
Detailed Fiscal Analysis

Notification of the Date a Tax Levy First Applies

For most property tax levies, the ballot language does not state the year the tax will first be levied. Property tax bills are calculated at the end of December for the current year and are generally collected in two payments during the next year. The bill that is printed at the end of December will include most tax levies that were adopted during the current year. Therefore, a levy that is adopted in February and one adopted in November will appear for the first time on the January tax bill for real property taxpayers. This can create confusion among the taxpayers since the first tax payment after the February election does not increase while the first payment after the November election will increase. This bill attempts to alleviate that confusion by requiring ballot language indicating whether a levy applies in the same year the tax is voted on. This change in ballot language does not have a fiscal impact.

Notice of Plans to Change Inside Millage

Property taxes in Ohio can be authorized by a local taxing district (inside millage) or approved by a vote of the individuals in the district. Under current law, real property tax rates on *voter approved levies* are reduced to insure that inflationary increases in the value of property do not result in higher tax payments. This reduced tax rate is known as the effective rate of taxation. In the case of school districts, the tax rate for inside millage plus the effective tax rate on voted millage can not fall below 20 mills when these taxes are used to pay for current operating expenses. This is commonly referred to as the 20-mill floor and it does not include emergency, bond, or permanent improvement levies.

On average, local school districts have 4.6 inside mills dedicated to current operating expenses. However, districts are not required to use inside millage for operating expenses and some districts have opted to dedicate all or a portion of their inside millage to pay for permanent improvements or debt service. If a district is currently using voted general operating millage to pay for permanent improvements or debt service, the district can realign its inside millage to pay for all or a part of these expenses. Since a school district's total effective rate for operating millage can not fall below 20 mills, if this district is also at the 20-mill floor and has additional voted operating mills above its effective rate on voted operating mills, realigning inside millage increases the total tax rate. The following table outlines the changes to total millage rates in a district at the 20-mill floor before and after realigning inside millage.

	Authorized Rate	Beginning Effective Rates	After Adjustment	New Effective Rates
Inside Operating Millage	5	5	3	3
Voted Operating Millage	20	15	15	17
Other Inside Millage	0	0	2	2
“Floor” Millage	25	20	18	20
Total Effective Tax Rate	--	20	20	22

Under current law, a school district is not required to notify district citizens of plans to realign inside millage. The bill would require school districts that are shifting the allocation of inside millage away from operating expenses to some other purpose to hold a public hearing

devoted to that topic. In addition, the district would be required to publish the date and time of the hearing in the local newspaper with a statement that the proposal may result in an increase in the amount of real property taxes levied. While almost all districts can theoretically switch the allocation of inside mills, only about one-half of all districts -- the districts at or near¹ the 20-mill floor -- would realize an increase in tax revenues from a change in inside millage allocation. In addition, the district must also have non-operating expenses that are being funded with general operating millage. Finally, these districts must choose to realign inside millage. If a district meets all three of these requirements, they will incur some increased costs associated with publishing newspaper notifications and conducting a public hearing. However, these costs are expected to be minimal.

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¹ “Near” to the 20 mill floor is relative to a district’s inside millage and the number of mills a district chooses to reallocate. For a tax increase to occur, the number of inside mills that are reallocated must be greater than the district’s effect rate less 20 mills. Therefore, in one case a district at 24 mills realigning 5 inside mills will realize a tax increase. Another district at 24 mills realigning 3 mills will not realize an immediate tax increase.