

**BOARD OF EDUCATION**  
**School District of South Orange-Maplewood**  
**525 Academy Street**  
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To: Board of Education Members

From: Cheryl Schneider, Business Administrator

Subject: Explanation of Tax Impact Calculations

Date: May 16, 2014

The information reported on the tax impact calculation sheet is based on information obtained from the County Board of Taxation office. As stated at the budget hearing, the apportionment between the two towns is based on information from the County and not determined by the Board of Education. The Board of Education sets the total net tax apportioned by setting the tax levy. Once the tax levy is certified by the County office it then goes to each of the town's administrations to certify the documentation. The Board of Education determines the data behind the amount to be raised by taxes, but the breakdown between towns and the verification of valuations is all done through the County Board of Taxation; the Board of Education has no control over these figures.

The average assessed value of homes in each of the towns is reported to the school district by town administration. We confirm what number we should use for the average value and use that number in our calculations. The information reported on the tax impact sheet is a result of this information that is presented to us. The previous year's percentages and tax dollars is confirmed against the Department of Education budget documents from the previous year.

There are multiple numbers that feed into the various calculations. This is not a required report but information put together to inform the Board of Education members and the public. I am updating the tax impact report to be more detailed in the future to show the numbers behind the calculations. Attached is a draft copy of the updated report to help answer some of the questions that were raised at the budget hearing.

Three different numbers play into the various calculations – the equalized valuation, the assessed valuation, and the average assessed home value. The first two numbers are calculated based on information from the Essex County Board of Taxation. The average assessed home value is obtained from the municipal administrators of each town.

## How is the allocation between the two towns determined?

The percentage share allocation between the two towns is based on the equalized value of each township as determined by the Essex County Board of Taxation.

The equalized values for 2014 are:

Maplewood	3,318,369,402	56.91337509%
South Orange	<u>2,512,192,213</u>	43.08662491%
	5,830,561,615	

In 2013 the equalized valuations were:

Maplewood	3,408,971,073	57.34011629%
South Orange	<u>2,536,205,347</u>	42.65988371%
	5,945,176,420	

This was a decrease in equalized value of 2.66% in Maplewood compared to 2013 and a decrease of 0.95% in South Orange. With South Orange's equalized value decreasing at a lower rate than Maplewood's, the proportional allocation of taxes between the two towns increased for South Orange for 2014. The County determines the net tax due by each town by multiplying these percentages against the tax levy to determine the dollar allocation for each town. In the case of the approved \$110,499,276 to be raised by taxes for the 2014-15 school budget the allocations based on the County's percentages would be:

$$\begin{aligned}\text{Maplewood: } & \$110,499,276 \times 56.91337509\% = \$62,888,867.42 \\ \text{South Orange: } & \$110,499,276 \times 43.08662491\% = \$47,610,408.58\end{aligned}$$

Half of the allocation is paid in the 2014 calendar year (July-December 2014) and the remainder is held for 2015 (Jan - June 2015). Therefore, Maplewood's tax allocation for the 2014-15 school year would be \$31,444,433.71 for the calendar year 2014 and \$31,444,433.71 for the calendar year 2015. South Orange's tax allocation would be split to be \$23,805,204.29 for the calendar year 2014 and \$23,805,204.29 for the calendar year 2015. That is the tax levy that was voted on when the Board of Education approved the 2014-15 budget.

However, the County also factors in the adjustments from appeals and corrections to errors when finalizing the net consolidated taxes due from each town. South Orange had a slightly higher number of adjustments than Maplewood (\$367,643.05 vs. \$328,634.08) and so the final apportionment to Maplewood is a bit higher than the percentage based on the equalized values. In the case of the approved \$110,499,276 to be raised by taxes for the 2014-15 school budget, the adjusted allocations determined by the County were:

$$\begin{aligned}\text{Maplewood: } & \$62,956,508.16 \\ \text{South Orange: } & \$47,542,767.00\end{aligned}$$

The adjustments made to the tax apportionment are factored against the 2014 calendar year. So Maplewood's 2014 calendar year portion (July-December 2014) is actually \$31,512,075, while South Orange's portion is \$23,737,563. Again, these apportionments are determined at the County level, not by the school district.

As you can see, the tax apportionment fluctuates based on multiple factors including the proportional changes in equalized value of Maplewood and South Orange over a two year period as well as being impacted by tax adjustments in each town.

