INDEPENDENT SCHOOL DISTRICT NO. 719

Truth in Taxation Hearing

Presented on
Monday, December 12, 2011

AGENDA

- Tax Levy Calendar
- Basic School Funding
- Factors Contributing to the Levy Change
- Levy Certification 2011 pay 2012
- Graphical Analysis

TAX LEVY CALENDAR

- September Certify Proposed Levy (1)
- November County mails levy notices to property owners
- December Public hearing – part of regular board meeting
- December Certify final tax levy (2)

- (1)Except for new voter approved tax levies, the final levy cannot exceed the proposed levy certified in September
- (2)The certification of the levy is the culmination of a five month process which began the previous July

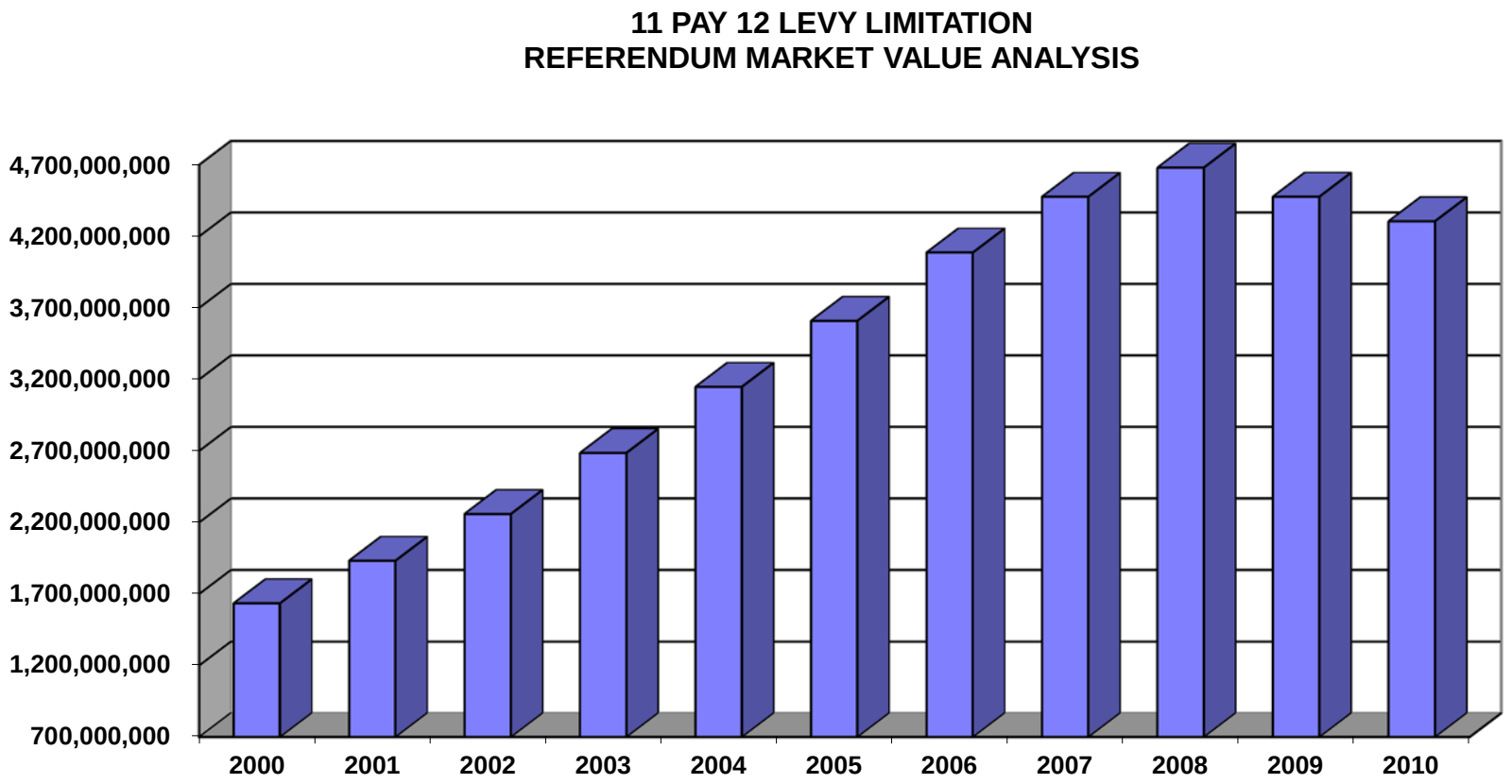
AUTHORITY FOR SCHOOL LEVIES

- A School District Tax Levy Must Be Either:
  - SET BY STATE FORMULA
  - OR
  - VOTER APPROVED

