



It Takes a Milage To Run a Village

Understanding Millage & Explaining it to Staff, Council & the Public

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[City of Largo, Florida](#), Finance Director & CFO, 35 Years (May 2022)



INTRODUCTION

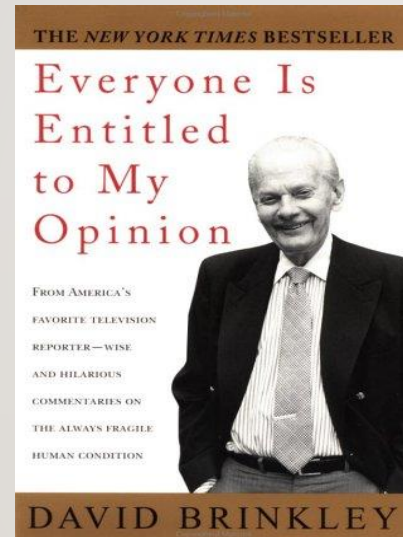
KIM ADAMS

- **CPA (mostly audit) 7 years with 2 CPA firms**
 - Main Clients: Local Governments, NFPs & Nursing Homes
- **Finance Director (CFO), Largo, FL 35 years**
 - 4th largest city in Tampa Bay, 88k pop., 975 EE's, \$185m budget
 - 110k population for sewer, recreation/parks/arts, library & fire/EMS
 - FL State Library of the year 2018/2019 Woo-hoo! 😊


INTRODUCTION

KIM ADAMS

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Contact

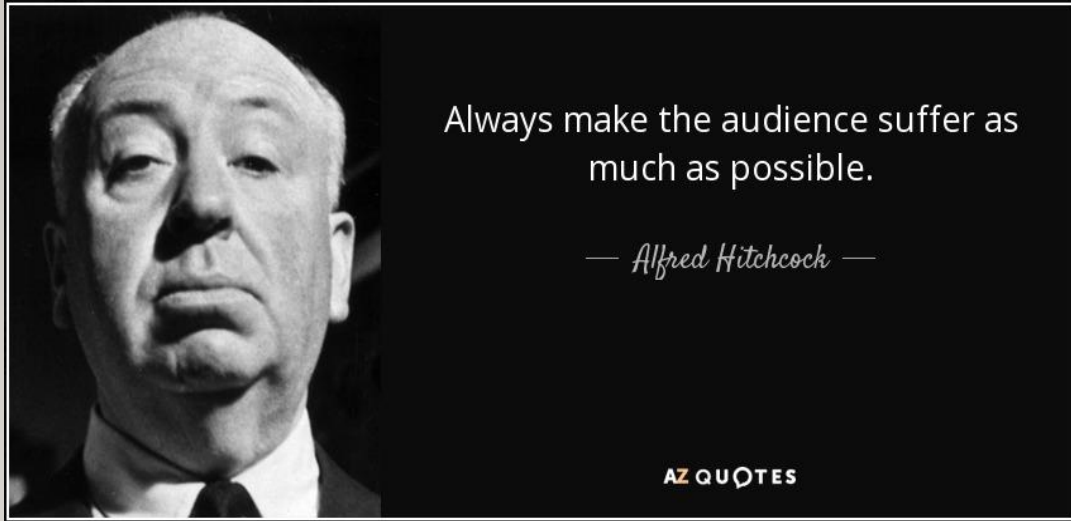
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- On  , but not checked regularly
- No social media 😊

It's OK to disagree on opinions, but not on facts. 😊

Objectives:

- Tips on explaining Millage
- How Millage impacts taxpayers differently
- Millage “roll-back” - Why do we do it?
- Millage History: How did we get here?

