



WHAT HAPPENS TO MY TAXABLE VALUE AFTER I PURCHASE MY HOME?

Congratulations on choosing to call Rochester Hills home! We're excited to welcome you to our community. As you settle in, it's important to understand how the sale will affect your property taxes. In Michigan, a law called Proposal A changed the way property taxes are calculated. Here's what you need to know:

Key Terms

- **State Equalized Value (SEV):** This is essentially the assessed value of your property, roughly 50% of the market value.
- **Capped Value (CV):** This value limits how much your property taxes can increase each year. It's based on the previous year's Taxable Value, adjusted for inflation and any additions or losses to your property.
- **Taxable Value (TV):** This is the value used to calculate your property taxes. It's usually the lower of the SEV or the CV.

The Uncapping Effect

When you buy a home in Michigan, the Taxable Value "uncaps." This means the Taxable Value resets to the State Equalized Value, which is usually higher than the Capped Value. This can result in a significant increase in your property taxes the year after you purchase your home, especially if the previous owner had lived there for an extended period.

Example (You buy a home in Rochester Hills in 2026 with \$400,000 Purchase Price)

- **2026:**
 - SEV: \$200,000 (50% of market value)
 - TV: \$160,000 (previous owner's capped value - this is an assumption; it could be higher or lower)
 - Taxes: \$4,900 (based on the capped value)
- **2027:**
 - SEV: \$210,000 (assuming a 5% increase in property values)
 - TV: \$210,000 (uncapped due to sale)
 - Taxes: \$6,500 (a \$1,600 increase)

Keep in mind that this is a simplified example. Your actual tax bill will depend on several factors, including:

- **School District:** Rochester Hills has two school districts (Rochester and Avondale) with different millage rates.
- **Principal Residence Exemption:** You'll receive a lower tax rate if your Rochester Hills home is your primary residence. Make sure to file for your Primary Homestead Exemption!

How To Estimate Taxes?

For estimating taxes and millage rate information go to our website at <http://www.rochesterhills.org>

Navigate to Departments/Assessing/Property Tax Estimator and enter in the appropriate information.

*This is for estimation purposes only. We recommend checking the current tax rates, as they are subject to annual updates.

Why Does This Happen

Proposal A was designed to protect homeowners from rapid increases in property taxes. However, when a property is sold, the Taxable Value resets to reflect the current market value. This ensures that everyone pays their fair share of property taxes based on the current value of their property.

Be Prepared

It's crucial to be aware of this potential tax increase when budgeting for your new home in Rochester Hills. Many new homeowners are surprised by this jump in taxes. To avoid escrow shortages and unexpected bills, talk to your lender and factor this potential increase into your monthly payments.

Tax Bills come out twice a year.

- Summer tax is payable July 1 – Sept 14
- Winter tax is payable Dec 1 – Feb 14

Key Takeaways

- Property taxes in Michigan are based on the Taxable Value.
- When you buy a home, the Taxable Value resets to the State Equalized Value.
- This can lead to a significant increase in your property taxes the year after purchase.
- Be prepared for this increase and factor it into your budget.
- If you have questions, contact the Rochester Hills Assessor's Office for more information.

Nobody likes paying taxes but we do our best to be a financially responsible city. Your taxes fund the wonderful area you are now calling home. We hope you enjoy the parks, shopping, schools and the beautiful city of Rochester Hills.