

Scenario 1 - Base

A jurisdiction has two identical homes, each valued at \$5,000. A single taxing body needs \$500 from property tax to operate next year. Calculation of the tax is as follows:

Tax Rate

Levy	÷	Districts EAV	=	Total	X	100
(Amount of money needed for taxing district)						(Expressed in dollars Per 100)
\$ 500.00	÷	10,000	=	\$0.05	X	\$5.00

Tax Bill

Assessment	X	Tax Rate	=	Tax Bill Per Parcel
		(Expressed as a decimal)		
\$ 5,000.00	X	.050	=	\$250.00

Results

2 Parcels	X	\$250.00	=	Total Needed
2	X	\$250.00	=	\$500.00

Result: The amount needed is achieved for the levy.

Scenario 2 – Taxing bodies UP; Assessments SAME; Taxes UP

The taxing authority increases the levy (spending) by 10%, but the assessments remain the same. Calculation of the tax is as follows:

Tax Rate

Levy	÷	Districts EAV	=	Total	X	100
(Amount of money needed for taxing district)						(Expressed in dollars Per 100)
\$ 550.00	÷	10,000	=	\$0.055	X	\$5.50

Tax Bill

Assessment	X	Tax Rate	=	Tax Bill Per Parcel
		(Expressed as a decimal)		
\$ 5,000.00	X	.055	=	\$275.00

Results

2 Parcels	X	\$275.00	=	Total Needed
2	X	\$275.00	=	\$550.00

Result: A 10% spending increase raised tax bills proportionately, by 10%.

Scenario 3 – Tax Levy UP; Assessments UP; Taxes UP

The taxing authority increases the levy (spending) by 10%, and the assessments increased by 10%. Calculation of the tax is as follows:

Tax Rate

Levy <i>(Amount of money needed for taxing district)</i>	÷	Districts EAV	=	Total	X	100 <i>(Expressed in dollars Per 100)</i>
\$ 550.00	÷	11,000	=	\$0.05	X	\$5.00

Tax Bill

Assessment	X	Tax Rate <i>(Expressed as a decimal per \$100)</i>	=	Tax Bill Per Parcel
\$ 5,500.00	X	.50	=	\$275.00

Results

2 Parcels	X	\$275.00	=	Total Needed
2	X	\$275.00	=	\$550.00

Result: When spending increases at the same rate as assessments, tax rates will remain the same (increasing the numerator and denominator of a fraction causes the result to remain the same). This makes it appear as though the assessment increase caused taxes to increase.

Scenario 4 – Tax Levy SAME; Assessments UP; Taxes SAME

The levy remains the same, assessments increases by 10%. Calculation of the tax is as follows:

Tax Rate

Levy	÷	Districts EAV	=	Total	X	100
<i>(Amount of money needed for taxing district)</i>						<i>(Expressed in dollars Per 100)</i>
\$ 500.00	÷	11,000	=	\$0.04545	X	\$4.55

Tax Bill

Assessment	X	Tax Rate	=	Tax Bill Per Parcel
		<i>(Expressed as a decimal)</i>		
\$ 5,500.00	X	\$.0455	=	\$250.00

Results

2 Parcels	X	\$250.00	=	Total Needed
2	X	\$250.00	=	\$500.00

Result: Taxes remain \$250 as in the first scenario because an increase in the assessment, with no change in spending, results in a commensurate drop in the rate, leaving tax bills unchanged.

Scenario 5 – Tax Levy UP 3.5%; Assessments UP 10%; Taxes UP 3.5%

The levy increases at inflation rate, say 3.5%, and the assessment increases by 10%. Calculation of the tax is as follows:

Tax Rate

Levy <i>(Amount of money needed for taxing district)</i>	÷	Districts EAV	=	Total	X	100 <i>(Expressed in dollars Per 100)</i>
\$ 517.50	÷	11,000	=	\$0.047045	X	\$4.7045

Tax Bill

Assessment	X	Tax Rate <i>(Expressed as a decimal)</i>	=	Tax Bill Per Parcel
\$ 5,500.00	X	.0470	=	\$258.75

Results

2 Parcels	X	\$258.75	=	Total Needed
2	X	\$258.75	=	\$517.50

Result: Taxes increased by 3.5% or the rate of inflation. This is the same as the levy increase. The only reason taxes increased in Scenario 5 and didn't in Scenario 4 was the increase spending by the taxing authority.

Scenario 6 – Tax Levy UP 3.5%; Assessments DOWN; Taxes UP 3.5%

The levy increases at inflation rate of 3.5%, and the assessment decreases by 10%. Calculation of the tax is as follows:

Tax Rate

Levy	÷	Districts EAV	=	Total	X	100
<i>(Amount of money needed for taxing district)</i>						<i>(Expressed in dollars Per 100)</i>
\$ 517.50	÷	9,000	=	\$0.0575	X	\$5.75

Tax Bill

Assessment	X	Tax Rate	=	Tax Bill Per Parcel
		<i>(Expressed as a decimal)</i>		
\$ 4,500.00	X	0.575	=	\$258.75

Results

2 Parcels	X	\$258.75	=	Total Needed
2	X	\$258.75	=	\$517.50

Result: Taxes increased again by 3.5% or the rate of inflation. Even though the assessment decreased by 10%, taxes increased because the taxing authority needed to increase spending by 3.5%. Regardless what the assessment does in terms of decreasing, increasing or remaining the same, if the taxing authority asks for more money, taxes will always go up.

Note: All of the above scenarios had the assessments changing by the same percentage. When assessor's increase or decrease assessments by differing amounts throughout the township, this has the effect of redistributing the tax burden causing individual tax bills to change by differing amounts.