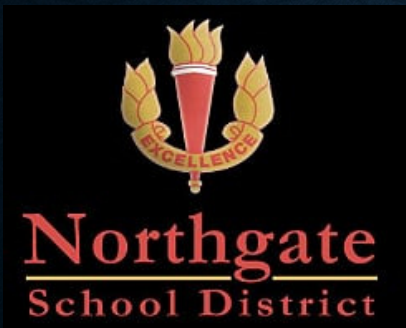


REAL ESTATE VERSUS EIT/PIT TAX MODIFICATIONS TO OFFSET A HOMESTEAD EXEMPTION

JANUARY 11, 2020



Steps to Place Resolution on the Ballot in November 2021

- Appoint Commission at Board Meeting on **February 15, 2021**
- Commission will meet (minutes to be kept, meetings open to public)
- Commission to hold one public hearing (April 2021+/-)
- Commission presents recommendation to board by **May 10, 2021**
- Board may accept or reject recommendation
- Board develops a proposed resolution and holds a public hearing (June / July 2021)
- Board passes a resolution in July or August for submission to the County Elections by **September 3, 2021** along with developing an interpretive description

Key points of the Increased Homestead Exemption

- Maximum allowable overall Homestead Exclusion - 50% of the median assessed value of residential properties (include gaming money exemption).
- If you immediately go to the maximum, future options are limited
- Not simply owner-occupied property. Must be the primary residence
- Cannot raise the real estate millage to fund a Homestead Exemption.
Can raise the EIT or switch to PIT to fund it
- Increase in EIT, or switch to PIT, and a proportional reduction in real estate taxes.
- Allows a 2% EIT/PIT increase in the next year for operation revenue collection discrepancies
- Effective July 2022

EIT versus PIT

The EIT is a tax on compensation and net profits, including:

- Salaries
- Wages
- Commissions, bonuses, stock options and incentive payments
- Fees
- Tips
- Net profits from the operation of a business, profession or farm

UNFAVORABLE TO RENTERS

HIGHER RATE

VOLATILE

BENEFITS THOSE HAVING NO EIT

DOES NOT TAX S.S. or PENSIONS

The PIT taxes compensation, net profits and other kinds of income:

- Compensation and net profits (s/a EIT)
- Interest
- Dividends
- Net gains or income - dispositions of property
- Net gains or income - rents, royalties, patents and copyrights
- Income derived through estates or trusts
- Gambling and lottery winnings

UNFAVORABLE TO RENTERS

LOWER RATE

MORE VOLATILE

DOES NOT TAX S.S. or PENSIONS

COLLECTION MEANS?

Commission Charge

- Study tax levies assessed and collected by the district and county / municipal taxes imposed concurrently
- Analyze how the districts tax policies could be improved by EIT and PIT
- Specific Items to study:
 - Historic and Present Rates and Revenues from taxes assessed and collected
 - Percentage of Total Revenue from taxes assessed and collected
 - Age, Income, Employment and Property Use Characteristics of the Existing Tax Base
 - Projected revenue of taxes currently assessed and collected, including those authorized and not levied

Commission Charge (cont.)

- Consider other factors
 - Increases in Property Value vs. Wage and Interest/Dividends
 - Effect of Economic Trends on Collection Rates
 - Population Shifts – Advantage and Disadvantage
- Hold at least one public hearing
- All meeting and deliberations are public (minutes, tapes, correspondence available for public inspection)
- Develop a non-binding recommendation to the school board and present at a public meeting
- How to equitably obtain the required funds. Not to determine if the district budget is appropriate

Commission Formation

- 5, 7 or 9 resident individuals or taxpayers representing the socio-economic, age, and occupational diversity of the district
- One MAY be a member of the school board
- No member can be an official, employee, or relative of an official or employee of the district
- Commit to approx. 6 to 10 meetings between February 16 and May 10
 - Set first meeting on February 16 to select meeting dates for advertising and meet with solicitor and business manager

Board / District Commitment to the Process

- Board Recommend Possible Committee Members (February 1)
 - Age Range
 - Income Range
 - Renter / Owner
 - Retired / Working
- Support of the Business Office
 - Gather Current and Historical Data on Taxation
 - Develop Analyses to Support Commission and Board Recommendations
 - Respond to Information Requests / Attend Meetings

Board / District Commitment to the Process (cont.)

- Support from the District Solicitor (charge of the commission, respond to questions and interpretations, development of resolution and interpretation)
- Hold a separate public hearing on the proposed resolution develop from the commission results
- Resolution Preparation
 - “Do you favor imposing an additional X% of earned income tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential property by an estimate of \$Y. The current earned income tax rate is 0.5%”
- Development of the Interpretative Document
- Meeting space and hearing space / ZOOM access - Advertising



Northgate
School District