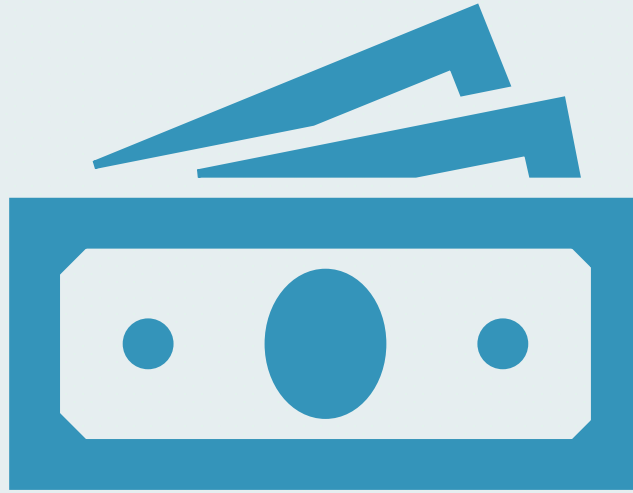


Property Tax 101



Prepared by Chris Kline
Chief Deputy Auditor
Lawrence County Auditor's Office
August 24, 2025

Tax Rates

Background Information

► Constitutional Restrictions:

- Art/ XII, Sec. 2 imposes two primary limitations on real property taxation.
 - All real property must be taxed uniformly according to fair market value (all real property must be treated equally, and taxpayers must be taxed the same amount for the same service)
 - Taxes can not exceed 1% of “**true value**” except by popular vote

Tax Rates

Background Information

- ▶ **Statutory Law is even more restrictive:**
 - ▶ Unvoted taxes cannot exceed 1% of “**taxable value**” (ORC 5705.02)
 - ▶ ORC 5705.02 -The aggregate amount of taxes that may be levied on any taxable property in any subdivision or other taxing unit shall not in any one year exceed ten mills on each dollar of tax valuation of such subdivision or other taxing unit, except for taxes specifically authorized to be levied in excess thereof. The limitation provided by this section shall be known as the "ten-mill limitation," and wherever said term is used in the Revised Code, it refers to and includes both the limitation imposed by this section and the limitation imposed by Section 2 of Article XII, Ohio Constitution.
 - ▶ Art. XII, Sec. 2a of the Constitution allows real property to be classified or categorized for tax reduction factors as either residential/agricultural (Class 1) or other (Class 2).

Tax Rates

Background Information

- ▶ **There are three different tax rates for each levy that is in effect:**
 - ▶ 1. The voted rate at which the levy was originally enacted.
 - ▶ 2. The effective tax rate for Class 1 (Res/Ag) property, which is the rate calculated after application of Class 1 reduction factors.
 - ▶ 3. The effective tax rate for Class 2 (Other) property, which is the rate calculated after application of Class 2 reduction factors.

Tax Rates

Background Information

- ▶ There are two different ways tax levies can be implemented:
- ▶ 1. Unvoted Millage (Inside Millage) is approved by the county budget commission, but cannot exceed 10 mills (a mill is 0.1 percent) for any taxpayer:
 - ▶ a. Rates generally must be applied uniformly by purpose.
 - ▶ b. Not subject to reduction factors.
 - ▶ c. Set by Budget Commission based upon relative need, but subject to guaranteed minimums.
- ▶ 2. Voted Millage (Outside Millage) is approved by popular vote:
 - ▶ a. May be subject to reduction factors. (Fixed-Rate are subject to reduction factors, while Fixed-Sum are not subject to reduction factors, they are generally reduced by the Budget Commission as new property value is added to the tax list).

