

“HOW TAX LEVIES ARE APPLIED TO HOMEOWNERS”

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The office of Franklin County Auditor usually mails, each year, brochures to homeowners, explaining the most recent estimate of the homeowner’s property value, along with a detailed listing of taxes currently assessed on the property.

I will attempt to briefly explain some of the most commonly used terms and concepts with property taxes by offering a few definitions, how a tax levy applies to a homeowner, and by providing you with a handy tool you can use to quickly calculate the cost of a levy.

The word “levy” is a tax collected (“levied” or raised) on a property. A property tax levy is expressed in millage, or number of mills. A mill is a thousandth of a dollar, or one tenth of a cent. Thus, we define “millage” as taxation in mills per dollar of valuation. Therefore a mill is expressed as one dollar per \$1,000 of assessed valuation.

It is important to note the difference between the terms “appraised” value and “assessed” value. Appraised value is the estimated market value of a property and assessed valuation is the value at which the property is taxed which is 35 % of the property’s appraised value. For example, if a home is appraised at \$100,000, the assessed valuation will be \$35,000 (or \$70,000 on a \$200,000 home).

One mill produces \$35 on a \$100,000 property. Five mills will produce $5 \times \$35 = \175 . But the homeowner does not pay all the freight (not directly, anyway). He or she gets a little help from the state, in the form of “homestead and rollback.”

A complete explanation of homestead and rollback would take more space than allowed here. The bottom line in most cases is, the state pays 12.5% (10% + 2.5%) of the tax, on behalf of the homeowner.

Example:

Let’s calculate the cost of a one-mill tax on a home appraised at \$100,000.

Assessed valuation = $\$100,000 \times 35\% = \$35,000.00$

Assessed valuation of \$35,000 x 1 mill (.001) = \$35.00 per year.

Homestead and rollback (paid by state) = $12.5\% \times \$35.00 = \4.375

Cost to homeowner for one mill: $\$35.00 - \$4.375 = \$30.625$ per year.

Let's simplify the complicated formulas above by using a handy shortcut: Use a cost factor of \$30.625 for every mill on \$100,000 of appraised value. This shortcut works on any levy, on any home, regardless of the amount. The shortcut factor will always be \$30.625 (at least until the laws change).

Example:

What is the estimated tax per year if there's a 3-mill levy on the ballot, and you have a home worth \$150,000?

3 (number of mills) x 30.625 (shortcut factor) = \$91.88 on a \$100,000 home.

\$91.88 x 1.5 (for \$150,000 home) = \$137.82. This is your estimated tax per year.