Half of the allocation from the current school year (2013-14) that was approved last year was held for 2014 (January - June 2014), \$31,068,187 for Maplewood and \$23,114,100 for South Orange. These amounts get added to the 2014-15 allocations for 2014.

Maplewood:  $\$31,512,075 + \$31,068,187 = \$62,580,262$  total taxes calendar year 2014  
 South Orange:  $\$23,737,563 + \$23,114,100 = \$46,851,663$  total taxes calendar year 2014

In comparing the calendar year impact you have to look back to the 2012-13 school year budget since half of the tax levy would be included in the 2013 calendar year figures. Maplewood had an even higher proportional allocation (57.42269539%) in the 2012-13 school year when the tax increase was 2.0%, meaning that the first half of 2013 was proportionately higher than the increase being projected for the second half of 2014, which accounts for the Maplewood 2014 over 2013 increase being lower than the total 2.44% calendar year increase and why the reverse is true for South Orange. (Note that the 2.44% for calendar year 2014 increase reflects the combined 2.93% from 2013-14 and the 1.97% increase from 2014-15:  $(2.93 + 1.97)/2 = 2.45\%$ , adjusted for rounding differences).

### **How is the tax rate calculated?**

The final portion of the tax impact worksheet takes the amount to be raised by taxes and divides it by the assessed value based on the information provided by the Essex County Board of Taxation. These calculations only relate to the top portion in that the amount to be raised by taxes is carried down to the lower calculations. As you can see in the comparison below, the assessed value does not necessarily change from year to year in proportion to changes in the equalized value.

The preliminary assessed values for 2014 are:

	Net Valuation Taxable	% 2014 to 2013 net valuation	% 2014 to 2013 equalized value
Maplewood	3,066,147,365	0.16176975	-2.65774244
South Orange	2,241,961,062	-0.28980542	-0.94681348

The tax rate is calculated by dividing the amount to be raised by taxes by the net valuation. The South Orange tax rate for the 2014-15 budget increased from \$2.03 per \$100 assessed value in

2013 to \$2.09 per \$100 assessed value in 2014. The Maplewood tax rate for the 2014-15 budget increased from \$2.00 per \$100 assessed value in 2013 to \$2.04 per \$100 assessed value in 2014.

When considering the impact of the tax rate per household, the calculation takes into account the average assessed housing value for each town. This number is obtained from the town administration. The average estimated tax per household is calculated by multiplying the tax rate by the average assessed housing value.

All of these calculations are presented to you each year in order to be transparent and to report the estimated impact on each of the municipalities. The information is obtained from the county and towns as they are the ones certifying the information and the final tax allocations. We do not control these allocations. The calculations presented are for informational purposes.

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**TAX IMPACT OF THE PRELIMINARY 2014-2015 BUDGET  
ON THE AVERAGE RESIDENTIAL PROPERTY**

**Total Preliminary Budget for 2014-15 School Year** **119,693,154**

**Amount to be Raised by Taxes for School Year 2014-15** **110,499,276**

	<u>2014-15</u>	<u>2013-14</u>	<u>% increase from 13-14</u>
General Fund Taxes	106,563,115	104,473,642	2.0%
Debt Service Taxes	<u>3,936,161</u>	<u>3,890,933</u>	<u>1.2%</u>
To be Raised by Taxes	110,499,276	108,364,575	1.97%

In analyzing the impact on property taxes, you need to compare the tax amounts based on the calendar year. The school district's fiscal year is from July 1 to June 30; the municipal fiscal year is the calendar year. Therefore, one-half of the annual school budget falls in the second half of the municipal fiscal year and the balance falls in the first half of the next municipal fiscal year.

**Amount certified for Taxes in Calendar Year 2013:**

2013 portion of 2012-2013:	52,642,038.98	2013 portion of 2013-2014:	54,182,288.00	<b>total tax levy 2013:</b>	<b>106,824,327</b>
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**Amount to be Raised by Taxes for Calendar Year 2014:**

2014 portion of 2013-2014:	54,182,287.00	2014 portion of 2014-2015:	55,249,638.00	<b>total tax levy 2014:</b>	<b>109,431,925</b>
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Percentage increase in taxes based on calendar year:	2.44%	increase
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	<u>2013 taxes</u>	<u>2014 taxes</u>		
Maplewood	61,292,370	62,580,262	2.10%	increase Maplewood
South Orange	45,531,957	46,851,663	2.90%	increase South Orange
Total:	106,824,327	109,431,925		

