REVENUES & BUDGETS: HOW TAXES ARE COLLECTED AND SPENT ON YOUR BEHALF

A very small percentage of all revenue that is collected by county government is available to County Commissioners to spend as they please for public purposes. Federal and state mandates dictate how County Commissioners budget the overwhelming portion of county revenues. This makes for some very hard decision making by County Commissioners when it comes to discretionary spending, because public needs almost always outdistance available revenue.

Special Purpose Funds vs. General Purpose Funds

As the county's taxing authority, County Commissioners are responsible for placing county-based property taxes on the ballot for voter approval, and they must apportion collected taxes to several county boards and agencies outside of their control. These are called Special Purpose Funds, and they exist for children services boards, mental health and mental retardation boards, hospitals, libraries, and senior citizens' agencies. So, when people discuss "the library levy" or "the mental health levy," they really are referring to a request by the County Commissioners that voters approve special purpose property taxes dedicated to specific programs. A special purpose fund even exists for a county's share of state gasoline taxes — it's money that must be used for local roads and bridges.

General purpose funds available to Ohio's county budgets range from less than $3 million to more than $260 million.

General Purpose Funds are used for the general governmental activities of county government. These funds pay for salaries, supplies, contract services, and equipment repair. They also pay for the county court system, county law enforcement and jails. The county sales tax, user fees and interest earnings are important sources of general purpose funds.

SALES TAX

Ohioans pay this tax everyday on nearly all retail products and on many services. All 88 counties add their own sales tax to the 5% sales tax the state of Ohio keeps for itself. Counties can add sales tax in 1/4% intervals — up to 1-1/2%. Sales taxes are very important to most counties, because the revenue they generate usually constitutes the largest discretionary source of revenue to fund county government.

Most items sold in department stores and other retail outlets — everything from radios and shoes to garden tools to clothes — include sales tax. The most important exemption to sales taxes is food that is consumed anyplace other than where it is purchased. That means groceries taken home are not taxed, but food eaten at restaurants is taxed.

Real Property Transfer Tax

Counties levy a tax on the transfer of property after its sale. By state law, the minimum tax is $1 for every $1,000 in value of the property being transferred in ownership. Counties are permitted to add up to $3 of additional fees on the value of real property when it is sold.

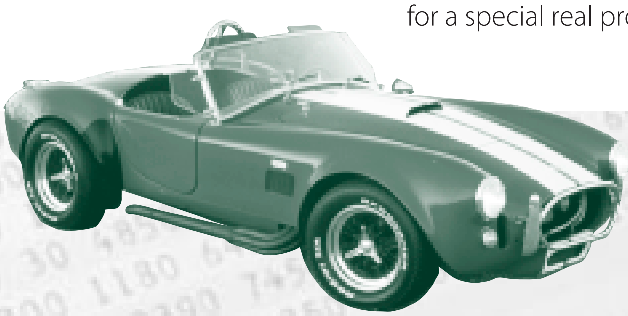
REAL PROPERTY TAX

School districts receive about 65% of all real property (land and buildings) taxes collected by the county. The majority of real property taxes must be approved by voters, usually for specific purposes such as public schools, children services, mental health, mental retardation, senior services, and nursing homes.

So what is millage? It is how property taxes are measured in size. One mill equals $1 in taxes for every $1,000 in taxable value of property. Taxes increase as a community's voted millage goes up. For instance, a 40-mill tax rate for a house with a taxable value of $35,000 yields $1,400 in taxes annually (40 x 35 = 1,400). If the voted millage goes up, so do the property taxes. But that same house sold on the open market for $100,000, not $35,000, you say? This is not a mistake. For tax calculations, taxable value of real property is defined by state law as 35% of market value. To figure out your real property tax bill, take the market value of your home, multiply it by 35% (.35), and then multiply that figure by the millage in your community.

Under Ohio law, property taxes can rise only when voters approve levies that raise millage. Property taxes cannot increase simply because the market value of the property increases over time. State law dictates that as property values increase, millage rates are *rolled-back* so that the same amount of taxes is collected for a given millage.

Tax relief from state government also is built into Ohio's real property tax laws. For instance, the state pays 10% of all real property taxes that are levied. That means if your real property tax is $10, the state of Ohio pays the first $1 for you. If you occupy that property, the state pays the first $1.25 of that $10 real property tax bill. If you occupy that property, are age 65 or older and have a low-income, the state will pay an even larger share of that $10 real property tax bill. Finally, landowners who use their property exclusively for agricultural purposes qualify for a special real property tax reduction.



