

HOUSE BILL 920

A Brief Explanation

Property value is determined by the County Auditor. This is done through a reappraisal every 6 years, an update every 3 years and an inspection of any additions or modifications to a property on an annual basis. As the cost of groceries, automobiles, and clothing increases with inflation, so does the value of real property.

Tax rates are determined by each community. Tax rates are expressed in terms of mills. One (1) mill of taxes is equal to \$1 tax per \$1,000 of assessed property value.

Tax rates are levied by the various taxing authorities within a community: the county, city, township, village, the local school system, library, the county park system, and sometimes a joint vocational school.

The Ohio Constitution allows these taxing authorities to jointly tax up to 1% of property value without voter approval. This is known as the 10 "inside" mills (\$10 tax per \$1,000 assessed property value). As property value increases, so too will the taxes due to these 10 mills. But this is only a small portion of a tax bill.

In 1976, the legislature enacted property tax reform known as **House Bill 920**. Its purpose was to keep inflation from increasing voted taxes. This is how it works:

Most of a community's tax millage is made up of taxes voted on by its residents by passing individual tax levies.

When the voters approve a tax levy, they are agreeing to pay a certain amount of money for a specific purpose, over a given time period. Each property owner pays their share, in proportion to the value of their property. The higher the value of the property, the greater their share and the higher their taxes.

When property values increase due to inflation (a reappraisal or update), House Bill 920 kicks in.

Suppose a school district receives voter approval to raise \$3 million through a 5 mill levy. The following year, after a triennial update, property values have increased. House Bill 920 does not allow the school district to receive any additional revenue from this voted levy. The voted 5 mills will be reduced to a millage amount that will generate \$3 million, and each taxpayer will pay a lower "effective" tax rate. In order for the school system to raise more revenue, it must go to the voters for approval of another levy.

If a property increased by exactly the same percentage as the district as a whole, the taxes for that district will stay the same. If a property increased by less than the average, taxes will decrease. If a property increased by more than the average, taxes will increase. While the total tax dollars raised stays the same, an individual taxpayer's share will be based on his new property value. In this way, House Bill 920 equalizes the burden of a voted tax.

House Bill 920 applies to all voted levies. As voted taxes are made up of levies from different taxing authorities, each will be adjusted according to the value change over the district it covers. Countywide taxes will be adjusted based on the inflationary increase for the entire county. School taxes will be adjusted for increases over the entire school district. Each tax will be adjusted individually, then added together to equal the total tax bill.

By comparing an individual value change to that of each district of which it is a part, you can see which taxes have increased, which have decreased, and which have stayed the same.

House Bill 920 was designed to protect the property owner from unvoted tax increases. It also serves to ensure that each property owner pays their fair share of taxes.