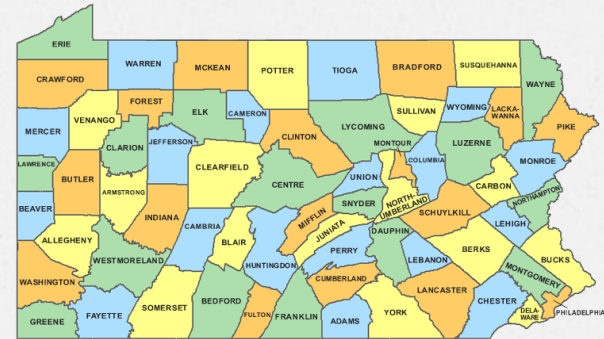


Compliance with Act 1: Multi-County Tax Rate Calculations

Presentation for the Board of School Directors
Upper Perkiomen School District
January 12, 2017

Of Multi-County School Districts

- o 89 School Districts educate students in more than one county
- o 78 are in 2 counties
- o 10 are in 3 counties
- o 1 is in 4 counties



Act 1 of 2006

- o Places limitations on increases in the rate of tax.
- o Examples:
 - o Section 311(d)(4): “...the department shall compare the proposed percentage increase in the rate of the tax with the index. Within ten days...the department shall inform...whether the proposed tax rate increase is less than or equal to the index.”
 - o Section 333(b)(1): the Board “.. may not...[1] Increase the rate of a tax levied for the support of the public schools by more than the index...”

Public School Code

- o 24 PS 6-672.1 (School Districts Lying in More than One County or in More than One Municipality; Limitation on Total Tax Revenues)
- o Provides several options for the calculation of equalized assessed values.



Calculation Option 1 – (a)₁

- o School Code: Taxes levied shall be subject to the limitation that the ratio which such total taxes bear to the most recent valuation of the same properties by the STEB shall be uniform in all of the counties, and the school district shall adjust its rate of taxation applicable to the portion of the district in each county to the extent necessary to achieve such uniformity.

Calculation Option 1 – (a)₁

- Layman's Terms: Different millage rates in each county based on the share of real estate market value in each county, as certified by the State Tax Equalization Board (STEB).



Calculation Option 1 – (a)₁

- o UPSD used to use this method.
- o A shift occurred in the percentage of market value in the District's two counties. Berks dropped from 11.672% to 9.95899%.
- o Result would have been a 17% shift in taxes. (13% decrease in Berks, 4% increase in Montgomery). This was not acceptable to the Board, so another method permitted by the School Code was selected.

Calculation Options 2, 3 and 4

- o Alternatives under 24 PS 6-672.1(a)(2).
 - o Under these options, tax rate based on % not exceeding 75% of market value which shall be uniform throughout the district.

75%

Calculation Option 2 – (a)(2)(i)

- o (a)(2)(i): Market value of each parcel is the quotient of the assessed value divided by the latest STEB ratio of assessed value to market value in the municipality.
- o Result: One millage rate, but each municipality will pay a different amount of taxes on the same assessed value due to use of each municipalities ratio.

Calculation Option 3 – (a)(2)(ii)

- o (a)(2)(ii): Market value of each parcel is the quotient of the AV divided by the latest STEB ratio of AV to MV in the aggregate of all municipalities of the school district within the county.
- o Result: One millage rate, separate calculation for each county due to use of aggregate ratio used within each county.

Calculation Option 4 – (a)(2)(iii)

- o (a)(2)(iii): Market value is determined using the lowest municipality's AV to MV STEB ratio.
- o Result: Uniform millage rate based on one standard calculation.
- o This is the option UPSD currently utilizes.



Why Was (a)₂(iii) Selected

- The % shift in (a)₂(i) had a range of an increase of 10% to a decrease of 13%.
- The % shift in (a)₂(ii) had almost the same shift as the previously described Option 1.
- The shift in (a)₂(iii) reduced the range to a decrease of 3% to an increase of 2.5%.

