

Understanding Taxes and Levies in Yellow Springs School District

Overview of School District Income

School districts receive funding from federal, state, and local sources. Local funding can be received via an income tax or a property tax. Property taxes are called tax levies.

Overview of Local Tax Income

- Income taxes must be approved by voters in amounts of .25% increments.
 - Yellow Springs School District currently has a 1% income tax.
- Property tax levies may be voted or unvoted, and are calculated based on the assessed value of a property. The unit of value used with property taxes is called a mill or millage.
 - Assessed value is 35% of the appraised value of a home.
- One mill is 1/10 of a percent of the assessed value of the property.
 - Yellow Springs School District currently (2019) has an effective tax rate of 36.93 mills supporting multiple purposes.

While the amount approved for income taxes will not change over the life of the levy, the property tax millage may change over the life of the levy depending on the specific type of levy that is approved.

- In 1976, the Ohio General Assembly passed House Bill (HB) 920, which reduces the taxes charged by a voted levy to offset increases in the value of real property. This is called the property tax reduction factor or HB 920 factor. This means the amount of outside millage taxes collected on property will not exceed the amount collected at the property's value in the first year the taxes were collected. Although property values may increase while the levy is in effect, the amount of taxes collected on those properties do not increase.
- The reduced rate at which taxes are collected is termed the effective millage.

Taxes may also be categorized by their purpose of funding operations or funding permanent improvements.

Current Yellow Springs Taxes and Levies in 2019

YS School District's property tax levies are:

- Current expense levy (unvoted and continuous) for operations at 20 mills generating \$2,798,480 per year.
- Two emergency operating levies at 13.87 mills generating \$1,975,000 annually. Both expire in 2025.
- One permanent improvement levy at 1.01 mills generating \$141,231 for large maintenance and repair projects.
- One bond levy (repaying a loan for a construction project) at 2.05 mills generating \$286,839 per year. This is used to repay the loan issued to the district to fund the expansion at Mills Lawn School in 2000. The loan will be fully paid back and the levy will expire in 2027.
- One continuous Traditional Tax Base income tax levy at 1% that generated \$1,636,407 in the 2017-2018 school year.

Current Sample Payment

- Owner of a \$100,000 house pays \$1,130.96 per year or \$94.25 per month
- Owner of a \$200,000 house pays \$2,261.93 per year or \$188.50 per month

Explanation of typical taxes and levies used by school districts

Type of Levy or Tax	Description	Purpose	Currently in Yellow Springs
Permanent improvement levy	Pay for the improvements as the money comes in	Intended for property, asset, or improvement with an estimated life or usefulness of five years or more	Currently one PI for 1.01 mills levy approved in 2018 that expires in 2023
Bond levy A bond is a loan to the district to fund capital improvements. The <u>bond levy</u> raises the funds to repay the loan	Bond levies remain in place until the debt (principal and interest) is fully paid, typically 20 or more years.	Specific to a large project beyond what annual permanent improvement levy would fund; new construction	Currently one bond levy for 2.05 mills approved in 2000 that expires in 2027
Current expense levies	Ongoing operational funds that do not require voters to approve (unvoted levy). According to House Bill 920, this is a minimum of 20 mills	Day-to-day operations, salaries, utility bills, maintenance/custodial services, etc.	Ongoing current expense levy for 20 mills
Emergency levy	A property tax that serves for a limited time (maximum of 10 years) proposed for a <u>specific dollar amount</u> . Because the dollar amount must stay constant, the millage rate increases or decreases as property values change.	Day-to-day operations, salaries, utility bills, maintenance/custodial services etc.	2 emergency levies for a total of \$1,975,000 that will expire 2025; district intends to replace both w/ single levy upon expiration; 2019 millage is 13.87
Income tax	Tax assessed on the income of all residents of the Yellow Springs School District. There are two types of income taxes, both subject to voter approval. 1) An income tax can be a <u>Traditional Tax Base</u> which includes wages; salaries; tips; interest; dividends; unemployment compensation; self-employment to the extent included in OAGI; taxable scholarships and fellowships; pensions; annuities; IRA distributions; capital gains; state and local bond interest (except that paid by Ohio governments); federal bond interest exempt from federal tax but subject to state tax; alimony received; and all other sources.	Operations, permanent improvements, or bond repayment	Currently one ongoing income tax of 1% on all income.

Type of Levy or Tax	Description	Purpose	Currently in Yellow Springs
	<p><u>Traditional Tax Base</u> excludes social security benefits; disability and survivor benefits; railroad retirement benefits; welfare benefits; child support; property received as a gift, bequest or inheritance; and workers' compensation benefits.</p> <p>2) The <u>Earned Income Tax</u> includes only earned income and self-employment income (including income from partnerships) of the residents of the school district. The tax would exclude all other types of income that would be taxable under the traditional income tax base (interest, dividends, capital gains, pensions, etc.). This alternate tax base also excludes certain adjustments to income that are allowed on the federal return, including IRA contributions, self-employment health insurance deductions, and alimony payments. The earned income base also does not allow the personal exemptions that are allowed under the traditional tax base.</p>		

Explanation of ways to structure levies that affect the effective millage rate

Type of Levy	Description	Purpose
Wrap-around bond levy	A way to structure a new bond levy when there is an existing bond levy in place. The levy starts with one tax rate, and increases when the already existing bond levy expires.	Same as traditional bond levy
Incremental levy	A property tax phased in for the full amount of the millage increase. It also is commonly known as a phased-in levy. It is a limited levy, with a maximum term of 10 years. Unlike an operating levy, an incremental levy imposes additional millage on a regular schedule throughout the life of the levy.	Permanent improvement or operations
Growth levy	A property tax designed to compensate for reductions in state funding caused by appreciation in real estate values.	Permanent improvement or operations
Renewal levy	Ohio law generally allows districts to ask voters to renew a limited levy when it expires. The levy must be for the same purpose and is <u>renewed at the effective millage rate</u> . (Example: A five-mill, five-year levy that has been lowered by the reduction factor to 3.8 mills would be renewed at the 3.8-mill rate.) A renewal, however, can be combined with additional millage.	Same purpose as the original levy
Replacement levy	This type of levy has the same purpose as a renewal, but instead of renewing the previous levy at the effective millage rate, a replacement levy is imposed at the <u>original millage rate</u> of the levy that it replaces. This gives the district the benefit of any growth in local value that occurred over the life of the previous levy.	Same purpose as the original levy