

COMMUNITY UPDATE. . . .

Questions and Answers Regarding Act 72 of 2004 (Homeowners Tax Relief Act)

In July, 2004, the State Legislature passed and the governor signed Act 72 of 2004, otherwise known as the "Homeowners Tax Relief Act". Although a great deal has been written regarding this new legislation, numerous misconceptions have developed among members of the community regarding its implementation and benefit to the Montrose Area Community. The following are some very basic questions and answers asked of the district office regarding the new law. They are provided as a guideline for your review. We will continue to provide updates to the community through both district publications and news releases.

Q: When does the law take effect?

A: The law took effect on September 3, 2004; however tax relief will not be provided to property owners until the 2006-2007 school year. The amount of tax relief our district will receive must be certified by the state prior to the year tax credits are issued to individual taxpayers.

Q: Will I get a check as a means of my rebate?

A: No. Rebates will be issued in the form of tax credits established by the County Tax Assessment Bureau. The credit and the amount will be printed directly on the tax bill. Individual rebate checks are **not** issued to the taxpayer.

Q: What are some important dates for property owners regarding the legislation?

October 18, 2004	The District notified all property owners (first time) regarding filing of Homestead Exemption with the county assessor.
December 15, 2004	District notifies all property owners (second time) regarding filing of the Homestead Exemption with the county assessor.
March 1, 2005	Deadline for homeowners to file Homestead Exemption with County Tax Assessor. (Only required every three years)

Q: Must a school district participate in the property tax rebate program?

A: No. If a district does not increase, or initiate, the Earned Income Tax (EIT) by the minimum amount (0.1%), it cannot receive state property tax reduction allocations and be eligible to place referendums on the ballot.

Q: Where does the funding for the rebates come from?

A: There are two sources for funding tax credit rebates. They are profits from gambling receipts collected and distributed by the state to school districts and an increase, or initiation, in EIT (Earned Income Tax) of 0.1% passed by the Board in May of 2005. Failure to pass the increase in EIT means the district will not receive money from the state for the rebate credits.

Q: What if your district does not currently have an Earned Income Tax?

A: The Board must take one of two actions by May of 2005 in order to be eligible to participate in the tax rebate. The Board **must** either initiate an EIT of 0.1%, or, the Board must move to place a referendum on the November, 2007 ballot asking the public to approve a 0.1% EIT.

Q: How much of a tax credit will a taxpayer in the Montrose Area School District receive?

A: Based primarily on 'state estimates' provided by the Department of Education, taxpayers on our school district would receive approximately \$270 in tax credit on their 2006-2007 tax bill. The amount credited is based primarily on estimated gambling receipts that can vary year to year after implementation.

Q: What exemptions are eligible for the tax credit rebate?

A: There are two eligible exemptions. They are the "Homestead Exemption" and the "Farmstead Exemption". Qualification regarding both exemptions can be found in the application form that was sent to all taxpayers.

Q: Who determines eligibility for the exemption?

A: Eligibility for the rebate credit is determined solely by the County Assessor. The process does not involve the school district except for the obligation to mail the application forms to the owner of each residential property in the district.

Q: When will the referendum be placed on the ballot?

A: Based on current estimates, those districts that are participating in the rebate program that exceed the state established tax rate ceilings for the 2006-2007 school year would place a voter referendum question on the May, 2006 ballot if their tax increase exceeds the state ceiling.

Q: What is a 'front-end referendum' and a 'back-end referendum'?

A: The 'front-end referendum' is used to determine if the voters approve or disapprove the reduction of property taxes via the homestead exclusion by increasing, or initiating, the earned income tax (EIT) or the establishment of a personal income tax (PIT) in place of an EIT tax. The 'back-end referendum' is used to determine if the voters approve or disapprove the tax increase proposed by the district if it exceeds the maximum ceiling established by the state.

Q: What happens if the front-end referendum is approved or not approved?

A: If approved, the district will increase the EIT accordingly or impose the new PIT. If not approved, the district will not be eligible for state property tax reduction funding.

Q: What happens if the back-end referendum is approved or not approved?

A: If approved, the proposed tax rate in the referendum will be implemented. If not approved, the Board of School Directors **may** approve an increase in the tax rate of not more than the Index.

Q: What does the term "tax rate" refer to?

A: The term 'tax rate' refers to the rate of increase to the district tax (millage) rate, not the amount of dollars expended in the district's operating budget.