

Forms of Taxation in Ohio and Other Sources of Revenue for Townships

- A. Primary forms of taxation in the State – Exhibit A
 - 1. Property taxes – Townships, counties, municipalities and special districts
 - a. Real estate
 - 1. Residential and Agricultural
 - 2. Commercial and Industrial
 - b. Tangible personal property
 - 1. Utilities
 - 2. Business
 - 2. Sales Taxes – State of Ohio, Counties, and some Special Districts (Transit, zoos etc), not available to townships.
 - 3. Income Taxes – State of Ohio, Municipalities (wage taxes on individuals and income taxes on business), School Districts (on Ohio taxable income of residents of the District). Not available to townships.

- B. Other sources of revenue for townships
 - 1. Estate taxes – Depending on residency location, 80% to a township or municipality and 20% to State.
 - 2. Local government funds – monies paid to townships, municipalities and counties by the State based upon a complex formula.
 - 3. Fees and permits – zoning permit fees, liquor and cigarette license fees
 - 4. Motor vehicle license fees – a portion of license plate fees. Granville Township does not have the optional \$5 license plate fee which was implemented by the Village.
 - 5. Gasoline taxes – allocation of tax, including a portion of new \$.02 per gallon three year incremental increase, subject to 90% expenditure requirement.

Property Taxes

Property taxes are permitted by the Ohio Constitution –

In 1933 inside (unvoted) millage was lowered from 15 mills to 10 mills. In 1971 the Uniform Tax Rule was modified to provide for homestead exemption for low income persons 65 years or older. In 1975 this was expanded to include those who were disabled. There have been several other modifications to the collection of property taxes. One was the 10% reduction in local property taxes paid, along with an additional 2.5% if owner occupied, to be paid instead by the State, passed to partially offset a huge increase in personal income taxes in the 70's. Another was the implementation of Current Agricultural Use Valuation (CAUV) passed to have commercially active farmland assessed under a lower method than other types of real estate.

Property taxes must be applied uniformly unless a change is approved by the State legislature. Local Township officials have no control over the appraisal of property or the application of property tax rates. After a one year deferral of property tax collections during the depression in the 1930's all property taxes are collected one year in arrears.

Property taxes are levied on both real and personal property.

1. Real estate is broken into two broad categories – Exhibit D
 - a. Residential and agricultural – Residential properties are those occupied by individuals. Agricultural properties are those used for commercial farming. In 1975 the State Legislature established CAUV to be used in appraising farmland used for commercial farming activity. Every three years the State Department of Taxation issues a pricing list for various kinds of soil. The formula to calculate the price includes the kind of soil, the market price for commodities, the cost of farming (fuel, fertilizers, seed etc), and interest rates among some of the more significant items. A property must be at least 10 acres in size and be used for commercial farming activity. Woodlands must have a management plan. The owner of CAUV property must renew it each year with the County Auditor.

Granville Township is acquiring properties to protect Open Space in the Township. When the Trustees have purchased agricultural use property they have attempted to continue its agricultural use. The State permits public entities to exempt their properties from property tax except when they are deriving income from the property. Thus when the Township acquires an agricultural use property and continues the use the property maintains CAUV status with the Township paying the same amount of property taxes as would have been received from the private owner.

- b. Commercial and industrial – These properties are the land and buildings used for business purposes.

The County Auditor maintains appraisal cards on each of the 77,000 individual properties in Licking County. All properties are physically reappraised by the County Auditor every six years which takes inflationary increases into consideration. On the alternating three years in between the County relies on the State to compute a tri-ennial update to adjust property values based upon the difference between appraised market value and the amount a property sold for during those three years.

The County Treasurer is charged with the responsibility of billing and collecting the property taxes.

2. Personal Property is also broken into two broad categories – Exhibit D
 - a. Public Utility Personal – Examples would be electric transmission lines and substations, telephone switching stations etc.
 - b. Tangible Personal Property – Assets used in business such as computers, furniture and fixtures, machinery and equipment and inventory etc.

