

Understanding Property Taxes and Terms

-Supporting Our Educational Mission-

Have you ever considered Lake Local Schools as an educational business? One of the largest employers in the area, the District employs approximately 400 people on a regular basis during the school year, and it operates with an overall budget of approximately 38 million dollars for Fiscal Year 2012. This money is made up from multiple funds, including the General Fund, Local, State and Federal Grants, Scholarships, Athletics and others.

Keeping informed about school finance and how the “business end” of a school district works is important. Also, learning how to calculate property tax will help you understand a school levy as well.

Your property has a market value that is multiplied by 35% to determine your assessed value. This assessed value is the amount on which your taxes are figured. For Example: If your home has the market value of \$100,000, you would be taxed on 35% of that value (assessed value), which equals \$35,000.

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| \$ | 100,000 | = | Market Value |
| | x 35% | = | In Ohio, property is taxed on 35% of Market Value |
| \$ | 35,000 | = | Assessed Valuation (your taxed amount) |
| \$ | 35,000 | = | Assessed Property Valuation |
| | x .001 | = | One Mill |
| \$ | 35.00 | = | The amount of tax the school will receive on one Mill. |
| \$ | 35.00 | = | The amount of tax the school will receive. |
| | x 12.5% | = | In Ohio the state pays 10% of your property tax plus 2.5% for your home if you own it and live in it as your primary residence. |
| \$ | 4.37 | = | The amount the state pays. |
| \$ | 35.00 | = | The amount you are taxed. |
| \$ | - 4.37 | = | The amount the state pays because of the Rollback exemption factor. |
| \$ | 30.63 | = | The amount you would actually pay on a \$100,000 home on one Mill of Tax. |

The Lake Local School District receives \$35.00, which is the combined total of what you and the state pay.

Definition of Terms

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| Mill: | One-tenth of one percent or \$1.00 for every \$1,000.00 of assessed value of property. |
| Inside Mills: | Millage levied under the statutory 10-mill limitation. Such millage is enacted without a popular vote and is not subject to tax reduction factors. |
| Outside Mills: | Millage levied in addition to inside millage. Such millage can only be levied after an affirmative popular vote and is subject to reduction factors. |
| Market Value: | The value of real property determined by its price on an open market. |
| Assessed Value: | A percentage of market value against which property taxes are levied. In Ohio, the percentage is 35% of market value. |
| Voted Millage: | The tax rate that was originally placed on the ballot to collect a specific amount of revenue, based on property values such as Agriculture, Real Estate, Public Utility, Mineral, Tangible Personal property, etc. |
| Effective Millage: | A tax rate applied to real property after adjustments have been applied which reflect a tax reduction factor. When you pass a levy, the dollar amount stays the same and the millage is adjusted every year so that you only collect the dollar amount the levy was originally passed for. This means that unless an additional levy is passed the school basically receives the same dollar amount year to year that was originally passed. |
| Real Property: | Land and buildings. |
| Class One Real Property: | Property classified as residential or agricultural. This includes residential rental property with three or fewer units. This also includes the building/s and improvements to land and buildings used for either residential or business purposes. |
| Class Two Real Property: | Property classified as commercial, industrial, or mineral. This includes residential rental property with four or more units. |
| Public Utilities (for property tax purposes only): | Electric companies, gas companies, local and long-distance telecommunications companies (including paging and cellular), pipelines, heating companies, water transportation, waterworks and railroads. |

- Homestead Exemption Credit:** The Homestead Exemption credit is open to 1) any Ohio homeowner who is 65 years of age; 2) anyone certified totally and permanently disabled; or 3) be the surviving spouse of a qualified homeowner and who was at least 59 on the date of their spouse's death. For an application and more information, contact the Ohio Department of Taxation at 800-282-1780, online at tax.ohio.gov, or contact the County Auditor's office where you live.
- Operating Levy:** Used to raise funds for any legal expenditure. School districts use levy proceeds to fund the day-to-day operations of the school district – salaries, textbooks, supplies, equipment, building maintenance, etc. Operating levies may be for a limited time period or for an indefinite period.
- Bond Levy:** Used to raise funds for permanent improvement to the district's building and grounds or for new construction. If approved by the voters, the Board of Education sells bonds in the amount approved and then may only use that money to pay for the project. The money is paid back with interest over a period of time, usually 20 years or more. Money raised from a bond issue can only be used for the purposes stated on the ballot and, by law, cannot cover operating expenses of the district.
- Permanent Improvement Levy:** Used to raise funds that, like bond issues, can only be used for permanent improvements. This method differs from bond issues in that money is generated as it is collected from the taxpayer, and there is no interest paid on the money. Permanent Improvement levies can be limited or permanent. These levies do not contribute to the calculation of the 20-mill floor, but are subject to reduction factors if they are outside levies.
- Emergency Levy:** A voted levy for a period not to exceed five years that must generate a fixed dollar amount in each of those five years. These levies are not subject to reduction factors and do not figure into the calculation of the 20-mill floor.
- Reappraisal:** A process whereby the county auditor recalculates the value of all real property, involving a visual inspection once every six years. Following a reappraisal, districts do not receive additional revenue from voted millage on existing real property. A different subset of the 88 counties is reappraised each year.
- Triennial Update:** A process that occurs three years after reappraisal to update the market value of all real property based on a selected subset of parcels. It is accomplished through studies of property transactions since reappraisal.

- House Bill 920:** Did you know that voted millage is reduced over the course of a tax levy? The reductions described above are all made after application of tax reduction factors mandated by House Bill 920. In 1976, House Bill 920 was passed to give taxpayers tax relief to counteract the effect of inflation. This reduction factor is applied to produce the same revenue as the year before. In effect, HB 920 “freezes” the dollar amount generated for the school district to the amount generated at the first tax collection following the vote, gives relief to the taxpayer, and allows for no growth in revenue to the school district (except for construction of a new home).
- 20-Mill Floor:** A school district with at least 20 mills of current expense taxes levied may not have its effective tax rate reduced below 20 mills. Once the effective tax rate reaches 20 mills, no further reductions in effective rates are made, allowing such districts to receive the full revenue growth from increases in taxable values on those mills.
- Charge-Off (Foundation):** The local contribution, measured at 23 mills of taxable value, to ensure each school district receives an amount equal to the (State funding) foundation amount for each student in a school district.
- 2.5% Rollback:** Residential and agricultural taxpayers, who own and occupy the property as a residence or, as it is known, homestead, receive an additional 2.5% rollback. This is calculated on your home and up to one acre of your home site property. You will find this on your tax bill as “2 1/2 HRB reduction.”
- State Foundation:** The State foundation money we receive is based on the residential and business property valuation of our district. In essence, the higher the residential and business property values the less state aid we receive. This money comes to us defined as “Unrestricted State Aid” or “Restricted State Aid”. Unrestricted means you can spend the money for any general operating item. Restricted Aid means it can only be spent on certain items.
- Income Tax Levy:** Any school district in Ohio can place a school district income tax levy on a ballot. If passed, only the residents would pay this tax and it does not matter where they work. A person that works within the Lake Local School District but does not live within its boundaries would not pay the school district income tax. There are two types of an income tax that a district can put on the ballot. The first is the “traditional” income tax which would apply to every taxpayer that lives in the district. The “Non-Traditional” income tax levy would only affect the taxpayer that is actually working. In other words, if you were retired or not working, you would not have to pay an income tax.