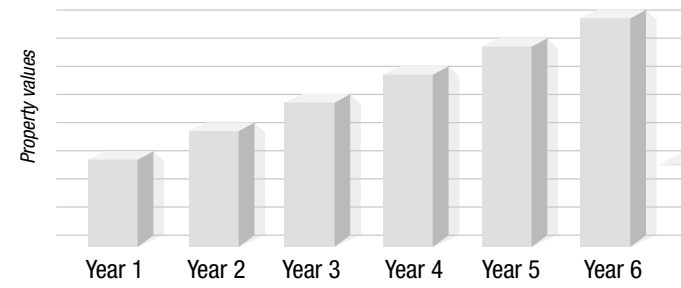


# Navigating a tax hike

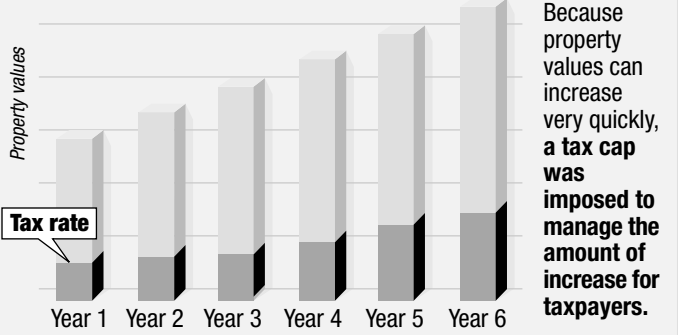
Learning how school districts collect money from a tax-rate increase is a lot like learning calculus: complicated, but useful. Here's a quick rundown of how tax hikes work — and what it means for your tax bill.

## 1 Taxes in a school district are tied to the total assessed value of property within the district's boundaries.

The assessed valuation of property rises according to market pressures.

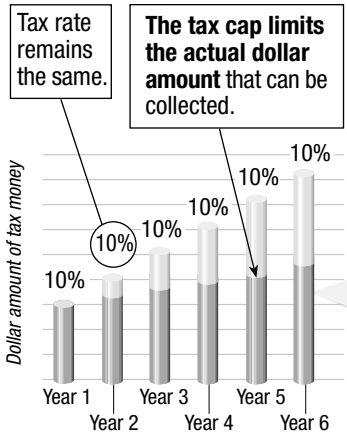


## The amount of taxes a district is able to collect is measured as a percent of the value of that property: the tax rate.



Because property values can increase very quickly, a tax cap was imposed to manage the amount of increase for taxpayers.

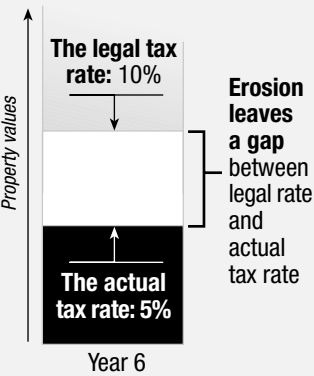
## 2 The tax cap limits increases in overall tax collections to the rate of inflation.



Dollar amount that could be collected according to the legal tax rate. Actual dollar amount allowable under the tax cap.

In other words, a district that legally has a tax rate of 10%, after a few years could end up with an actual tax rate of 5%  
**Experts call this an "erosion" of the legal tax rate.**

The end result is essentially two tax rates:

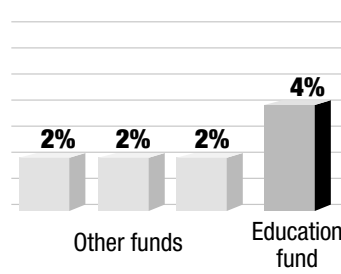


## 3 That erosion in the tax rate affects the different funds in a district's budget.

### School budget funds, without tax cap

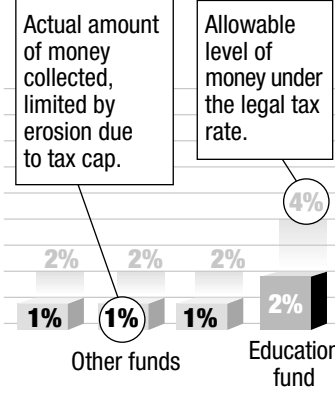
If a district's tax rate is 10%, here's how the money could be allocated:

Aggregate maximum of all funds = 10%



Each fund has its own legal maximum. The tax rate in each fund determines the amount of money in each fund.