Tax Rates

Inside Millage

- ▶ ORC 5705.02 sets unvoted tax limitation to one percent (1%) of taxable value - this equates to 10 mills or the “**10 Mill Limitation**” or “**Inside Millage**”
- ▶ County Budget Commission (Auditor, Treasurer, Prosecutor) allocates the IM amount to eligible political subdivisions (Counties, Schools, Townships, and Municipalities are generally **guaranteed** IM, other districts **may** receive IM)
- ▶ Each subdivision’s share must equal $\frac{2}{3}$ of the average IM levied by the subdivision for current expenses and debt from 1929 to 1933

Tax Rates

Voted (Outside) Millage

- ▶ All Levies in excess of the 10-mill limitation are “outside” levies and can only be placed by popular vote
- ▶ There are multiple purposes for levies (both inside and outside)
 - ▶ Current Expense (general operations of a jurisdiction)
 - ▶ Emergency (general operations of a school district)
 - ▶ Special Purpose (permanent improvement, fire equipment, parks, etc.)
 - ▶ Bond (site acquisition and construction)
- ▶ For voted levies the purpose determines whether **tax reduction factors** apply
- ▶ Inside millage is not subject to tax reduction factors

Tax Rates

Voted (Outside) Millage

- ▶ Voted levies are divided into two groups:
 - ▶ Fixed-Rate levies (subject to tax reduction factors)
 - ▶ Current Expense
 - ▶ Special Purpose
 - ▶ Fixed-Sum levies (designed to raise specific dollar amount - changed by Budget Commission as needed)
 - ▶ Emergency (school districts only)
 - ▶ Bond (debt)

Tax Rates

Voted Levy Types

- ▶ **Additional** levies are new. They result in a tax increase
- ▶ **Renewal** levies continue taxation at the same effective rate that is already being paid
- ▶ **Replacement** levies sound like renewal levies, but actually provides additional revenue under the reduction factor law (may no longer be an option pending veto overrides)

Tax Rates

Tax Reduction Factors

► Tax Reduction Factors

- Purpose of TRF's is to eliminate revenue growth that would otherwise result from appreciating real property values.
- Tax rates have historically been limited in some fashion, but the practice of basing limits on the amount of revenue began in 1925.
- House Bill 920 is the basis of the current system.
- A constitutional amendment in 1980 created the classification system to target tax relief to the type of property experiencing the most rapid increase in value:
 - Res/Ag
 - Other

Tax Rates

Tax Reduction Factors

- ▶ TRF's are not designed to:
 - ▶ Ensure every taxpayer within a jurisdiction pays the same taxes on a levy as in the year preceding reappraisal or triennial update
 - ▶ Prevent taxing authorities from receiving additional revenue from new construction
- ▶ TRF's are calculated each year for every levy that is subject to reduction.
- ▶ The calculation is based on the increase in the value of property that was taxed by the district in the same class in both the current and preceding year - which is the carryover value.

Basic TRF Calculation

	Authorized Rates (Mills)	2021 TRF	2021 Effective Rates (Mills)	2021 Taxes Charged	New 2022 TRF	2022 Effective Rates (Mills)	2022 Actual Taxes Charged	Revenue Increase From 2021
Tax Rates: ABC School District								
Inside Current Expense	3.00		3.00	\$27,000.00		3.00	\$30,000.00	\$3,000.00
Voted 2012 Current Exp	3.00	0.1000	2.70	\$24,300.00	0.1900	2.43	\$24,300.00	\$0.00

Carryover Value Calculation - 2022: Res/Ag	
2021 Total Taxable Value	\$9,000,000
2022 Valuation Change	
New Construction	\$0
Reappraisal	\$1,000,000
2022 Total Taxable Value	\$10,000,000
2022 Carryover Value	\$10,000,000

Example of TRF Effect on Taxpayers

	Taxpayer 1	Taxpayer 2	Jurisdiction
Total Value Before Appraisal	\$40,000	\$40,000	\$50,000,000
Taxes Before Reappraisal (50 mill rate)	\$2,000	\$2,000	\$2,500,000
Taxable Value After Reappraisal	\$46,000	\$42,000	\$55,000,000
Taxes After Reappraisal (45.45 mill rate)	\$2,091	\$1,909	\$2,500,000

- Valuation in the district increases 10%, but Taxpayer 1's value increases 15% and Taxpayer 2's value increases 5%
- Assumes all 50 mills of tax are outside levies subject to reduction.

