

School Finance 101

HOW ARE SCHOOLS FUNDED IN OHIO?

LOCAL SUPPORT

Property tax is the predominant method communities use to raise additional revenues in Ohio. Property tax comes in two forms:



- **Real Property Tax** - This is a tax levied on land and buildings located within the school district. Private individuals, businesses, and public utilities that own land and buildings pay this tax.
- **Public Utility Personal Property** – Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating, and telegraph companies.

Key factors used in calculating property tax bills are the assessed valuation of property and the millage rate. The county auditor of each county in the state has the responsibility of appraising all taxable real property once every six years to determine the values. Every third year after each appraisal another form of reappraisal, called a triennial update, is conducted. Property tax bills are calculated on the assessed value of property, which equals 35 percent of the auditor's appraised value. **EXAMPLE: A home with an appraised value of \$100,000 will be taxed on a value of \$35,000.**

MILLS

Local Property tax rates are always computed in mills. One mill costs the property owner \$1.00 for every \$1,000 of assessed valuation each year. In our example, the \$100,000 home will produce \$35 in tax revenue for each mill.

In Ohio, millage is referred to as "inside" millage and "outside" millage. Inside millage is the millage provided by the Constitution of the State of Ohio and is levied without the vote of the people as established very early in the State's history. The inside millage rate is limited to ten mills in each political subdivision. Public schools, cities, counties and other local governments are allocated a portion of the ten inside mills. The Fairport Harbor Exempted Village School District's portion is 5.24 mills. Outside millage is the millage voted upon by the public.

There are two major forms of tax credits property owners receive on their tax bill.

- **Rollback** - The first is a 12.5% millage rollback. With this credit, a homeowner receives a credit of 12.5% on the total gross property tax amount due. In our example, the property owner would receive a credit of \$4.38 [$\$35 \times .125$].
- **Homestead** - The second is the homestead exemption. This credit is available to all Ohio homeowners, regardless of income, who are either age 65 or older or permanently and totally disabled. All households that qualify for the exemption receive a flat \$25,000 property exemption on the market value of their home.

The annual net tax bill for 1 mill on a \$100,000 home would be \$30.62 [$\$35.00 - \4.38] in our example. An additional amount could be deducted if the taxpayer qualified for the homestead exemption. The State of Ohio fully reimburses rollback and homestead credits to the taxing authority.

Please note: In HB 59, the tax credits were removed from law and; therefore, any school levies approved by the voters after November, 2013 shifts tax burden back to the taxpayer (ie: \$35.00 vs. \$30.62 per 1 mill on a \$100,000 home).

HB 920- THE REDUCTION FACTOR

Another key tax credit is the tax reduction factor. Also known as House Bill 920, this credit, which went into effect in 1976, effectively freezes all voted real property millage at the dollar amount collected the first year the millage went into effect. As property values rise through reappraisals, the outside millage rate is commonly referred to as "effective" millage is reduced. The inside mills are not affected by the House Bill 920 credit, so a very small amount of additional revenue is gained as property values increase.

STATE SUPPORT

Approximately 32% of Fairport's general fund comes from the State Foundation - The State of Ohio provides funding to school districts by way of a foundation formula. The amount of state funds that a district receives is based on a formula that takes into account the student enrollment and the property wealth of the district.