Explaining Millage

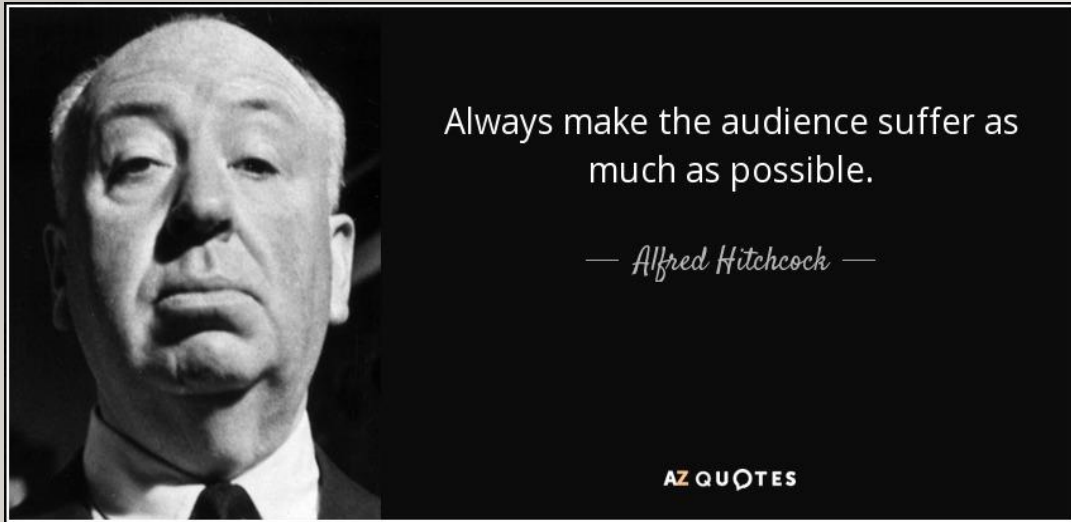


**This works well for
Horror Films**

Tip #1 - Know Your Audience

- Don't make the audience suffer
 - "Short", Focused, No jargon
- "We" are **not** the audience
- We are **not** normal
- Everyone else **is** normal
- One presentation is **not** enough

Explaining Millage to “Normal Folks”

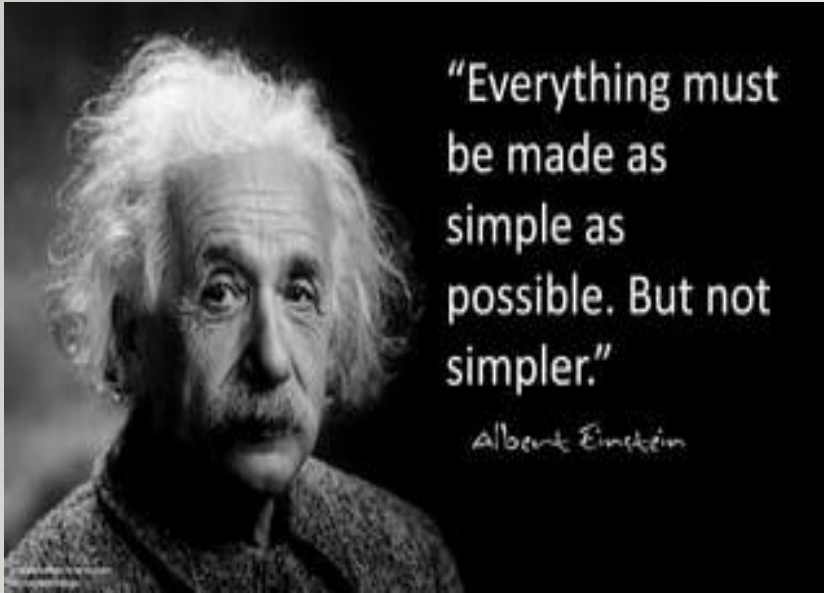


*Elected presentation may be seen by public, but it's not theirs. Public needs its own.

Tip #1 - Know Your Audience

- **Staff** - More complex & longer
- **Elected** - Pare-down staff presentation to reduce suffering
- **Public** - Pare-down Elected presentation*

Explaining Millage to Normal Folks (“We” are **not** normal)



Tip #2

- Keep things as simple as possible
- Simple is not dumbed-down
- Transparency is the enemy of Simplicity
- TMI "hides things in plain sight"
- TMI is NOT transparency – it's TMI*

*Don't be afraid to **Leave** something out that's not needed.

Explaining Millage - **Keep it Simple**



“Not that the story need be long, but it will take a long while to make it short.”

[Letter to Harrison Blake; November 16, 1857]”

— Henry David Thoreau, Letters to Various Persons

tags: conciseness, precision, storytelling, writing

*Don't be afraid to **TAKE** something out that isn't needed.

Less can be **More...**

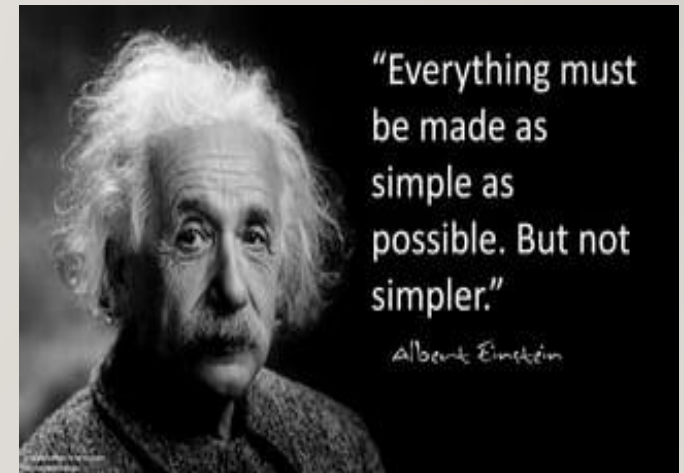
Focused, Clear, Successful

Why Presentations are not simple

- Takes more time to write less
 - Don't write less; write more, then pare-down
 - Easier to **take** something out than to **leave** it out.
- Transparency (Often, TMI.)
- CYA (In accounting, Cover Your Assets)*