### School budget funds, with tax cap



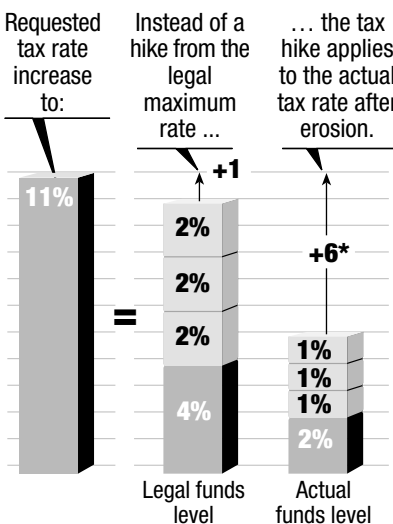
The way the district can overcome erosion is through a tax hike by way of referendum.

## 4 A typical request might read like this:

"In order to increase the education fund, shall the maximum annual tax rate be increased to 5%, instead of 4%, the present maximum rate?"

Raising the education fund maximum rate by 1% also raises the aggregate maximum rate of all funds by 1%.

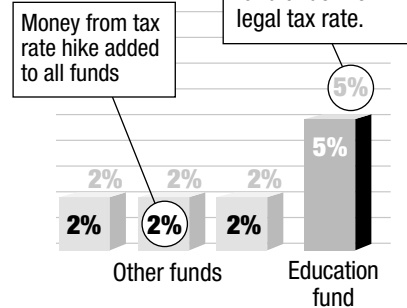
Because of the erosion of the tax rate under the cap, a tax hike can result in much more money for the district than what appears on the ballot.



\* The total increase can vary slightly from county to county

## 5 Though the referendum implies that money from the increase will go for the education fund, the law allows districts to increase rates in any fund, as long as the rates are below their legal maximums.

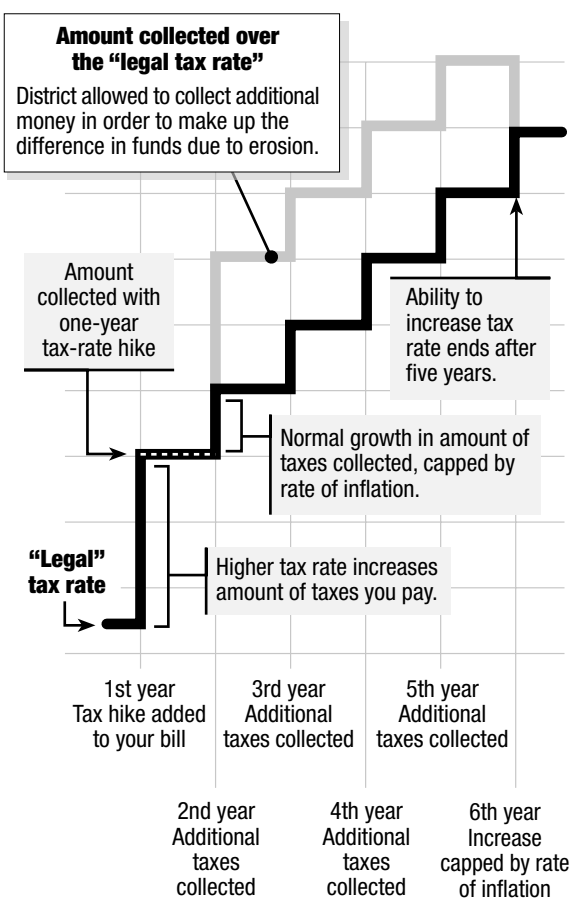
Aggregate of all funds must not exceed 11%



Additionally, erosion can affect the fund levels between the time the increase is approved and the time money from the tax hike is collected.

If after the tax hike, the education fund is not at its maximum rate, the district gets more money the next year to try to reach that maximum. That can continue for up to five years.

## 7 This can add up to millions of dollars more for a district



Source: Daily Herald reporting

DAILY HERALD

Daily Herald

• Graphics •

### Copyright & Permissions Rules

All materials appearing in the Daily Herald are protected by copyright. You may download from dailyherald.com such content for your own personal, noncommercial use but only if you make only one machine readable copy and/or one print copy.

For complete copyright permissions, please refer to the Daily Herald homepage at <http://www.dailyherald.com/info/copyright.asp> or contact the Daily Herald editorial art department at (847) 427-4540