It Takes a Milage To Run a Village

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

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Instructor: FLC IEMO II, FGFOA Accounting Boot Camp
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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• On LinkedIn, 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

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

This works well for Horror Films

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Always make the audience suffer as much as possible.

— Alfred Hitchcock —

AZ QUOTES
Explaining Millage to “Normal Folks”

Tip #1 - Know Your Audience

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

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

Always make the audience suffer as much as possible.

— Alfred Hitchcock —

AZ QUOTES
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

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)*

*Don’t be afraid to Take something out that isn’t needed.

Less can be More...
Focused, Clear, Successful

“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
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 thing must be made as simple as possible. But not simpler.”

— Albert Einstein
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?
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 ...?
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.
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.
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

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homestead</strong></td>
<td><strong>No Home.</strong></td>
</tr>
<tr>
<td>Taxable Value</td>
<td>$100,000</td>
</tr>
<tr>
<td>Millage</td>
<td>2.2</td>
</tr>
<tr>
<td>Taxes</td>
<td>$220</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Homestead Exemptions</th>
<th>Yes</th>
<th>No (rental)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just Value (80%-85% market)</td>
<td>$254,000</td>
<td>$254,000</td>
</tr>
<tr>
<td>SOH (52% of Just Value)</td>
<td>133,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Assessed Value</td>
<td>121,000</td>
</tr>
<tr>
<td>Homestead #1 (first $25,000 Value)</td>
<td>25,000</td>
<td>0</td>
</tr>
<tr>
<td>School Taxable Value</td>
<td>96,000</td>
<td>254,000</td>
</tr>
<tr>
<td>Homestead #2 (third $25,000 Value)</td>
<td>25,000</td>
<td>0</td>
</tr>
<tr>
<td>Other Taxable Value</td>
<td>$71,000</td>
<td>$254,000</td>
</tr>
<tr>
<td></td>
<td>School Tax (6.3 mills)</td>
<td>$600</td>
</tr>
<tr>
<td></td>
<td>Other Taxes (13.6 mills)</td>
<td>$970</td>
</tr>
<tr>
<td>Total Tax</td>
<td>$1,570</td>
<td>$5,100</td>
</tr>
<tr>
<td>Difference</td>
<td>$3,530</td>
<td>$295 per month</td>
</tr>
</tbody>
</table>
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 0.9 10%

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

YOUR ATTENTION
I THANK YOU FOR

ANY QUESTIONS
OR COMMENTS