# **Tax: Frequently Asked Questions**

1. **When will my district’s tax report be sent to me?**

This process involves several different people and steps.

* First, the local Property Valuation Administrator (PVA) for each district must forward their assessment information to the Department of Revenue.
* Meanwhile, the districts must submit the Unaudited Annual Financial Reports (AFR) to KDE successfully.
* Next, the Department of Revenue (DOR) will review the information and forward the assessment certification to KDE.
* KDE will use the districts unaudited AFR and the certified assessment from DOR to calculate the districts tax rate options.
* KDE will forward the tax reports to the district typically within 24 hours of receiving the certified assessment information from DOR, given that the district’s unaudited AFR has been successfully submitted.

1. **What can I do within my district to expedite receiving my tax report?**

* Ensure that your Unaudited AFR is submitted by the deadline of July 25th.
* Communicate with your local PVA to ensure that they have timely submitted information to the DOR.
* Communicate with KDE if there is a personnel change within the district in regards to Superintendent or Finance Officer positions, these individuals will receive tax reports by email.

1. **How long does my board have to adopt rates?**

KRS 132.0225 provides that if a district is not adopting a rate above 4%, it must establish a final tax rate within 45 calendar days of the DOR certification. **For boards of education, the forty-five (45) days shall begin from the date of the department's certification to the chief state school officer as required by KRS 160.470(4).** Any district that fails to meet this deadline shall be required to use the compensating tax rate for that year’s property tax bills. The certification date will be in the tax report email you receive.

1. **What are the property tax rate options that a school district has in setting their tax rates?**

|  |  |
| --- | --- |
| **TYPE OF TAX RATE** | **DESCRIPTION OF TAX RATE INFORMATION** |
| **Compensating Tax Rate** | The Compensating Tax Rate is the rate that when applied to the current year’s property assessment, excluding new property, produces an amount of revenue equal to that produced in the preceding year. |
| **Subsection (1) Tax Rate** | The Subsection (1) Tax Rate which refers to subsection (1) of KRS 160.470 is the rate that restricts local school boards to a tax rate that will produce no more revenue than the previous year’s maximum rate. |
| **4 Percent Increase Tax Rate** | The 4 Percent Increase Tax Rate is the rate that will produce 4 percent over the amount of revenue produced by the Compensating Rate. |
| **HOUSE BILL 940 (KRS 157.440)** | | |
| **Tier I Property Tax Rate** | The Tier I Property Tax Rate, provided for under House Bill 940, is dependent on the mix of taxes levied by a district, including real estate, personal property, motor vehicle, and permissive taxes. |

1. **How is the Compensating tax rate calculated?**

Compensating Tax Rate 1 Calculation

**Source:** Legislative Research Commission. (2007, November 15). *Understanding How Tax Provisions Interact With the SEEK Formula*. Education Assessment and Accountability. (Research Report No. 354).

1. **How is the Sub Section 1 tax rate calculated?**

Sub Section 1 Tax Rate Calculation

**Source:** Legislative Research Commission. (2007, November 15). *Understanding How Tax Provisions Interact With the SEEK Formula*. Education Assessment and Accountability. (Research Report No. 354).

1. **How is the 4% tax rate calculated?**

4% Tax Rate Calculation

**Source:** Legislative Research Commission. (2007, November 15). *Understanding How Tax Provisions Interact With the SEEK Formula*. Education Assessment and Accountability. (Research Report No. 354).

1. **How is the HB 940 tax rate calculated?**

HB 940 Tax Rate Calculation

**Source:** Legislative Research Commission. (2007, November 15). *Understanding How Tax Provisions Interact With the SEEK Formula*. Education Assessment and Accountability. (Research Report No. 354).

1. **What rate should I levy in order to receive full Tier I funding?**

In order for a district to qualify for any Tier I funding, the districts per pupil assessment must be less than 150% of the statewide average per pupil assessment. For 2022-23 and 2023-24, this amount is $1,016,000.

If a district qualifies, they should levy at or above the HB 940 rate as provided on report 2 of the Tax Report. Please note that this rate is based on forecasted data. Once actual data is available, the Maximum Tier I rate could be impacted, leading to a reduction in Tier I funding. However, at the point in time that Tax Rates must be levied, this is the best information available.

1. **What is the Levied Equivalent Rate?**

Because school districts’ local tax effort consists of various types of taxes and because the rates at which these revenue sources are taxed can vary, the funding system uses a levied equivalent rate to convert districts’ local tax efforts to a comparable basis. The levied equivalent rate, in simple terms, is a district’s total tax revenue divided by its total assessment, which includes property and motor vehicles. Below is an example of the calculation for the Levied Equivalent Rate:

Levied Equivalent Rate Calculation

**Source:** Legislative Research Commission. (2007, November 15). *Understanding How Tax Provisions Interact With the SEEK Formula*. Education Assessment and Accountability. (Research Report No. 354).

1. **What date should be entered on the Tax Rate Levy web form as the date tax rates were levied, specifically where the web form reads:**

**“In compliance with Kentucky Revised Statutes and the regulations of the Kentucky Board of Education, we, the board of education of the above named school district, hereby submit for your approval the following tax rates levied on (date)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.”**

This date should be the date the rates were levied by the district’s board.

