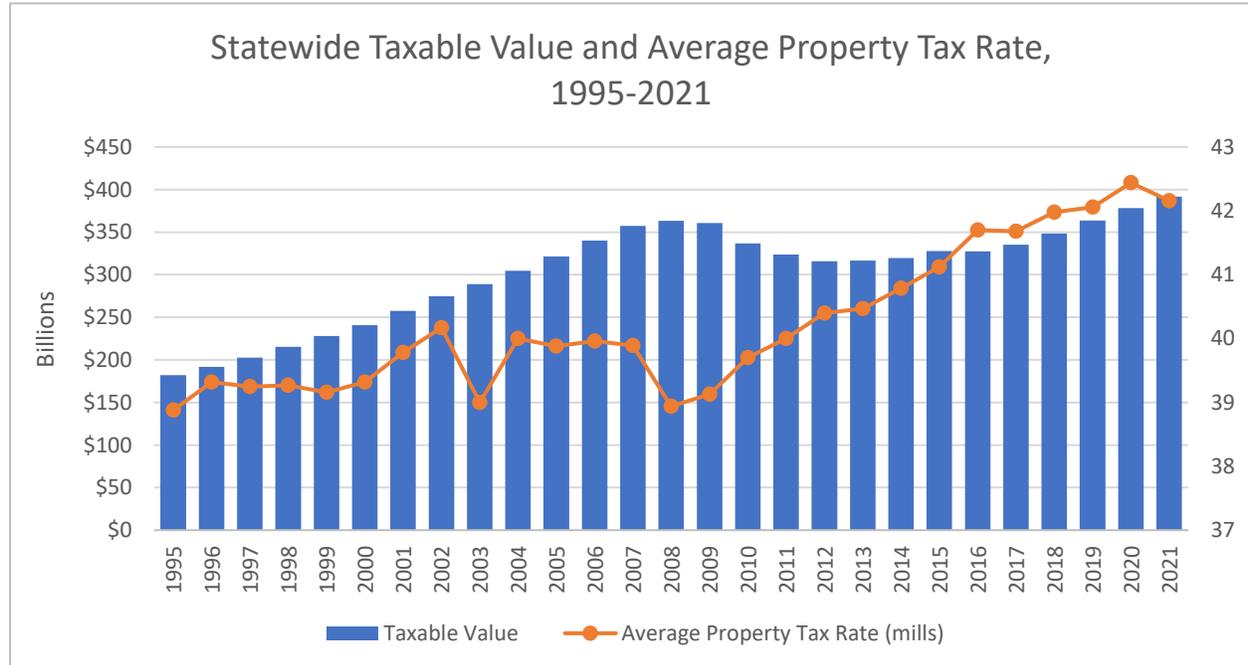
Each local taxing jurisdiction must calculate its own millage reduction fraction (MRF) according to the following formula:

$$\text{Millage Reduction Fraction} = \frac{(\text{Previous year's TV} - \text{losses}) * \text{Inflation Rate Multiplier}}{(\text{Current year's TV} - \text{additions})}$$

A Headlee rollback applies to the average increase in TV across a taxing jurisdiction, so local property tax revenues cannot grow at a rate greater than inflation unless an additional tax (known as a “[Headlee override](#)”) is approved by voters. [Proposal A](#), passed in 1994, also restricts local property tax revenues.¹

Taxable Value and Millage Rate

The graph below shows the yearly total statewide taxable value and average property tax millage from 1995 (after the passage of Proposal A) to 2021. Without the presence of Headlee overrides, millage rates would generally have to decrease when TV increases so that the property tax revenue growth for each local taxing jurisdiction is no greater than the rate of inflation.



Source: Michigan Department of Treasury

¹ Proposal A limits how much the TV of an individual parcel can increase in a given year (at the lesser of 5% or the rate of inflation). Selling property can result in an “uncapping” or “pop-up” of that parcel’s TV, which can trigger a Headlee rollback for the entire taxing jurisdiction.

Statewide taxable value reached approximately \$392 billion in 2021, and the average millage rate was 42.16. This represents an increase in TV from 2020 (approximately \$378 billion) and a decrease in average millage rate (42.44, the highest since the passage of Proposal A). 2021 is the first year since 2017 that total TV has risen while the average millage rate has fallen.

Additional Resources

- For more information on the Headlee Amendments and Proposal A: Citizens Research Council, [Michigan's Overlapping Property Tax Limitations Create an Unsustainable Municipal Finance System](#)
- For a list of the annual inflation rate multipliers used since 1995: Michigan Department of Treasury, [Bulletin 17 of 2022: Inflation Rate Multiplier for 2023](#)