

State Tax Commission March 29, 2010 Tip
Topic: Millage Rollback for 2010



Dear STaCy:

My preliminary millage rollback calculations show a millage reduction fraction of 1.0000, while the base tax rate fraction is 1.0050. How is this possible?

Also, can you explain how the base tax rate is applied if the 2009 maximum levy was 2 mills, but the actual levy was 1.5 mills. Does 'Truth in Assessing' come into play?

Truly yours,
Ben Clearer

Dear Mr. Clearer:

You ask questions that require somewhat technical and complex answers. I will do my best.

- In previous years wherever the Headlee millage reduction fraction (MRF) was less than 1.0000, the Truth in Taxation's base tax rate fraction (BTRF) was less than the MRF. This is due to the inflation rate being greater than 1.000.
- Because the 2009 inflation rate for 2010 calculations is less than 1.000, this year the BTRF will exceed the MRF in all cases.
- Definition for this purpose: Maximum Allowable Millage means all operating millage as reduced by applying the applicable Headlee multiplier, and Truth in Assessing or Truth in Equalization multiplier.
- While the Headlee MRF is limited on the upside to 1.0000, Truth in Taxation's BTRF may exceed 1.0000. However, the BTRF cannot cause the base tax rate to exceed the 'maximum allowable millage' net of any building and site fund millage (BSF).
- New operating millage (since last year's levy) is subject to the requirements of Truth in Taxation. So even when the BTRF is greater than the MRF or 1.0000, the new millage will often cause the 'Base Tax Rate' to be less than the 'Maximum Allowable Millage' (sum of operating millage net

of BSF), thereby requiring compliance with Truth in Taxation in order to levy more than the ‘Base Tax Rate’.

The answer to your first question is that had the MRF not been limited on the upside to 1.0000, it would have calculated to 1.0020. As in the past when the MRF is less than 1.0000 and subject to rounding at the 4th decimal place, the MRF divided by the inflation rate equals the BTRF. Conversely and with the same limits, the *BTRF multiplied by the inflation rate equals the MRF*. Since the inflation rate for 2010 calculations is less than 1.000, the MRF will be less than the BTRF in all cases for 2010. This explains how it is possible to have a 2010 MRF of 1.0000 and a BTRF of 1.0050.

This example may help answer your second question:

Last year this unit could have levied 2.0000 operating mills (maximum allowable millage (MAM)), but chose to levy 1.7000 mills.

2009 MAM	2.0000
2009 Actual Levy	1.7000

This year’s ‘Millage Reduction Fraction’ is 1.0000, but the applicable ‘Truth in Assessing’ or ‘Truth in Equalization’ multiplier is .9500. Since there is no expired or newly voted millage the current ‘Maximum Allowable Millage’ (MAM) is 1.9000 operating mills.

2010 MAM	1.9000	=	2009 MAM	x	2010 MRF	x	T in A or T in E
			2.0000		x 1.0000		x .9500

Assume this year’s ‘Base Tax Rate Fraction’ is 1.0050. This year’s ‘Base Tax Rate’ is 1.7085

BTR	1.7085	=	2009 Actual Levy	x	2010 BTRF
			1.7000		x 1.0050

This means:

- The taxing jurisdiction can levy up to 1.7085 total operating mills (plus any BSF) without holding a Truth in Taxation hearing (including Section 16 of the Uniform Budget and Accounting Act).
- The taxing jurisdiction may not levy more than 1.9000 operating mills without a successful millage election.
- The taxing jurisdiction must comply with the requirements of Truth in Taxation to levy more than 1.7085 operating mills (net of any BSF), up to 1.9000 operating mills (net of BSF).

I feel your pain,
STaCy