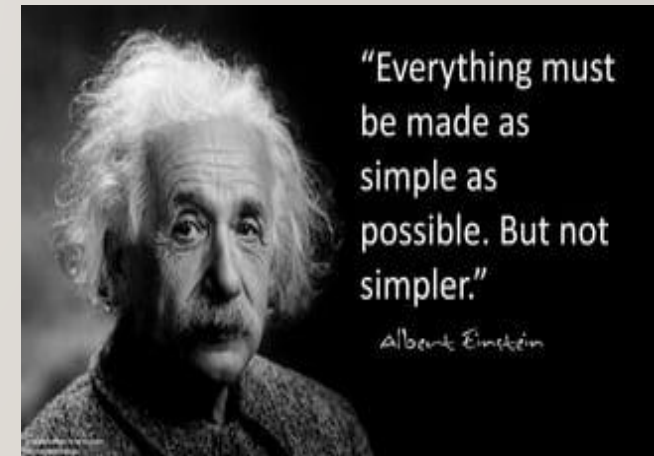
Explaining Millage (start here)

- What do you want them to know (what's the *take-away*)?
- What do they *need to* know?
- What's your goal?
 - Inform
 - Educate (harder than informing)
 - Take Action or Motivate
 - Impress (Respectfully, don't do that.)



Explaining Millage (be SMART)

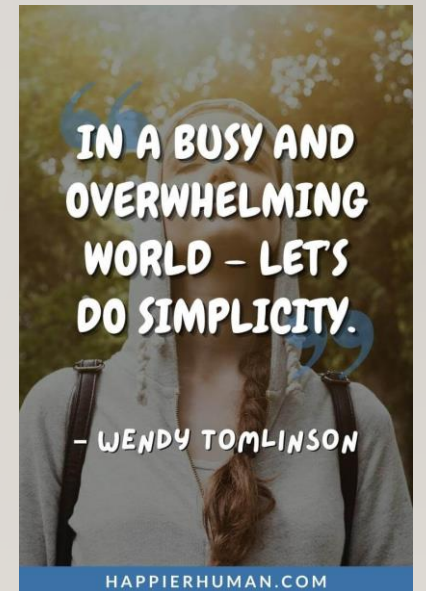
- Specific – “Help folks understand how taxes are calculated.”
- Measurable – Ask questions to confirm understanding.
- Achievable – Yes, if you keep it simple
- Relevant – “Citizens should know how to...”
- Time-based – Keep it short as possible, but...



Explaining Millage to “Normal Folks”

Tip #3 - Stay Lazer-focused on the topic

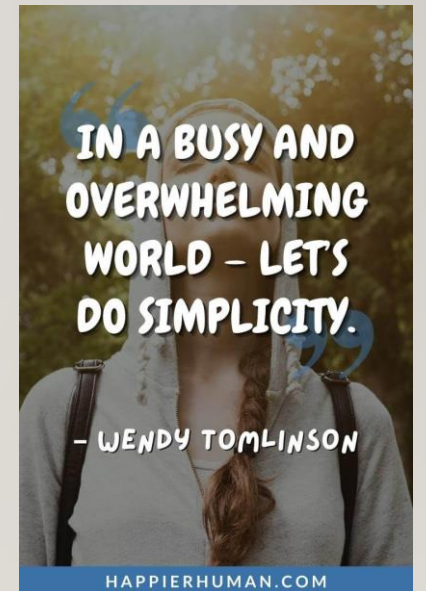
- Property Tax History
- State Law & Constitution
- Property valuation process
- **Millage**
- Exemptions
- TRIM
- Roll-back rate ... and more!



Explaining Millage to “Normal Folks”

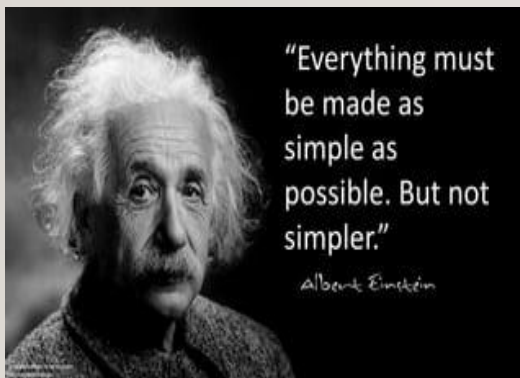
Lack of focus Examples

- Talking about
 - Budget process
 - How money is spent
 - How hard employees work
 - Elected officials’ due diligence & concern
- Not clear
 - Millage, Millage Rate, Tax Rate



Explaining Millage to the Village

- Would this appeal to normal folks?
- Where would someone start?
- Is it suffering-free, simple, focused?



A Florida Homeowner's Guide: Millage



Who Sets Millage Rates?