Millage or the tax rate paid is determined in several different ways:

1. Inside (or unvoted) millage was established by the Ohio Constitution
 - a. Initially inside or unvoted millage was levied at 15 mills by a combination of school, county, township and municipal entities.
 - b. In 1933 during the height of the depression the legislature reduced inside millage from 15 to 10 mills.
 - c. The individual rates can vary by taxing district, but in any one district the aggregate rates of the various entities may not aggregate more than 10 mills. Exhibit B.
2. Outside (or voted) millage is permitted when the voters in a district agree to tax themselves more than the 10 unvoted inside mills permitted by the constitution, for a purpose permitted by the state legislature. The purposes presently approved by the State legislature are found in Section 5705.19(A) thru (SS). Levies that may be requested by Townships are (A) for Current Expenses (up to a maximum of 2 mills), (G) Roads, (H) Recreation Purposes, (I) Fire, (J) Police and (HH) Open Space Preservation.
3. In 1976, during a period of inflation, the state legislature passed HB920 which prohibited a taxing authority from receiving more money from an outside or voted levy than it received in the first year of the levy. This meant that taxing authorities no longer received more money from the inflated increases in value of existing property or from newly constructed property (except in the first year of its construction). The Department of Taxation calculates “reduction factors” to reduce the millage of voted levies to bring in the same amount of funding. Exceptions to this rule are: a) inside millage and b) millage of a Joint Vocational School. Exhibit C

Other Sources of Revenue

Estate Taxes

Between 7/1/68 and 1/1/01 State law assessed a graduated tax on the transfer of a taxable estate (after a credit of the first \$25,000 of assets) of every person who at the time of death was a resident of the State of Ohio. In 2000 the legislature revised the law to between 1/1/01 and 1/1/02 estates in excess of the first \$200,000 were taxed. Subsequent to 1/1/02 estates in excess of the first \$338,333 were taxed. Prior to 1/1/01 the State received 36% of the estate tax and the applicable township or municipality received 64%. After 1/1/01 the State received 20% and the township or municipality received 80%. The percentage given to townships and municipalities was increased to partially offset the lost estate taxes due to the increase in initial credit from \$25,000 to \$338,333.

Local Government Fund (LGF)

The State of Ohio provides funds to townships, counties and municipalities under a complex distribution calculation. Unfortunately what the State gives it can take away. The State is heavily dependent on income taxes and sales taxes, both of which have suffered over the past three years. As State receipts have dwindled the legislature to choose to cut the LGF. At the present time there is an effort underway to repeal the “temporary” one percent increase in the State sales tax. The legislature has already indicated that should be one percent increase be repealed they will look closely at eliminating the LGF which will cost all of the local government units.

Fees and Permits

These are miscellaneous fees either allocated back from the State or collected for township zoning services.

Motor Vehicles License fees

Granville Township receives a portion of the State fee for motor vehicle registrations to be used for road purposes. The Township does not assess the additional \$5.00 fee assessed by the Village.

Gasoline Taxes

Granville Township receives a portion of the State gasoline tax to be used for road purposes.

Reductions in Township Revenues

1. Local Government Fund – As indicated earlier the State of Ohio has used the LGF to help balance its budget. There is a possibility that the funding from this source could continue to decrease or perhaps be eliminated all together as the State continues to struggle with its budget problems.
2. Public Utility Personal Property taxes - Several years ago the legislature passed SB 3 which called for the reduction of utility personal property valuation from 88% to lower valuation levels. The State agreed to subsidize local governments for the revenue they were losing as a result of this legislation but the subsidy is scheduled to terminate in the future.
3. Tangible Personal Property tax – The legislature agreed to phase out the inventory tax portion of this tax over a 25 year period. In order to accomplish the phase out the valuation factor is being reduced 4% per year.
4. Tangible Personal Property tax – The State of Ohio subsidizes the tax assessed on the first ten thousand dollars of property taxed on each business return by paying the amount of tax directly to the taxing authority. Last year HB 95 capped the amount paid by the state and established a 10% phase out each year for the next ten years until it becomes zero.
5. Tax collection fees – HB 95 implemented a charge by the State to local governments for the processing of the State subsidized portion of the property tax receipts. It is anticipated that this fee will continue to increase as the need for revenue on the State level increases.
6. Inheritance or Estate Taxes – The State increased the per estate credit minimum from \$25,000 to \$338,333. Even though the State increased the local share percentage from 64% to 80% this change has significantly decreased the amount of money received by local governments.