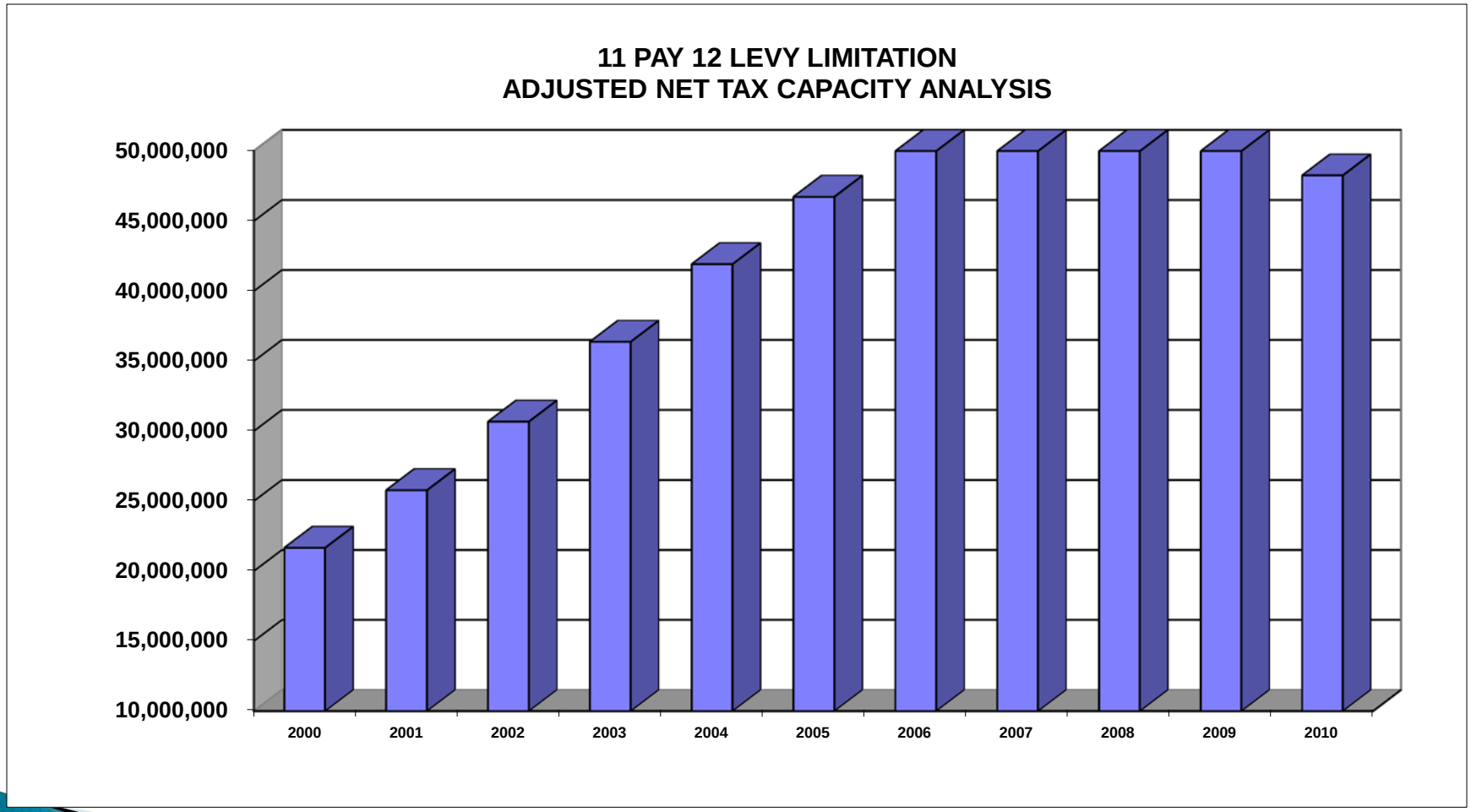
BASIC FORMULA FOR CALCULATING STATE AID

Authorized Total Revenue
– (minus)
Local Property Taxes
= (equals)
State Aid

REFERENDUM MARKET VALUE ANALYSIS



ADJUSTED NET TAX CAPACITY ANALYSIS



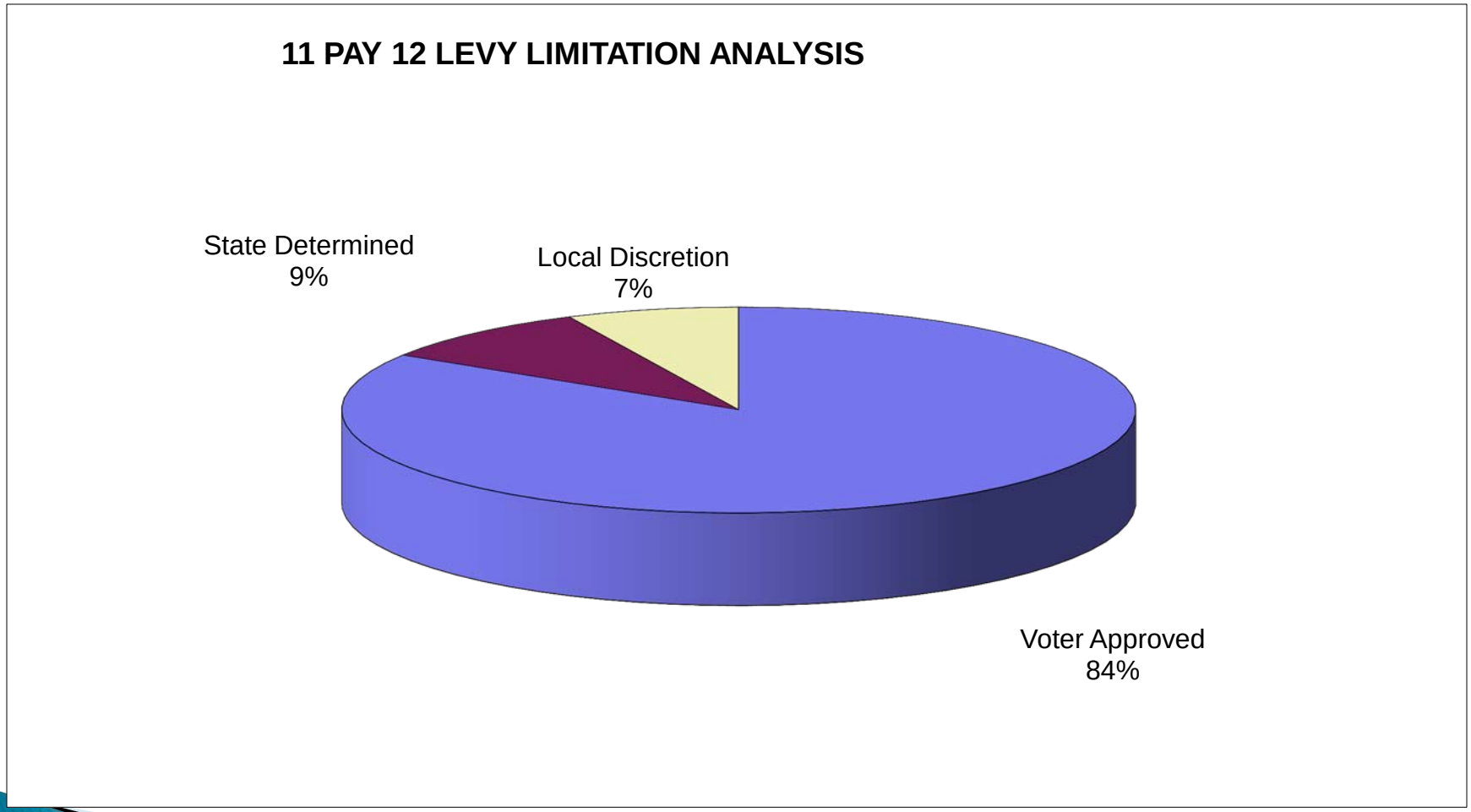
FACTORS IMPACTING TAX CHANGE

- Issues Driven by State Level Decisions
  - Change in levies determined by state formula
  - Change in sales ratio (Impacting ANTC)
  - Laws mandating code compliance (Health & Safety)
- Issues Determined by District Voters
  - Voter approved bond referendum
  - Voter approved excess levy referendum
- Local Factors
  - Inflationary pressure on real estate market
  - Abatements
  - Property improvements not previously taxed
  - Change in individual assessed market value
  - Possible change in classification (i.e.. homestead to rental)

What is included in the school district levy certification?

- Voter Approved Referendums
  - levy and bond
- Levies set by state formula
  - equity, operating capital, transition, community service
- Levies authorized by the state based on local need
  - reemployment, crime, career & technical, health & safety, facility leases, integration, deferred maintenance and extended day

LEVY LIMITATION ANALYSIS



FACTORS CONTRIBUTING TO LEVY CHANGE

- Adjusted Net Tax Capacity 5.6% decrease
- Referendum Market Value-3.9% decrease
- Additional levy for other post employment benefits
- Debt service reduction due to 2010 and 2011 bond refinancing
- Reduction in Debt Service Excess
- Reduction in Comm Services due to 2010 census.

