

Glossary of School Finance Terms

Real Estate Taxes

This is a tax levied on land and buildings located within the school district. Individuals and businesses pay this tax on the property they own. Two key components in calculating real estate taxes are the taxable or assessed value (market value x 35%) of the property and the millage rate.

Market Value

The market value is the estimated sales value of the property. For purposes of real estate taxes, the county auditor determines the market value of all of the property in the county. The county auditor then calculates the taxable/assessed value for each property.

Taxable/Assessed Value

Taxable value and assessed value are different terminologies for the same thing.

The taxable value is determined by taking 35% of the market value of the property. For example, a home that would have a market value of \$100,000 would have a taxable value of \$35,000.

Re-appraisal and Triennial Update

The county auditor is responsible for assigning a market value for all of the individual properties in the county. Every six years the county auditor appraises all of the properties to determine their market value. This is re-appraisal. Every three years, the county auditor does an update of the market values based on home sales. This is Triennial update.

Mills

Property tax rates are computed in mills. A mill is 1/1000 or .001. One mill cost a property owner \$1.00 for every \$1,000 of taxable value.

Inside Millage

In Ohio, millage is referred to as "inside" millage and "outside" millage. Inside millage is millage provided by the Constitution of the State of Ohio and is levied without a vote of the people. It is called inside millage because it is "inside" the law. Another name would be un-voted millage.

The Constitution allows for 10 mills of inside millage in each political subdivision. Public schools, counties, townships, and other local governments are allocated a portion of the 10 inside mills. New Richmond Exempted Village School District is allocated 3.5 mills of the 10 inside mills.

Outside Millage

Outside millage is any millage "outside" the 10 mills that is provided by the Constitution of the State of Ohio. This millage is voted in by the public. Another name for outside millage is voted millage.

Effective Millage

Effective millage is the millage rate that is actually levied on property. Once a levy is voted in, a school district cannot collect any additional money due to valuation increases from reappraisal or triennial update on that levy. As property values increase, the millage rate on that voted levy is decreased so that the levy generates the same amount of money. This reduced millage rate is referred to as effective millage. The only way school districts get any additional money on voted millage is from new construction or from having their millage reduced to the minimum amount allowed by law (20 mill floor).

House Bill 920

During the 1970's property values were increasing at a very high rate. In 1976 the Ohio Legislature enacted House Bill 920. This bill effectively freezes all voted real estate millage at the dollar amount collected the first year the millage went into effect. As property values rise through reappraisal or triennial update, the outside millage is reduced. In simple terms, the amount of money a school district collects from a levy does not increase as property values increase.

20 Mill Floor

As property values increase, voted millage rates are decreased so that school districts don't collect any additional money on voted millage due to inflation. Over time, millage rates could be reduced to near zero. To keep this from happening, Ohio law establishes a minimum millage level, or floor, that millage rates cannot fall below. This minimum level is 20 mills. Once a district's total millage is reduced to 20 mills, it cannot be reduced any further, hence the 20 mill floor.

Homestead Exemption

The homestead exemption allows senior citizens and permanently and totally disabled Ohioans to reduce their property taxes by exempting \$25,000 of the market value of their home from all local property taxes.

To qualify, an Ohio resident must be at least 65 years old or be totally and permanently disabled and own and occupy a home as their principal place of residence. For individuals who own more than one home, the principal place of residence is the home where the person is registered to vote and the person's place of residence for income tax purposes.

Applications for the exemptions are available at the county auditor's office.

Bond Levy

A bond levy is a levy that allows the district to issue debt to build or improve buildings. It is a "bricks and mortar" levy. Bond levies cannot be used to pay staff or utilities or any other operating expenses. Bond levies are used to build buildings but cannot be used to operate the new buildings.

Regular Operating Levy

An operating levy funds the day to day operations of the district. It can be used for salaries, instructional supplies, textbooks, transportation costs, maintenance and upkeep, etc. The millage rate is submitted to voters for approval, not the dollar amount. The millage rate is adjusted down as property values increase. It can be for a limited amount of time or continuing.

Emergency Levy

An emergency levy funds the day to day operations of the district. It can be used for salaries, instructional supplies, textbooks, transportation costs, maintenance and upkeep, etc. This type of levy is submitted to the voters as a dollar amount. An emergency levy can only be voted in for a period of one to ten years.

Permanent Improvement Levy

Permanent improvement levies are for projects and equipment that have a useful life of five years or more. New roofs, renovations, and school busses are assets that fall into this category.