Truth in Taxation Explanation

The goal of Senate Bill 13 is very simple. If a taxing jurisdiction desires to increase the **neutral revenue** stream, the jurisdiction must hold a public meeting to inform the public that the tax dollars being budgeted will increase more than the previous year. This Bill requires that it eliminate the tax lid that existed. Instead, Senate Bill 13 reduces the mill rate based on the increase in the current valuation. The new tax rate would generate the same aggregate property tax dollars. To assist in explaining this concept, I have created a quick visual.

<u>For the sake of the example:</u>

The Assessed Value is $10,000,000 from the previous tax year. The new Assessed Value is $10,450,000 representing a 4.5% increase due to new construction and revaluation. The taxing jurisdiction budget was $2,500,000 in the previous year and a $2,850,000 budget for the new year.

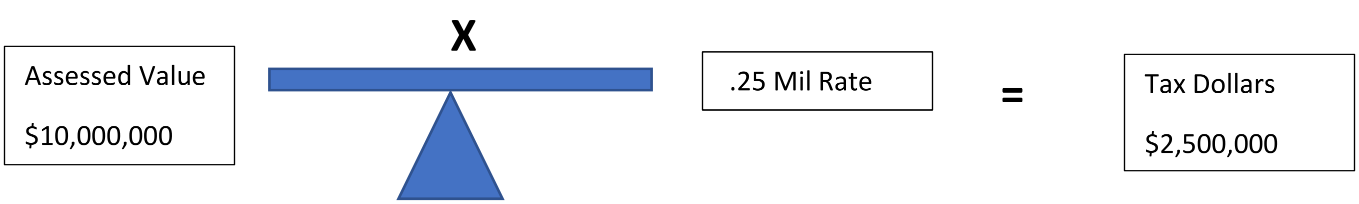
Previous Year Calculation:

Assessed value: 10,000,000

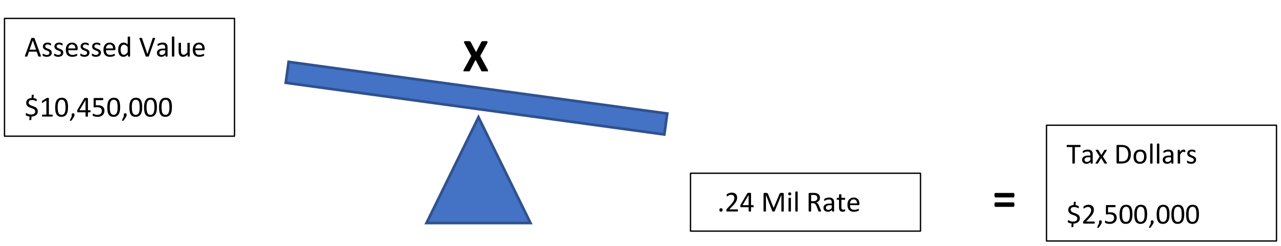
Budget: 2,500,000 Divide the Budget by the Assessed Value equals the mil rate.

Mil Rate: .25

Visually:



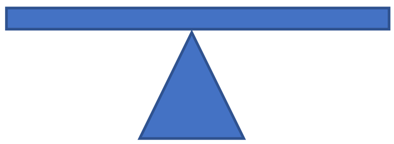
Current Year Calculation: Neutral Revenue



The mil rate would be reduced to assure the total taxes collected is the same amount as the previous year.

No Change in Mil Rate: Above the Neutral Revenue Taxes

Assessed Value	X	.25 Mil Rate	=	Tax Dollars
$10,450,000				$2,612,500



If there was no change to the mil rate given the increased Assessed Value, the amount of Property Tax collected would reflect a 5% increase.

Key Note:

It is important to understand that the market value established by the Appraiser's Office must meet the Statutory requirements and Department of Revenue's Directives.