

Detailed Explanation of Tangible Personal Property (TPP)

Bath Community:

I write to you today after a long and anguishing consideration of how to communicate the next financial challenge the district will face. It has been my goal to run this school district without coming to you, the Bath School Community, for more money to operate our system. The school building was certainly a necessity, but those funds are completely separate from the funds used to pay salaries, utility bills, etc. Now, I am faced with a situation where the school district will be receiving the same amount of money, but, due to legislative changes in the way our district valuation is determined, tax payers will need to give more to maintain our current level of revenue.

The purpose of this special newsletter is to inform you well in advance of an event that will affect your taxes. In tax year 2018, taxes that will be collected in 2019, your property taxes from a school fixed sum levy that has been in place since 1999 will begin to increase and will continue to do so, if the levy is renewed, for five years. Why you might ask? To put it simply, the state legislature stopped taxing our local business and industry on their tangible personal property (equipment and inventory) in 2005 and has embarked on a long process to shift that burden to real property owners that will begin its final stage in tax year 2018.

I have worked with other superintendents around the state to seek a legislative solution that would hold the taxpayer and the school district harmless (one that would not increase your taxes or result in a funding reduction to the school), for several years without success.

As the law stands right now, your taxes will go up on a \$100,000.00 home about \$25.00 per year each of the five years resulting in a total increase \$125.00 per year in collection year 2023. This increase is set for collection year 2019 as the current renewal, approved in 2013, runs from collection year 2015 through 2019. In November of 2018, we will be seeking renewal of this levy which constitutes \$3.7 million of our \$15 million budget.

Further explanation of why your taxes will go up is as follows:

1. This is a fixed sum levy, so it was passed to bring in \$3.7 million (originally \$2.7 million from real property value and \$1 million from tangible personal property value) and will never earn more or less for the school district.
2. This burden is spread over the entire valuation, total value (originally real property plus tangible personal property value) of all property, in our school district.
3. When the state removed the valuation of industry's tangible personal property (equipment and inventory) from the valuation base, they delayed the impact to real property (houses, structures, and land) owners by using CAT, income, and sales taxes to "reimburse" the school districts for the amount collected on tangible personal property value.

4. Now, since this is a fixed sum levy guaranteed to bring in a set dollar amount spread across the total valuation of the district, a larger dollar amount will be spread over the real property owners to make up the difference.

I must point out that our district business and industry also have real property that adds to the total value of the district and their taxes will go up also as a result of the elimination of the reimbursement amount.

Sincerely,

Dale E. Lewellen, Superintendent