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Ecorse's High Tax Rates: A Showcase for Michigan's Ineffective Property Tax Rate Limits

In a Nutshell

- Michigan's local governments' heavy reliance on property taxes has challenged their ability to sustain revenues. With few alternatives to diversify revenues, local governments may feel that they have little choice but to raise rates to sustain operations and meet service obligations.
- The experience of the City of Ecorse provides an example of how a community's financial pressures lead to property tax rates that rise despite constitutional and statutory limitations.
- A solution to Michigan's ineffective property tax rate limits may be found through a comprehensive reform of the state's municipal finance system and consideration of alternatives to the property tax.

During the past decade, there has been a flurry of local property tax rate increases, especially in those communities with historically high tax burdens. The Citizens Research Council has documented how Michigan's local governments' heavy reliance on property taxes has challenged their ability to sustain revenues given Michigan's constitutional and statutory property tax limitations. To raise revenues during economically challenging times, communities have relied on rate increases as the state's constitutional assessment cap and levy limit are more vigorously enforced. Local property tax rate limits have provided less protection as they have been so enervated through judicial interpretation that they scarcely resemble what voters had originally enacted.

While the constitutional cap on increases of a property's taxable value and the "Headlee" revenue limit have been strictly enforced, Michigan's levy and assessment limits are relatively new creations. Property tax rate limits date to 1932, when a voter-initiated amendment to the State Constitution limited the aggregate rate of taxation. By 1963, when voters adopted a new constitution, a number of court cases had exempted so many types of taxation that the 15/18-mill and 50-mill limits were illusory.

The City of Ecorse is an illustration of how ineffective property tax limitations affect local governments. The City of Ecorse, located within Wayne County, has weathered many fiscal storms, including receivership, the loss of major employers, and a property tax base that has deteriorated steadily for the past 25 years. The community again faces a potential budget shortfall as the fiscal year ends. Given the few local options to raise revenues needed to fund operations, the city turned to raising the property tax rates. The total tax rate paid by Ecorse residents and businesses are the highest in Michigan.[1] Rates have climbed, unencumbered by the state's property tax rate limitations, to squeeze more revenue from a declining property tax base.

While Ecorse's example is extraordinary, it is not unusual. Other Michigan communities share the city's experiences. The Citizens Research Council analyzed the financial pressures that lead the state's local governments to raise their property tax rates, including Michigan's tax base limitations and tax levy limitations. Our report found that local governments have increased tax rates to levels that exceed the limits spelled out in the consti-

tution and in law. Below is an explanation of how Michigan’s current property tax rates rise despite limitations.

As policymakers consider options for local governments to diversify revenues and address increasing property tax burdens, addressing the ineffectiveness of rate limits is an area ready for reform.

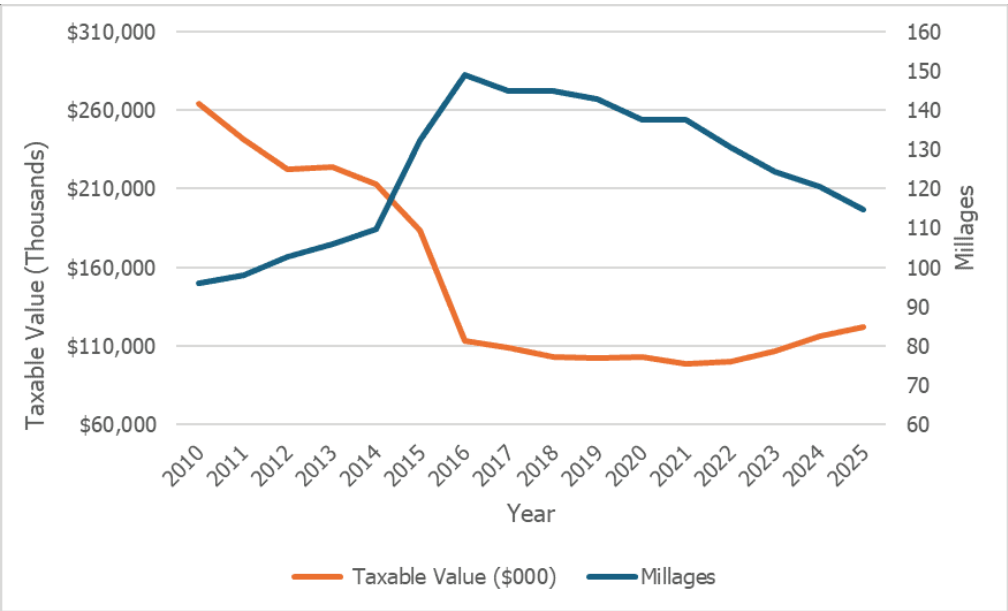
[1] Michigan Department of Treasury, 2024, and Citizens Research Council calculations