Taxing authorities. Taxing authorities are governed by the Florida Constitution and Statutes. They include county governments, school boards, water management districts, special districts and municipalities within a county. Taxing authorities adopt a budget and levy millage rates to fund that budget.



When are Millage Rates Set?

Taxing authorities typically begin developing their budget in June. The official start is July 1 when they receive the total taxable value for their jurisdiction from the property appraiser. Tentative millage rates for taxing authorities other than school districts are set before August 5. Final millage rates for those taxing authorities are adopted in September. School districts follow an earlier schedule with their final millage rate being adopted in July.

Can a taxing authority adopt a lower millage rate?

Yes. There are no state-wide restrictions related to millage rate decreases; a millage rate reduction can be approved with a simple majority vote.

If a millage rate is lowered will my property tax bill decrease?

Not necessarily. There are several factors which can cause your tax bill to increase even if a taxing authority decreases its millage rate. If your taxable value has increased, it may offset any millage rate decrease. If other taxing authorities raise their millage rates, your overall tax bill may increase. Deferred value, as a result of your homestead exemption, can increase your taxable value even during periods of slow growth or market downturns.

How do I know what will happen with my property taxes?

Florida's Constitution and Statutes ensure taxpayers are informed about the annual property tax process. This is primarily done through the *Notice of Proposed Property Taxes* (also called the *Truth In Millage (TRIM) Notice*). Using information from the taxing authorities, property appraisers prepare the *TRIM Notice* and mail it to property owners. This notice includes the:

- Property appraiser's January 1 taxable value, classification, exemptions, assessment limitation/cap
- Proposed budget and millage rate to fund the budget for each taxing authority and the amount of property taxes the property owner would owe if adopted by the taxing authority
- Rolled-back millage rate, which is generally the amount of property taxes the property owner would owe if there were no change to the taxing authority's budget
- Non-ad valorem assessments (if applicable)
- Meeting date, time, and location for each taxing authority's public hearing

Taxing authorities are also required to place advertisements notifying the public of scheduled meetings and millage rate information.



Explaining Millage to the Village

How would you read the Guide?

- Start @ top left or top right?
- Should “What is Millage?” be first?
- Multiple terms for the same thing?
 - Millage, Millage Rate, Tax Rate

Do we need 7 areas?

- Can areas be combined or eliminated?

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Explaining Millage to the Village

Move, Combine or Eliminate?

1. What is Millage?
2. Who Sets Millage Rates?
3. When are Millage Rates set?
4. Can a taxing authority adopt a lower millage rate?
5. Are there limits to how much millage rates ... ?
6. If a millage rate is lowered, will my property ...?
7. ~~How do I know what will happen with my ...?~~

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What is Millage?

Millage is a tax rate defined as the dollars assessed for each \$1,000 of value; one mill is one dollar per \$1,000 of assessed value. Mathematically the equation is: $\text{Taxable value} \div 1,000 \times \text{millage rate} = \text{Property Tax Owed}$. Examples of how millage rates affect a homeowner's tax bill are provided on the next page.

Are there limits to how much millage rates can increase each year?

Yes. Under the Florida Constitution and Statute, taxing authorities have approval requirements that escalate depending on how much the millage rate is and the amount of increase over the prior year's millage rate. Details on the approval requirements can be found on our [Frequently Asked Questions](#) webpage. Once a taxing authority sets the tentative millage rate, they cannot adopt a higher millage rate without restarting the process, but they can adopt a lower millage rate. The vote to adopt the final budget and millage rate is at a duly advertised meeting in which the public may participate. In addition to the higher voting thresholds that are state-wide requirements, some Florida counties have passed local ordinances that limit millage rate increases.



Explaining Millage

Could Combine

What is Millage? & Who Sets Millage Rates?

What is a Millage Rate?

- A millage rate equals \$1 of tax for every \$1,000 of taxable value.
- A millage rate of “1” equals \$1 of tax on property with \$1,000 of taxable value.
- Millage rates are set by counties, cities, school boards and others to pay for their budgets.

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Keep it simple...

- “Millage is a Tax rate”.. (Just use Millage Rate.)
- “Mathematically, the equation is...” (“Taxes are calculated...”)
- “1 Mill = \$1 in tax per \$1,000 of taxable value.” (That’s good.) 😊
- “Example: \$100,000 in taxable value divided by 1,000 multiplied by 1 mill = \$100 tax.”
- “Taxing authorities typically begin developing budgets in June.”

Page 2

- Is this a Millage Guide?
 - What is the role of my county's property appraiser?
 - How do exemptions help limit...
- Are calculation examples clear?
 - Use a table format?
 - Uses millage rate consistently.

At what point can taxpayers get involved in millage determinations?

Taxpayers can take part in **public hearings** that take place in September when taxing authorities present and discuss tentative budgets and millage. Initial public hearing dates, times, and locations are provided on the *TRIM Notice* that each county property appraiser sends before August 25. Final public hearing dates, times, and locations are advertised to the public by each taxing authority.

