

Understanding Property Taxes

This document is intended to help you understand property taxes in general, and the often confusing "mill" in particular.

There are three "moving parts" involved in determining your property taxes:

1. TAX RATE (MILLS)
2. TAXABLE VALUES
3. TAXING ENTITIES (or TAXING AUTHORITIES)

We hope the following questions and answers will help you understand what these terms mean and how each one affects your property tax bill.

TAX RATE (MILLS)

Question: What is a mill?

Answer: A "mill" is simply 1/1000th of anything:

- 1/1000th of one meter is a millimeter
- 1/1000th of one gram is a milligram

Question: Why not just use percentages?

Answer: Actually, a mill IS a percentage. It is one tenth of 1 percent, or .1%.

- Percent means "per 100." Mills are "per 1000."
- Multiply X .01 to get percent. Multiply X .001 to get mill

Question: How much is a mill worth?

Answer: It depends...

As stated above, a mill is 1/1000th of something. On your property tax bill, that "something" is your TAXABLE VALUE. To answer the question, "How much is a mill worth?" you simply take 1/1000 (or .001) times your taxable value. Read on for how to do that.

THE VALUE OF A MILL IS 1/1000th OF YOUR TAXABLE VALUE

TAXABLE VALUE

Taxable value is calculated by multiplying the “True and Full” value of your property times...

- 4.5% for residential property
- 5% for agricultural and commercial property

For example, a home that is worth \$200,000.00 has a taxable value of \$9,000.

$$\$200,000 \times 4.5\% = \$9,000$$

Remember, the value of one mill is 1/1000th of the taxable value, so in this example, one mill for this homeowner is \$9.00.*

**You may hear county officials refer to the value of a mill in very large dollar amounts. What they are talking about is the total revenue brought into the county budget for each one mill assessed across all taxpayers in the county.*

TAXING ENTITIES

When you pay your property tax bill, you are actually paying taxes to several different TAXING ENTITIES or AUTHORITIES. These are your various forms of local government, including your county, city, township, school board, park board and any other entity that is authorized to levy property taxes.

The example below is not intended to be typical, but demonstrates the point in round figures:

TAXING ENTITY	MILLS
School District	115
County	60
City	40
Township	10
Park District	15
Water District	5
Library Board	1
Rural Fire/Ambulance	3
UND Medical School*	1
TOTAL	250 mills

You probably wouldn't want to get a separate tax bill from each of those entities, so you get one property tax bill from your county, and the county distributes your payment to each of the other entities. These different entities are governed by different elected officials. Not everyone in the county lives in the same city (or in a city at all), nor do they all live in the same school district or park district. North Dakotans value their right to elect their representatives to the school board, county commission, city commission, etc. Citizens with concerns about funding local services should contact these local officials.

County Officials often bear the brunt of criticism when property taxes rise. It is important to know the share of mills assessed by each of the taxing entities. Some may go up and others may go down, but it is the total sum of all that determines the final assessment on your property.

PUTTING IT ALL TOGETHER

Looking at the table above, the homeowner in our example can see that his/her total tax bill is calculated as:

Number of mills		Value of each mill		Total Tax
250	X	\$9	=	\$2,250.00

WHY DO TAXES RISE AND/OR FALL?

Both the value of the mill AND the number of mills can affect your tax bill. If the county assesses the same number of mills this year as they did last year, but your home's value increases by 5%, your tax bill will rise by 5% as well. In the case of growing communities, the county may assess fewer mills, but if property values are rising rapidly, it may still cause a rise in the tax bills. Conversely, in counties that are losing population, property values may be dropping, so the county may need to assess more mills to keep up with budget demands.

For specific questions regarding your property values or taxes, please contact the County Auditor or Tax Director. Contact information for all county officials can be found at <http://www.lamourecountynd.com>.