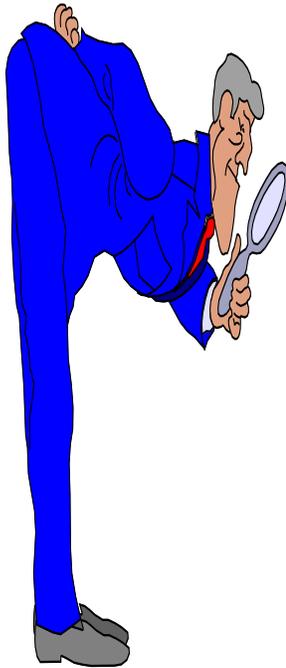


Key Ideas

Chapter 5: Tax Rates & Tax Levies



In this section, we will discuss the following:

- *The role of Certification of assessed values by local officials*
- *The amount of annual maximum levy increases.*

TAX RATES AND TAX LEVIES

In terms of technical and administrative problems, the most difficult part of the budget process is establishment of an adequate tax rate and tax levy. This is particularly difficult because maximum levy limitations are in place for each Library. The maximum levy limitation controls the amount of property tax levied by a Library, thereby placing a cap on revenues available through property tax.

$$\text{Tax Rate} \times (\text{AV} / 100) = \text{Tax Levy}$$

or

$$\text{Tax Levy} / (\text{AV} / 100) = \text{Tax Rate}$$

When determining the levy required for a specific calendar year, Libraries are required to subtract from projected expenses any amounts of miscellaneous revenue that will be generated in lieu of property tax. The difference, or amount remaining, reflects what is required to be raised in property tax. If the levy, (line 10, Form 4B) remaining after subtraction of miscellaneous revenues is greater than the maximum levy limitation, a Library has two options:

- 1) an excessive levy appeal, if applicable; or
- 2) a reduction in line item expenditures during the current or proposed calendar year.

Unless the Library is pursuing an excessive levy appeal for budget purposes, the Library will automatically be required to reduce current year or ensuing calendar year expenses. A budget reduction is both a financial and political process. The financial aspect covers the requirement in Indiana for a balanced budget, operations within a maximum levy limitation, and avoidance of operating in the red. The political aspects of a balanced budget are evident. No discussion will follow on this area.



In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor.

In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor. The County Auditor works with the County Assessor to solidify values that represent the assessed valuation of all real and personal property within the county reported by the city or township assessor. The Department of Local Government Finance provides the Auditor and other official's data on valuation of public utilities and on specific taxation limitations.

This information is used by each local official in the determination of tax rates and levies for the ensuing calendar year. The information should be received no later than August 1st. If the Library Director does not have the information certified from the County Auditor, it should be requested without delay.

Property Tax Levies

Libraries are permitted growth under the current tax package. A maximum state-wide percent increase in levy is allowed each year. Libraries experiencing more rapid growth may qualify for an additional increase through an excessive levy appeal. The excessive levy appeal procedure described in this manual allows for levy growth in excess of the norm. Proper procedures must be followed to attain this special exception (as explained in a later chapter in this manual). Before an appointed library board described in IC 6-1.1-17-20(a)(2)(B) may adopt a budget that increases more than the increase in the state-wide average growth quotient, the library board must submit its proposed budget and property tax levy to the appropriate fiscal body for approval according to I.C. 6-1.1-17-20.



A maximum state-wide percent increase in levy is allowed each year. An increase in the operating budget greater than the state-wide average increase requires approval from the appropriate fiscal body.

The maximum levy limitations are determined by the Department of Local Government Finance and represent the maximum amount of property taxes that may be raised in a given year. The information is furnished to Library Directors prior to preparation of ensuing calendar year budgets. Libraries have one maximum levy worksheet. This worksheet encompasses the Library Operating Fund and Capital Projects Fund levy. The estimate of funds to be raised through property taxes may not exceed the maximum levy established for the combined Library Operating and Capital Project Fund levy. The Library Director must balance the needs of the Library with the levy limitations.

IC 6-1.1-17-20 requires an appointed library board to submit its proposed budget and property tax levy to the appropriate fiscal body at least forty-five (45) days before the fiscal body is required to hold the budget approval meeting per IC 6-1.1-17-3.5 when the budget increases no more than the average growth quotient. The appropriate fiscal body for a library is defined as follows:

1. If the library district is located entirely within the corporate boundaries of a municipality, the fiscal body of the municipality is the fiscal body for the library.
2. If the library district is not located entirely within the corporate boundaries of a municipality, but is located entirely within the boundaries of a township, then the fiscal body of the township is the fiscal body of the library.
3. If the library district is not located within the corporate boundaries of a municipality, or located entirely within the boundaries of a township, then the fiscal body of each county in which the library district is located is the fiscal body for the library.

Determination of the Library's proposed property tax rate is calculated on the 16-line statement or Form 4B, Estimate of Funds to be Raised. The Estimate of Funds to be Raised is the property tax levy desired for each fund. Step one involves determining the assessed valuation of taxable property within the Library's jurisdiction. This assessed valuation is provided by the County Auditor and certified to the Department of Local Government Finance. The same calculation is used for each fund with a property tax levy.

Step two requires the Library Director to take the estimate of funds to be raised on Line 16 of Form 4B and divide that amount by the total assessed valuation (per each \$100 of assessed valuation) for the taxing district to determine the tax rate needed to support the fund.

For example: Estimate of funds to be raised is \$100,000
Assessed valuation is \$160,000,000

Tax rate: $100,000 / (160,000,000 / 100) = .0625$ tax rate
(To check your work $.0625 \times 1,600,000.00 = 100,000$)

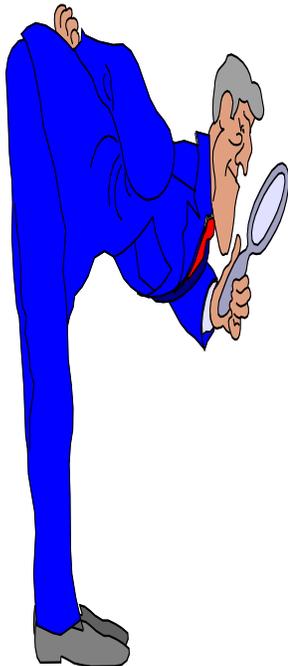
The tax rate calculated (.0625) represents the property tax rate needed to support this particular fund. The same calculation is made for all funds with a property tax levy.

Taxpayer Objection to Budgets or Property Tax Levies

Taxpayers have the opportunity to express their agreement or opposition to budgets, rates, and levies at the public hearing on the budget held in the early fall. Public hearings must be held at least ten (10) days before the adoption hearing on the budget. The public hearing must have been advertised at least ten (10) days before the hearing and then again at least three (3) days before the hearing. Taxpayers may file a petition with the appropriate fiscal body regarding their specific objections within 7 days after the hearing. The fiscal body shall adopt with its budget a finding concerning the objections in the petition and any testimony presented at the adoption hearing according to IC 6-1.1-17-5.

Summary

Chapter 5: Tax Rates & Tax Levies



In this section, we have discussed the following:

- *In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor.*
- *A maximum state-wide average increase in the property tax levy is allowed each year.*