

Aggregate (\$5.90) Levy Limit

Presentation by Clark County Assessor's Office

Executive Summary

- Will the Aggregate Limit be hit in 2016? Very likely **no**, even with Fire District #6 passing a lid lift.
- Levy rates (which are limited by the Aggregate Limit) are strongly influenced by property values – generally, the more values increase, the more levy rates decrease.

Core Property Tax Formula

$$\left(\frac{\text{Taxable Assessed Value}}{1,000} \right) \times \text{Levy Rate} = \text{Levy Amount}$$

Provided by:	Market Action	Assessor's Office	Tax Districts
Individual Limits:	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Statutory Max Rate Limit 	<ul style="list-style-type: none"> • Highest Lawful Levy • 1% Increase Limit • Budget
Collective Limits:	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Aggregate • Constitutional 	<ul style="list-style-type: none"> • None

Solving the Formula

Tax Districts provide the **Levy Amount** portion of the formula by submitting a levy certification document and (usually) passing a resolution. **Taxable Assessed Value** is determined by market forces and recorded by the appraisers in the Assessor's Office. At the end, the **Levy Rate** is calculated by the levy specialist to balance the formula. By law, the calculated **Levy Rate** imposed by a district's levy must be uniform throughout the entire district.

Growing Economy

The 1% Increase Limit on the **Levy Amount** is a limit on the growth of one side of the formula. Since **property values** tend to rise faster than 1% each year in an improving economy, downward pressure put on the **Levy Rate** in order to balance the formula.

Struggling Economy

In a struggling economy **property values** can drop rapidly. If the **Levy Amount** requests from taxing districts don't drop accordingly, the **Levy Rate** must rise to balance the formula.

Aggregate Limit

The Aggregate Limit is a limit imposed upon the **Levy Rate** portion of the property tax formula. It is calculated by first identifying the taxing districts which are subject to the limit. Once identified, the levy specialist identifies each area in the county where these districts overlap in a unique way – these are called tax code areas (TCAs). Finally, the levy rates of each TCA are added together – if the added rates exceed \$5.90 in any area, the limit is triggered.

The **Levy Rate** imposed by a district's levy must be uniform throughout the entire area covered by the district. If the aggregate limit is exceeded in just one corner of the district, it triggers a set of laws which ration out the available levy rate in that area. If the rate for a district in that one area is impacted, the rate for the entire district must follow suit.

Conclusion

In a growing economy like today in Clark County with rising **property values**, there is downward pressure on the **Levy Rates** imposed by tax districts. This decreases the likelihood of hitting the Aggregate Limit. Some actions, like levy lid lifts and the formation of new tax districts can push rates back closer to the limit, even in a recovering economy.

Last year, in the areas where Fire District #6 (which just passed a levy lid lift) and the Metro Parks District overlap, the collective **Levy Rate** subject to the Aggregate Limit was at its highest \$5.13. If Fire District #6 passed the lid lift last year, the rate increase would be about \$0.23, bringing the collective levy rate to \$5.36 – still short of the \$5.90. Since **property values** increased another 6.4% on average throughout the county this year, there is again downward pressure on the **Levy Rates** of most taxing districts, further reducing the likelihood that the aggregate limit will be hit.

Predictions

There are 27 levies subject to the Aggregate Limit this year, and 328 Tax Code Areas where the overlap of these levies must be assessed. Specific predictions about **Levy Rates** are extremely difficult, as we would need to make an assumption about the behavior of each district involved. However, general predictions about the likelihood of hitting the aggregate limit are easier – since our **Taxable Assessed Values** are rising quickly and in turn the **Levy Rates** for most districts will likely drop, the likelihood of hitting the limit is very low.