

Thank you to those community members who have reached out with questions regarding the 1% earned income tax and the 5.2mil permanent improvement levy. We have done our best to respond to as many questions as possible with the information we have and will continue to respond as additional questions are presented beyond the list included here.

The Blanchester Local School District Board of Education has elected to place a 1.00% Earned Income Tax Levy for operating expenses and a 5.2mil Permanent Improvement (Capital Improvement) Levy on the May 2, 2023 ballot. These funds will allow for the school district to continue providing a quality and diverse education for all students.

1. **How are school districts funded?** School districts are funded through a combination of federal, state and local funds. The Ohio Department of Education (ODE) supports districts in Ohio and regulates federal funding. At the local level, school districts receive funding from locally levied property taxes and some districts also receive funds from income taxes approved by voters.
2. **What is meant when districts are on the “Guarantee”?** In the state of Ohio 260 districts are on the guarantee, roughly 1 in 3. This means that they are guaranteed to receive no less state revenue than the previous year. Currently under the new fair funding formula, we receive \$11.4million dollars of funding. Once the Fair School Funding Plan (based on local enrollment numbers) is completely implemented, we are expecting to see a 21% decrease in funding from the state because of declining enrollment projections. These levies are a proactive approach to maintain our services to children when the plan is fully implemented.
3. **What is meant by an earned income tax?** The earned income tax base includes only employee compensation and net earnings from self-employment to the extent included in modified gross income. Income that is not taxed: retirement pensions; social security benefits; disability and survivor benefits; annuities, IRA distributions; capital gains; interest, dividends; railroad retirement benefits; welfare benefits; child support; property received as a gift, bequest or inheritance; and workers’ compensation benefits. Retirement income, such as pensions, social security, and 401K’s will NOT pay for this levy. The tax also excludes income from interest, dividends, capital gains, investments, child support and estates. Property is not taxed. An individual living within the district will pay approximately \$0.01 cent per dollar earned towards the school income tax.
4. **How do I know how much this new 1.00% earned income tax will cost our family? What line on my W2, tax return or paycheck stub will show me how much I will pay?** Primarily taxes Line 1 on the W-2 income or wages earned by the residents of our school district. An individual will pay approximately \$0.01 cents per dollar earned towards the school income tax.

5. **How do I know how much this new 5.2mil property tax will cost our family?** The tax will generate 5.2mils for each \$1.00 of taxable value. This amounts to \$182 for \$100,000 of the county auditor's appraised value.
  
6. **What are these funds used for?** The earned income tax will support the day-to-day operating expenses, including: teachers and staff, special education services, curriculum resources, student programs, building utilities, transportation, and supplies... The property tax millage will be used for capital improvements, including; HVAC, district equipment that is intended to last for at least 5 years, technology, repairing/improving facilities, bus purchases, purchase of safety equipment, repairing roofs...
  
7. **What are the greatest expenses for the district?** School districts cannot operate without qualified staff. In order to educate the community's children, Blanchester's largest expenditure is personnel costs followed by operating expenses. Since 2016, the district has reduced certified teaching staff by 20 full time positions. In total, from 2016 to present the district has reduced its FTE (Full time equivalent) of both classified and certified by more than 60 people.
  
8. **Is social security taxed for retirees?** No. This tax does not tax social security income
  
9. **What income is taxed with this levy?** Since 2006, school districts have been permitted to levy the tax, subject to voter approval, against an alternate tax base that includes, to the extent included in Ohio Adjusted Gross Income (OAGI), only earned income and self-employment income (including income from partnerships) of the residents of the school district. The tax would exclude all other types of income that would be taxable under the traditional income tax base (interest, dividends, capital gains, pensions, etc.). This alternate tax base also excludes certain adjustments to income that are allowed on the federal return, including IRA contributions, self-employment health insurance deductions, and alimony payments. The earned income base also does not allow the personal exemptions that are allowed under the traditional tax base. The Earned Income Tax Base for School Districts is calculated by first determining wages and other compensation which is reported on line 24 of the SD-100. Next, net earnings from self-employment to the extent included in Ohio adjusted gross income is reported on line 25. Line 25 shows net earnings from self-employment earned while a resident of an earned income tax school district and included in OAGI. Since the Business Income Deduction is an adjustment to OAGI, a taxpayer's net earnings from self-employment can be reduced if the income was deducted in computing OAGI. Because of the increase in the Business Income Deduction up to \$250,000 of business income, some taxpayers may not report any self-employment income on this line. The final piece of information used to calculate the earned income tax base is any adjustment to wages and compensation that might be required due to Ohio not conforming to changes made to federal law for Ohio income tax purposes. Please see [Tax.Ohio.Gov/Other/Update.aspx](http://Tax.Ohio.Gov/Other/Update.aspx) to determine if this adjustment is applicable in any

given year. School district taxable income for earned income tax base districts is the sum of wages, other compensation, and net earnings from self-employment to the extent included in Ohio adjusted from income. Income that is not taxed: retirement pensions; social security benefits; disability and survivor benefits; annuities, IRA distributions; capital gains; interest, dividends; railroad retirement benefits; welfare benefits; child support; property received as a gift, bequest or inheritance; and workers' compensation benefits. (source: Ohio Department of Taxation – Guide to Ohio's School District Income Tax <http://www.tax.ohio.gov>)