Information on the author of this piece

Norman Kennedy holds a BA in economics from Gettysburg College and a Masters of Business Administration from Capital University. He has been a CPA since 1972 and has been elected to the part-time position of Granville Township Clerk since 1984. In addition he was also Treasurer of the Granville Exempted Village School District from 1993 to 1999. Kennedy was also a commercial banker for 20 years.

He has lived in the Granville Community with his family since 1973 and has been a member of the Granville Volunteer Fire Department, Inc. for 30 years.

Primary Forms of Taxation

Entity	Property Real	Taxes Pers Prop	Sales Tax	Income Tax	Wage Tax	Estate Taxes
Townships	Yes	Yes	No	No	No	80%(1)
Counties	Yes	Yes	Yes	No	No	No
Municipalities	Yes	Yes	No	Yes(2)	Yes(3)	80%(1)
School Districts	Yes	Yes	No	Yes(4)	No	No
State of Ohio	No	No	Yes	Yes	No	20%(1)
Other Districts (5)	Yes	Yes	Yes	No	No	No

- (1) Based upon residency at time of death, shared between township or municipality and State of Ohio.
- (2) Income tax on business income
- (3) Wage tax on earnings within municipality or on residents of municipality.
- (4) Income tax calculated on Ohio taxable income of residents of school district.
- (5) Transit Authorities, Libraries, Fire Districts, Park Districts, Zoos etc. Sales taxes are not available to all "other" types of taxing entities.

Exhibit B

2004 Inside Millage
 Granville Township and Granville Village Taxing Districts

Entity	Town	ship		Village
Licking County		2.2		2.2
School		4.8		4.8
Granville Twp – general fund	.3			.3
- roads	2.0	2.3		No
Granville Village – general fund		No		2.7
Totals Twp/Vill		9.3		10.0

Granville Township
 Comparison of Inside/Voted Millage to Effective 2004 Residential and Agricultural
 Property Tax Rates

Entity		Tax Rate		Effective Rate
Licking County		7.20		5.88
Granville Schools		81.19		44.26
Licking County JVS		2.80		2.80
Granville Township				
Outside (voted Millage) - Fire & EMS	1.00		.56	
- Fire & EMS	1.30		1.30	
- Open Space Pres	1.00		.78	
- Open Space Pres	2.50		2.16	
- Recreation	.50		.43	
- Curr. Exp (Cemetery)	.40		.40	
- Roads*	2.00		1.74	
Inside Millage - Roads*	2.00		2.00	
- General Fund**	.30		.30	
Subtotal Township Levy Millages		11.00		9.67
Total 2004 Property tax millages		102.19		62.61

The township millages indicated above are paid on both Village (incorporated area of the township) and Township (unincorporated area of the township) properties except as indicated in footnotes * and **. In 2005 the Township's .3 inside mill will be decreased to .1 mill with the difference being paid to the School District.

*Road levies are paid only in the unincorporated area of the township, not in the Village.

**Village properties pay .3 inside mill (\$10.50 per year on a \$100,000 house) to the Township's General Fund. They do not pay the 4.0 mills of township road levies, but do also pay 2.7 inside mills, not shown in this chart, to the Village's General Fund.

Granville Township 2004 Property Valuations
(000's)

Category	Unincorporated Township (1)	Incorporated Township (Village of Granville)	Total
REAL PROPERTY			
Residential	\$102,328	\$108,893	\$211,221
Agricultural	12,084	546	12,630
Sub Res & Ag	114,412	109,439	223,851
Comm'l & Indust	9,411	16,261	25,672
Sub Real Property	123,823	125,700	249,523
PERSONAL PROP			
Public Util	4,117	1,774	5,891
Business	7,846	1,884	9,730
Sub total Pers Prop	11,963	3,658	15,621
Total Valuation	\$135,786	\$129,358	\$265,144
	51%	49%	100%

(1) Includes \$730 of Newark City valuations.

Licking County was last re-appraised in 1999 with new values used for 2000 tax bills. The tri-ennial update computer adjustment for sales prices compared to County Auditor appraised values was last done in 2002 with new values used for 2003 tax bills.

