



Did You Know? Township Funding

Funding Sources:

Unlike other local governments, townships in Ohio rely on a limited number of funding sources. The primary source is property taxes levied on real property within the township, also known as millage. Millage is the tax rate levied on property expressed in mills per dollar. One mill equals 1/1000 of one dollar, which generates \$1 in taxes for every \$1000 of a property's assessed value. The rate can also be thought of as 10 mills equals 1%. There are two types of millage in the state of Ohio.

Inside Millage:

Inside millage is a vital revenue source for townships. It is an unvoted property tax authorized by the Ohio Constitution, with a maximum limit of ten mills per taxing district. Townships typically have between 1 and 2 ½ unvoted mills, often divided into two funds: the general fund and the road and bridge fund. These funds help support general operations, supplement levy-funded services, and, in many counties, fund local health districts.

Understanding inside millage can be challenging, especially regarding its calculation and allocation among different political subdivisions in Ohio. The Ohio Revised Code (R.C.) ensures a minimum levy within the 10-mill limitation for political subdivisions that received a levy within the 15-mill limitation during the last five years it was in effect (1929-1993). All townships are guaranteed a minimum levy within the 10-mill limitation due to their historical receipt of inside millage.

Outside Millage (Voted Levies):

When a board of township trustees decides to collect revenue beyond the 10-mill limitation, a levy must be put before the township residents for a vote. These voted levies, defined in R.C. §5705.19, serve various purposes, including renewal, replacement, and additional levies.

Renewal - collect the exact amount of taxes for the same purposes as the levy they replace.

Replacement - enables townships to replace expiring levies but receive taxes based on the current valuation of all properties, including new developments.

Additional - new levies set at a specific millage rate, allowing townships to address a variety of purposes as defined in R.C. §5705.19.

Levy Durations:

R.C. §5705.19 specifies the period for which a levy may be collected. Most levies have a limited term, usually not exceeding five years. However, certain township levies for essential services like police, fire, EMS, parks, cemeteries, and roads can be for a continuous period, ensuring stable funding for these critical functions.

Reduction Factors:

One significant aspect of township funding is reduction factors, as outlined in R.C. §319.301. These factors are applied to the millage rate of renewal, replacement, and additional levies to limit the revenue raised, effectively offsetting inflationary growth in property values. Importantly, these factors only apply to "carryover property," meaning property taxed in the preceding and current year. New construction or improvements to existing property do not trigger these reduction factors, allowing townships to receive revenue from growth in their tax base. Inside millage, as previously noted, is not subject to these reduction factors.

Understanding township funding in Ohio is essential for township officials. This knowledge helps efficiency in financial management and ensures that townships continue to serve their communities effectively.

"Did You Know?" is informational only and is not intended to serve as legal advice.

Real Property Value

Often, people misunderstand assessed value vs. appraised value. Appraised value is 100% of a property's market value. Assessed value is the amounts on which property taxes are based. In Ohio, it is calculated at 35%. For example, on a home worth \$100,000, the assessed value would be \$35,000 for taxation purposes, barring other factors.