

Levies - Basic Facts

LOCAL FUNDING

When a school district in Ohio needs money in addition to what they might receive from the state and federal government, they must ask their district residents to approve this money request, which is called a levy. When the residents vote on the levy, the district states exactly what the levy type is and how the money will be spent. If approved, the district must spend the money as they stated they would on the ballot.

Three most common types of Levies:

Operating Levy – This type of levy is used to pay employees salaries and to pay for things like textbooks, computers, equipment, supplies, utilities, insurances, gasoline, extracurricular activities, etc.

Permanent Improvement Levy – This raises money that can be used to pay for buses, fixing/upgrading buildings, purchasing land, and replacing expensive building related items like a walk-in freezer in the cafeteria etc.

Bond Levy – Used to build a building. This is what our voters passed to build the new middle school and renovate the two elementaries.

How are levies funded?

Property Tax – This is a tax on property. This is used for all three types of levies. Even though renters don't pay property taxes, their rent may go up to pay for the property owner's increase in taxes.

How Long? They can run for a "limited" amount of time, normally 3-5 years; or they can be "continuous," which means they run forever. Bond levies are normally set up for about 20 years, while the Operating and Permanent Improvement Levies vary from district to district on which method is used to fund them.

How does it work? - Payment is established as a "mill." A mill is one-tenth of one percent. For every \$1000 of property value, a property owner pays \$1. Homes are taxed at 35% of their value. So if someone lived in a home valued at \$100,000, they would pay taxes on \$35,000, which is 35% of the value. The state gives homeowners a 12.5% discount on their property taxes and then reimburses that amount to the school system. This is called a State Rollback. The example below will show the calculation of a 2-mill levy on a \$100,000 home.

\$100,000	Real value of home
<u>X 35%</u>	
\$ 35,000	Taxable value of home
<u>X 0.002</u>	2 Mill levy
\$70	Sub total
<u>- \$8.75</u>	State Rollback. (12.5% owner discount-money paid by state)
\$61.25	Amount of taxes paid annually for 2 mills on a \$100,000 home

Note – Whatever amount of money this sample 2-mill levy generates district-wide in the first year when it is approved is the maximum it will bring in for the life of the levy. House Bill 920, which passed in 1976, prohibits the amount of taxes paid on property from increasing due to inflation. So as property values increase, the taxes charged are adjusted downward to eliminate an increase in taxes for the district. This restraint is called “effective millage.” An example of effective millage would be that a district has approved 40 mills with the various levies approved in the school’s history, but the district’s homeowners might only be paying 30 mills due to restraining effects of H.B. 920.

Income Tax – This is a tax on personal income that is expressed as a percent. In Ohio the percentages currently range from ½% to 2%. There is no limitation on the percentage a school district income tax can be, and there is no maximum on how much the district can collect from the tax. Income tax can be used to fund Operating and Permanent Improvement levies.

How Long? They can run for a “limited” amount of time up to a maximum of 5 years; or they can be “continuous,” which means they run forever.

How does it work? - Patrick Henry has a 1 ¾% income tax, so if you had an income of \$20,000, you would pay \$350 in income tax. Likewise, a person that earned \$40,000 would pay \$700 in taxes. However, senior citizens (65+) get a \$50 credit on their tax return.

Comment

Most school districts utilize a couple of levy types and may use both types of tax to fund them. The structure of each school district is different, so individual districts utilize whichever levy or tax best meets the needs of their district, while paying attention to what their voters will approve.