Tax Rates in the City of Ecorse

The high tax rates levied on Ecorse residents and businesses showcase how Michigan’s property tax rate limits have not worked as originally intended. Chart 1 tracks how Ecorse’s property tax rates have risen as the community’s taxable value fell. From 2010 to 2018, the city felt the repercussions of the Great Recession and lost property value with aggregate taxable value falling about 61 percent. The response was a 49 mill increase in tax rates that has since fallen by 30 mills.[2]

Chart 1

Taxable Value of Ecorse Properties and Property Tax Rates paid by Ecorse Property Owners, 2010 to 2024



Source: Michigan Department of Treasury

Note: A mill is equal to \$1 of tax for every \$1,000 of taxable value. Property taxes levied by the Ecorse Public School District on homesteads exclude the 18-mill school operating taxes but include the 6 mill State Education Tax

[2] “Millages” refer to property tax rates. A mill is equal to \$1 per \$1,000 of a property’s taxable value. For example, with a millage rate of 20 mills, the property tax bill on a property with a taxable value of \$100,000 would be \$2,000.

Michigan’s Property Tax Limitations

Michigan’s three types of property tax limitations are established in both the Michigan Constitution and statutes. However, many of the property tax millages paid by the state’s property owners fall outside Michigan’s constitutional property tax rate limitations and have unique limits.

Constitutional Rate Limits

Article IX, Section 6, of the Michigan Constitution sets an aggregate cap on all millages levied by local governments. It provides for a 15-mill property tax limit to be allocated annually among the county, townships, and school districts, but it also permits the voters to approve separate and fixed tax rate limitations for each of these units up to a maximum total of 18 mills. The units covered by the 15-mill limit may levy up to 35 additional mills (50 in total) with voter approval.

Millages subject to the constitutional 50-mill limitation include the following:

- General law township mills
- County (general law and optional unified) mills
- Intermediate school district operating mills
- Intermediate school district regional enhancement mills
- Local school district operating mills
- Local school district sinking fund mills

Constitutional rate limits are not applied to the dedicated, special purpose, and special authority millages. These types of millages must not exceed the specific maximum rates authorized by statutes. Because these millages are not subject to constitutional limits, the sum of all millages on a single parcel of property could exceed 50 mills.

Millages levied to pay debt service, operating millages approved in a local government charter, and many dedicated or special purpose millages are excluded by law:

- Debt service
- Charter county, city, and village
- Charter township
- Community college
- Special authority
- Intermediate School District special education and career/technical education
- Judgement levy

In Wayne County, which includes the City of Ecorse, most millages fall outside of the 15-mill limit.

Other general categories of property taxes found in Michigan statute that fall outside the constitutional limitations include the following:

Dedicated Taxes

Dedicated taxes are levied for specific purposes. The statutes authorizing the taxes usually specify a maximum tax rate, although some have no millage limit. This complicates the tax limitation structure and fails to protect taxpayers from high tax rates.

Special Authority Taxes

Certain special authorities can be created by local governments with authority to levy taxes. Examples include

a parks and recreation authority or a transit authority. Special authority millages may only be levied within their authorized maximum tax rate.

Special Assessments

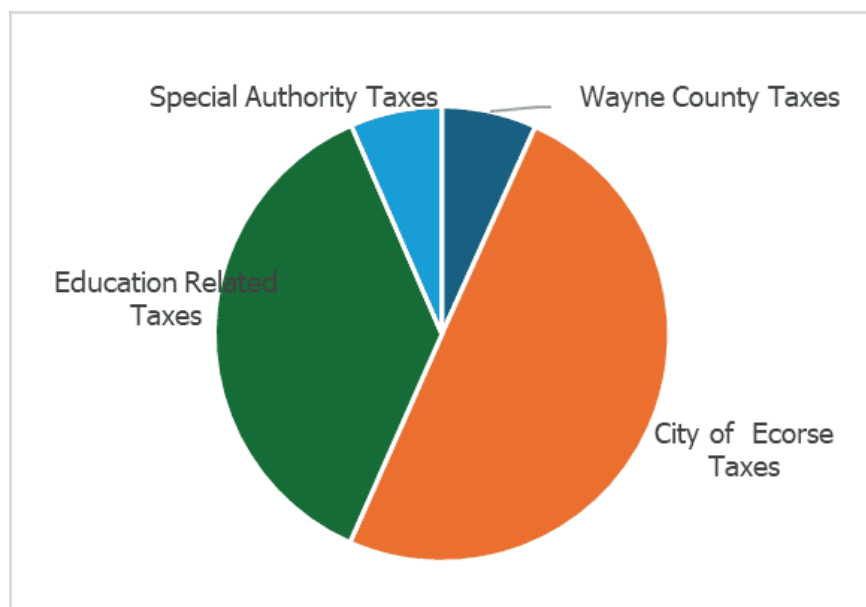
Traditional special assessments are taxes levied to fund specific improvements for properties which will directly benefit. These special assessments finance the costs of capital improvements, such as sidewalks, local roads, streetlights, or other infrastructure. Ad valorem special assessments, however, are used to fund many general-purpose functions of government and are levied on all properties within a local government, in effect mimicking property taxes. These ad valorem special assessments, such as a specific unit wide assessment for public safety are not subject to property tax rate limits.

