

Tax Levy Frequently Asked Questions

1) A tax levy is only a request to increase taxes to cover the cost of something. Who approves or denies the request? Also, does always requesting for the max or levying the max, affect taxpayers or the district?

A property tax levy is the amount of the district's need for property taxes within each fund. This is certified by the board each December. The Board determines the need/initial request, the County Clerk determines the limits based on Property Tax Extension Limitation Law (PTELL) and other statutory limitations.

Levying the max means taxpayers could see an increase to their tax bill, especially if their home value increased. Levying the max allows the district to keep up with inflationary increases to expenditures. To not levy the full amount, means the district would likely have to cut its budget for the upcoming school year. For example, the greatest expenditures for the district are teacher salaries and benefits. Decreasing the number of educators would impact class size and programming.

Example:

2021 Pay in 2022

Home Value 2022: \$300,000

Formula to determine property tax payment for operating funds to District:

$$\begin{aligned} & \text{(Home Value/3) * Tax Cap Rate} \\ & \text{(*\$300,000/3) * .04969} = \$4,969 \end{aligned}$$

Formula to determine property tax payment for Debt and SEDOL IMRF:

$$\begin{aligned} & \text{(Home Value/3) * Tax Cap Rate} \\ & \text{(*\$300,000/3) * .02028} = \$2,028 \end{aligned}$$

Total Property Tax Payment = \$6,997

2022 Pay in 2023

Home Value 2023 (8% Increase): \$324,000

Formula to determine property tax payment for operating funds to District:

$$\begin{aligned} & \text{(Home Value/3) * Tax Cap Rate} \\ & \text{(*\$324,000/3) * .04849} = \$5,237 \end{aligned}$$

Formula to determine property tax payment for Debt and SEDOL IMRF:

$$\begin{aligned} & \text{(Home Value/3) * Tax Cap Rate} \\ & \text{(*\$324,000/3) * .02013} = \$2,174 \end{aligned}$$

Total Property Tax Payment = \$7,411

In this example, the homeowner would see an increase of \$414 in property taxes for the District, \$146 from the bond payment (which is a set amount the district is obligated to pay) and \$268 to the operating funds, which will help cover the cost of increased labor, supplies, and services.

Additionally, property taxes may go up more than CPI if:

- Your property value increases more than average
- Your property value decreases more than average
- Large company/commercial entity leaves the district's taxing area
- Large company/commercial entity appears to lower assessment

2) What's a simple definition of Equalized Assessed Value (EAV)? Why is it equalized and not just the actual value?

EAV is a property's valuation after county and state equalization. Equalization is adjustments to local assessed valuations for a county/township with the intent to ensure property taxes are levied fairly and equitably.

"Equalization is performed to assure uniformity within and equity among counties at a statutory assessment level of one-third of fair market value. If such uniformity did not exist, assessors or county boards of review could manipulate assessments..." Essentials of School Finance, Page 14

A school district has no control over EAV.

3) If the PTELL cap taxes to lower of CPI or 5%, why do my taxes continue to increase, or is it only for government bodies?

CPI and increased EAV increase property taxes. Even if the EAV remained the same from one year to the next, and CPI was only one percent, there would be an increase to property taxes. This covers some of the inflation the school district will experience in the upcoming school year.

4) Why are only some funds subjected to PTELL and not others? Also, how does PTELL actually help and who does it help?

The Debt Fund, also known as the Bonds & Interest Fund, and the SEDOL IMRF Fund are the two funds that are not subject to PTELL. That is because the amount of money we owed on our bond (which is the money we borrowed for the Middle School) is set according to the established schedule of principal and interest payments and SEDOL provides us with the amount we owe them for the SEDOL IMRF contribution. So, in summary, these are set amounts the district owes.

Taxpayers are protected from significant tax increases that would have been possible without PTELL during times of high inflation. For example, without PTELL, the estimated percent increase in the capped levy would have been 7.53% rather than 6.02%.

6) What is a TIFF and why is it used?

TIF stands for Tax Increment Financing district. These are established by municipalities in an effort to stimulate the redevelopment of specific areas for either residential or commercial use. The property tax revenue growth that comes from the redevelopment is committed to the development of the TIF district. Because of this, this revenue growth is not available to the school districts in the TIF district for the life of the TIF.

A TIF freezes the property valuations within the TIF district, which results in an increase the local tax rate and the distribution of additional tax burden to the community.

Millburn does not have a TIF district within its boundaries.

7) What does issuing debt mean?

Issuing debt is essentially borrowing money (i.e., a fixed loan repayment).

8) How are our taxes used?

For the 22/23 fiscal year:

