

How Value Changes Impact Tax Revenue

David Graham, Greene County Auditor

David.graham@greencountyohio.gov

937-562-5065

Chris Kline, Lawrence County Chief Deputy Auditor

ckline@lawrencegov.org

740-534-2082 (cell)

Items to Discuss

Why valuations change

Types of property tax levies

Impact of valuation changes on revenue

Relative cost of levies on individual parcels

20 Mill Floor

Current Agricultural Use Value (CAUV)

Tax Credits

Why Values Change

Reappraisal Change

- Physical characteristics of the property have not changed, but value has changed due to market conditions
- While reappraisal changes occur every year most occur during a sexennial reappraisal or triennial update

Non-Reappraisal Change

- Physical characteristics of the property has changed
- Generally thought of as new construction, but could also include demolition (tornado)

Types of Levies – Inside Millage

- Unvoted
- Maximum 10 mills for a taxing district
- Shared among subdivisions that existed in 1933
- As values change
 - Revenue and cost change by an equal percentage
 - Rate does not change



Type of Levies – Fixed Sum Levies

- Voted
- Intended to produce a specific amount of money over a specified number of years
- Bond and Emergency levies
- Rate is set by the Budget Commission each year to produce the specified revenue
- As values change
 - Revenue does not change
 - Rate is adjusted to produce the specified amount of money

Types of Levies – Fixed Rate Levies

- Voted
- Most common type of levy
- Can be for a specified period of time or indefinite for certain types of levies
- Value changes due to reappraisal changes
 - Revenue does not change
 - Rate is adjusted (effective tax rate)
- Value changes due to non-reappraisal (new construction) changes
 - Revenue changes
 - Rate does not change

Types of Levies – Fixed Rate Levies Effective Tax Rate

- Effective tax rate is calculated by measuring the percentage of value change due to the reappraisal and reducing the voted rate so that the levy does not generate additional revenue from the reappraisal change
- Theory
 - If your value increases due to a reappraisal change it doesn't mean it costs more money to provide services
 - If your value increases due to new construction, there is a greater demand for services and thus additional revenue is generated

Summary of Types of Tax Levies

Levy Type	Description	Impact of Value Change
Inside – Unvoted	<ul style="list-style-type: none"> • 10 mill limit • shared among political subdivisions 	<ul style="list-style-type: none"> • Moves in direct proportion to value change • Value up 30% taxes up 30%
Voted Fixed Sum Levies – Voted	<ul style="list-style-type: none"> • Bond & Emergency levies • Rate set to produce a specific dollar amount 	<ul style="list-style-type: none"> • As values increase rate decreases resulting in no impact on revenue
Fixed Rate Levies – Voted	<ul style="list-style-type: none"> • Specific rate approved by the voters • Rate is adjusted for reappraisal changes 	<ul style="list-style-type: none"> • As value increases due to reappraisal; rate is reduced resulting in no tax impact • Value increases due to new construction causes revenue to increase

Effect of Value Change on Each Levy Type

	Inside Levies	Fixed Sum Levies	Fixed Rate Levies	Total
Assessed Valuations	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Effective Tax Rate (in Mills)	5.000000	5.000000	5.000000	15.000000
Taxes on Assessed Value	\$ 500.00	\$ 500.00	\$ 500.00	\$ 1,500.00
Reappraisal Change (10%)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Non-Reappraisal Change (5%)	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
New Value (15% Higher)	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
New Effective Tax Rate	5.000000	4.350000	4.545455	13.895455
Taxes on New Value	\$ 575.00	\$ 500.25	\$ 522.73	\$ 1,597.98
% Change in Value	15%	15%	15%	15%
% Change in Taxes	15%	0%	5%	7%
% Change in Tax Rate	0%	-13%	-9%	-7%

Levy Cost Relative to Value Change

- Fixed Sum and Fixed Rate levies' rates are determined based on revenue to be produced
- All values do not change by an equal percentage
 - If your value increase was greater than the average increase your taxes will increase
 - If your value increase was less than the average increase your taxes will decrease



