City of Melvindale
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(313) 429-1040 · www.melvindale.org

Understanding Property Tax Uncapping in Michigan For Potential or New Homeowners

What is 'Uncapping'?

When you buy a home in Michigan, your property's taxable value is "uncapped" the following year. This means it resets to match the assessed value (about 50% of the market value), which can result in higher property taxes. "Uncapping" means the property's **Taxable Value is reset to match the Assessed Value** — which is usually about **half of the market value**. **This reset causes your property taxes to increase because *__they are now based on the current value, not the old capped amount.__***

If you are looking at PURCHASING THIS HOME: Property Tax calculations are based on CURRENT ASSESSED VALUE, not Taxable Value. Taxable value is used for current owners to calculate property taxes for that particular tax year.

First-Year Taxes

The year you buy your home, your property taxes are still based on the prior owner's taxable value. This often means lower taxes in year one, with a larger increase the following year after uncapping.

Second-Year Taxes

The second year is now the first full tax year under new ownership. The taxes are now based on the current assessment of your home. This becomes your **Taxable Value**. Your Taxable Value is capped again. The **Taxable Value increased** because it was uncapped/reset to match the current market-based value.

Timeline Example

Year 1: You buy the home. Taxes are based on the old owner's capped TAXABLE Value.

Year 2: Property is uncapped. Taxes are recalculated based on the current ASSESSED value.

Year 3: Going forward-Taxable Value is capped again. Property taxes increase each year at max 5% or the Rate of Inflation as set by the State of Michigan, whichever is lower.

****Use current year ASSESSED VALUE to calculate what Property Taxes will be for that home if you are looking to purchase it or if you *have JUST PURCHASED THE HOME THIS YEAR.***

	Year 1 (Year of Purchase)	Year 2 (After Uncapping)
****Assessed Value**	$100,000	$100,000
Taxable Value	**$65,000** *(capped)*	**$100,000** *(uncapped)*
Millage Rate	70.1440 mills (0.0700) Homesteaded Millage	70.1440 mills (0.0700) Homesteaded Millage
Estimated Property Tax	***(65,000 ÷ 1000 x 70.1440 =$4,559)*** Notice in the 1st year your Taxable Value has not yet adjusted. **It is still the value of the prior owner.**	***(100,000 ÷ 1000 x 70.1440 = $7,014)*** Notice in the 2nd year your **Taxable Value has adjusted to today's values.**

📈 Why it Happens

Michigan's Proposal A (1994) caps Taxable Value growth for long-term owners to help them avoid steep tax increases. But when ownership changes, the cap is removed — **so all new owners start fresh, at current values**.

Frequently Asked Questions

Will my taxes double?

Not always. Taxes will increase considerably if the assessed value is much higher than the previous taxable value. This is dependent on how long the previous owner lived in the home. Their taxes were based on the assessed value when they purchased the home.

Can I appeal?

Yes, you can appeal the assessed value (not taxable value) each year at the March Board of Review. Look for your Assessment Notice that is mailed to you at the end of February every year for information on when and how to appeal at the Board of Review meeting held every March. (Meets on 2nd Tuesday following the 1st Monday in March each year.)

Glossary of Terms

- Transfer of Ownership: Legal sale or transfer that triggers uncapping.
- Assessed Value: 50% of market value determined by the assessor.
- Taxable Value: Value used to calculate your property taxes.
- Millage Rate: The rate applied to taxable value to determine taxes owed.
- Capped Value: Taxable value before uncapping, adjusted by inflation.
- Uncapping: Resetting the taxable value to the assessed value the year after sale.

🏠 Understanding Your Property Taxes

📌 How Property Taxes Are Calculated

Your yearly property taxes are based on this formula:

Taxable Value (÷ 1000) × Millage Rate = Property Tax

🧮 Real Examples – City of Melvindale Millage Rates

(You currently own this home.)

✅ If your home is your principal residence (PRE):

Millage Rate: 70.1440

Calculation:
$75,000 (taxable value) ÷ 1,000 = 75

75 × 70.1440 = $5,260.80/year in property taxes

This means you are exempt from paying school operating expenses on your (summer) property tax bill.

🚫 If your home is a rental or non-homestead:

Millage Rate: 88.0000

Calculation:
$75,000 (taxable value) ÷ 1,000 = 75

75 × 88.0000 = $6,600.00/year in property taxes

🔄 What Can Cause Your Taxes to Increase?

- A property sale (uncaps taxable value the next year)
- New construction or improvements
- Voter-approved millages
- **Annual inflation adjustments by the State of Michigan- Max increase is 5% or the Rate of Inflation- whichever is lower. This applies to every property owner in the state.**

❓ Need Help or Have Questions?

Contact the Melvindale Assessor's Office:

📞 (313) 429-1045

📧 assessor@melvindale.org

🌐 www.melvindale.org