

Explaining Tax Rates to the Community



Tax Rates

- Prior to Adopting Expenditure Budget
 - Required to hold a Truth in Taxation (TNT) Hearing by ARS 15-905.01
 - If you exceed the prior year's Truth in Taxation base limit
 - If you are levying Adjacent Ways
 - If you are levying for liabilities in excess of budget
 - Great opportunity to explain tax rates
 - Briefly explain the calculation
 - Identify any anomalies effecting the district
 - Project the upcoming tax rate



Tax Rates

- Tax rate explanation opportunities if no TNT Hearing
 - Proposed Expenditure Budget in June
 - Adopted Expenditure Budget in July
- Components of tax rate explanation presentation
 - Current Tax Rate breakdown of primary and secondary
 - Market Conditions
 - Assessed Value increasing or decreasing
 - Law changes affecting tax rates
 - District expenditure budget volatility
 - Adjacent Ways projects



Tax Rate Explanation Presentation (Example)

- ABC District (ABCD) is required to hold a TNT hearing by ARS 15-905.01
- ABCD is projecting a primary property tax “decrease” for the next fiscal year
- Currently showing the district’s Truth in Taxation calculation projected to increase in the primary tax category from \$4.67 for FY 18-19 to \$20.14 for FY 19-20.



Tax Rate Explanation Presentation (Example)

FY 2018-19 Tax Rate	
<u>Category</u>	<u>Tax Rate</u>
• Primary	
• M&O	• \$2.02
• Capital Outlay	• \$0.00
• Adjacent Ways	• \$0.11
• Subtotal	• \$2.13
• Secondary	
• M&O Override	• \$0.35
• Class A - Bonds	• \$0.00
• Class B – Bonds	• \$0.79
• Subtotal	• \$1.14
• Total	• \$3.27



Tax Rate Explanation Presentation (Example)

- The following is a simplified example, but the general concept is accurate
- The taxes a homeowner pays is based on a number of factors including:
 - The number of government jurisdictions that exist in their community
 - The value of their property
 - The economic market of property
 - The changes in statute that affect formula driven values of property



Tax Rate Explanation Presentation (Example)

- Primary Tax Rate
 - Provides the funding allowed by statute to operate the district
 - M&O, Unrestricted Capital (DAA) & Adjacent Ways
 - Based on the district's budget for the upcoming year, and funding provided through the state vs. funding provided by property owners
 - Cash balances are no longer part of the calculation
 - 9.6% increase in Primary Assessed Value for FY 19-20



Tax Rate Explanation Presentation (Example)

- Secondary Tax Rate
 - Direct result of elections supported by the community
 - Bond Elections
 - Override Elections
 - M&O & Capital Overrides
 - 11.8% increase in Net Full Cash Value for FY 19-20



Tax Rate Explanation Presentation (Example)

- A homeowner is taxed on 10% of the value of their home which is called assessed valuation
- For a \$100,000 home:
 - $\$100,000 \times 10\% = \$10,000$ assessed valuation
 - For each \$100 of assessed valuation, the taxpayer pays the tax rate.
 - $\$10,000 / \$100 = \$100$
 - $\$100 \times \3.27 (tax rate for FY 18-19) = \$327 per year
 - For a \$50,000 home, the amount was \$164
 - For a \$200,000 home, the amount was \$654



Tax Rate Explanation Presentation (Example)

Tax Type	Actual FY 18-19	Projected FY 19-20	Increase / (Decrease)
<u>Primary</u>			
M&O	\$2.02	\$1.96	(\$0.06)
Cap Outlay	\$0.00	\$0.00	\$0.00
Adjacent Ways	\$0.11	\$0.15	\$0.04
Subtotal	\$2.13	\$2.11	(\$0.02)
<u>Secondary</u>			
M&O Over	\$0.35	\$0.36	\$0.01
Bonds	\$0.79	\$0.72	(\$0.07)
Subtotal	\$1.14	\$1.08	(\$0.06)
Total Rate	\$3.27	\$3.19	(\$0.08)



Tax Rate Explanation Presentation (Example)

- ABCD is projecting an \$0.08 tax rate decrease for FY 2019-20
- For a \$100,000 home (projected):
 - $\$100,000 \times 10\% = \$10,000$ assessed valuation
 - For each \$100 of assessed valuation, the taxpayer pays the tax rate.
 - $\$10,000 / \$100 = \$100$
 - $\$100 \times \3.19 (projected tax rate for FY 19-20) = \$319 per year
 - For a \$50,000 home, the amount would be \$160
 - For a \$200,000 home, the amount would be \$638



Tax Rate Explanation Presentation (Example)

- The district's enrollment is growing slightly, which will increase the amount the district has to levy (tax) to meet budget demands.
- It is important to note that if the tax rate remains the same, property tax payments will reduce if the property's assessed valuation decreases.
- The opposite applies as well, if the tax rate remains the same, property tax payments will increase if the property's assessed valuation increases.



Tax Rate Explanation Presentation (Example)

- District staff is very cognizant of tax rates
- Cash flow projects when possible
 - For example, \$6,000,000 adjacent ways project may be levied over three years to only levy \$2,000,000 per year instead of seeking full \$6,000,000 levy all at one time
- Final tax rate figures are established by Maricopa County each year in late July



- Thanks for watching!
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