

RE: State Grant-in-Aid tests, Understanding The Library Mill Levy Rate, and being able to explain the impact of the library mill levy rate on a single residence

You have built your library budget showing ALL sources of revenue and ALL projected expenses. You have determined the amount of ad valorem tax dollars that the library budget requires. It is important to be aware of the ad valorem tax's impact on the library mill levy rate. The city clerk will be able to tell you from the completed municipal budget worksheet what the mill levy rate will be that generates the ad valorem tax dollars your budget requires, but you need to understand the math behind the numbers. Many legislators, local government officials and citizens pay close attention to mill levy rates. Understanding how the **library mill levy** fits into the budget picture can be useful as you advocate for why your library requires **\$XX ad valorem tax dollars**.

These two numbers are essential to determining whether or not the library qualifies for a State Grant-in-Aid from the State Library. Further, NEKLS requires member libraries to qualify for State Aid in order to be eligible for NEKLS grants. Check the "Library Grant" tab on your municipality's budget worksheet. Remember, the **mill levy rate** only applies to the **ad valorem** tax.

<https://admin.ks.gov/offices/oar/municipal-services/municipal-budgets>

Sample Public Library

To QUALIFY for State Grant-in-Aid, the library must pass one of two tests: (Test 1) the amount of all tax dollars must be equal to or higher than the previous year OR (Test 2) the mill levy rate must be equal to or higher than the previous year regardless of whether assessed valuations increase, decrease or remain the same.

Test 1

| | Current Year | Proposed Year |
|----------------------------|---------------------|----------------------|
| | 2019 | 2020 |
| Ad Valorem Tax | \$33,020 | \$33,295 |
| Delinquent Tax | \$0 | \$0 |
| Motor Vehicle Tax | \$4,074 | \$3,809 |
| Recreational Vehicle Tax | \$50 | \$48 |
| 16/20M Vehicle Tax | \$27 | \$19 |
| LAVTR | \$0 | \$0 |
| TOTAL TAXES | \$37,171 | \$37,171 |
| Difference in Total Taxes: | \$0 | |
| Qualifying for grant: | Qualify | |

Test 2

| | Current Year | Proposed Year |
|----------------------------------|---------------------|----------------------|
| | 2019 | 2020 |
| Assessed Valuation | \$6,624,224 | \$7,015,194 |
| Did Assessed Valuation Decrease? | NO | |
| Levy Rate | 4.985 | 4.746 |
| Difference in Levy Rate | (0.239) | |
| Qualifying for grant: | NOT Qualify | |

First things first . . . How is the library mill levy rate calculated?

The library mill levy is the "tax rate" that is applied to the **assessed value** of property in your taxing area (city, township). One mill is one dollar per \$1,000 dollars of assessed value.

Using the 2020 data from Sample Public Library:

$$\text{Assessed valuation} \times .001 = \text{Value of one mill}$$
$$\$7,015,194 \times .001 = \$7,015.194$$

The 2020 library budget requires \$33,295 in ad valorem tax dollars.

$$\text{Ad valorem tax dollars} / \text{Value of one mill} = \text{Library mill levy rate}$$
$$\$33,295 / \$7,015.194 = 4.746$$

Why does Sample Public Library QUALIFY under the Test 1, but not Test 2?

As we look at the \$\$ figures associated with **Test 1**, what stands out?

- The ad valorem tax increased from \$33,020 to \$33,295
- The other taxes decreased from 2019 to 2020
- Yet, the overall total of taxes remained unchanged at \$31,171

Because the total amount of 2020 *overall tax dollars* remained *at least the same* – \$31,171 – the library qualifies under Test 1.

What happened with Test 2?

- Assessed valuations increased from \$6,624,224 to \$7,015,194
- The 2020 library budget requires \$33,295 in ad valorem tax, an increase of \$275 from 2019

In this instance, the ad valorem tax *levy rate* actually decreased from 4.985 in 2019 to 4.746 in 2020 despite the fact that the required ad valorem tax *dollars* required increased \$275. This is possible because the \$\$ value of one mill increased significantly, allowing for a lower mill levy rate to generate the necessary \$33,295 in ad valorem tax dollars.

If the library had "held the mill" (remains unchanged) in 2020 at 4.985, the library would have passed Test 2, but the ad valorem tax dollars generated would have been an estimated \$34,970.

$$\text{Value of one mill} \times \text{mill levy rate} = \text{Ad valorem tax dollars}$$
$$\$7,015.194 \times 4.985 = \$34,970$$

Remember, when building the library budget, think in terms of DOLLARS first. How much \$\$ revenue does the library require to fulfill its mission and provide services to the community? In the case of Sample Public Library in 2020, the budget required an ad valorem tax dollar increase of \$275, resulting in a mill levy decrease. If the library had required more than \$34,970, for example, then the mill levy rate would have increased beyond 4.985.

How much would an individual homeowner have to pay in ad valorem taxes to the Sample Public Library?

First, determine the **assessed value** of the property in question. (This information is also available from the Appraiser's Office of the County for any given property.) Suppose the property in question has an appraised value of \$200,000.

$$\text{Appraised value} \times 11.5\% (.115) = \text{Assessed value}$$

$$\begin{array}{rcl} \$200,000 & \times .115 & \\ & & = \$23,000 \end{array}$$

Next, determine the amount of ad valorem tax for the library.

$$(\text{Assessed value} \times \text{Mill levy rate}) / 1,000 = \text{property tax owed}$$

$$(\$23,000 \times 4.746) / 1,000 = X$$

$$\$109,158 / 1,000 = \$109.15$$

The homeowner would pay an estimated \$109.15 in ad valorem tax for the library.

Questions or concerns? Please contact the NEKLS office.