



PROPERTY TAX OVERVIEW & THE 20 MILL FLOOR

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PROPERTY TAXATION BASICS

Definitions

Appraised Value: County Auditor's estimate of current market value.

Assessed (Taxable) Value: 35% of appraised value

Mill: 1 mill = \$1 for every \$1,000 of taxable value

Inside (Unvoted) Millage: Per the Ohio Constitution, 10 mills are levied for the benefit of counties, municipal corporations, townships, and school districts. The distribution of these 10 mills vary.

Outside (Voted) Millage: Anything above the 10 inside mills must be approved by the voters of the taxing jurisdiction.

Pre-House Bill 920 Simplified Example:

	<u>Base Year</u>	<u>Base Year + 10 Years</u>
Appraised Value:	100,000	200,000
Assessed (Taxable) Value 35%	35,000	70,000
Inside (Unvoted) Millage:		
County	2.0	2.0
City/Village/Township	3.0	3.0
School District	<u>5.0</u>	<u>5.0</u>
Total Inside Millage	10.0	10.0
Outside (Voted) Millage:		
Various County Levies	5.0	5.0
Various City/Village/Twp. Levies	5.0	5.0
School District Operating Levies	26.0	26.0
School District Other Levies (Bond, Perm Imp, Emer, Sub)	<u>5.0</u>	<u>5.0</u>
Total Outside Millage	41.0	41.0
Total Millage	51.0	51.0
Property Tax Calculation:		
Assessed (Taxable) Value	35,000	70,000
x Total Millage	<u>51.0</u>	<u>51.0</u>
	1,785,000	3,570,000
Divided by 1,000	<u>/ 1,000</u>	<u>/ 1,000</u>
Gross Taxes Due	1,785	3,570
	Increase in dollars	1,785
	Increase in percentage	100%

HOUSE BILL 920

Like now, the country was experiencing a period of sustained inflation throughout the 1970s. This translated into automatic property tax increases as property values rose. In reaction, taxpayer driven property tax “revolts” were starting to occur around the country.

Ohio’s solution was House Bill 920 which was enacted in 1976. The goal of House Bill 920 was to protect taxpayers from increases in property taxes due to inflation on outside voted levies. Note, that it does not affect inflationary increases on inside unvoted millage.

Additional Definitions

Reduction Factor(s): Are the mechanism by which outside voted levies are reduced to raise only the amount they raised at the time of their passage (plus new construction that occurs in the future). These factors are calculated annually by the Ohio Department of Taxation.

Stated (or Voted) Millage: The stated millage that voters approved when a levy was initially passed.

Effective Millage: Is the millage actually generated by a levy after the reduction factor for that levy is applied.

Simplified example of House Bill 920 in action (in aggregate):

A school district passes an operating levy of 5 mills which in that community raises \$1,000,000 per year at the time of passage.

	<u>Base Year</u>		<u>Base Year + 10 Years</u>
Assessed District Valuation	200,000,000		300,000,000
divided by 1,000	<u>/1,000</u>		<u>/1,000</u>
Dollars raised per Mill	200,000		300,000
x Stated (Voted) Millage	<u>5.0</u>	Stated (Voted) Millage	5.0
		x Reduction Factor	<u>0.666667</u>
		x Effective Millage	<u>3.333335</u>
Dollar Generated by Levy	1,000,000		<u>1,000,001</u>

Note: The value of new construction over ten years is not factored into this illustration.

Simplified example of House Bill 920 in action (individual taxpayer):

	<u>Base Year</u>		<u>Base Year + 10 Years</u>
Appraised Value:	100,000		200,000
Assessed (Taxable) Value 35%	35,000		70,000
Inside (Unvoted) Millage:			
County	2.0		2.0
City/Village/Township	3.0		3.0
School District	<u>5.0</u>		<u>5.0</u>
Total Inside Millage	10.0		10.0
Outside (Voted) Millage:			
Various County Levies	5.0	Effective Millage	3.3
Various City/Village/Twp. Levies	5.0	Effective Millage	3.3
School District Operating Levies	26.0	Effective Millage	17.3
School District Other Levies (Bond, Perm Imp, Emer, Sub)	<u>5.0</u>	Effective Millage	<u>3.3</u>
Total Outside Millage	41.0		27.3
Total Millage	51.0		37.3

Property Tax Calculation:

Assessed (Taxable) Value	35,000		70,000
x Total Millage	<u>51.0</u>	x Total Effective Millage	<u>37.3</u>
	1,785,000		2,613,334
Divided by 1,000	<u>/ 1,000</u>		<u>/ 1,000</u>
Gross Taxes Due	1,785		<u>2,613</u>

Increase in dollars	828
Increase in percentage	46%

THE 20 MILL FLOOR

In an effort to ensure school districts would be guaranteed a certain level of operating funds, the legislature enacted the “20 Mill Floor” in 1977. This was designed to assist districts which historically had difficulty in passing new operating levies.

