

# Understanding your tax bill

*“If your property held its value better than the average, your taxes will be higher this year; if your property lost more value than the average, your taxes will be lower.”*

**By Mary Lou Hansen**

*Teton County Clerk*

The 2011 tax bills are in the mail and will result in the collection of \$13.5 million in property taxes. This money will be distributed to 14 different taxing districts and will provide about 30% of the funds needed for their combined budgets.<sup>1</sup>

Every year, county employees answer hundreds of questions about property values and tax bills. They explain that the amount of your tax bill is determined by the budget needs of the 14 taxing districts and by the percent of change in the value of your property as compared to the overall change in county property values. They distribute a pie chart to illustrate how property taxes are distributed.

In recent years, the single most frequently asked question has been: “Why haven’t my taxes decreased as much as my property value?” This question can only be answered by explaining taxing districts, budgets, tax levies and property values.

## **What’s a Taxing District?**

Teton County has a total of 14 different taxing districts. Six are county-wide: county, school, fire, ambulance, mosquito and library. Every piece of taxable property<sup>2</sup> in the county is assessed taxes to fund the budgets of these six districts.

Eight taxing districts have specific boundaries within the county. Their budgets are funded only by properties within their boundaries. The non-county-wide taxing districts include three cities: Victor, Driggs and Teton; and five cemetery districts: Bates, Cache-Clawson, Driggs-Darby, Haden and Victor-Cedron.

Each of the county’s 14 taxing districts is managed by an elected governing board<sup>3</sup> which determines the annual budget. Officials responsible for one taxing district have no authority over the budget of any other taxing district.<sup>4</sup>

## **Who Controls Taxing District Budgets?**

Idaho law requires every taxing district to have a balanced budget and strictly limits a district’s ability to borrow money. State law also requires districts to publish their proposed budget and to hold a public hearing before adopting a budget. Finally, state laws limit the maximum tax rate for each type of taxing district.

As long as these state laws are followed, the governing board has total discretion over the budget for their taxing district. The board determines the amount of money needed to provide the services and infrastructure for which the district was organized. In order to adopt a balanced budget, the board must evaluate the district’s fiscal needs against its ability to raise revenue. The governing board must also ensure the proper expenditure of all funds.

## **What about the 3% Cap?**

Idaho law sets a cap on the annual increase in the portion of a taxing district’s budget funded by property tax. The property tax portion of a district’s budget may increase by no more than 3%, plus an amount for new construction and annexation.

This 3% cap does not limit the increase in the amount of any single property tax bill; it only limits the increase in the total amount of property tax collected by a taxing district. Your property tax bill may increase at a rate higher than 3% if the value of your property does not change even though the values of other properties decrease.

<sup>1</sup>Some taxing districts rely almost entirely on property tax revenue while others have a variety of other income sources, which may include revenue-sharing from the state, grants, user fees and unspent revenues from previous years.

<sup>2</sup>Exception: The Fire and Ambulance Districts do not levy taxes on agricultural land.

<sup>3</sup>Exception: The Mosquito District board is appointed by the County Commissioners, per Idaho state law.

<sup>4</sup>Exception: The County Commissioners review and approve the Mosquito District budget, per Idaho state law.

### **How are Tax Levies Calculated?**

A taxing district's levy rate is calculated by dividing the amount of property taxes needed for the district's budget by the total taxable value of all properties within the district. For example, if a taxing district's approved budget calls for \$1,000 in property taxes and the district contains total taxable property valued at \$5 million, its levy rate will be .02% ( $\$1,000/\$5,000,000 = .0002$ ).

### **Why haven't my Taxes Decreased as Much as my Property Value?**

The change in your property value compared to the overall change of all properties within a taxing district determines whether you will pay more, less or the same as the previous year. Even though county values declined by an overall average of 15-20% last year, the value of any single property may have increased. If your property held its value better than the average, your taxes will be higher this year; if your property lost more value than the average, your taxes will be lower.

#### Example, last year:

If total property tax collected = \$1,000

And total taxable property value = \$5,000,000

Last year's tax levy rate = .0002 ( $\$1,000/\$5,000,000$ )

#### Example, this year:

If total property tax collected = \$1,000

But total taxable property value has declined to \$4,000,000

This year's tax levy rate = .00025 ( $\$1,000/\$4,000,000$ )

#### Impact of this year's higher levy rate:

If your property's taxable value was \$100,000 last year, your tax was \$200 ( $.00020 \times \$100,000$ )

If your property value did not decline, this year's tax = \$250 ( $.00025 \times \$100,000$ )

If your property value declined by 10%, this year's tax = \$225 ( $.00025 \times \$90,000$ )

If your property value declined by 50%, this year's tax = \$125 ( $.00025 \times \$50,000$ )

### **What can I do to lower my Property Taxes?**

- \*If you qualify for the Homeowners' Exemption, be sure to file an application with the Assessor by April 15, 2012.
- \*Review your annual Assessment Notice next June and immediately call the Assessor's office if you think an error has been made.
- \*Understand the activities and budgets of the taxing districts funded by your property taxes. Participate in their elections.