Tax Rates and Tax Reduction Factors (TRF)

- ▶ Does New Construction Cause Revenue To Increase?
 - ▶ Yes.
 - ▶ TRF does not change.
 - ▶ New Revenue is equal to the value of the New Construction multiplied by the effective tax rate.

	Authorized Rates (Mills)	2021 TRF	2021 Effective Rates (Mills)	2021 Taxes Charged	New 2022* TRF	New 2022 Effective Rates (Mills)	2022 Actual Taxes Charged	Revenue Increase From 2022
Tax Rates: ABC School District								
Inside Current Expense	3.00		3.00	\$27,000.00		3.00	\$30,000.00	\$3,000.00
Voted 2012 Current Exp	3.00	0.1000	2.70	\$24,300.00	0.1000	2.70	\$27,000.00	\$2,700.00
Carryover Value Calculation - 2022: Res/Ag								
2021 Total Taxable Value				\$9,000,000				
2022 Valuation Change								
New Construction				\$1,000,000				
Reappraisal				\$0				
2022 Total Taxable Value				\$10,000,000				
2022 Carryover Value				\$9,000,000				

Tax Rates and Tax Reduction Factors (TRF)

- ▶ Do You Lose The New Construction Revenue From NC In The 2nd Year?
 - ▶ No.
 - ▶ New property created new revenue for the political subdivision in the first year
 - ▶ The new value becomes part of the carryover value for succeeding years.
 - ▶ TRF does not change.

	Authorized Rates (Mills)	2021 TRF	2021 Effective Rates (Mills)	2021 Taxes Charged	New 2021 TRF	New 2022 Effective Rates (Mills)	2022 Actual Taxes Charged	Revenue Increase From 2021
Tax Rates: ABC School District								
Inside Current Expense	3.00		3.00	\$30,000.00		3.00	\$30,000.00	\$0.00
Voted 2012 Current Exp	3.00	0.1000	2.70	\$27,000.00	0.1000	2.70	\$27,000.00	\$0.00

Carryover Value Calculation - 2022: Res/Ag	
2021 Total Taxable Value	\$10,000,000
2022 Valuation Change	
New Construction	\$0
Reappraisal	\$0
2022 Total Taxable Value	\$10,000,000
2022 Carryover Value.	\$10,000,000

Tax Rates and Tax Reduction Factors (TRF)

► What If Value Decreases Due to Reappraisal?

- Reduction factors will decrease to protect the revenue base on carryover property, thereby increasing the effective tax rate.
- Exception: operation of the reduction factor cannot increase the effective tax rate above the rate authorized by the voters.

	Rates (Mills)	TRF	Effective Rates (Mills)	Taxes Charged	2021 TRF	Effective Rates (Mills)	Actual Taxes Charged	Change From 2021
Tax Rates: ABC School District								
Inside Current Expense	3.00		3.00	\$30,000.00		3.00	\$27,000.00	-\$3,000.00
Voted 2012 Current Exp	3.00	0.1000	2.70	\$27,000.00	0.0000	3.00	\$27,000.00	\$0.00

Carryover Value Calculation - 2022: Res/Ag	
2021 Total Taxable Value	\$10,000,000
2022 Valuation Change	-\$1,000,000
New Construction	\$0
Reappraisal	\$0
2022 Total Taxable Value	\$9,000,000
2022 Carryover Value.	\$9,000,000

Tax Rates and Tax Reduction Factors (TRF)

- ▶ Are Levies Subject To TRF's In The First Year?
 - ▶ Yes, see ORC 319.301
 - ▶ Millage determination by taxing authority was based on the most recent valuation available for the estimate (prior year's value).
 - ▶ Factors adjust the rate so that the current value produces the same revenue as the value used by the auditor for the estimate provided to the taxing authority.

