

EXPLANATION OF LEVY – DECLINING EAV AND INCREASING TAX RATE

To some, the property tax system may seem complicated and frustrating. As residents see their property values decline due to the economic "down turn" across the nation – they ask, "why are my property taxes still going up?" The answer is pretty simple, even though it can be difficult to hear.

The property tax cap that was established in the mid 90s set the increase in property taxes to coincide with the changes in the Consumer Price Index (CPI). This limits how much more money a school district can receive from year to year. That means that property taxes are no longer driven by property values. When property values increase at a faster rate than the CPI - residents will see a decrease in their tax rates from year to year. There will still be an annual increase in taxes paid, but it will be less than the increase in their property values. This was how things worked for about 15 years as property values were on the rise. Now we are seeing property values decline. So, the reverse happens. When property values increase less than the CPI - the district will see tax rates increase in order to give them the increase the CPI allows.

With over 15 years of decreasing tax rates and now a few years of increasing rates due to the changes in the economy, residents are still paying less than they would have if there was no cap. No one expects the "down turn" in the economy to last as long as the "up turn" prior to 2008, so in the end total property taxes will still be lower than they would have been if no cap was in place.

One last thought – all of these calculations are done on the total values in a community. Individual values and taxes may vary, but in general this is the situation we are facing today.