What is the role of my county's property appraiser?

The property appraiser determines the taxable value of each property in the county and provides the total taxable value to each taxing authority. Property appraisers approve and maintain records for exemptions and property classification. They are also responsible for preparing and mailing the *TRIM Notice*. **Property appraisers do not set millage rates.**



How does millage affect my tax bill?

Using the equation of: **Taxable value ÷ 1,000 × millage rate = Property Tax Owed**, the following examples show how millage is applied to a property tax bill.

Basic example: The owner of a property that has a taxable value of \$100,000 and is subject to a millage rate of 5.2 would owe \$520 in property tax.

$$\begin{aligned} \$100,000 \text{ taxable value} \div 1,000 &= 100 \text{ mills} \\ 100 \times 5.2 \text{ millage rate} &= \$520 \text{ property tax} \end{aligned}$$

Most residential properties in Florida are subject to millage rates from multiple taxing authorities.

Multiple millage rate example: The owner of a property that has a taxable value of \$100,000 and is subject to a millage rate of 5.2 for county services, 1.7 for city services, and .05 for their water district would owe \$695 in property tax.

$$\begin{aligned} \$100,000 \text{ taxable value} \div 1,000 &= 100 \text{ mills} \\ 100 \times 5.2 \text{ county rate} &= \$520 \\ 100 \times 1.7 \text{ city rate} &= \$170 \\ 100 \times .05 \text{ water district rate} &= \$5 \\ \$520 + \$170 + \$5 &= \$695 \text{ property tax} \end{aligned}$$

Most residential properties in Florida receive an additional \$25,000 homestead exemption which does not apply to property taxes for school districts.

Multiple millage rate example with school district: The owner of a property that has a non-school (NS) taxable value of \$100,000 and school taxable value of \$125,000 and is subject to a millage rate of 5.2 for county services, 1.7 for city services, .05 for their water district, and 2.2 for their school district would owe \$970 in property tax.

$$\begin{aligned} \$100,000 \text{ NS taxable value} \div 1,000 &= 100 \text{ mills} \\ 100 \times 5.2 \text{ county rate} &= \$520 \\ 100 \times 1.7 \text{ city rate} &= \$170 \\ 100 \times .05 \text{ water district rate} &= \$5 \\ \$125,000 \text{ school taxable value} \div 1,000 &= 125 \text{ mills} \\ 125 \times 2.2 \text{ school district rate} &= \$275 \\ \$520 + \$170 + \$5 + \$275 &= \$970 \text{ property tax} \end{aligned}$$

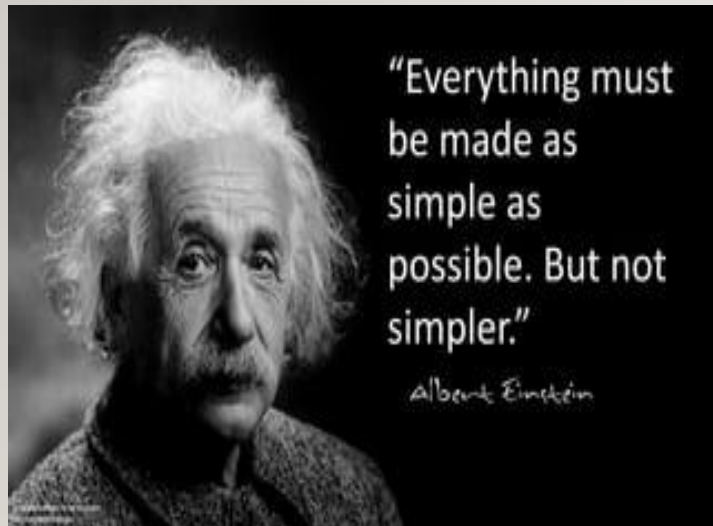
How do exemptions help limit increases in my property tax bill?

The 1995 "Save our Homes" amendment to the Florida Constitution ensures that the assessed value of property with a homestead exemption **cannot increase more than 3%** or the percent change in the [Consumer Price Index \(CPI\)](#), whichever is less. In the ten years from 2013 to 2022, the CPI change ranged from 0.7% to 7.0%, with 9 years falling below the 3% value limit. In addition to the "Save our Homes" provisions, Florida homeowners may qualify for other exemptions that can lower their property taxes. Information on exemptions can be found on our [exemptions webpage](#).



Just for fun...

Did Einstein really say that?



Or this...

IRS website - "The hardest thing in the world to understand is the income tax."

"To punish me for my contempt of authority, Fate has made me an authority."



