

Tax: Frequently Asked Questions

- [1. When will my district's tax report be sent?](#)
- [2. What can I do within my district to expedite receiving my tax report?](#)
- [3. How long does my board have to adopt the rates?](#)
- [4. What are the property tax rate options that a school district has in setting their tax rates?](#)
- [5. How is the Compensating tax rate calculated?](#)
- [6. How is the Sub Section 1 tax rate calculated?](#)
- [7. How is the 4% tax rate calculated?](#)
- [8. How is the HB 940 tax rate calculated?](#)
- [9. What rate should I levy in order to receive full Tier I funding?](#)
- [10. What is the Levied Equivalent Rate?](#)
- [11. What date should be entered on the Tax Rate Levy web form as the date tax rates were levied?](#)
- [12. What are the notice requirements?](#)
- [13. What are the hearing requirements?](#)
- [14. Do I have to call a special board meeting if the 7-10 days does not fall on a regularly scheduled board meeting date?](#)
- [15. What are the recall requirements?](#)
- [16. If a district has levied a recallable nickel in the past; do they need to continue to fill it in?](#)
- [17. What happens if a district fails to meet the notice, hearing, or recall requirements? For example, if the newspaper fails to run the advertisement.](#)
- [18. If this is the first time our district is levying a recallable nickel, how do we indicate this on the web form?](#)
- [19. If a district wants to levy a recallable nickel; do they have to levy at least the 4% rate?](#)
- [20. What is the Category 5 nickel and how does my district qualify for this nickel?](#)
- [21. If a district does not have assessed value for aircraft or watercraft how should we fill out the form?](#)
- [22. If a district decides to change the taxing status of Aircraft and/or Watercraft, what should they do?](#)
- [23. Once I have completed the form online, what do I do next?](#)
- [24. What tax forms are submitted electronically?](#)
- [25. Where do I send my Tax Collector's Report to?](#)
- [26. Will KDE confirm the tax rates that were submitted prior to the Kentucky Board of Education's approval?](#)
- [27. How will I know that my district's tax rates have been approved by the Board of Education?](#)
- [28. When can I issue tax bills?](#)
- [29. Do I have to publish information regarding the tax rates once they are approved by the Kentucky Board of Education?](#)

[30. Where can I learn more about how my taxes interact with my SEEK funding?](#)

1. When will my district's tax report be sent?

This process involves many different people and steps.

- First, the local PVA for each district must forward their assessment information to the Department of Revenue.
- Next, the Department of Revenue will review the information and forward the assessment certification to KDE.
- Next, once the district's unaudited AFR has been successfully submitted, KDE will use the information to calculate tax rates.
- The tax report will then be processed and reviewed.
- KDE will forward the tax report to the district within **three** days of receiving assessment information from the Department of Revenue, given that the district's AFR has been successfully submitted.

2. 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 Department of Revenue.
- 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.

3. 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 days of the Department of Revenue's certification. 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.

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

Tax Rate	Description of Tax Rate	Subject to Hearing and Recall Provisions
House Bill 44 (KRS 160.470)		
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.	No Hearing
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.	Hearing and Recall
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.	Hearing
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.	No Hearing

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

5. How is the Compensating tax rate calculated?

Compensating Tax Rate I Calculation:	
Prior-year Real Estate Rate	0.00398
Times: Prior-year Real Estate Property Assessment	<u>430,326,731</u>
Equals: Prior-year Revenue From Real Estate Property	1,712,700.39
Divided by: Current-year Real Estate Property Assessment, Excluding New Property	<u>451,346,132</u>
Equals: Compensating Tax Rate I (rounded to next higher one-tenth cent)	0.0038
Compensating Tax Rate II Calculation:	
Prior-year Real Estate Rate	0.00398
Times: Prior-year Real Estate Property Assessment	<u>430,326,731</u>
Equals: Prior-year Revenue From Real Estate Property	1,712,700.39
Prior-year Personal Property Rate	0.00443
Times: Prior-year Personal Property Assessment	<u>61,301,899</u>
Equals: Prior-year Revenue From Personal Property	271,567.41
Prior-year Revenue From Real Estate Property	1,712,700.39
Plus: Prior-year Revenue From Personal Property	<u>271,567.41</u>
Equals: Total Prior-year Revenue	1,984,267.80
Divided by: Current-year Total Valuation of Property	<u>512,765,028</u>
Equals: Compensating Tax Rate II (rounded to next higher one-tenth cent)	0.00387
The Compensating Tax Rate certified to the district is the higher of the rate produced by the Compensating Tax Rate I calculation or the Compensating Tax Rate II 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).

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

Prior-year Maximum Real Estate Tax Rate	0.00483
Times: Prior-year Real Estate Property Assessment	<u>430,326.731</u>
Equals: Prior-year Maximum Real Estate Revenue	2,078,478.11
Prior-year Maximum Personal Property Tax Rate	0.00483
Times: Prior-year Personal Property Assessment	<u>61,301.899</u>
Equals: Prior-year Maximum Personal Property Revenue	296,088.17
Prior-year Maximum Real Estate Revenue	2,078,478.11
Plus: Prior-year Maximum Personal Property Revenue	<u>296,088.17</u>
Equals: Prior-year Maximum Revenue	2,374,566.28
Divided by: Prior-year Total Valuation of Property, Excluding Homestead Exemptions	<u>491,403,230</u>
Equals: Subsection (1) Tax Rate (rounded to next lower one-tenth cent)	0.00483