20 Mill Floor

► What is a Floor/Guarantee?

- Unique provision in statutory law only enacted for school districts (though it could be for other taxing authorities as well).
- Each school district is guaranteed an effective rate equal to 2% (20 Mills) of value for operating expense purposes (assuming 20 Mills has been authorized)
- Similar provision is in effect for JVSD's (2 Mill Guarantee).
- Floors are beneficial to taxing authorities because they freeze the effective rates at the floor level, causing a revenue increase with Reappraisals/Triennials.

20 Mill Floor Calculation

- ▶ **How is the 20-mill guarantee calculated?**
 - Includes inside general fund millage.
 - Excludes emergency levies, permanent improvement levies, and bonds.
 - Remaining millage considered current expense millage.

20 Mill Floor Calculation

	District One	District Two
Base Year Taxable Value	\$10,000,000	\$10,000,000
Inside millage (millage exempt from tax reduction factors)	4	6
Base Year Outside Millage (millage subject to reduction factors)	17	17
Base Year Total Millage (combined inside and out)	21	23
Base Year Taxes/ Outside Millage (outside millage × base year taxable value)	\$170,000	\$170,000
Base Year Taxes/ Inside Millage (inside millage × base year taxable value)	\$40,000	\$60,000
Base Year Total Taxes ((inside millage + outside millage) × base year taxable value)	\$210,000	\$230,000
Appraisal Year (A.Y.) Taxable Value	\$11,000,000	\$11,000,000
A.Y. Initial Outside Millage (\$170,000/ \$11,000,000)	15.45	15.45
A.Y. Inside Millage (exempt from reduction factors)	4	6
A.Y. Revised Outside Millage*	16	15.45
A.Y. Total Effective Millage (inside millage + revised outside millage)	20	21.45
A.Y. Taxes/ Outside Millage (revised outside millage × A.Y. taxable value)	\$176,000	\$170,000
A.Y. Taxes/ Inside Millage (inside rate × A.Y. taxable value)	\$44,000	\$66,000
A.Y. Total Taxes ((inside millage + outside millage) × A.Y. taxable value))	\$220,000	\$236,000

*District One's outside millage rate increases from 15.45 to 16 mills to prevent the total millage rate from falling below 20 mills. District One is allowed to collect more money on its outside millage than District Two, which is unaffected by the 20-mill floor.

A fairly common misconception is that the Department of Taxation continues to apply tax reduction factors to districts such as District One, continually reducing the hypothetical outside millage effective tax rate below 15.45 mills, so that if District One passes a new current expense levy those built up or "banked" reduction factors would apply. This is not the case. If District One passes a 3-mill levy, the district's effective tax rate will be 23 mills.

20 Mill Floor Calculation (Year Prior to Triennial)

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SCHOOL DISTRICT TAX GUARANTEE CALCULATION

DTE046

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FOR THE TAX YEAR 2018

COUNTY: 44 LAWRENCE

HOME COUNTY: 44 LAWRENCE

SCHOOL DISTRICT: 24960 - SOUTH POINT LSD

PRE-1982 ADJUSTMENT = ((1981 SCHOOL TAX VALUE * 1981 JVS EFFECTIVE RATE) - (CURRENT TAX VALUE * 0.0020)) / CURRENT TAX VALUE