Rolled-back Rate Inequality

Rolled-back rate = Year 1 tax revenue / Year 2 Adjusted taxable value

Year 1 Tax revenue: \$1,000,000 2.2 mills

Year 2 Rolled-back Rate: $\$1,000,000 / \$500,000,000 = 2.0$ mills

	<u>Year 1</u>		<u>Year 2</u>	
	<u>Homestead</u>	<u>No Home.</u>	<u>Homestead</u>	<u>No Home.</u>
Taxable Value	\$100,000	\$200,000	\$103,000	\$220,000
Millage	2.2	2.2	2.0	2.0
Taxes	\$220	\$440 Dif.(\$220)	\$206	\$440 Dif.(\$234)

Rolled-back Rate Complexity

Can you have a “Rolled-up” Rate? We have.

Rolled-back rate = Year 1 tax revenue / Year 2 Adjusted taxable value

Year 1: Taxable value: \$455,000,000 Tax revenue: \$1,000,000 2.2 mills

Year 2 \$1,000,000 / \$400,000,000 = 2.5 mills (“rolled-up” rate)

Property Tax History

Where did we go wrong?

- This is mostly for staff, but...
- Could be pared-down for Elected
- Maybe special Public groups

Property Tax History

Where did we go wrong (not here)?

- **1839** - “Ad valorem taxes” enacted & **No Millage**
- Ad valorem is Latin for “the value of” (based on value)
- **Ad Valorem Tax** & **Property Tax** used interchangeably
- First-rate land, **1/2 cent**; second, **1/4**; third, **1/8** (no millage)
- Most significant **ad valorem tax** levied by state

Property Tax History

Where did we go wrong (not here)?

- **1885** - New Constitution required “uniform & equal tax”
- Exemptions created:
 - Municipal, educational & religious purposes
 - Widows with dependents & disabled veterans

Property Tax History

Where did we go wrong (not here) ?

- **1934** - \$5,000 homestead exemption created
- Changed to a city & county tax (millage introduced?)
- Local officials set just values & collect tax

Property Tax History

Where did we go wrong (right here)?

- **1980** - “Truth in Millage” act (TRIM)
- “Roll-back” rate
- Mill rate above roll-back rate deemed a tax increase
- Excludes new construction & annexations
- Homestead increased to \$25,000

Property Tax History

Where did we go wrong (right here)?

- Is rate above roll-back **really** a tax increase?
- Or is it just a revenue increase?
- If prices rise, are new Sales Tax revenues a tax increase?
- Should we roll-back Sales Tax?
- Why does State pick-on property tax? (They don't levy it.)

