

## Zero Increase Mill Rate

By Jerry Coleman, Director of School Finance and Organization

The state legislature passed legislation in 2011 requiring a public notice and a public hearing in cases where a taxing district plans to impose a property tax levy in a greater number of mills than the zero increase number of mills. The public notice must meet specific language and size requirements. The public hearing can be held any time before the board finalizes their budget for the upcoming school year.

The requirement applies to any city, county, school district, or city park district with a property tax levy over \$100,000.

Definitions for the requirement are in NDCC 57-15-02.1.

- “Zero increase number of mills” means the number of mills against the taxing district’s current year taxable valuation, excluding consideration of new growth, which will provide the same amount of property tax revenue as the property tax levy in the prior year.
- “New growth” means the taxable valuation of any property that was not taxable in the prior year.
- “Property tax levy” means the tax rate, expressed in mills, for all property taxes levied by the taxing district.

The following is a quick example of how it works:

A district with taxable valuation of \$1 million the previous year and a total levy of 80 mills generated \$80,000 in property taxes (80 mills times \$1 million). A mill is 1/10<sup>th</sup> of a cent and translates to .001.

- If taxable valuation stays at \$1 million in the current year, then the zero increase number of mills is 80 mills (\$80,000 divided \$1 million).
- If taxable valuation increases 10% to \$1.1 million in the current year, then the zero increase number of mills is 72.73 mills (\$80,000 divided by \$1.1 million).

If taxable valuation increases 10% and the district plans to continue levying at the 80 mill rate, then a public hearing is required. 80 mills times the new valuation of \$1.1 million will generate \$88,000. That results in a 10% increase in property taxes and is the percentage that must be published in the required newspaper notice.

It seems clear that most school districts will be required to have a hearing in any normal year. It can be viewed as opportunity to talk to your patrons about the plans for your district.

Rob Lech has developed a pretty slick Excel template that makes the calculation a matter of entering the appropriate numbers. It is published along with a sample hearing notice on the North Dakota Council of Educational Leaders website.