Overlapping Taxing Jurisdictions

Another issue adding to the ineffectiveness of the state's aggregate tax limit is the overlap of taxing jurisdictions. Parcels of property fall under more than one taxing jurisdiction, each with its own authorized maximum millage rate, and more often than not, these millages are not subject to the aggregate constitutional limits. As Chart 2 shows there are four main categories of taxes levied on Ecorse taxpayers: county taxes, city taxes, education-related taxes, and special authority taxes. Only some of the taxes are subject to constitutional tax limitations.

Chart 2

Composition of Total Property Tax Rate Levied on Ecorse Properties



* Property taxes levied by the Ecorse Public School District on homesteads exclude the 18-mill school operating taxes but include the 6 mill State Education Tax.

Property Taxes Levied in the City of Ecorse

Table 1 shows the property taxes levied on properties in Ecorse. Fewer than five percent of the millages levied on Ecorse non-homestead properties are subject to the property tax limits in the Michigan Constitution (just over five percent for homestead properties).

Owners of homestead properties in Ecorse within the Ecorse Public School District pay a total millage rate of 97.1601 mills; owners of non-homestead properties pay a total millage rate of 114.8701 mills — both well

above the state average of 35.18 mills.

This is an exceptionally high property tax burden. According to the U.S. Census, the median household income in Ecorse for 2023 was \$45,082. A property tax bill of \$5,344 for a home in Ecorse with an average value of \$110,000 would be nearly 12 percent of the median household income.

Table 1

Property Taxes Levied on Ecorse Properties

<i>Taxing Authority</i>	<i>Purpose</i>	<i>Constitutional Limit</i>	<i>Subject to Statutory Maximums but not Constitutional Limit*</i>	<i>No Limit</i>
Wayne County	Operations		6.5345	
	Jails			0.9327
	Parks			0.2433
	Veterans			0.0363
City of Ecorse	Charter		18.4304	
	Rubbish Collection		2.9100	
	Pensions			0.2467
	Longevity			0.4849
	Libraries		1.2295	
	Special Assessments: – Fire Protection, Police, Streetlights			22.0000
	Debt			3.0000
	Judgement Levy			9.0000
Ecorse Public Schools	Operations**		17.7138	
	Sinking fund	3.0000		
	Debt			13.0000
Wayne Regional Education Service Agency	Operations	0.0952		
	Special Education		3.3328	
	Enhancement	1.9812		
Wayne County Community College	Operations		3.2043	
Wayne County Huron-Clinton Metroparks Authority	Operations		0.2062	
Wayne County Transit Authority	Operations		0.9916	
Wayne County Zoological Authority	Operations		0.0988	
Wayne County Art Institute	Operations		0.1979	
State Education Tax	Operations		6.0000	
SUB-TOTALS		5.0764	60.8498	48.9439
TOTAL				114.8701

* As reduced by "Headlee" millage rate rollbacks. ** Homestead properties exempt from school operating millage.

As Table 1 illustrates, few millages are subject to constitutional rate limitations. The Ecorse Public School District (EPSD) sinking fund is subject to constitutional limitations, as are the Wayne County Regional Educational Service Agency (RESA) allocated and enhancement millages. Both Wayne RESA and EPSD levy additional taxes that are not subject to the constitutional limitations.

Millages exempt from limitations make the bulk of the taxes that Ecorse residents pay, including millages levied by the following:

- Wayne County, as a charter county, for general operations
- City of Ecorse, as a home rule city for general operations

- Debt Millage levied by the City of Ecorse and EPSD
- Wayne RESA special education millage
- Wayne County Community College District for general operations

The following dedicated taxes are also not subject to the constitutional limitations:

- Wayne County's jail millage, parks millage, and tax for veteran aid programs. These millages were voter-approved but do not have a statutory rate limit.
- The City of Ecorse levies millages for rubbish collection and libraries that have independent rate limitations.
- The City of Ecorse also levies millages for pensions and longevity, which do not have rate limitations.

