Ohio Department of TAXATION

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TO: County Auditors, County Treasurers, and Computer Companies

FROM: Shelley Wilson, Executive Administrator, Tax Equalization Division

RE: Applying Rollbacks to Qualified versus Non-qualified Levies,
per Amd. Sub. H.B. 59, 130^{th} General Assembly

DATE: July 30, 2013

As part of the recently passed state budget, beginning with tax year 2013 the ten and two and one-half percent rollbacks will no longer apply to new levies that are enacted after the August 2013 election. These non-qualifying levies include additional levies, the increase portion of renewal with increase levies, and the full effective millage of replacement levies. Levies that will continue to qualify for application of the rollbacks are levies approved at or before the August 2013 election, inside and charter millage as they appear on the 2013 tax list, renewals of qualified levies, and the substitute of qualified school district emergency levies under Revised Code section 5705.199.

Several weeks ago staff from the Department of Taxation met with representatives from local government groups to discuss changes in the recent budget bill as they would impact those groups. One of the major topics of discussion was how to implement the elimination of the rollbacks on new tax levies. At that time, the department was favoring a method wherein rollbacks would be calculated for the full effective millage, and then the portion attributable to the non-qualified levies would be added back to the tax calculation. After news of that solution spread, an alternative approach was suggested that we believe provides a cleaner and easier to implement solution.

<u>Adjusted Rollback Factors</u>

Both rollback percentages will be adjusted by weighting the effective rate of qualified levies against the total effective rate of the district and multiplying the result by the full rollback percentage. Here's a sample calculation:

Full Effective Millage	72.943642
Effective Millage of Qualified Levies	67.943642

10% Rollback Factor = (67.943642/72.943642)(0.10), or 9.3145%
2 ½% Rollback Factor = (67.943642/72.943642)(0.025), or 2.3286%

In the tax calculation, the amount remaining after the application of tax reduction factors will be reduced by 9.3145% instead of 10% and by 2.3286% instead of 2 ½%, as shown below.

Tax Calculation Following Passage of an Additional Levy 11/5/2013

$100,000 owner-occupied house
Full Rate 105.560 mills
Reduction Factor 0.308984
Effective Tax Rate 72.943642
Non-qualifying levy with 0.000000 reduction factor 5.00 mills

Gross Taxes	$3,694.60	
Tax Reduction	-1,141.58	
Subtotal	$2,553.02	
10% Rollback	- 237.80	($2,553.02 x 0.093145)
2 ½% Rollback	- 59.44	($2,553.02 x 0.023286)
Current Net Taxes for the Year	$2,255.78	

The same adjusted rollback factors will also be used to calculate the homestead credit. See the example for a homestead credit calculated for the property shown above.

Gross Taxes	$ 923.64	
Tax Reduction	- 285.38	
Subtotal	$ 638.26	
10% Rollback	- 59.44	($638.26 x 0.093145)
2 ½% Rollback	- 14.86	($638.26 x 0.023286)
Homestead Credit for the Year	$ 563.96	

The Department of Taxation will calculate the rollback adjustment factors for Class I and Class II in each taxing district. The rollback factors will be certified to the county auditor at the same time as the tax rates in a separate report which will be available both on paper and in an electronically executable format. Our Information Services Division is currently developing those products, and we will make technical specifications for the electronic product available to you as soon as they are complete. A mock-up of the paper report is enclosed to give you an idea of the format in which you will receive this information.

Nomenclature

In order to avoid confusion and potential taxpayer frustration we are also going to change the mandatory labels that appear on the tax bill. Since the 10% rollback will no longer be a full ten percent, instead we will label it the "Non-Business Credit", which is how it is framed in statute. Likewise, since the 2 ½% rollback will be less than two and one-half percent, it will be referred to as the "Owner Occupancy Credit", which is also a more descriptive term for what it actually is. Counties should plan to use the new terms in their computer systems and on their tax bills.

Identifying Qualified Levies

The Department of Taxation will identify qualified levies using the information that is already collected in filing the DTE 27, Tax Rate Abstract. A new field will be added to that report to indicate whether a levy is qualified for reimbursement or not, and that flag will be set to "Y" for all levies in existence for tax year 2012. For levies being entered or altered on the 2013 DTE 27, individual determinations will be made by the department based on date of vote, levy type, and method of enactment.

Tax Bills

Beginning with tax year 2013, tax bills will need to use the revised rollback labels in the calculation and list the two rollback factors unique to the taxing district and class in addition to the effective tax rate.

Conclusion

We have tried to provide you with a mechanism to implement this change as smoothly as possible. If you have questions about this process, you are welcome to contact either Laura Lackey at (614) 466-6365 or myself by telephone at (614) 466-5744 or by email at Laura.Lackey@tax.state.oh.us or Shelley.Wilson@tax.state.oh.us .

SW/LL/cmz
Enclosure