

What Is the Mill Rate?

The mill rate is the amount of tax payable per dollar of the assessed value of a property. The mill rate is based on "mills." It is a figure that represents the amount per \$1,000 of the assessed value of the property, which is used to calculate the amount of property tax.

Understanding the Mill Rate

The Mill rate is also known as the millage rate. The term "millage" is derived from a Latin word *millesimum*, meaning thousandth, with 1 mill being equal to 1/1000th of a currency unit. As used in relation to property tax, 1 mill is equal to \$1 in property tax, which is levied per \$1,000 of a property's determined taxable value.

You can find the millage rate for an individual property on the property deed itself or by calling your municipal tax office.

Where Does the Mill Rate Come From?

The mill rate for your property is determined by who or what is taxing you. That means that different mill rates are charged by different agencies, including the township/city, the county, school boards, and/or emergency services districts. These are all combined to help calculate your final property tax bill.

For example, once a budget is passed by your local government, known revenues are subtracted, which leaves the deficit to be raised through property taxes. This amount is divided by the value of all property in the town, which is then multiplied by 1,000. This figure represents the tax rate or the mill rate.

Calculating Property Taxes Using the Mill Rate

Property taxes are calculated by multiplying the assessed, taxable property value by the mill rate and then dividing that sum by 1,000.

The calculation formula is rendered as follows:

Property tax levied on property = (mill rate x taxable property value) ÷ 1,000

For example, if the mill rate is 7 and a taxpayer's personal residence has a taxable value of \$150,000, then, using the calculation formula, the homeowner's property tax bill for their residence is \$1,050. So that means that for every \$1,000 of assessed value, \$7 is owed in property taxes.

How Property Taxes Are Determined

Property taxes are critical to funding the operations of municipal and other local government entities. Not all states levy income taxes, but all states do levy property taxes. Property taxes are often assessed by more than one government entity. For example, a single property may be assessed for both municipal and county taxes.

Government entities set mill rates based on the total value of property within the entity's jurisdiction, to provide the necessary tax revenue to cover projected expenses in their annual budgets, including things such as infrastructure, police and emergency services, and public schools. For this reason, and because of fluctuating real estate values, a tax assessor typically updates the taxable value of the property annually. Mill rates frequently vary for different types of property, such as residential, commercial, or industrial properties.

Property tax is an ad valorem tax, which means it is based on value. The assessed tax value of the property is calculated using local real estate data and is usually a percentage of a property's fair market value, determined by multiplying the property's market value or appraisal value by an assessment ratio established by the local taxing authority. However, it is possible for the assessed tax value to be either higher or lower than a property's actual market value. If a property owner believes that their property has been assessed at an unreasonably high value, they can request a reassessment.

How Do You Calculate Property Taxes Based on the Mill Rate?

The mill rate represents the amount of property tax that you pay on real estate. It is measured in mills, equivalent to a 10th of a percent. For example, a mill rate of 12 means that your property tax is equal to 1.2% of your property's assessed value. To calculate your property tax, multiply your property's mill rate by the assessed property value and divide it by 1,000.

How Do You Find Your Mill Rate?

Mill rates are calculated by local and municipal governments based on their financial needs. You can usually find the millage rates for your area by calling or checking the website for your local government or assessor's office.

How Do You Calculate Percentage from Mill Rate?

Property taxes are often measured in mills, representing a 10th of a percent. To determine the tax rate as a percentage, multiply the mill rate by 10.

The Bottom Line

The mill rate is simply a tax rate that is used to assess the property tax within a jurisdiction. It utilizes a specific calculation (1 mill is equal to \$1 in property tax levied per \$1,000 of a property's assessed value) and this amount is used to pay for government expenses within the area where the property is situated.