

## How are my taxes calculated?

First, each local jurisdiction will determine the revenue needed from property taxes. This amount – the **levy** – is calculated by subtracting all non-property tax revenue from the total proposed budget.

$$\begin{array}{r} \text{Total Proposed Local Budget} \\ - \text{All non-property tax revenue (state aid, fees, etc.)} \\ = \text{Property tax revenue needed (levy)} \end{array}$$

The levy is then spread among all taxable properties according to their net tax capacity. A property's tax capacity is calculated by multiplying the taxable market value by the state-mandated classification rate.

$$(\text{Taxable Market Value}) \times (\text{Class Rate}) = \text{Tax Capacity}$$

The final step is to calculate the **local property tax rate** by dividing the property tax revenue needed in a jurisdiction by its total tax capacity.

$$\text{Local Tax Rate} = \frac{(\text{Property tax revenue needed})}{(\text{Total Tax Capacity})}$$

The county auditor will also calculate and apply any homestead credits, referendum levies, and the state general tax (for certain types of property). Combining the above calculations, the **basic formula** to determine an individual property's tax amount is:

$$\begin{array}{r} \text{Taxable Market Value} \\ \times \text{Class Rate} \\ = \text{Tax Capacity} \\ \times \text{Local Tax Rate} \\ = \text{Base Tax} \\ - \text{Homestead Credits} \\ + \text{Referendum Amounts} \\ + \text{State General Tax} \\ = \text{Total Property Tax Payable} \end{array}$$