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

7. How is the 4% tax rate calculated?

Higher of Compensating Tax Rate I or II	0.00387
Times: Current-year Real Estate Property Assessment, Excluding New Property	<u>451,346,132</u>
Equals: Revenue From Existing Real Estate Property	1,746,709.53
Times: 4 Percent Increase	<u>1.04</u>
Equals: Revenue After 4 Percent Increase Applied to Existing Real Estate Property	1,816,577.91
Divided by: Current-year Real Estate Property Assessment, Excluding New Property	<u>451,346,132</u>
Equals: 4 Percent Increase Tax Rate (rounded to next lower one-tenth cent)	0.00402

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

8. How is the HB 940 tax rate calculated?

Maximum Tier I Equivalent Calculation:	
Estimated Full Adjusted SEEK Base Funding	11,098,769
Times: Maximum Tier I Participation	<u>0.15</u>
Equals: Maximum Tier I Revenue	1,664,815
Divided by: Estimated ADA With Growth	<u>2,453.9</u>
Equals: Maximum Tier I Revenue Per Pupil	678
Divided by: Higher of State Equalization Level (637,000) or Per-pupil Assessment (245,895)	<u>637,000</u>
Equals: Tier I Equivalent Rate (rounded to next higher one-tenth cent)	0.00107
Plus: Required 30 Cents Local Effort	0.00300
Plus: Required 5 Cents FSPK	<u>0.00050</u>
Equals: Maximum Tier I Equivalent Rate	0.00457
Tier I Tax Rate Calculation:	
Higher of Maximum Tier I Equivalent Rate or FY 1990 Equivalent Tax plus growth nickel, equalized growth nickel, or recallable nickel, if applicable	
	0.00457
Times: Prior-year Total Assessment	<u>576,464.732</u>
Equals: Maximum Local Revenue	2,634,444
Divided by: Prior-year Collection Rate	<u>0.977</u>
Equals: Maximum Levied Revenue	2,696,462
Less: Prior-year Permissive Tax Revenue	740,209
Less: Prior-year Motor Vehicle Revenue at 96% Collection Rate	<u>458,522</u>
Equals: Maximum Levied Property Revenue	1,497,732
Divided by: Prior-year Property Assessment	<u>491,628.630</u>
Equals: Maximum Tier I Property Tax Rate (rounded to next lower one-tenth cent)	.00304

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

9. 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 2012-13, this amount is \$725,000.

If a district qualifies, they should levy at or above the HB 940 rate as provided on report 2 or 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.

10. 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:

Current-year Levied Real Estate Property Tax Rate	.00404
Times: Prior-year Real Estate Property Assessment	<u>430,326,731</u>
Equals: Levied Real Estate Property Tax Revenue	1,738,520
Current-year Levied Personal Property Tax Rate	.00445
Times: Prior-year Personal Property Assessment	<u>61,301,899</u>
Equals: Levied Personal Property Tax Revenue	272,793
Current-year Levied Motor Vehicle Tax Rate	.00563
Times: Prior-year Motor Vehicle Assessment	<u>84,836,102</u>
Equals: Levied Motor Vehicle Tax Revenue	477,627
Levied Real Estate Property Tax Revenue (calculated above)	1,738,520
Plus: Levied Personal Property Tax Revenue (calculated above)	272,793
Plus: Levied Motor Vehicle Tax Revenue(calculated above)	477,627
Plus: Prior-year Permissive Tax Revenue	<u>740,209</u>
Equals: Total Local Taxes	3,229,149
Times: Prior-year Collection Rate	<u>0.977</u>
Equals: Total Levied Tax Revenue	3,154,879
Divided by: Prior-year Total Assessment	<u>576,464,732</u>
Equals: Levied Equivalent Rate	0.00547

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

11. 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

12. What are the notice requirements?

For rates that exceeded compensating and HB 940 tax rates, 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 10th and 17th (two consecutive weeks) and the hearing could be held on the 24th, 25th, 26th, or 27th (7-10 days after the second advertisement)

SEPTEMBER						
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	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>
28	29	30	31			

13. What are the hearing requirements?

For rates that exceeded compensating and HB 940 tax rates, 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...”

14. 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.

15. What are the recall requirements?

For rates subject to recall, an additional advertisement must be made within 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.

16. 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 Chay Ritter (chay.ritter@education.ky.gov).

17. 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).

18. 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 date.

19. 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.

20. What is the Category 5 nickel and how does 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 Kentucky

Department of Education may levy an additional five 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.

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

Please indicate Exempt.

22. 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 mail.

23. Once I have completed the form online, what do I do next?

As of the 2010-2011 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.

Please contact Chay Ritter (chay.ritter@education.ky.gov) at (502)564-3846 if you have any questions.

24. What tax forms are submitted electronically?

- Tax Rate Levied Form
- Sheriff Tax Collection and Reconciliation

25. Where do I send my Tax Collector's Report to?

Kentucky Department of Education
Office of District Support Services
Attn: Division of Financial Data Management
15th Floor, Capital Plaza Tower
500 Mero Street

Frankfort, Kentucky 40601

Please send by email to Chay.Ritter@education.ky.gov

26. Will KDE confirm the tax rates that were submitted prior to the Kentucky Board of Education's approval?

Yes, once the Tax Rate Levy form has been received by KDE and entered into the tax program; each district will receive a confirmation of the rates via email. Should you find a discrepancy, please contact KDE.

27. 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. District's 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 mailed a confirmation letter and a copy of the original Tax Rate Levy form stamped with the Board's approval.

28. 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.

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

Yes, KRS 424.250 requires the information on the Tax Rate Levy form to be published upon approval.

30. 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: <http://www.lrc.ky.gov/lrcpubs/RR354.pdf>.