11 Pay 12 Preliminary Levy Certification

		Tax Levy By Year		
		2011		2012
	School District Fund	Final		Preliminary
1.)	**General Fund**			
	Equity Levy	850,939	(a)	807,711
	Transition Levy	21,499	(a)	21,458
	Operating Capital Levy	947,740	(a)	910,352
	Deferred Maintenance	299,852	(b)	313,159
	Excess Levy Referendums	8,537,381	(c)	8,522,083
	Reemployment Levy	200,000	(d)	30,000
	Crime levy	243,386	(e)	242,921
	Career Technical	104,504	(f)	121,905
	Health & Safety	392,698	(g)	571,794
	Leased Facilities	173,661	(h)	150,849
	Integration Levy	5,550	(i)	5,400
	Post Employment Benefit Sunset	500,000	(j)	732,935
	Prior year levy adjustments	(200,279)	(k)	(71,239)
	Total General Fund	**12,076,930**		**12,359,327**

11 Pay 12 Preliminary Levy Certification

		Tax Levy By Year		
		2011		2012
	School District Fund	Final		Preliminary
2.)	**Community Service Fund**			
	Basic Community Ed	336,849		313,209
	Early Childhood Family Ed	182,837		189,652
	Home Visiting	7,096		7,174
	Extended Day - Disabled	104,761		90,000
	Total Community Svc. Fund	**631,543**		**600,035**
5.)	**Debt Service Fund**			
	Building Bonds	13,303,130	(l)	12,890,121
	Reduction in Debt Excess	(57,095)		(608,410)
	Total Debt Service Fund	**13,246,035**		**12,281,711**
6.)	**Property Tax Levy**	**$25,954,508**		**$25,241,073**

Levy Comparison by Fund

Fund	2011 Levy	2012 Levy	Inc (Dec)	% Change
General	12,076,930	12,359,327	232,397	2.34%
Comm Ed	631,543	600,034	(31,508)	-4.99%
Debt Service	13,246,035	12,281,711	(964,324)	-7.28%
Total	25,954,508	25,241,073	(713,435)	-2.75%

Changes in Homestead Market Value Credit

- For decades, MN law has included a variety of provisions that seek to limit property taxes on “residential homesteads”, particularly lower-valued homes.
- The HMV credit only affected property taxes that were based on Net Tax Capacity (NTC). No impact on Operating Referendums, equity and transition levies.
- After the county calculated the initial tax bill for each property, the county reduced the tax bill for most residential homesteads by applying a state-paid credit.

HMV Credit, continued

- Maximum credit was $304 for a home with a taxable market value (TMV) of $76,000 and the credit declines gradually as the value of the home increased, reaching $0 credit for homes that valued $413,800 or higher.
- The new law eliminates the Homestead credit beginning with taxes payable in 2012. In it's place is an "exclusion", which is similar to the HMV formula.

What it means to the taxpayer

- This shift will cause reductions in all measure of tax capacity statewide.
- The Dept of Revenue calculates a statewide reduction in NTC of 4.73%.
- For Prior Lake-Savage School District, the reduction is 1.7%
- The change is essentially a shift in taxes from State sources to local property taxes.

New Homestead Market Value Exclusion

- The exclusion of Market Value is equal to:
  - For homes valued up to $76,000, 40% of value
  - For homes valued above $76,000, $30,400 minus 9% of the valuation over $76,000; which phases down to zero for homes valued over $413,800.

  - Parcel specific information is the only known way determine the actual affect on property owners.

Table 2 **Computation of homestead net tax: old law versus new law, homestead valued at $200,000**	
Old Law	**New Law**
Step 1: EMV = $200,000	**Step 1:** EMV = $200,000
	Step 2: Determine property's market value exclusion (MVexcl): MVexcl = $30,400 – (($200,000 – $76,000) x .09) = $19,240
	Step 3: Determine property's taxable market value (TMV): TMV = $200,000 – $19,240 = $180,760
Step 2: Determine property's net tax capacity (NTC) NTC = $200,000 x .01 = $2,000	**Step 4:** Determine property's net tax capacity (NTC): NTC = $180,760 x .01 = $1,808
Step 3: Determine property's gross tax: Gross tax = $2,000 x 105.81% = $2,116	
Step 4: Determine property's market value homestead credit (MVHC): MVHC = $304 – (($200,000 – $76,000) x .0009) = $192	
Step 5: Determine property's net tax capacity net tax: Net tax = $2,116 – $192 = $1,924	**Step 5:** Determine property's net tax capacity net tax: Net tax = $1,808 x 110.92% = $2,005
Step 6: Determine property's total net tax equal to its net tax capacity net tax plus its referendum market value tax (not discussed here)	**Step 6:** Determine property's total net tax equal to its net tax capacity net tax plus its referendum market value tax (not discussed here)

Questions and Comments