WHAT IS THE TAX RATE?

The Tax Rate is used to calculate the property tax that a property owner pays. In the case of schools, when voters go to the polls and vote on a school ballot measure, they are deciding whether a set dollar amount should be collected through taxes. The Tax Rate is simply the amount of money that needs to be collected for each $1,000 of total assessed valuation to reach the total dollar amount that the voters have approved.

HERE'S HOW IT WORKS:

Let's say there are three property owners in a tiny little school district. They hold an election and decide to raise $2,000 in property taxes each year to help pay for schools.

House A	House B	House C
$150,000	$250,000	$400,000

The total assessed valuation of all three houses totals $800,000. ($150,000 + $250,000 + $400,000 = $800,000) That means, in order to collect the $2,000 for schools, a Tax Rate of $2.50 is needed for every $1,000 of assessed valuation. ($2,000 divided by 800 = $2.50)

As a result, the tax bills of the three homeowners will be as follows:

House A pays $375 (150 x $2.50 = $375)

House B pays $625 (250 x $2.50 = $625)

House C pays $1,000 (400 x $2.50 = $1,000)

Added together, all three will pay a total of $2,000

When property values change from year to year, the Tax Rate also will change.

IF THE TOTAL ASSESSED VALUATION WITHIN THE SCHOOL DISTRICT GOES UP, THE TAX RATE WILL GO DOWN.

Let's say the three homes in our tiny school district are reassessed. House A is now valued at $200,000, House B at $300,000, and House C at $500,000.

House A
$200,000

House B
$300,000

House C
$500,000

The total assessed valuation of the three houses now totals $1,000,000. ($200,000 + $300,000 + $500,000 = $1,000,000) That means, in order to collect the $2,000 for schools, a Tax Rate of $2.00 is now needed for every $1,000 of assessed valuation. ($2,000 divided by 1,000 = $2.00)

As a result, the tax bills of the three homeowners will be as follows:

House A pays $400 (200 x $2.00 = $400)

House B pays $600 (300 x $2.00 = $600)

House C pays $1,000 (500 x $2.00 = $1,000)

Added together, all three will still pay a total of $2,000. But, did you notice what happened to their actual tax bills? It's interesting to note that with the lower Tax Rate, it's possible some property owners could see

their actual bill decrease even though their assessment went up. That's what happened to the owner of House B. While he or she paid $625 the previous year, their tax bill dropped to $600 even though the house has a higher value. A similar thing happened to House C. While the value of the house went up, the actual tax bill stayed the same.

The same holds true when new homes and businesses are added to an area. The added value of those properties can help reduce the Tax Rate.

IF THE TOTAL ASSESSED VALUATION WITHIN THE SCHOOL DISTRICT GOES DOWN, THE TAX RATE WILL GO UP.

In the example of our little school district, if the total value of the three homes dropped to a total of $700,000, the Tax Rate needed to collect the $2,000 for schools would increase to $2.86 for each $1,000 of assessed valuation. ($2,000 divided by 700 = $2.86)

BUT, IN EITHER CASE:

The total amount of money that will be collected will never exceed the amount of money that was authorized by voters.