

Truth in Taxation
The 1993 budget and levy process

1. Truth in Taxation Hearings:

July 1 Fiscal Year Districts

Taxing districts with a fiscal year beginning July 1 (**schools, the Port district, school-community library districts for 1993 only, and possibly Junior Colleges**) must notify the county commissioners of truth in taxation hearing dates by June 1.

When these districts advertise for their budget hearings, they must also advertise an estimate for Truth in Taxation as provided for in §63-2225 if they plan to raise their property tax budgets more than 5% or raise their levy rates any amount. Because final values will not be available, exact levies cannot be calculated at this time. For Truth in Taxation notices, levies should be computed using an estimate of district value. The estimated value will consist of estimated 1993 real and personal property and sub roll values along with 1992 operating property value. Home, farm, and business values for 1993 shall be based on the best estimate available from each county. (One estimate must be provided for each joint district.) Each county must provide this information to each of these districts by May 1.

In May or June, depending on the date of the budget hearing, July 1 fiscal year districts which plan on invoking Truth in Taxation (increasing property tax budget more than 5% or increasing the levy rate any amount), must prepare and advertise a "Notice of Tax Increase". The advertisement must be run once each week for the two weeks prior to the truth in taxation hearing. The hearing must take place no sooner than 7 days following the first advertisement, and if the resolution is not adopted within 2 weeks of the hearing the district must advertise again. The specific form for this advertisement is listed in § 63-2225.

Districts with other Fiscal Years (not July 1)

All other taxing districts must notify their county commissioners of truth in taxation hearing dates by August 2. If these districts plan to invoke Truth in Taxation they must advertise twice. These advertisements must be run once each week for the two weeks prior to the Truth in Taxation hearing. The first ad must be no later than Sept. 6 and the second no later than Sept. 13. Hearings must not take place sooner than 7 days following the first advertisement, and if the resolution is not adopted within 2 weeks of the hearing the district must advertise again. County governments must hold hearings on Sept. 7. County commissioners may extend ending dates for all other districts by one week.

The advertisement period will occur prior to the availability of operating property values, but after the real and personal roll is finalized. Operating property values for 1992 may be used to estimate levies for these advertisements. Unless districts choose to advertise early (which they may choose to do), all other values except the sub roll should be final.

Special Cases

1. Early Advertisement:

Some districts may wish to advertise and hold hearings early, prior to the availability of value information. In this situation, the best estimates of 1993 value (for the district or for the "home, farm, and business" to be used in the ad) should be provided to the district. This information should be reported on Truth in Taxation forms TINT 1, 2, and 3. In other cases, percent increases provided by the tax commission during the first week of August should be used to determine home, farm, and business values for 1993 for truth in taxation ads.

2.1 New districts & districts with no levy last year:

Newly created districts are not subject to Truth in Taxation, only to statutory levy limits. Districts which are not newly created, but did not levy in 1992 are subject to Truth in Taxation requirements if they wish to levy in 1993. For these districts, the percent increase sections of the ad should indicate that this percent cannot be determined.

3. Non ad valorem districts:

Districts that do not levy an ad valorem tax (irrigation; forest protection; etc.) are not subject to Truth in Taxation.

4. Timing

It is imperative for County Clerks to submit forms timely to the Tax Commission. If the Tax Commission does not receive forms by the date due, market values will not be able to be returned to counties in time to supply valuation information to taxing districts. If market values are not supplied to the taxing districts in a timely fashion, the taxing districts will not be able to print their notices in time. If the notices are not printed in time, there can be no hearings. If there are no hearings, the taxing districts cannot increase levies at all or property tax budgets by more than 5% (except for increases due to annexation or certain voter approved levies).

5. Forms:

Abstracts are due to the Tax Commission on the fourth Monday of July (July 26th). TCA-2s are due August 2nd. TCA-2 forms will be returned to counties with operating property information as close to the first of September as possible.

The following forms have been developed to help districts to comply with Truth in Taxation.

- a.) 1993 Estimated Taxable Values (TINT Form 1 and TINT Form 2). Two different versions of this form have been prepared, one for use by districts with July 1 fiscal years (Form 1) and the other for use by all other districts (Form 2). The purpose of these forms is to enable districts to estimate whether or not they will be required to do Truth in Taxation ads. Joint districts must add together value estimates received from each county. Whenever actual or final values are unavailable, the best estimate of these values must be substituted. However, 1992 Operating property values must be used. Send forms TINT 1 and 2 to each taxing district as soon as possible.
- b.) A-2 form. The A-2 form includes a column for "estimated taxable value for newly annexed property." This information will determine whether the levy and budget requests comply with Truth in Taxation requirements.
- c.) 1993 parcel count and home, farm, business value form. This form, designated TINT 3, has been developed to gather base data and compute percent changes for home, farm, and business values. This form must be completed and sent to the tax commission by July 26. The tax commission will compute the percent change to determine home, farm, and business values to be used by districts in 1993 truth in taxation ads. Percent change information will be mailed to each county by August 9.

