# Understanding the School District Levy/Mill Rate and Your Tax Bill:
## Explanation of Equalized Value vs. Fair Market/Assessed Value

Two people are friends.  Michael lives in the Town of Newton and Shana lives in the City of Manitowoc.  Both live in the same school district and own exactly the same amount of property.  Neither understands how their school property taxes are arrived at.

Upon comparing tax bills, they notice that Michael's $200,000 worth of property (fair market value) was assessed at $200,000.  Michael found this was fair because everyone else's property in the Town of Newton was assessed at 100% of its fair market value.

On Shana's tax bill, they found that the City of Manitowoc had assessed Shana's property at $160,000 even though the fair market value was $200,000.  This was fair because everybody else's property in the City of Manitowoc was assessed at 80% of its worth.

| Description | Michael | Shana | Difference |
|---|---|---|---|
| Assessed Value Land | $20,000 | $16,000 | -$4,000 |
| Assessed Value Improvements | $180,000 | $144,000 | -$36,000 |
| Total Assessed Value (A) | $200,000 | $160,000 | -$40,000 |
| Average Assessment Ratio (B) | 1.0000 | 0.8000 | -0.2000 |
| Estimated Fair Market Value (A/B) | $200,000 | $200,000 | $0 |
| School Net Levy Rate (per $1000) | $7.81 | $7.81 | $0.000 |
| Town of Newton/City of Manitowoc Taxpayer | $1,562.00 | $1,562.00 | $0.00 |

### *So why do property taxes increase even though the school net levy/mill rate stayed approximately the same or decreased from the previous year?*

Shana and Michael learned that this happened because *school districts* set their levy/mill rate based on the *equalized property value*. Equalized property values are certified in the early part of October by the State of Wisconsin. Once the district establishes its levy/mill rate using the equalized property value, the authority is then passed to local municipalities to collect property taxes.

At the local municipality level, *fair market value* of properties is used to establish and distribute the amount individual taxpayers pay towards the school district levy. As municipalities assess properties at different points of time and improvements by individual property owners are in constant flux, fair market value creates equity in current property values. Fair market value is set on a state-wide basis by the *Wisconsin Department of Revenue* annually.

### *What can a school district do to limit the impact on individual property tax bills?*

As mentioned above, the school district's authority does not extend beyond setting the total levy amount and mill rate based on equalized property values. While school districts are not able to influence fair market value calculations at the municipality level, school districts aim to limit fluctuations in the mill rate to the greatest extent possible so that the increases realized in an individual's tax bill are based primarily on changes in fair market value and property owner improvements.

Please see the examples on the next page to see how both a steady and lowered mill rate reflect on an individual's tax bill.

## Example Scenario No. 1: No Change in Mill Rate with Increase in Tax

| Description | 2019 | 2020 | $ Change Increase/Decrease | % Change |
|---|---|---|---|---|
| Assessed Value Land | $20,000 | $20,000 | $0 | 0.00% |
| Assessed Value Improvements | $180,000 | $180,000 | $0 | 0.00% |
| Total Assessed Value (A) | $200,000 | $200,000 | $0 | 0.00% |
| Average Assessment Ratio (B) | 0.9500 | 0.9000 | -0.0500 | -5.26% |
| Estimated Fair Market Value (A/B) | $210,526 | $222,222 | $11,696 | 5.26% |
| School Net Levy (Mill Rate) (per $1000) | $7.86 | $7.86 | $0.000 | 0.00% |
| City of Manitowoc Taxpayer | $1,654.73 | $1,746.66 | $91.93 | 5.26% |

In example No. 1, the increase in the resident's property tax bill is due to the increase in the fair market value of the property. The property's fair market value increased 5.26% from 2019 to 2020. The District maintained the mill rate at $7.86; however the increase in property value resulted in a 5.26% increase in property tax ($80.82).

## Example Scenario No. 2: Decreased Mill Rate with Increase in Tax

| Description | 2019 | 2020 | $ Change Increase/Decrease | % Change |
|---|---|---|---|---|
| Assessed Value Land | $20,000 | $20,000 | $0 | 0.00% |
| Assessed Value Improvements | $180,000 | $180,000 | $0 | 0.00% |
| Total Assessed Value (A) | $200,000 | $200,000 | $0 | 0.00% |
| Average Assessment Ratio (B) | 0.9500 | 0.9000 | -0.0500 | -5.26% |
| Estimated Fair Market Value (A/B) | $210,526 | $222,222 | $11,696 | 5.26% |
| School Net Levy (Mill Rate) (per $1000) | $7.86 | $7.81 | $0.000 | 0.00% |
| City of Manitowoc Taxpayer | $1,654.73 | $1,735.55 | $80.82 | 4.66% |

In example No. 2, the increase in the resident's property tax bill is due to the increase in fair market value of the property. The property's fair market value increased 5.26% from 2019 to 2020. The District lowered the mill rate by $.05; however the increase in property value resulted in a 4.66% increase in property tax ($80.82). This increase in tax does not directly correlate to the District receiving more money to spend. The District's total revenue is a combination of the local tax levy, state allocations, and federal dollars.

## *What Does This Mean For Our District's Future?*

If a district receives less revenue, either through the drop off with expiring operational referendum revenues, or there are cuts in the state biennial budgets adopted at the state level, our district not only receives less money through property taxes in the following year, but we are penalized further through subsequent budgets with less state aid since our total revenue limit is calculated based on prior year spending. This effect of lost revenue is detrimental to future budgets and our overall ability to deliver quality educational supports for our students. These impacts would take decades to recover back to current, similar levels of funding.

Overtime, as the state increases the allowable expenditures per student and our community votes to maintain increased operational spending through referendums, the allowable total revenue limit and state aid increases. The benefit is that this increases value for the educational experience we provide the students of the Manitowoc Public School District and our community for decades to come.