

Meridian CUSD #223

Tax Levy 2007 Information

The following "Questions and Answers" for taxpayers is, in part, a reprint of a feature article from the Illinois Association of School Boards News Service. It is very helpful in understanding the complex "tax levy" process.

What is a "tax levy"?

The tax levy represents the governmental unit's estimate of revenue required from the local taxing authority. In a school district's case, estimates of necessary expenditures and revenues are prepared in the budget process. The portion of revenue that the district requires from local property taxes is forwarded to the county clerk's office. This is called the "tax levy."

NOTE: Unfortunately due to time delays, the budget process completed in the months prior to the levy process is for a different fiscal year. In other words, the budget process completed in June/Sept. of 2007 is for revenue and expenditures for the FY08 year or for July 1, 2007 through June 30, 2008; while the "levy" process completed in Oct./Dec. of 2007 is for taxes levied on calendar year 2007 property, due and collected in June and September 2008 and distributed to the school district in July and September, 2008 for fiscal year 2009 (FY 09).

Does this mean that the school district can raise or lower my taxes at will?

No. Regardless of the amount of monies needed by the district, there are legal limits on the rates a district can ask for or extend. These rates can be increased **ONLY BY LOCAL VOTERS OR BY THE STATE LEGISLATURE**. In our school district, Meridian C.U.S.D. #223, the following tax rate limits apply per \$100 of equalized assessed valuation (EAV):

Education Fund:	\$2.78
Operation & Maintenance:	\$.50
Transportation Fund:	\$.20
Special Education Fund:	\$.04
Working Cash Fund:	\$.05

No matter what the need or levy, the above fund rates **CANNOT BE EXCEEDED WITHOUT VOTER APPROVAL.** Other fund tax rates can be levied higher or lower depending upon the need. These include: Tort Liability Fund; Illinois Municipal Retirement Fund; Bond and Interest Fund; and the Social Security and Medicaid Fund.

Can a district ever exceed the rates listed above in the Education, Operations & Maintenance, Transportation, Special Education, or Working Cash Funds?

Only if the local voters approve a higher rate in a referendum.

How is this tax rate used?

Your property has been assessed by the local assessor and verified by the State of Illinois. There is no intervention in this process by the school district. One-third of the value of all privately owned property within the boundaries of the school district is called the "Equalized Assessed Valuation" (EAV). The county clerk then multiplies these values by the tax rates in the various funds as provided by law. If the total dollars generated are less than the amounts requested, the clerk will stop at the legal rate limits. This amount - legal tax rates times EAV - is called the "tax extension," the amount charged the taxpayer.

The county clerk STOPS at the legal rate limit for each fund?

Yes. Even though the dollars the district will receive are less than it needs from local taxes, the tax rates will never exceed the legal limits. For example:

School district "A" budgets \$1,500,000 for expenditures in the Education Fund. \$1,000,000 of this must come from local sources. The tax "levy" would be \$1,000,000 for the Education Fund. If your property has a market value of \$60,000, the assessor would report its assessed value to the county clerk at \$20,000. Your taxes for School District "A" (if the Education Fund rate was \$2.78 / per \$100) would be $\$2.78 \times \$20,000$ divided by 100 (remember, the rate is per \$100) or \$556 at the most. If one-third of the total value of all private property (Equalized Assessed Valuation) were equal to \$30,000,000 in School District "A," the maximum dollars generated would be $(\$2.78 \times \$30,000,000 / 100)$ \$834,000. Since the district levied \$1,000,000 but the legal tax rate generated only \$834,000, the district will only get \$834,000.

Then, regardless of the tax levy, my tax RATES cannot be increased above the legal limits?

Not without voter approval.

Why levy more than you believe you will receive in the extension?

As the budget indicates, the district needs that amount of money even though it does not realistically believe it will receive it. Since the district cannot receive more than the legal limit tax rates times the Equalized Assessed Valuation of the district, it still must levy the amount needed to assure that it will get as much of the need it legally has due if there is an increase in assessed valuation. Say, for example, the assessor determined that the value of your property rose from \$60,000 to \$66,000 due to improvements. Your tax rate would not change, but you would owe more taxes - (now \$2.78 times \$22,000 not \$20,000 divided by 100) - \$611.60 vs. \$556 or a \$55.60 increase. If a significant increase, say a \$20,000,000 plant expansion, were to appear on the tax roles, then the district would receive these tax dollars (up to the levy request) **BECAUSE IT LEVIED WHAT IT NEEDED, NOT WHAT IT EXPECTED TO RECEIVE.**

What happens when the extension is less than the levy?

This is a common occurrence in today's economy. Federal and State support of education is greatly reduced, requiring school boards to seek greater local taxes. Once the legal taxing limits are reached, the options are few, including:

1. Cut expenditures by reducing services
2. Try to increase other revenue sources
3. Borrow
4. Ask the local voters for a higher tax rate

Generally speaking, the process is:

- 1. The district requests local taxes to support education from the county clerk.**
- 2. The county clerk determines what tax rate must be used times the assessed valuation of the district to obtain the requested taxes.**
- 3. The county clerk will NOT allow the tax rates to exceed the legal limits, even if that tax rate will not generate the requested tax dollars.**

Precisely.

So, even though the paper may say the tax levy is up 18%, my tax rate cannot go up beyond the legal limit, and my tax bill will go up only by the rate times whatever increase there may have been in the value of my property?

Correct.

Why the big deal in the paper since my tax rate is not increasing?

Chapter 120, Paragraph 861 of the Illinois revised Statutes requires that the notice be published.