Relative Taxes – Example Fixed Rate & Fixed Sum Levies

	Owner A	Owner B	Total
Assessed Value	\$35,000	\$35,000	\$70,000
Tax Rate	2.00	2.00	2.00
Taxes	\$70.00	\$70.00	\$140.00
Reappraisal Change	\$5,000	\$2,000	\$7,000
New Value	\$40,000	\$37,000	\$77,000
New Effective Tax Rate	1.818182	1.818182	1.818182
New Taxes	\$72.73	\$67.27	\$140.00

Fixed Rate Levy Exceptions

Decreasing values

- If reappraisal decreases occur, the effective tax rate increases so the levy generates the same amount of revenue (same as reappraisal increases) but the effective rate cannot exceed the voted rate
- Subdivision would lose tax revenue in this scenario

20/2 Mill Floor

- School district (20 mill floor) and joint vocational school district (2 mill floor)
- General fund millage cannot be reduced below the floor
- Floor acts like inside millage when values increase
- When values decrease effective millage increase no revenue loss

Example of the 20 Mill Floor Impact

Effective Tax Rate	4.00	16.00	20.00
Assessed Value	\$1,000,000	\$1,000,000	\$1,000,000
Revenue	\$4,000	\$16,000	\$20,000
Reappraisal Change	\$10,000	\$10,000	\$10,000
New Value	\$1,010,000	\$1,010,000	\$1,010,000
New Effective Tax Rate	4.00	16.00	20.00
New Revenue	\$4,040	\$16,160	\$20,200
Reappraisal Change	(\$10,000)	(\$10,000)	(\$10,000)
New Value	\$1,000,000	\$1,000,000	\$1,000,000
New Effective Tax Rate	4.00	16.16	20.16
New Revenue	\$4,000	\$16,160	\$20,160

Impact of the Floor on Revenue

Remember we said only inside millage moves directly with property value, but if a school district is at the 20 mill floor the floor acts like inside millage when values increase, resulting in additional millage being subject to a direct correlation with property values.

	Xenia City		Bellbrook City	
	Millage	%	Millage	%
Inside Millage	10.000000	16%	10.000000	13%
Fixed Rate Levies Act Like Inside Millage				
Xenia School District	15.700000	58%	0	0%
Greene County Career Center	2.000000	3%	2.000000	2%
Total Millage Acts Like Inside Millage	27.700000	45%	12.000000	15%
Millage Not Directly Correlated to Property Valuation Change	34.239644	55%	66.694862	85%
Total Effective Millage	61.939644		78.694862	

How the Floor Impacts Taxes

Xenia City

- In Xenia City if there were an average increase of 30% the taxpayers would see an increase in their property taxes of approximately 13.5% since 45% of their tax rate is directly tied to valuation increases.

Bellbrook City

- In Bellbrook City if there were an average increase of 30% the taxpayers would see an increase in their property taxes of approximately 4.5% because only 15% of their levies are directly tied to valuation increases.

Current Agricultural Use Value (CAUV)

Income approach to valuing farm ground

- Based on commodity prices, price of production and capitalization rate
- Varies based on quality of soil

Qualifications

- Commercial productivity (not personal use)
- Farming more than 10 acres
- If less than 10 acres being farmed only area being farmed qualifies and must prove annual income of \$2,500 per year over a three year period

Recoupment

- If land removed from CAUV must repay three years of tax savings

Tax Credits

Non-Business Credit

- Qualify by virtue of being classified as agricultural or residential property
- Provides a 10% discount on qualifying levies*

Owner Occupancy Credit

- Must claim the property as your primary residence
- Complete an application
- Provides a 2.5% reduction on qualifying levies*
- Value subject to credit limited to one acre of land and residence

* A qualifying levy is any additional or replacement levy passed prior to August 2013

Tax Credits - Homestead

Age or Disability

- Qualifications
 - Meet the requirements of the Owner Occupancy Credit
 - Either over the age of 64 or permanently disabled
 - Have an Ohio Adjusted Gross Income of \$36,100 or less
- Means testing only required if first qualifying after 2013
- The net tax on the first \$25,000 of value is exempt to you. State of Ohio pays the tax on your behalf

First Responders/Disabled Veterans

- Spouses of first responders killed in the line of duty and 100% military related disabled veterans can qualify for a \$50,000 exemption.
- Not subject to age or means testing