

Understanding Township Funding

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Townships, unlike other forms of local government, have very limited funding streams. Townships are primarily funded through property taxes levied on real property within the township.

What is millage? This refers to the tax rate that is assessed in mills per dollar. A mill is 1/1000 of one dollar. Therefore, each mill generates \$1 of taxes for every \$1000 of property's assessed value.

Inside Millage - The Ohio Constitution prohibits taxes on property in excess of 1% of true value without voter approval (Article XII, Section 2). Actual implementation of this amendment involved the creation of a statutory limit of 10 mills. Townships usually have somewhere between 1 and 2 1/2 unvoted mills. Generally, unvoted mills are used for general fund purposes. Some townships have divided the millage into two funds: general fund and road and bridge fund. Inside millage is a vital source of revenue for townships. It is used to fund general operations, supplement levy-funded services and, in many counties, fund the local health district.

Perhaps no other local government source is as little understood as inside millage. Easily enough understood is what inside millage is - an unvoted property tax authorized by the Ohio Constitution and established by the General Assembly which may not exceed ten mills in any taxing district.

Outside Millage (Voted Levies) - When a board of township trustees votes to collect revenue in excess of the 10-mill limitation, a levy must be put before the residents of the township for a vote. Ohio Revised Code 5705.19 lists all of the different purposes for which a township may levy a tax in excess of the 10-mill limitation.

The Ohio Constitution and the General assembly, by statute, authorize boards of township trustees to levy taxes on real property in excess of the 10-mill limitation subject to the approval of the electors of the township.

There are several types of township voted levies: renewal, replacement, and additional.

Renewal - A property tax that collects the exact amount of taxes and is for the same purpose as the levy it replaces.

Replacement - A property tax levy that enables the township to replace an expiring levy but receive taxes based on the current valuation of all property in an area, including new development.

Additional - A new levy at a specific rate of millage.