The City of Ecorse has relied on millages outside of existing rate limits to raise revenues when existing millages subject to rate limits were not sufficient.

For example, Ecorse levies 1.2295 mills for operating its public libraries. Under Public Act 164 of 1877, Ecorse was authorized to levy up to one mill without voter approval, for a free public library. Ecorse is currently levying 0.9871 mills for its libraries. Ecorse also has allocated general purpose millage from the city's charter to levy an additional 0.2424 mills under their city charter. With this additional allocated millage, the city surpassed the one mill maximum tax rate under the 1877 statute.

Taxpayers in Ecorse are also within the borders of four special taxing authorities. Wayne County's Huron-Clinton Metroparks Authority, Wayne County Transit Authority, Wayne County Zoological Authority, and the Wayne County Art Institute Authority. The millage from these four special authorities totals 1.4945 mills. Each authority has its own maximum authorized millage rate.

Finally, the City of Ecorse levies ad valorem special assessments to finance its fire department with eight mills, its local police force with 12 mills, and streetlights with two mills, amounting to a total of 22 mills levied for special assessments.[3]

[3] The use of ad valorem special assessments has changed over time. For instance, the ad valorem special assessment that was authorized in 1951 for police and fire operations functions more like a tax than a traditional special assessment, but it is not subject to rate limitations. It was originally authorized to ensure that local communities met the heightened demand for police and fire protection during the urban and suburban booms after World War II. Traditional special assessments are also not subject to any property tax limits, as they are structured to finance a particular infrastructure project. See Citizens Research Council of Michigan's report on Special Assessments for a more detailed history and analysis.

Enforcing Tax Limitations

Ecorse's example is an extreme illustration of how the state's ineffective property tax rate limitations have enabled the city's total tax rates to become the highest in the state. With a declining tax base and constitutional revenue limitations, city policymakers and residents felt pushed to offset the tax base declines with higher tax rates. With few alternatives to diversify revenues, local governments may feel that they have little choice but to raise rates to sustain operations and meet service obligations.

While Michigan's rate limits provide some control over rising rates, they are ineffective overall. What could be done? Should they be eliminated all together? Repealing all millage rate limits would offer little taxpayer protection against ongoing rate increases, even with voter approval requirements in place but would end the illusion of taxpayer protections.

Another option is to establish and enforce new and existing tax rate limits. Perhaps adding an aggregate

per-parcel cap that applies to any and all millages, including ad valorem special assessments, would stop rates from rising to the levels we see in Ecorse. But this option would not solve the systemic issues of the state's municipal finance system and the local governments' overreliance on property tax revenues.

Any discussion of reform to property tax rate limits should begin with an overall review of how the state approaches funding local government services and operations in the current day. State and local policymakers can deliberate which policy would not only balance taxpayer control but also allow local governments to tap other sources to generate local revenue. Without options to diversify their sources of revenue, local governments have found paths around the rate limits. The existing constitutional and statutory rate limits do not prevent properties from being subject to aggregate property tax rates that rise well above the 50-mill limit outlined in the Michigan Constitution providing property owners with little protection against high rates.

The range of policy options is wide and there are a myriad of legal hurdles to address, but it is clear that a solution to Michigan's ineffective property tax limits will only be found through a comprehensive reform of the state's municipal finance system and consideration of alternatives to the property tax.

This article was written in collaboration with Nicholas Kablak. As a rising senior at Oakland University in Rochester, Michigan, Nick is pursuing a bachelor's degree in political science with minors in Journalism and Economics.

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Madhu held several leadership positions in state government and the non-profit sector prior to joining the Citizens Research Council in 2024. Her expertise is in local and state taxation, government finance, and regulatory policy. In addition to working on landmark tax, school finance, and pension reforms, she helped Michigan earn a AAA bond rating as Chief Deputy State Treasurer. Under her directorship of CEPI, Michigan became one of the first states to offer web-based performance metrics for school districts. Madhu also served as a Deputy Director at the Department of Environmental Quality and at the Michigan Agency for Energy. Her non-profit experience includes Director of Government Relations for the Michigan chapter of The Nature Conservancy, and Treasurer for a local ceramics cooperative.

Founded in 1916, the Citizens Research Council of Michigan works to improve government in Michigan. The organization provides factual, unbiased, independent information concerning significant issues of state and local government organization, policy, and finance. By delivery of this information to policymakers and citizens, the Citizens Research Council aims to ensure sound and rational public policy formation in Michigan. For more information, visit www.crcmich.org.

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