Only operating levies count toward the 20 Mill Floor. Emergency and Substitution levies do not count toward the 20 Mill Floor even though those levies provide operating funds for the district. Bond issues and Permanent Improvement levies also do not count toward the 20 Mill Floor as funds from those levies can't be used for operating purposes.

One More Definition

Fixed Dollar Levies: Emergency and Substitution levies raise a fixed dollar amount (like \$1,000,000) that does not change no matter what changes there are to the valuation of the district. This dollar amount is converted into an effective millage rate that will generate the fixed dollar amount each year the levy is in effect.

Simplified example of House Bill 920 in action (in aggregate):

A school district passes a operating levy of 5 mills which in that community raises \$1,000,000 per year at the time of passage.

Assessed District Valuation divided by 1,000	<u>Base Year</u> 200,000,000 /1,000	<u>Base Year + 10 Years</u> 300,000,000 /1,000
Dollars raised per Mill x Stated (Voted) Millage	200,000 5.0	300,000 5.0
Dollar Generated by Levy	1,000,000	1,000,000
		Stated (Voted) Millage x Reduction Factor x Effective Millage
		0.666667 3.333335 1,000,001

Note: The value of new construction over ten years is not factored into this illustration.

Simplified example of House Bill 920 in action (individual taxpayer):

Appraised Value:	<u>Base Year</u> 100,000	<u>Base Year + 10 Years</u> 200,000
Assessed (Taxable) Value 35%	35,000	70,000
Inside (Unvoted) Millage:		
County	2.0	2.0
City/Village/Township	3.0	3.0
School District	5.0	5.0
Total Inside Millage	10.0	10.0
Outside (Voted) Millage:		
Various County Levies	5.0	5.0
Various City/Village/Twp. Levies	5.0	5.0
School District Operating Levies	26.0	17.3
School District Other Levies (Bond, Perm Imp, Emer, Sub)	5.0	3.3
Total Outside Millage	41.0	27.3
Total Millage	51.0	37.3
Property Tax Calculation:		
Assessed (Taxable) Value	35,000	70,000
x Total Millage	51.0	37.3
Divided by 1,000	1,785,000	2,613,334
Gross Taxes Due	1,785	2,613

	<u>Base Year + 10 Years</u> 105,000	<u>Base Year + 20 Years</u> 400,000,000 /1,000 400,000
	30.5	5.0
	3,202,500	2,500,000
	1,000	1,000
	3,203	2,501

	<u>Base Year + 10 Years</u> 589	<u>Base Year + 20 Years</u> 799
	23%	31%

	<u>Base Year + 10 Years</u> 300,000	<u>Base Year + 20 Years</u> 400,000,000 /1,000 400,000
	5.0	5.0
	0.666667	0.5
	3.333335	2.5
	1,000,001	1,000,000

Note: The value of new construction over ten years is not factored into this illustration.

Simplified example of House Bill 920 in action (individual taxpayer):

Appraised Value:	<u>Base Year</u> 100,000	<u>Base Year + 10 Years</u> 200,000	<u>Base Year + 20 Years</u> 300,000
Assessed (Taxable) Value 35%	35,000	70,000	105,000
Inside (Unvoted) Millage:			
County	2.0	2.0	2.0
City/Village/Township	3.0	3.0	3.0
School District	5.0	5.0	5.0
Total Inside Millage	10.0	10.0	10.0
Outside (Voted) Millage:			
Various County Levies	5.0	5.0	5.0
Various City/Village/Twp. Levies	5.0	5.0	5.0
School District Operating Levies	26.0	13.0	15.0
School District Other Levies (Bond, Perm Imp, Emer, Sub)	5.0	3.3	2.5
Total Outside Millage	41.0	27.3	22.5
Total Millage	51.0	37.3	32.5
Property Tax Calculation:			
Assessed (Taxable) Value	35,000	70,000	105,000
x Total Millage	51.0	37.3	32.5
Divided by 1,000	1,785,000	2,613,334	3,412,500
Gross Taxes Due	1,785	2,613	3,413

	<u>Base Year + 10 Years</u> 589	<u>Base Year + 20 Years</u> 799
	23%	31%

FINAL THOUGHTS

Based upon information for Tax Year 2023, over 450 of Ohio's 611 school districts are at the 20 Mill Floor with more expected to fall to the floor due to Tax Year 2024 re-appraisals and updates. The vast majority of those districts have undertaken long-term strategies to get their effective operating millage down to the 20 Mill Floor. Once at the floor, districts have effectively negated the protections against inflationary property tax increases on voted levies afforded to taxpayers by House Bill 920.

If the legislature is still committed to House Bill 920 and the protections it provides to taxpayers, the 20 Mill Floor must be addressed. Otherwise, in most school districts in Ohio, taxpayers will continue to see unvoted increases to levies that should have been prevented by House Bill 920 as their property values increase.

P.S. There is also something called the "2 Mill Floor" for Joint Vocational Schools.