



Detroit's Land Value Tax Plan

Detroit's Land Value Tax Plan is a way for Detroit voters to decide whether to cut homeowners' taxes by an average of 17% and pay for it by increasing taxes on abandoned buildings, parking lots, scrapyards, and other similar properties.

If the Michigan Legislature authorizes, Detroit City Council would decide by November, 2023 whether to place the issue on the ballot. Detroit voters would decide whether to adopt the Land Value Tax at the February, 2024 Presidential primary election. Homeowners would see the full tax cut in 2025.

State Representative Stephanie Young from Detroit is the sponsor of the Lansing legislation.

THE PROBLEM:

Under Detroit's property tax system, blight is rewarded and building is punished.

Detroit homeowners pay among the highest property taxes in Michigan.

Owners of abandoned buildings, scrapyards, and parking lots pay very little.

THE LAND VALUE TAX PLAN HAS TWO PIECES:

1. Cut tax mills on buildings by 14 mills
2. More than double taxes on land.

What is the effect on Detroit homeowners (owner-occupied homes)?

The average Detroit homeowner will get a 17% permanent property tax cut in 2025.

97% of all Detroit homeowners will get a tax cut.

The legislation guarantees no Detroit homeowner gets a tax increase from the Land Value Tax plan.

How does the tax cut on improvements work?

Detroit's millage for operations would be cut by 14 mills, from 20 mills to 6 mills for improvements to all taxable property. That cut applies to apartments, retail stores, office buildings, homes, and land.

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What would the effect be for homeowners (with principal residence exemption)?

The 14 mill cut reduces the homeowner's property taxes in this way:

Current Homeowner Tax		Change under Land Value Tax	
Detroit Operating	20 Mills	Detroit Operating	20 Mills 6 Mills
Detroit Debt	7 Mills	Detroit Debt	7 Mills
School Operating	6 Mills	School Operating	6 Mills
School Debt	13 Mills	School Debt	13 Mills
County	17 Mills	County	17 Mills
Libraries	4 Mills	Libraries	4 Mills
Total	67 Mills	Total	53 Mills

(County mills include county, parks, ISD, WCCCD, Zoo, DIA)

How will Detroit homeowners' property taxes compare to neighboring suburbs under the Land Value Tax?

Today, Detroit homeowners pay among the highest property taxes in Michigan. Under the Land Value Tax, Detroit's property tax rates will become competitive with neighboring cities like Southfield, Ferndale, Warren, and Grosse Pointe. The attached map illustrates that change.

How does the tax increase on land work?

Land values in Detroit are very low. Large millage increases on land don't result in large tax burdens. The land mills will be increased by approximately 104 mills.

The average vacant residential lot in Detroit currently pays \$30 a lot. The Land Value Tax will increase the taxes to an average of \$67 per lot.

What about urban farms, community gardens, and community spaces?

Urban farms, community gardens, and community spaces will not be affected by the Land Value Tax. They are deemed community space under the proposal.

Will my taxes go up if I bought side lots next to my home?

No homeowner will get an overall tax increase if they own 4 side lots or less. The average bill on a side lot will go up about \$30 a lot, from \$25 to approximately \$55. The average homeowner will get a tax cut on their house that is much larger than that. If you are the exception where the increase in your side lot tax is more than the tax cut on your home, you will receive a credit. You will have no overall tax increase as a result of the Land Value Tax.

What if I currently have an NEZ (Neighborhood Enterprise Zone) tax break? Can I keep my NEZ instead of taking the Land Value Tax cut?

Yes. You can choose whichever option is better for you. If you have an NEZ break, you can keep that break until your 15 year period runs out. When your NEZ period ends, you will automatically receive the permanent Land Value Tax break.

Will new NEZ's be granted to property owners if the Land Value Tax Plan is approved by the voters?

No. NEZ's have created tax inequity among Detroit neighborhoods. Existing NEZ holders will be grandfathered. But no new NEZ's will be granted afterward. As the existing NEZ's phase out, all Detroit neighborhoods will pay the same tax rate.

What happens to owners of abandoned houses and vacant parcels?

The tax on the vacant land will more than double. The millage rate on land will increase an estimated 104 mills, going from 85 mills today to approximately 189 mills.

What happens to owners of surface parking lots and scrapyards?

The land tax will more than double, but these owners will get a 14-mill tax cut on any improvements on the property. The effects will vary, but should average about a 50% increase in property taxes.