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Contact: Dr. Emmett Durtschi

## **UNDERSTANDING YOUR TAX BILL**

It is that time of year when property owners across Wisconsin receive their property tax bill in the mail, look it over, and wonder how property taxes are calculated for counties, municipalities, tech colleges, and school districts. Property tax bills can be confusing, so I thought it might be helpful to try and explain it. I recognize that it is more complicated than I can share in a short article, but I'll take a crack at it anyway.

Property taxes are a key source of revenue for school districts. While additional funds come through federal dollars, state funding, grants, and donations, property taxes paid by property owners within the boundaries of the school district fund the majority of our school expenses. These costs are primarily divided into operational expenses (staff compensation, educational programming, maintenance, transportation, utilities) and debt payments (payments on loans for building or remodeling projects).

At the school district level, the annual budget, tax levy, and property tax rate (mill rate) are approved on an annual basis in October by the school board. There are many rules and regulations related to the process, but one key concept is around revenue limits. School districts are restricted by state-imposed revenue limits to a specific level of taxation to bring in revenue for school operations. Revenue limits can change over time based on approved state budgets. The current state legislature is working on the next biennial budget and will determine its level of funding to school districts including revenue limits and other aids to schools.

In Wisconsin, the only way school districts are able to exceed state revenue limits or take on additional debt to build or remodel school buildings is by asking the public through referendum to vote for an increase in taxing authority. The Berlin Area School District is one of a small percentage of districts that has never gone to referendum to exceed the revenue limit for operational costs, although a record number of districts went to referendum this past November. The school district has gone to a capital referendum twice to pay for the new middle and high school.

When you opened your property tax bills this year you probably noticed a significant increase in the school district portion of your taxes. You may ask, how exactly are property taxes calculated and was the increase this year due to a school tax increase? As was mentioned earlier, school boards vote each fall on the tax rate, which is often referred to as the mill rate. A mill rate is the

amount of property tax per \$1,000 of property value. Over the past few years the Berlin Area School District school board has held the tax or mill rate steady at 9 dollars (or just a little under) for every \$1,000 of property. You may also ask, if the mill rate was the same this year as last year, why did the school portion of property taxes go up? The answer relates to property valuations or the "Total Estimated Fair Market Value" as shown on your tax bill.

Over the past two years, property values across the state rose significantly. This large increase in property value affected the amount municipalities and school districts could levy in taxes. On your property bill you will see two areas reflecting property valuation. The top line represents "Total Assessed Value", which is determined by the assessments conducted by municipalities at least once every five years. This assessed value is used by municipalities as they calculate their taxes. On your tax bill you will see these amounts listed next to the municipality where you have your property. The section near "Total Assessed Value" lists the "Total Estimated Fair Market Value" of your property, which is a number calculated by the State of Wisconsin Department of Revenue to equalize values across all the municipalities in the state. The Fair Market Value is the amount used by counties, tech colleges, and school districts to calculate their portion of the property taxes.

In simplest terms, the way you calculate the school portion of your taxes is to take the "Total Estimated Fair Market Value", multiplied by the school district tax or mill rate (.00900453 for Berlin Area School District), and subtract the "School Levy Tax Credit". This amount is your school district net tax. I encourage you to calculate your own tax bill. So, despite the fact that the school district didn't increase the tax or mill rate this year, due to large property value increases (Fair Market Value), the amount collected for schools went up.

The Berlin Area School District recognizes the impact that taxes have on all individuals and families. The district is always looking for ways to cut costs, find efficiencies, and reduce interest payments on past debt. The district continues to use their taxing authority to pay off portions of past loans early, such as the debt levy issued in 2014 to build the new middle school, to help reduce interest payments and save taxpayers money in the long run. This year the district's decision to keep the tax rate the same as last year and use the additional tax levy to make early payments on past loans, coupled with high property values determined by the Wisconsin Department of Revenue, led to a larger than typical increase in the school portion of property tax bills.

Due to years of careful fiscal management, the school district has the ability to potentially go to referendum on April 4th and ask the public to continue to invest in the future of the school district and community, while continuing to keep the tax or mill rate flat or with minimal increase. The biggest and most difficult variable to predict going forward will continue to be the value of properties and its impact on the tax formula.

I hope this article helped you better understand Wisconsin taxation, property taxes, and school funding. I recognize it can be a challenge to take a highly complex topic and simplify it, so if you

have further questions I encourage you to look at available online resources or contact me via phone or email. Thank you for investing in our students and community.