RES/AG 0.000000 = ((44,464,920 * 0.001431288) - (153,863,040 * 0.0020)) / 153,863,040

OTHER 0.000000 = ((9,987,360 * 0.001684822) - (43,890,190 * 0.0020)) / 43,890,190

COUNTY 44 2018 SCHOOL TAX VALUE RES/AG = 153,863,040 YIELD = 3,077,260.80 OTHER = 43,890,190 YIELD = 877,803.80

TOTAL SCHOOL TAX VALUE RES/AG = 153,863,040 YIELD = 3,077,260.80 OTHER = 43,890,190 YIELD = 877,803.80

BEFORE ADJUSTMENT

	TAX RATE	REDUCTION FACTOR	RES/AG EFFECTIVE RATE	COUNTY	YIELDS	SCHOOL DIST	OTHER REDUCTION FACTOR	EFFECTIVE RATE	COUNTY	YIELDS	SCHOOL DIST
GENERAL FUND *	5.000	XXXXXXXX	5.000000	769,315.20	769,315.20	I	XXXXXXXX	5.000000	219,450.95	219,450.95	
1976 CURRENT EXPENSE	15.400	0.014460	15.177316	2,335,227.05	2,335,227.05	I	0.004925	15.324155	672,579.85	672,579.85	
2004 BOND (10,318,17	2.750	XXXXXXXX	XXXXXXXX			I	XXXXXXXX	XXXXXXXX			
2004 PERMANENT IMPRO	0.500	XXXXXXXX	XXXXXXXX			I	XXXXXXXX	XXXXXXXX			
SUB TOTAL	20.400		20.177316	3,104,542.25	3,104,542.25	I		20.324155	892,030.80	892,030.80	

***** NO ADJUSTMENT REQUIRED *****

20 Mill Floor Calculation (Triennial Year)

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STATE OF OHIO

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TE046

SCHOOL DISTRICT TAX GUARANTEE CALCULATION

DTE046

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FOR THE TAX YEAR 2019

COUNTY: 44 LAWRENCE

HOME COUNTY: 44 LAWRENCE

SCHOOL DISTRICT: 24960 - SOUTH POINT LSD

PRE-1982 ADJUSTMENT = ((1981 SCHOOL TAX VALUE * 1981 JVS EFFECTIVE RATE) - (CURRENT TAX VALUE * 0.0020)) / CURRENT TAX VALUE

RES/AG 0.000000 = ((44,464,920 * 0.001431288) - (164,140,140 * 0.0020)) / 164,140,140

OTHER 0.000000 = ((9,987,360 * 0.001684822) - (62,734,490 * 0.0020)) / 62,734,490

COUNTY 44 2019 SCHOOL TAX VALUE RES/AG = 164,140,140 YIELD = 3,282,802.80 OTHER = 62,734,490 YIELD = 1,254,689.80

TOTAL SCHOOL TAX VALUE RES/AG = 164,140,140 YIELD = 3,282,802.80 OTHER = 62,734,490 YIELD = 1,254,689.80

BEFORE ADJUSTMENT

	TAX RATE	REDUCTION FACTOR	EFFECTIVE RATE	RES/AG COUNTY YIELDS SCHOOL DIST	OTHER REDUCTION FACTOR EFFECTIVE RATE COUNTY YIELDS SCHOOL DIST
GENERAL FUND *	5.000	XXXXXXXX	5.000000	820,700.70 820,700.70	XXXXXXXX 5.000000 313,672.45 313,672.45
1976 CURRENT EXPENSE	15.400	0.074997	14.245046	2,338,182.85 2,338,182.85	0.267716 11.277173 707,467.50 707,467.50
2004 BOND (10,318,17	2.750	XXXXXXXX	XXXXXXXX		XXXXXXXX XXXXXXXX
2004 PERMANENT IMPRO	0.500	XXXXXXXX	XXXXXXXX		XXXXXXXX XXXXXXXX
SUB TOTAL	20.400		19.245046	3,158,883.55 3,158,883.55	16.277173 1,021,139.95 1,021,139.95

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STATE OF OHIO

SCHOOL DISTRICT TAX GUARANTEE CALCULATION

FOR THE TAX YEAR 2019

COUNTY: 44 LAWRENCE

HOME COUNTY: 44 LAWRENCE

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DTE046

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SCHOOL DISTRICT: 24960 - SOUTH POINT LSD