As properties change in value (typically upward) HB920 implemented in 1976 requires that the voted tax rates be reduced so that on average each individual tax levy does not collect more dollars than when it was originally approved by the voters. Note that this does not affect JVS millage and applies only to voted levies and not inside (unvoted) millage. The addition of new construction to the tax duplicate is considered in the HB920 adjustment after the first year of its existence.

Exhibit E

Estimated 2004 Property Tax Receipts to be Paid
By Township and Village Properties

Tax Levy	Tax Rate	Effective Residential And Agricultural Rate (1)	Estimated Tax paid by Unincorporated Area - Township	Estimated Tax paid by Incorporated Area – Village	Total Estimated 2004 Tax
Gen. Fund - Inside	.30	.30	\$ 40,567	\$ 38,976	\$ 79,700
Gen. Fund - Cemetery	.40	.40	53,960	51,845	105,648
Recreation	.50	.43	59,702	57,362	117,064
Fire & EMS	2.30	1.86	256,983	246,905	503,888
Open Space	3.50	2.94	403,814	387,979	791,793
Roads	4.00	3.74	512,945	0	512,945
Total Estimated 2004	11.00	9.67	\$1,327,971	\$783,067	\$2,111,038

The Village of Granville is the incorporated area of Granville Township. As such the township trustees have the ability to place levies on the ballot which are voted upon by the entire community and if passed, they are assessed on property in both the Village and the Township. I refer to these as ‘umbrella taxes’ as they cover the entire community. Road levy money may by law be used only on township roads in the unincorporated area of the township and thus township road levies are not voted on by Village voters and not assessed against Village properties.

If a levy was placed on the ballot by the Village it would collect on only 49% of the community property tax base. For this reason the Village Council asked the Township Trustees to place a bond levy on the November 2003 ballot to acquire Spring Valley Pool so the levy could be assessed on 100% of the community properties.

As the Village is part of the Township, Village voters can vote for and run for Township Elected Official Positions. As the unincorporated area of the Township is not in the Village, voters from that area do not pay Village taxes (unless they work in the Village) and cannot vote for Village Officials.

(1) Other rates not shown here but used to calculate the taxes raised are the a) effective Commercial and Industrial rate and b) the Tangible Personal Property rate.

Exhibit F

2004 Residential Property Tax Calculation
\$100,000 Home

Market Value of Residential Property	\$100,000
Percentage to reach Taxable Value	x35%

Taxable Value	35,000
Effective tax rate - mills per thousand dollars of valuation	62.606 mills

Tax due to taxing authorities	\$ 2,191 (1)
less state 12.5% paid portion for owner occupied property	-274

Tax paid by property owner	\$ 1,917

Distribution of Taxes

Entity	Millage			
	Inside/Voted	Effective	%	
Licking County JVS	2.80	2.800	4.5	\$ 98
Licking County	7.20	5.876	9.4	206
Granville Township	11.00	9.665	15.4	337
Granville Schools	81.19	44.265	70.7	1,550
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Totals	102.19	62.606	100.0	\$ 2,191 (1)

Breakdown by 2003 Township Receipts by
Major Category

Category	Amount
GENERAL FUND	
General Fund - inside millage	\$ 78,803
Current Expense Levy – Cemetery	83,985
Local Government Funds – from State	46,183
Estate Tax	35,884
Other	81,762
MOTOR VEHICLE LICENSE FUND	
State of Ohio	14,745
Other	111
GASOLINE TAX FUND	
State of Ohio	52,658
Other	218
ROAD & BRIDGE FUND	
Levy Proceeds	504,545
EMA snow disaster relief reimbursement	8,467
Other	2,251
CEMETERY FUND	
Fees for services	27,149
Burial Right sales	44,539
FIRE FUND	
Levy proceeds	432,947
RECREATION FUND	
Levy proceeds	116,294
OPERA HOUSE FUND	
State grant for property purchase	49,240
Sale of property to Kendal	206,003
Other	1,731
OPEN SPACE PRESERVATION FUND	
Levy Proceeds	787,117
Property rental	24,473
Other	10,876
CEMETERY BEQUEST FUND	
Other	3,328
Total for 2003	\$2,613,309