1. **What are the notice requirements?**

For rates that exceeded 4%, the notice requirements of KRS 160.470(7)(b) state that a notice must be “…published at least twice for two (2) consecutive weeks, in the newspaper of largest circulation in the county…”

In this example, the advertisements were placed on the 6th and 13th (two consecutive weeks) and the hearing could be held on the 20th, 21st, 22nd, or 23rd (7-10 days after the second advertisement)

| AUGUST | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| S | M | T | W | T | F | S |
|  |  |  |  |  | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 |  |  |  |  |  |  |

Blank

Blank

Blank

Blank

|  |  |  |  |
| --- | --- | --- | --- |
| **Tax Rate** | **Advertising** | **Hearing** | **Additional Advertising** |
| Below Compensating | No | No | No |
| Compensating | No | No | No |
| Above Compensating/Below 4% | No | No | No |
| Subsection(1) | if above 4%, yes | if above 4%, yes | if above 4%, yes |
| 4% | No | No | No |
| Above 4% | Yes | Yes | Yes |
| HB 940 | No | No | No |

1. **What are the hearing requirements?**

For rates that exceeded 4%, the hearing requirements of KRS 160.470(7)(b) state “….the public hearing which shall be held not less than seven (7) days nor more than ten (10) days after the day that the second advertisement is published…”

1. **Do I have to call a special board meeting if the 7-10 days does not fall on a regularly scheduled board meeting date?**

Yes, in some cases, a special board meeting must be called.

1. **What are the recall requirements?**

For rates subject to recall, an additional advertisement must be made within seven (7) days of the hearing as required by KRS 160.470 (8). Once the forty-five (45) days have passed since the rate was levied, the district must send notification of whether a valid petition was presented. If a valid petition was presented, the district must indicate whether they intend to place the issue before the voters for approval.

1. **If a district has levied a recallable nickel in the past; do they need to continue to fill it in?**

The web form should show the levied date automatically. If it does not appear, please contact Sheila Miller ([Sheila.Miller@education.ky.gov](mailto:Sheila.Miller@education.ky.gov)).

blank

**k**

1. **What happens if a district fails to meet the notice, hearing, or recall requirements? For example, if the newspaper fails to run the advertisement.**

As provided by law, each of these requirements must be met without exception. Each requirement will have to be repeated until they are fully met. Please see KRS 160.470(7)(b) and KRS 160.470 (8). If the newspaper does not publish your advertisement, or time is limited, a district may, in lieu of two published advertisements, opt to send the required information by first class mail to each person owning real property (KRS 160.470(7)b).

1. **If this is the first time our district is levying a recallable nickel, how do we indicate this on the form?**

First, fill in the amount of the nickel in the Recallable category under the Nickel section. Next, under the Dates section, fill in the date the new recallable nickel was levied and the additional advertising dates.

1. **If a district wants to levy a recallable nickel, do they have to levy at least the 4% rate?**

Yes. In order for a rate to be recallable, it must exceed the 4% rate.

1. **What is the Category 5 nickel and how did my district qualify for this nickel?**

The 2008-2010 Biennial Budget and SB 5 (2010 Extraordinary Session) provided that districts with schools classified as Category 5 by May 18, 2010 on the KDE may levy an additional five (5) cent equivalent nickel for debt service, new construction, or major renovation. The provisions of KRS 132.017 relating to recall may or may not apply.

1. **If a district does not have an assessed value for aircraft or watercraft how should we fill out the form?**

Please indicate Exempt.

1. **If a district decides to change the taxing status of Aircraft and/or Watercraft, what should they do?**Please indicate the new status on the Tax Rate Levy form and submit a copy of the board minutes via email.
2. **Once I have completed the form online, what do I do next?**

Starting with the 2010-11 tax year, KDE no longer require signatures on the form or require you to mail the form to us for processing. By electronically submitting the form, you are agreeing that the rates were approved by your Superintendent and local school board. If you need a paper copy of the rates, please use the ‘Report’ button on the bottom of the page. We will submit your tax rates to the Kentucky Board of Education (KBE) for final approval at the next available KBE meeting.

Please contact Sheila Miller (Sheila.Miller@education.ky.gov) if you have any questions.

1. **What tax forms are submitted electronically?**

* Tax Rate Levied Form
* Sheriff Tax Collection and Reconciliation

1. **How will I know that my district’s tax rates have been approved by the Board of Education?**

Tax rates are usually approved beginning with the **October** Board meeting. Districts who have submitted their Tax Rate Levy form to KDE by the date of the Board meeting with no pending issues such as a revision or recall requirements, will be presented for approval. The next opportunities for approval will be the **December and February** Board meetings. Once approved, each district will be emailed confirmation and a copy of the Tax Rate Levy form with the Board’s approval date.

1. **When can I issue tax bills?**

Bills can be issued after approval by the Kentucky Board of Education. Any district that chooses to bill prior to this may be subject to rebilling or refunding if an error is found.

1. **Do I have to publish information regarding the tax rates once they are approved by the Kentucky Board of Education?**

No. Districts are no longer required to publish the tax rates approved by the Kentucky Board of Education.

1. **Where can I learn more about how my taxes interact with my SEEK funding?**

In 2008, a study was done by the Office of Education Accountability which explains the interactions between school district taxes and SEEK. You can access the report at the following link: [Understanding How Tax Provisions Interact With the SEEK Formula](https://legislature.ky.gov/LRC/Publications/Research%20Reports/RR354.PDF) .