2010-2011 Analysis

	Option 1	Option 2	Option 3	Option 4
Hereford	\$ 2,050	\$ 2,047	\$ 2,048	\$ 2,285
East Greenville	\$ 2,847	\$ 2,665	\$ 2,848	\$ 2,811
Green Lane	\$ 2,847	\$ 3,016	\$ 2,848	\$ 2,811
Marlborough	\$ 2,847	\$ 2,748	\$ 2,848	\$ 2,811
Pennsburg	\$ 2,847	\$ 2,727	\$ 2,848	\$ 2,811
Red Hill	\$ 2,847	\$ 2,658	\$ 2,848	\$ 2,811
Upper Hanover	\$ 2,847	\$ 3,012	\$ 2,848	\$ 2,811

Based on Median Assessed Values: \$126,005
(Montgomery); \$102,400 (Berks)

Historical Figures

- o Lowest AV to MV STEB Ratio:

- o 2010: Hereford Township; 65.14%
- o 2011: Hereford Township; 65.07%
- o 2012: Green Lane Borough; 63.93%
- o 2013: Green Lane Borough; 63.63%
- o 2014: Green Lane Borough; 63.14%
- o 2015: Green Lane Borough; 63.14%



Note: 16-17 tax bills reflect 2014 STEB figures, as STEB reports on a lagging basis. So, for the 17-18 budget, the lowest STEB ratio will again be 63.14%

Historical STEB Ratios

Tax Year	Year Certified	East Greenville	Green Lane	Hereford	Marlborough	Pennsburg	Red Hill	Upper Hanover
12-13	2010	75.31%	67.39%	65.14%	74.58%	74.84%	75.26%	68.08%
13-14	2011	75.34%	67.24%	65.07%	74.45%	74.82%	75.36%	67.90%
14-15	2012	73.86%	63.93%	65.13%	72.66%	73.36%	72.80%	68.04%
15-16	2013	73.87%	63.63%	65.18%	72.66%	74.33%	72.75%	68.03%
16-17	2014	74.35%	63.14%	65.36%	72.13%	71.07%	72.15%	67.60%
17-18	2015	74.34%	63.14%	65.38%	72.03%	71.06%	72.21%	67.62%
Change		-1.29%	-6.31%	0.37%	-3.42%	-5.05%	-4.05%	-0.68%

Calculation of Tax Liability

- o Printed on every tax bill.
- o (Real Estate Assessment/Lowest STEB Ratio)*(75%)*(Millage Rate) = Tax Amount
- o Real Estate Assessment = Original Assessment Less Homestead or Farmstead Exclusion.



Factors Impacting Tax Liability

- o Millage rate is only one component of a tax bill.
- o Other factors:
 - o Property's Assessment
 - o Can change due to an assessment appeal
 - o Can change due to improvements to the property
 - o Amount of Homestead or Farmstead Exemption, if Applicable
 - o Lowest STEB Ratio

Illustration

Tax Year	Real Estate Tax Assessment	Lowest STEB Ratio	Market Value	Millage Rate	% Millage Rate Increase	Tax	% Increase in Tax Paid
2014	\$100,000.00	0.63934	0.75	22.3363		\$2,620.22	
2015	\$100,000.00	0.6363	0.75	23.0622	3.25%	\$2,718.31	3.74%
2016	\$100,000.00	0.63138	0.75	23.6388	2.50%	\$2,808.00	3.30%

Effect

- o Act 1 limits the increase in the millage rate and not the amount of real estate tax dollars paid.
- o In recent years, as the lowest STEB ratio has decreased, the financial impact is that tax bill amounts (\$) rise at higher rates than the tax rate (%) increases, due to changes in the STEB ratios.
- o The reverse would be true if the lowest STEB ratio began to climb in future years.

PDE Review

- o PDE annually reviews every school district in Pennsylvania's budget submissions to confirm that rates of tax are consistent with Act 1.
- o PDE has always determined that UPSD has complied with Act 1.



Hypothetical Only

The hypotheticals for 2017 below in **red** are strictly for **illustrative purposes**. The millage rate in both scenarios remains at current 2016 levels. The % change in taxes due varies, solely based on lowest STEB ratio changes.

Tax Year	Real Estate Tax Assessment	Lowest STEB Ratio	Market Value	Millage Rate	% Millage Rate Increase	Tax	% Increase in Tax Paid
2014	\$ 100,000.00	0.6393440	0.75	22.3363		\$ 2,620.22	
2015	\$ 100,000.00	0.6363011	0.75	23.0622	3.25%	\$ 2,718.31	3.74%
2016	\$ 100,000.00	0.6313776	0.75	23.6388	2.50%	\$ 2,808.00	3.30%
2017	\$ 100,000.00	0.6200000	0.75	23.6388	0%	\$ 2,859.53	1.84%
2017	\$ 100,000.00	0.6400000	0.75	23.6388	0%	\$ 2,770.17	-3.13%

Questions?

