

Calculating Residential Taxes

- **What is a rollback as it relates to operating levies? The Effect of H.B. 920**

In Ohio, the tax rates paid by property owners change every year, since the rate rolls back as the tax base increases and rolls forward as the tax base decreases. The amount of money that the taxing authority can collect remains the same, according to Ohio law, but the amount paid by individual taxpayers changes as the community changes. This means that as the value of your house increases, the tax rate decreases, or if the value decreases, the tax rate increases. As a result, schools collect the same total dollar amount that was previously approved by voters.

When taxpayers vote for a certain number of mills, they are actually voting for the collection of a specific amount of money. That is because mills are a fraction of the community's total assessed value.

Because of House Bill 920, the "effective rate," or the tax rate that a property owner will actually pay in a given year, is lower than the tax rate listed on the ballot ("voted rate"). Because growth in the community, and the increased value of property over time, taxpayers typically pay a slightly lower school tax rate each year. The exact opposite occurs as values decrease.

Assume that four people sitting around a table represents the taxpayer in a community, and they have voted to tax (levy) themselves \$100. Each person therefore has a \$25 tax bill.

The following year, another person moves into the community. The \$100 tax is now divided among five people, resulting in a lower \$20 tax bill for each person. The school still collects the same \$100 as voted in by the community.

The exact opposite occurs when the school district's tax base decreases. As the tax base decreases the millage rate increases for the community in order to keep the voted amount to be collected the same over the life of the levy. In this example, the tax bill increased to \$33 from its original amount, \$25.