**Apportionment between the two towns is determined by the Essex County Office of Taxation based on equalized values:**

	2014 equalized value	2014 % change over 2013
Maplewood	3,318,369,402	-2.66%
South Orange	2,512,192,213	-0.95%

	2013 equalized value	2013 % change over 2012
Maplewood	3,408,971,073	-5.27%
South Orange	2,536,205,347	-4.95%

MUNICIPALITY	NET VALUATION UPON WHICH SCHOOL TAXES ARE TO APPORTIONED	PERCENTAGE SHARE OF NET VALUATION UPON WHICH SCHOOL TAXES ARE TO BE
Maplewood	3,318,369,402	56.91337509%
South Orange	2,512,192,213	43.08662491%
	<u>5,830,561,615</u>	<u>100.00000000%</u>

MUNICIPALITY	NET VALUATION UPON WHICH SCHOOL TAXES ARE TO APPORTIONED	PERCENTAGE SHARE OF NET VALUATION UPON WHICH SCHOOL TAXES ARE TO BE
Maplewood	3,408,971,073	57.34011629%
South Orange	2,536,205,347	42.65988371%
	<u>5,945,176,420</u>	<u>100.00000000%</u>

**LOCAL SCHOOL CERTIFICATION 2014-15**

*(total tax levy set by the school district; apportionment set by county office of taxation, adjustments are received from the county)*

Municipality	Consolidated School Tax to Be Apportioned	Adjustments Resulting from Appeals and Corr. Errors	Net Tax Apportioned
Maplewood (56.91337509%)	63,285,142.24	-328,634.08	<b>62,956,508.16</b>
South Orange (43.08662491%)	47,910,410.89	-367,643.05	<b>47,542,767.84</b>
<b>TOTAL</b>	<u>111,195,553.13</u>	<u>-696,277.13</u>	<b>110,499,276.00</b>

**LOCAL SCHOOL CERTIFICATION 2013-14**

*(total tax levy set by the school district; apportionment set by county office of taxation, adjustments are received from the county)*

Municipality	Consolidated School Tax to Be Apportioned	Adjustments Resulting from Appeals and Corr. Errors	Net Tax Apportioned
Maplewood (57.34011629%)	62,585,291.99	-453,213.20	<b>62,132,078.79</b>
South Orange (42.65988371%)	46,562,188.06	-329,691.85	<b>46,232,496.21</b>
<b>TOTAL</b>	<u>109,147,480.05</u>	<u>-782,905.05</u>	<b>108,364,575.00</b>

**Tax rates are based on the Estimated Net Valuation Taxable determined by the Essex County Office of Taxation. The average estimated taxes per household factors in the tax rate times the average assessed household value obtained from each town administration:**

	2014 estimated net valuation	2014 % change over 2013		2013 estimated net valuation	2013 % change over 2012
Maplewood	3,066,147,365	0.16%	Maplewood	3,061,195,277	-6.30%
South Orange	2,241,961,062	-0.29%	South Orange	2,248,477,271	0.00%

**Maplewood**

Total school levy raised (CY2013)	61,292,370			
Est. Net Valuation Taxable (CY2013)	3,061,195,277			
Est.School Tax Rate (CY2013)	\$2.00	est.	per \$100 Assessed Value	
Total school levy raised (CY2014)	62,580,262			
Est. Net Valuation Taxable (CY2014)	3,066,147,365			
Est.School Tax Rate (CY2014)	\$2.04	est.	per \$100 Assessed Value	
Average home assessed value of \$394,791 at	\$2.00	=	\$7,905	average est taxes CY2013
Average home assessed value of \$395,254 at	\$2.04	=	\$8,067	average est taxes CY2014
Difference of:	\$163			

**South Orange**

Total school levy raised (CY2013)	45,531,957			
Est. Net Valuation Taxable (CY2013)	2,248,477,271			
Est. School Tax Rate (CY2013)	\$2.03	est.	per \$100 Assessed Value	
Total school levy raised (CY2014)	46,851,663			
Est. Net Valuation Taxable (CY2014)	2,241,961,062			
Est.School Tax Rate (CY2014)	\$2.09	est.	per \$100 Assessed Value	
Average assessed value of \$460,799 at	\$2.03	=	\$9,331	average est taxes CY2013
Average assessed value of \$459,860 at	\$2.09	=	\$9,610	average est taxes CY2014
Difference of:	\$279			