Motor Vehicle License Tax

All motor vehicle owners pay an annual registration fee (for license plates or tags). The state sends most of these license fees to counties and municipalities based on where motorists live. Townships receive some of these fees based on township road mileage. Counties are permitted to add to this tax with a surcharge of their own, most of which they may keep. Just less than half of Ohio counties levy this surtax. By law, all motor vehicle license tax revenues must be used for road purposes.

Motor Vehicle Fuel Tax

State government taxes every gallon of gasoline and diesel fuel pumped in Ohio, and all of these funds must be used for roads. The state keeps 75% of motor vehicle fuel taxes, and divides the remaining 25% among counties, municipalities and townships. Each county receives an equal share of the fuel tax. For that reason, fuel taxes make up a bigger share of needed funds for rural counties than for urban and suburban counties.

TANGIBLE PERSONAL PROPERTY TAX

While real property taxes are taxes on land and buildings, tangible personal property taxes are taxes levied on machinery, equipment, and inventories owned by businesses. Business and industry directly pay tangible personal property taxes. Individual Ohioans do not. There is a lot of business equipment and inventory in Ohio, so the tangible personal property tax is a significant source of revenue. School districts receive about 70% of all tangible personal property taxes collected; counties receive 19%; and municipalities and townships receive the remainder. Tangible personal property taxes are levied at a rate of 25% of market value.

Tangible personal property taxes are also the subject of frequent debate between business, which believes these taxes are an impediment to economic growth, and local government, which counts on this revenue for vital public services.

Exemptions to this tax are made for church and school property, licensed motor vehicles, aircraft, property used in agriculture, insurance companies, and financial institutions.

Lodging Tax

This tax is levied by counties, as well as by townships and municipalities, on fees overnight guests pay at most motels and lodges. More than 50 counties levy lodging taxes, most at a rate of 3%. Rates can go as high as 6%. In a majority of cases, County Commissioners earmark more than 90% of lodging tax revenues for local convention and visitors' bureaus, which use that money to attract business conventions and promote tourism.

Manufactured Home Tax

While not a major source of revenue for counties, the manufactured home tax is levied on the owners of mobile homes and similar structures. It is levied in lieu of real property taxes that residents of manufactured housing normally do not pay.

Local Government Funds

Ohio law requires small percentages of existing state taxes to be set aside and deposited into central accounts that are divided among local governments. These are called Local Government Funds, and they are important sources of revenue for counties. State law requires that slightly less than 5% of the state sales tax, personal income tax and corporate franchise tax be deposited into Local Government Funds. These funds are distributed primarily to counties, municipalities and townships. Law also requires that 5.7% of state personal income tax collections be deposited into the Library and Local Government Support funds — money which is then distributed primarily to libraries.

PUBLIC UTILITY PROPERTY TAX

The public utility property tax is levied on electric, telephone, natural gas, railroad, pipeline, rural electric, and waterworks companies. It is levied on both the land and buildings a utility company owns (real property) and its equipment (tangible property). Counties, townships, municipalities, and school districts share public utility property taxes. Municipally-owned utilities, as well as construction and pollution equipment, are exempt.

Investment Income, Fees and Grants

Just like many individuals, county government invests revenue that is not being used to pay bills in interest-bearing funds. The County Investment Advisory Committee, composed of two County Commissioners and the Treasurer, establishes investment policy. Investments are managed by the Treasurer.

Investment income supplements tax revenues, which in turn helps provide additional services. To reduce risk, state law places strict controls on how counties can invest funds.

Fees and licenses. Revenue from fees and licenses are comparatively small, but important, sources of revenue for counties. Fees are charged for services such as issuing zoning and building permits, issuing automobile titles, and recording documents. Many different licenses are sold as well; they include dog, vendor, cigarette, and exhibitor licenses.

Fines and court costs. Fines and court costs are frequently collected from criminal and traffic offenders, yet provide a minimal amount of revenue to county government. These funds help subsidize county criminal justice services, county law libraries, and road and bridge maintenance.

State and federal grants. The grant picture is both broad and constantly changing, yet often important to counties. Grants usually are dedicated to certain areas of need, such as housing, development, human services, law enforcement, roads and bridges, water and sewer systems. One of the most significant federal grants to counties is the Community Development Block Grant.

County government touches the lives of more Ohioans than any other unit of government. That's because, when it comes to the basics of life, such as police protection, job creation, tax collection, and services for children and families, county government has the broadest jurisdiction to get the job done for most Ohioans. State and federal governments enact laws. County government enforces the law and delivers services to where people live.