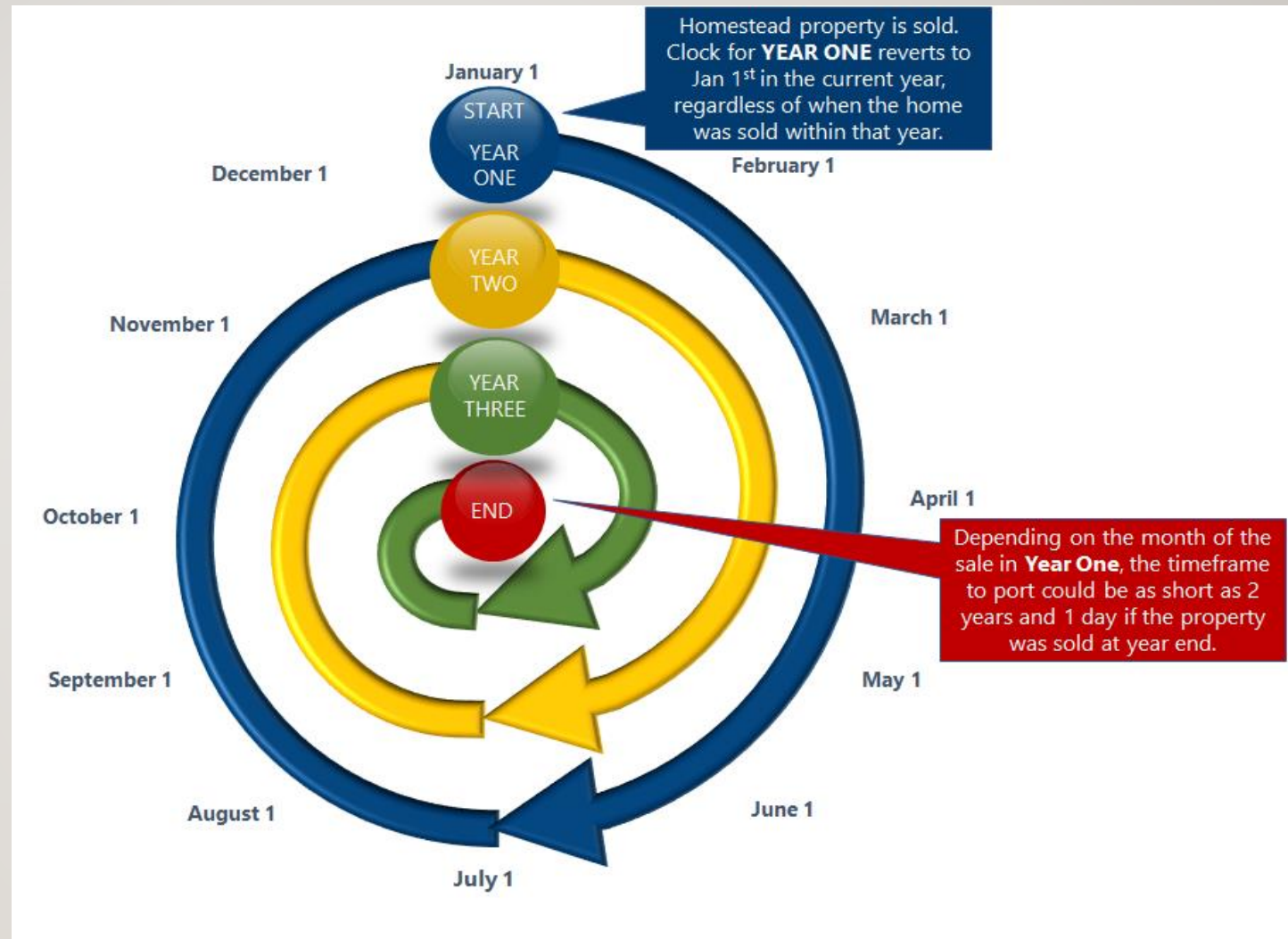
Property Tax History

Where did we go wrong (made it worse)?

- **1992** - Most substantial change - “Save Our Homes”
- SOH valuation cap, lower of **3%** or CPI change (why 3%?)
- 2-year portability, went up to 3-years in **2020 (made it worse)**
- SOH “protected” homesteads from “large” value increases
- Decreased equity for businesses & non-homestead

SOH Portability Complexity

Pinellas County
Property
Appraiser



Property Tax History

Where did we go wrong? (made it worse)

- **2007, 08 & 09**

- Authorized an additional \$25,000 homestead exemption
- Assessment cap of 10% for non-homestead (why 10%?)
- Maximum Millage Rate Vote (Majority, 2/3 & Unanimous)



Property Tax History

Where did we go wrong?

- **More complexity**
 - Some exemptions don't apply to school taxes (Why?)
 - Some exemptions don't apply to first \$25,000 of value
 - Some exemptions have income limits, other qualifications
 - We now have 18 exemptions + 2 Homestead + SOH

Property Tax Inequity

- A few rhetorical questions
 - Does the Rolled-back Rate create inequity?
 - Do costs ever roll-back?
 - How do we pay for higher costs with the same revenue?
 - Is a flat revenue really declining?
 - Can non-homestead keep paying more than homestead?
 - What's the end result? (Move away from property taxes.)



Property Tax History

Here We Are

- What about tax equity, fairness & uniformity?
- Vast inequity between homestead and non-homestead
- Increased demand for services by homestead owners
- “Rent control” for homestead
- Pricing renters out of the market



Homestead Exemption Inequity

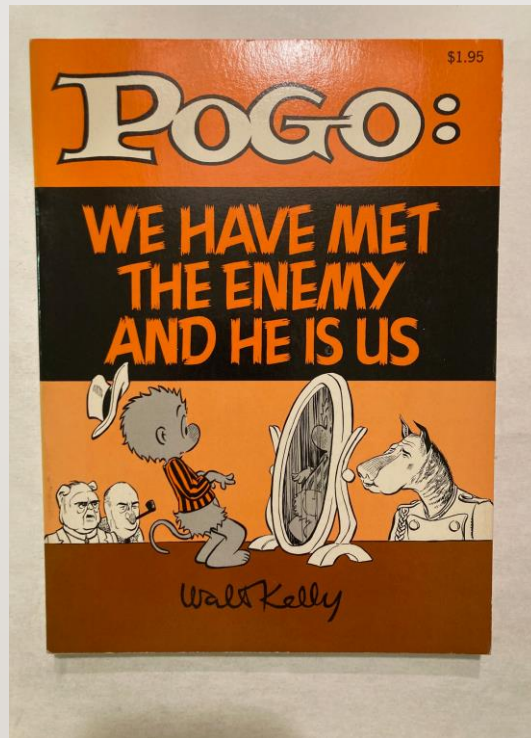
Homestead Exemptions	Yes	No (rental)
Just Value (80%-85% market)	\$254,000	\$254,000
SOH (52% of Just Value)	<u>133,000</u>	<u>0</u>
Assessed Value	121,000	254,000
Homestead #1 (first \$25,000 Value)	<u>25,000</u>	<u>0</u>
School Taxable Value	96,000	254,000
Homestead #2 (third \$25,000 Value)	<u>25,000</u>	<u>0</u>
Other Taxable Value	<u>\$71,000</u>	<u>\$254,000</u>
School Tax (6.3 mills)	\$600	\$1,600
Other Taxes (13.6 mills)	<u>970</u>	<u>3,500</u>
Total Tax	<u>\$1,570</u>	<u>\$5,100</u>
Difference	\$3,530 / \$295 per month	

City of Largo - 2022 Real Property

Estimated Actual Value	\$10.9b	125%
Assessed Value @ 80%	\$ 8.7	100%
Less Exemptions:		
Homestead	0.8	9%
Save Our Homes	1.1	13%
Other	<u>0.9</u>	<u>10%</u>
Taxable Value (72% in 2013)	\$6.0b	68%

Property Tax Complexity

Where did we go wrong?

