

Conversion Levy - Guarantee for loss of revenue on Class II and Utility Property

Example Assumptions: District has 5 voted current operating mills approved in 2001
 These are the only mills the district has above 20 mills
 Over each of the next two reappraisal/update cycles, class I value grows by 9%, class II value grows by 3%, and Utility tangible value grows by 2%

	2001			2004			2007		
	Assessed Val	Eff Millage Rate	Taxes Levied	Assessed Val	Eff Millage Rate	Taxes Levied	Assessed Val	Eff Millage Rate	Taxes Levied
Class I Property (Res/Ag)	280,000,000	5.00	1,400,000	305,200,000	4.59	1,400,000	332,668,000	4.21	1,400,000
Class II (Com/Ind)	13,000,000	5.00	65,000	13,390,000	4.85	65,000	13,791,700	4.71	65,000
Utility Tangible	50,000,000	5.00	250,000	50,000,000	5.00	250,000	50,000,000	5.00	250,000
Total revenue			1,715,000			1,715,000			1,715,000 A

Explanation:
 You can see that that the 5 voted mills gets reduced differently on class I and class II and does not get reduced at all on Utility Tangible.
 The reason for this is that class 1 and class 2 are each separately subject to HB 920 reduction requirements.
 This means that a district could be at the floor on class I but not on class II or visa versa.
 Utility Tangible is not subject to HB 920 reduction requirements

So how does the Conversion Levy Guarantee work?

For a district to get to the class I floor, it would have to pass a conversion levy.
 The district would ask voters to repeal the 5 voted mills to be replaced by a conversion levy equivalent to 4.21 mills.
 The conversion levy would raise the same amount of revenue that was being generated on class I but would raise less than what the district was generating on class II and on Utility Tangible.
 You can see in the chart below that the conversion levy would raise \$1,668,563, or \$46,437 less than what they were previously generating on all their assessed property.
 The state would provide a guarantee for this district of \$46,437 that would be phased down over 12 years.

2007 (Conversion Levy)		
Assessed Val	Eff Millage Rate	Taxes Levied
332,668,000	4.21	1,400,000
13,791,700	4.21	58,063
50,000,000	4.21	210,500
Total revenue		1,668,563 B
Guarantee		46,437 A-B

Other items to note:

The conversion levy does not count toward the floor so this district would now have 20 growing mills.
 This conversion levy will continue to raise \$1,668,563 (like an emergency levy but it could be continuing)
 The district would also receive 100% of their direct reimbursement for their loss of tangible personal property taxes through tax year 2017 (FY 2018).
 The district's charge-off would be based on Total Assessed Valuation rather than Recognized Valuation once the conversion levy is approved (since the district now gets revenue growth from 20 mills, and the chargeoff is 20 mills, there is no more need for recognized value in this district).
 Property that is TIFed or has another development abatement and is generating a PILOT would count toward the charge-off in either case.