

## School Finance 101 -- Where your tax dollars go

Most people know that a substantial portion of their property taxes goes to finance education. Few people, however, know exactly where the money goes. This is the first of a multi-part series to help people understand where their property tax dollars go, where Northville Public Schools gets their money and how they spend it.

In order to understand your property tax bill, there are a couple of definitions you should know:

- Assessed Value - This is ½ of what your local assessor thinks your property is worth.
- State Equalized Value - This is typically the same as the Assessed Value.
- Taxable Value - This is the amount upon which you are taxed. Unless you purchased your property recently, it is probably less than your Assessed Value, since it can only increase by 5% or the rate of inflation, whichever is less, regardless of how much the Assessed Value of your property goes up.
- Homeowner's Principal Residence (Homestead) - This is the percentage of your property (which should be 100% for most homeowners) which is considered your principal residence.

Your taxes are determined by multiplying the Taxable Value of your property by the tax rate, which is expressed in dollars per \$1,000 of Taxable Value (sometimes called mills). Some of these taxes are split between your summer and winter tax bills, and some are only taxed on one bill. The following is a list of the taxes property owners in the Northville Public Schools District pay that relate to schools and the total (summer plus winter) amount of the tax:

| <u>Tax</u>                    | <u>Amount per \$1,000 of Taxable Value</u> |
|-------------------------------|--|
| State Education               | 6.00000                                    |
| School Operating              | 18.00000                                   |
| School Debt                   | 4.40000                                    |
| RESA or ISD Special Education | 3.67800                                    |
| RESA or ISD Operating         | 0.09650                                    |
| Schoolcraft College           | 1.79670                                    |

Wow, that's a lot of taxes. Remember, however, these amounts are dollars per **THOUSAND**. Therefore, the biggest of these, School Operating which is 18.00000 is 1.8% of the Taxable Value, which is ½ of the property's value. That's still a lot. However, this tax only applies to property which is not a Homeowner's Personal Residence. For most homeowners, this means they do not pay this tax at all.

So, where does all this money go?

- State Education goes to the State of Michigan to help fund schools – none of it gets paid to the Northville Public School District. (Part 2 of this series will discuss how the Northville Public School District gets money from the State of Michigan.)

- School Operating (remember this only applies to property which is not the Homeowner's Principal Residence) gets paid to the Northville Public School District and reduces the amount of money it receives from the State of Michigan.
- School Debt gets paid to the Northville Public School District to pay off bonds previously issued to build things like Thornton Creek, the high school and Ridge Wood. (Later in this series, we will discuss how a school district goes about issuing bonds and what kinds of things can and can't be paid for by issuing bonds.)
- RESA or ISD Special Education is paid to the intermediate school district to fund special education programs. (How the Northville Public School District gets money for special education programs will be discussed in later in this series.)
- RESA or ISD Operating goes to the intermediate school district to fund their costs of operating and consulting with local school districts.
- Schoolcraft College is paid to Schoolcraft Community College to fund their operations.
- We hope this information has been helpful in understanding where your tax dollars go. The next installment of this series will discuss how the Northville Public School District gets the money it needs to operate. If you have any questions, please email us, and we will get back to you as soon as we can.