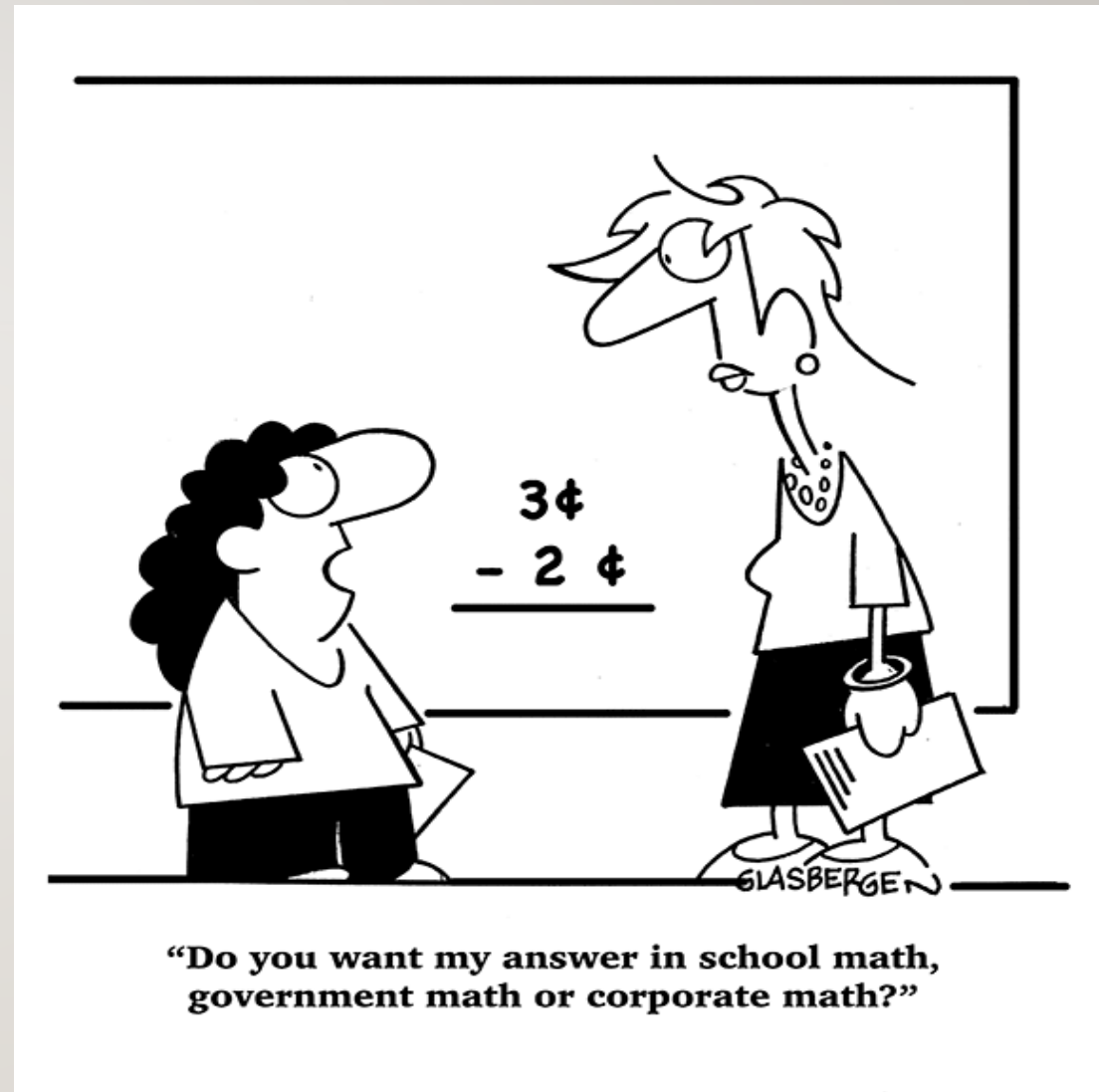


Summary

To successfully explain
Millage to Normal Folks,
keep presentations:

- Suffering-free
- Simple
- Lazar-focused

**And remember,
You are not normal. 😊**



Final Questions & Comments