Each county clerk should provide, districts with a July 1 fiscal year and districts which choose to advertise earlier, with estimates of value changes for home, farm, and business property. For joint districts, one estimate should be provided.

L-1 and L-2 forms must be submitted by the third Monday in September. The levy computed on each L-2 form must be based on net taxable values after subtracting the homeowners exemption plus actual 1993 operating property values. These values are listed on the TCA-2. This computation may produce a levy that differs from

the estimated levy used to meet Truth in Taxation advertising requirements. This is acceptable, provided that the district advertised as required in § 63-2225. If a district failed to advertise under Truth in Taxation, the district is not eligible for any levy increase and cannot increase its property tax budget more than 5% (except for annexation).

All districts should be encouraged to submit a Truth in Taxation resolution (one of the two on the back of the L2). If values decrease unexpectedly and there is no resolution, the districts budgets will be reduced to the lesser of: Last year's budget or last year's levy multiplied by this year's market value. Districts may be required to have budget resolutions under various other circumstances, aside from truth in taxation. The resolution referred to in these instructions is the resolution specifically described in and required by truth in taxation § 63-2225 and 2226.

Each district must submit its property tax budget request. Depending on budget or levy increases, the following requirements must also be met:

Case 1. Budget up by more than 5% or any levy increase;

Requirements: Advertise under truth in taxation §63-2225; Hold budget and truth in taxation hearing; Adopt truth in taxation resolution.

Case 2: Budget up 5% or less; no levy increase;

Requirements: No truth in taxation hearing or ad; adopt truth in taxation resolution for increase.

Case 3: No budget increase; no levy increase;

Requirements: No truth in taxation hearing or ad; No truth in taxation resolution required; Limited to lesser of 1992 property tax budget or 1992 levy multiplied by 1993 value.

To facilitate truth in taxation budget and resolution requirements, the L-2 form has been revised to include language enabling this form to satisfy both of these requirements. In addition, districts may be required to send copies of advertisements to each county. However, the following should **not** be sent to the tax commission:

- a.) newspaper advertisement;
- b.) entire budget book;
- c.) entire budget document (other than L-2);
- d.) TINT 1 and TINT 2 estimated value forms.

6. **Overrides:**

Only School districts and Highway districts have the authority for new override levies. Other types of taxing districts with an existing override may continue to levy until it expires, but may not renew it.

7. **Joint Districts**

Joint districts must notify all county commissioners of each county in which the district is located of their Truth in Taxation hearing dates. Proof of Truth in Taxation advertisement may be required by each county as well.

8. **Automation**

Many of our forms are available in Lotus or WordPerfect format. If you would prefer information on diskette, please contact us to make the necessary arrangements.

9. **Levies and budget not subject to Truth in Taxation:**

Originally, the only property tax levies exempt from truth in taxation advertising requirements were voter approved supplementals, bonds and overrides. Plant facility levies and school emergency levies were made exempt by § 33-804 and 33-805. However, schools with emergency fund levies must advertise following certification of this levy in September according to §33-804.

No separate hearing or resolution is required for emergency fund levies; however, property tax amounts and levies must be shown on L-1 and L-2 forms.

When the term "property tax budget (or levy)" is used in relation to truth in taxation requirements, all levies, except those specifically excluded (in the above paragraph) are included in the budget.

All taxing districts levying ad valorem property taxes are subject to truth in taxation requirements.

10. **Junior College Districts:**

If these districts have fiscal years beginning July 1, they must notify the county commissioners of their truth in taxation hearing date by June 1. However, they may hold their budget and truth in taxation hearing in August or September following the truth in taxation hearing and advertisement rules for nonschool districts.

11. **School-Community Library Districts:**

New legislation requires these districts to levy separately from school districts. For 1993 only, these districts are permitted a fiscal year of 15 months beginning July 1, 1993 and ending September 30, 1994. The levy limit for 1993 only, is .075%.

12. Rounding of levies:

Levies computed and shown on L-1 and L-2 forms should be rounded to 2 decimal places beginning in 1993. For Uniform Assessment counties, computer programs will be changed to permit this adjustment and updated programs will be available this Fall.