SPRINGBORO COMMUNITY CITY SCHOOLS

Property Tax Levies

Types of Property Tax Levies (as classified by Purpose)

(1) Permanent Improvement Levy

- "permanent improvement" means any property, assets or improvement with an estimated life or usefulness of five years or more
- millage based
- subject to reduction factor
- renewal or replacement of existing levy permitted
- Two types of permanent improvement levies:
  (i) "Traditional" Permanent Improvements: for the construction or acquisition of any specific permanent improvement.
  – Specific purpose: i.e. "for the construction, acquisition, furnishing and equipping, including with educational and safety technology or a new middle school"
  – length of levy: one to five years
  (ii) "On-Going" Permanent Improvements: for general, on-going permanent improvements
  – length of levy: one to five years or continuing.

(2) Current Operating Expense

- current expenses/operating levy – same thing
  "current operating expenses" and "current expenses" mean any lawful expenses of the Board of Education which are not for permanent improvements or debt service (i.e. salaries, benefits, textbooks, maintenance, equipment)
- millage based
- length of levy: one to five years or continuing
- subject to reduction factor
- renewal or replacement of existing levy permitted (can also renew with increase or renew with decrease)

(3) Emergency Levy

- purpose may be either to: (i) provide for the emergency requirements of the school district; or (ii) to avoid an operating deficit
- dollar amount based (i.e. $7,916,500 per year), millage figure on ballot is merely estimate (actual millage will fluctuate each year to annually produce the stated amount)
- not subject to reduction factor (because it's a specific dollar amount) length of levy: one to five years (no such thing as a continuing emergency levy)
- can be renewed, but not replaced

(4) Substitute Levy

- Substitute levies can only replace existing emergency levies
- Not a new tax, allows for growth to capture new construction
- Rollback/homestead credits for emergency levies originally passed in 2008 or before remain.
- Length – 1 to 10 years or continuing
- Reduce voter fatigue
- Calculation, in the first year the levy generates the same amount of money as the emergency levy. Thereafter, it may raise an amount equal to the amount raised in the prior year. Plus amount equal to value of new construction or real property multiplied by the rate the levy was being charged in the previous year.

(5) Renewal Levy

- Voter approval to extend the term of a limited levy when it expires. The renewal levy must state the same purpose as the original levy. The effective rate of the renewal begins from the mount where the original levy ends. A renewal levy proposal can combine with a proposal to raise additional millage.

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Bond Issue

The Board of Education as the taxing authority of the school district may issue bonds in an authorized amount for specified purposes, the debt service on which (principal and interest payments) will be paid back from property tax revenues over a specified period of time.

Most bond issues require prior approval by the voters of the school district (exception: un-voted bonds may be issued in an amount up to 1/10th of 1% of school districts assessed valuation) (2016 Springboro CSD AV = $1,070,743,840, so 1/10 of 1% un-voted limit = $1,070,743,) (there is also a 9% total debt limit unless granted “special needs” status).

Generally, bonds may not be issued to provide current operating funds for the district, but may only be issued to finance “permanent improvements”, which are defined as any property, asset, or improvement certified by the treasurer as having an estimated life of usefulness of five years or more (including real estate, buildings, personal property and interests in real estate, equipment, furnishings, and site improvements, and reconstruction, rehabilitation, renovation, installation, improvement, enlargement, and extension of property, assets or improvements).

Things to take into consideration when considering placing bond issue on ballot:

- **Timing:** process requires 2 board resolutions and county auditor’s certification and filing with board of elections no later than 75 days before day of election.
- **Which election(s):** February special, May primary, August special or November general election.
- **Purpose clause:** see above definition of permanent improvements, must be specific as to what improvements the voters are authorizing.
- **Sizing of the bond issue in terms of principal amount and as translated into millage:** what principal amount do you want to ask voters to authorize; you will be limited by that amount, but also do not want millage to appear larger than it needs to be on ballot.
- **Maximum maturity of bonds:** is determined by the life of the improvements for which the bonds are issued using a weighted average of the different classes of improvements to be acquired (i.e. 30 years for acquisition of property, 10 years for furniture, equipment and furnishings).

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School District Income Tax Levy

What a Tax Levy looks like on the ballot.

A tax on the "school district income" of individuals and estates.

- **"School district income"** = portion of income earned while an individual is a resident of that district and the income tax is in effect.
- Note: an individual can have school district income in more than one district (if you moved).
- **Non-residents** of the school district are not obligated to pay the school district income tax, even if they work in the district — compare with municipal income tax: municipalities collect tax from both residents and non-residents working in the municipality.
- **Purpose of levy**: any permitted purpose such as current expenses, permanent improvements, public library, recreational purposes, community center, cultural center or education technology.
- **Rate of taxation** must be in .25% increments.
  Length of levy: for a specified number of years or for a continuing period of time.
- **Coupling:** can be coupled with a decrease in a property tax levy.
- Can also combine an **income tax and bond issue** as one ballot question.
- **Income that is not taxed:** social security benefits, disability and survivor benefits, railroad retirement benefits, welfare benefits, child support, property received as a gift, bequest or inheritance, workers' compensation.
- **Senior citizen tax credit** of up to $50 per year for taxpayers 65 years or older.
- **School district income taxes** in Warren County: (Carlisle LSD passed a 1% income tax levy in 2004). In Butler County: (Madison LSD passed a .50% in 1991, New Miami LSD passed a 1% in 1990, Ross LSD passed a .75% in 2006, Tallawanda passed a 1% in 2005, as well as Triad and Mechanicsburg. In Hamilton County: (Southwest and Wyoming have income tax levies. A total of 197 school districts have an income tax as of 2016.
  http://www.tax.ohio.gov/tax_analysis/tax_data_series/school_district_data/publications_tds_school/SD2QFY16.aspx
- http://www.tax.ohio.gov/portals/0/tax_analysis/tax_data_series/school_district_data/sditqa.pdf

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School Finance Basics

Ad Valorem Tax: a tax assessed according to the value of property.

Assessed Valuation (AV): the total valuation for taxing purposes on the county auditor's real, personal and public utility property lists.

Bond: An interest bearing securities certificate used for raising capital which promises to pay the owner a specified sum on a certain date.

General Obligation Bonds (GO Bonds): securities issued with a pledge of the full faith, credit and general property taxing power of the issuer (voted bonds are GO Bonds).

Mill: a tax rate expressed as a fraction of a dollar (0.001). One mill is equal to a tax of one dollar ($1.00) per one thousand dollars ($1,000) of assessed value.
***Note:** a security, usually maturing in one year or less, the interest on which is payable at maturity – often issued before bonds (i.e. "bond anticipation notes").

Example:

If I own a house with a "true" (i.e. market) value of $150,000, what would be my taxes due on a proposed new property tax or bond issue that says it would be 5.0 mills?

1. the assessed valuation of real property is fixed at 35% of true value
   $150,000 x .35 = $52,500
2. divide by 1000 to determine how many dollars per mill you would pay
   $52,500 / 1,000 = $52.50 per mill of tax
3. multiply by proposed millage
   $52.00 x 5 mills = $262.50