STRIVING FOR ACCURACY, BEDEVILED BY COMPLEX REGULATION

One of the many, little understood services our office provides to local governments, school districts and taxing entities is calculating their tax levies.

What follows is a recent letter from our Assistant Director of Finance to a school district Treasurer explaining the complex process for determining the cost to property owners of a proposed new levy. Most people will find it incomprehensible. It is the end result of actions by state lawmakers over the years.

Every time the State Legislature adds or removes a provision it increases the time and knowledge required to do the work. We are fortunate to have several talented and experienced staff members handling these requests. Still the process is convoluted and difficult.

In this instance the latest complication came when the State Legislature and current Administration eliminated property tax relief (10% and 2.5%) which was promised by the State when they instituted the income tax (in the early 1970s) and increased it (in the early 1980s).

The explanation one legislator gave me was that “people didn’t realize they were getting this property tax reduction” so no one would miss it. That sums it up. Our tax structure is so intricate and byzantine that virtually no one understands it. We don’t know what is being done to us or how they are doing it.

The potential for misleading us is infinite.

How does a taxpayer determine a property tax levy’s effect and if it is justified? Imagine the burden faced by a local government or school district in attempting to explain one.

If we ask nothing more from our elected representatives, at the state and national level, it must be that our tax laws be simplified. You should not need a Certified Public Accountant designation, a Master of Business Administration degree, or be a tax law specialist to know what your taxes will be or to figure out what you are being charged and where it goes.

Here’s our letter to the school treasurer:

I’m writing in response to your questions concerning the Northwest School tax levies that will appear on the May ballot.
1) The cost of the current 4.52 mill emergency levy is $135.63 on a $100,000 home. The calculation assumes that the homeowner is receiving the 10%, 2.5% and sales tax (@1.76%) credits. This levy will expire at the end of the year.

2) The cost of the proposed 1.18 mill current expense levy, if approved, will be $41.30. As an additional levy, it will not receive the three credits.

3) The cost of the proposed 3.15 mill bond levy, if approved, will be $110.25. It will not receive the three credits either. The millage rate is calculated under a statutory formula and represents an average of the principal and interest payments. The millage that is actually levied could vary depending on the interest rate and how the school district structures the principal and interest payments. It will also be reviewed and could change each year.

The percent increase in the tax rate does not correspond to the same percentage increase in the taxes. This comparison is even more complex with the elimination of the 10%, 2.5% and sales tax credits on new levies. In this case, the total millage of the two additional levies (4.33 mills) is less than the current levy (4.52 mills). Homeowners could pay more even though the millage rate is less. The amount of increase or decrease will depend on the rate that is levied for the bond, which may differ from the voted rate.

- The $16 dollar increase represents an 11% increase when comparing the cost of the old levy to the two new levies ($16 / $135.63).
- The $16 dollar increase represents a 1.4% increase when compared the current cost of the total of the school levies ($16 / $1,125.75).
- The $16 dollar increase represents a .75% increase when compared to the current cost of all levies in Colerain Township – Northwest School District ($16 / $2,144.23).

The tax levies are applied uniformly throughout the school district. Any change in the rates will affect all of the parcels. However, not all residential parcels receive the 2.5% and sales tax credits. So the impact will be less on those parcels. It would require special reports to identify those parcels that are not eligible for the two credits.

David Nurre, Assistant Director of Finance

This also helps to demonstrate why the cost of government keeps growing. Just keeping up with complicated regulations is a job in itself. By extension, the cost to business to comply is also growing.

Please ask for tax law simplification from our state and federal representatives. We all have better things to do instead of wading through a morass of overlapping regulations and trying to cut through red tape. We will keep doing what we can to make this work transparent and as easy to understand as possible.

One of the ways we try to help is by putting the expected cost of a proposed new levy on our website – for each parcel. Just go to your property’s main page and click on “Levy Info” in the left hand column. You can see what was passed by the voters last year (if anything) as well as any new proposed levies. At least you can have a good idea what to expect in additional taxes if a levy passes.

Dusty Rhodes

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