AFTER

ADJUSTMENT

	TAX RATE	REDUCTION FACTOR	EFFECTIVE RATE	RES/AG COUNTY YIELDS	SCHOOL DIST	OTHER REDUCTION FACTOR	EFFECTIVE RATE	COUNTY YIELDS	SCHOOL DIST
GENERAL FUND	5.000	XXXXXXXX	5.000000	820,700.70	820,700.70	XXXXXXXX	5.000000	313,672.45	313,672.45
1976 CURRENT EXPENSE	15.400	0.025974	15.000000	2,462,102.10	2,462,102.10	0.025974	15.000000	941,017.35	941,017.35
2004 BOND (10,318,17	2.750	XXXXXXXX	XXXXXXXX			XXXXXXXX	XXXXXXXX		
2004 PERMANENT IMPRO	0.500	XXXXXXXX	XXXXXXXX			XXXXXXXX	XXXXXXXX		
SUB TOTAL	20.400		20.000000	3,282,802.80	3,282,802.80		20.000000	1,254,689.80	1,254,689.80
PRE-1982 ADJUSTMENT FACTOR			0.000000				0.000000		
TOTAL	20.400		20.000000	3,282,802.80	3,282,802.80		20.000000	1,254,689.80	1,254,689.80

20 Mill Floor Calculation (Year After Triennial)

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STATE OF OHIO
SCHOOL DISTRICT TAX GUARANTEE CALCULATION
FOR THE TAX YEAR 2020
COUNTY: 44 LAWRENCE
HOME COUNTY: 44 LAWRENCE

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DTE046 PAGE 9

SCHOOL DISTRICT: 24960 - SOUTH POINT LSD

PRE-1982 ADJUSTMENT = ((1981 SCHOOL TAX VALUE * 1981 JVS EFFECTIVE RATE) - (CURRENT TAX VALUE * 0.0020)) / CURRENT TAX VALUE
RES/AG 0.000000 = ((44,464,920 * 0.001431288) - (162,901,300 * 0.0020)) / 162,901,300
OTHER 0.000000 = ((9,987,360 * 0.001684822) - (61,973,600 * 0.0020)) / 61,973,600

COUNTY 44 2020 SCHOOL TAX VALUE RES/AG = 162,901,300 YIELD = 3,258,026.00 OTHER = 61,973,600 YIELD = 1,239,472.00
TOTAL SCHOOL TAX VALUE RES/AG = 162,901,300 YIELD = 3,258,026.00 OTHER = 61,973,600 YIELD = 1,239,472.00

BEFORE ADJUSTMENT										OTHER				
RES/AG			YIELDS			REDUCTION			EFFECTIVE			YIELDS		
TAX RATE	REDUCTION FACTOR	EFFECTIVE RATE	COUNTY	SCHOOL DIST		FACTOR	RATE	COUNTY	SCHOOL DIST					
GENERAL FUND	5.000	XXXXXXXX	5.000000	814,506.50	814,506.50	XXXXXXXX	5.000000	309,868.00	309,868.00					
1976 CURRENT EXPENSE	15.400	0.017166	15.135643	2,465,615.43	2,465,615.43	0.011794	15.218372	943,137.17	943,137.17					
2004 BOND (10,318,17	2.750	XXXXXXXX	XXXXXXXX			XXXXXXXX	XXXXXXXX							
2004 PERMANENT IMPRO	0.500	XXXXXXXX	XXXXXXXX			XXXXXXXX	XXXXXXXX							
SUB TOTAL	20.400		20.135643	3,280,121.93	3,280,121.93		20.218372	1,253,005.17	1,253,005.17					
***** NO ADJUSTMENT REQUIRED *****														

No longer at the Floor
due to BOR changes - which
affected Carryover Values.
TRF's worked in reverse to
protect school revenues

QUESTIONS?

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- ▶ 740-534-2082 - Cell