10. **Why did the Board seek an income tax and a property tax for this election?** The Board considered a variety of options before placing the two issues, income tax and property tax, on the ballot. After taking into consideration the current taxes already in place, the demographics of the District, the confusion that existed for some with the previous request for a combined levy, and how each option would affect the various taxpayers, it was decided that two issues would be presented which would generate approximately the same amount of revenue asked for previously in the single ballot issues from May and November of 2022. (1.25% earned income tax)
11. **How many other districts in Ohio have an income tax?** Ohio introduced the option for districts to collect an income tax in lieu of property taxes in 1989. 1 in 3 districts in Ohio collect an income tax.
12. **What will happen if the levy does not pass?** Blanchester Local is committed to providing the best education possible to its students but can only operate within the resources that are available. If the levy fails to pass in May, the District must consider additional budget cuts as well as other avenues of increasing revenue through continued classroom fees and additional pay-to-play/extracurricular fees in order to address the increasing deficit. However, without a significant change to the State funding formula, the issue of expenditures increasing more than revenues will continue. Therefore, the District will likely have to place another operating levy on the ballot as soon as possible.
13. **How long will this levy last the District financially?** On average, school district operating levies last approximately three to six years before most Districts would have to seek additional local funds. Since these issues are for a 5-year period, the District would need to decide at that time if they would want to ask the voters for a new or renewal levy. While no District can predict exactly what State and Federal funding will look like in the future, much of the decision hinges greatly on what the State of Ohio does with school funding in the future.
14. **How will the taxes be collected from the taxpayer?** The school income tax is collected in the same manner as the state income tax: through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state under the same rules and guidelines as they currently use to withhold the state income tax. An exception to this rule is in

regard to Federal Government employees. The State of Ohio cannot force the Federal Government to withhold income taxes. Therefore, these individuals would be required to pay the school income tax either quarterly or annually if withholding is not done voluntarily by their employer. The Ohio Department of Taxation has contacted each business in Ohio and informed them of their obligation to withhold the tax. Employers must ask employees in which school district they reside. Employees will be responsible for reporting the correct school district to the employer. Although your employer is required to withhold the school income taxes from your pay just like State income taxes, it would be a good idea for you to make sure that the tax is being withheld on your check beginning in January 2023 if the levy were to pass. Individuals subject to the tax are required to file an annual school district income tax return annually with the State of Ohio. (source: Ohio Department of Taxation – Guide to Ohio’s School District Income Tax <http://www.tax.ohio.gov>)

Property taxes are assessed and collected by Ohio Counties. These are based on 35% of the total assessed value of your property with exceptions for some agricultural land. The short version is that Ohio property taxes are assessed based on the real estate value as determined by Ohio's county auditor. A tax rate is applied to that value and serves as the basis for Ohio's property tax collection. County auditors are responsible for valuing Ohio real property. A full reappraisal occurs every six years, with value updates in the third year of the six-year cycle.

15. **Will the income tax be deducted from my paycheck? What if I work in a different town?** Yes, this will be withheld from your paycheck based upon residency in the Blanchester School District, not employment location.
16. **How will I pay the income tax if I am self employed?** Self employed individuals will generally make estimated payments to the state of Ohio.
17. **Will I pay this income tax if I am retired?** Retirement income, such as pensions, social security, and 401K's will NOT pay for this levy. The tax also excludes income from interest, dividends, capital gains, investments, child support and estates.
18. **Where can I find resources for the May 2023 election?** Information for the May election can be accessed through the Clinton County Board of Elections website (<https://www.boe.ohio.gov/clinton/>). You can download a voter registration application here and an absentee ballot application here. The deadline to register for the May 2, 2023 election is April 3, 2023.
19. **Why is new money needed? General fund, PI or both?** The School District's 5 year forecast shows expenditures exceeding revenues in the General Fund Operating budget. The increase in the funding will allow for Blanchester Local School District to continually provide a high quality education. Expenditures have increased due to the cost of unfunded state mandates (college credit plus, open enrollment, state testing,

special education), transportation, utilities, textbooks, technology, salaries, benefits, school safety, purchased services and general maintenance. This new money will support the General Fund for operating expenses such as; unfunded state mandates, salaries, benefits, utilities, transportation, technology, school safety, textbooks, special education intervention, FFA, vocational education, music/band, art, STEM, purchase services, additional staffing and permanent improvements to facilities, technology, and equipment.

20. **What else is being done to get the budget balanced? Are there any cuts or cost saving opportunities being planned?** The district can cut costs by reducing personnel and program costs which can adversely affect the quality of education for Blanchester students. This can be done by absorbing positions leaving the district where we are able. The Board and administration continue to look for operating efficiencies across the district, however the cost of providing a quality education will not keep us out of deficit spending, because as costs continue to increase our revenues remain flat due to our district being on the modified guarantee in regards to state funding..
21. **Why does the cost of operating the schools keep going up?** Expenditures have increased due to unfunded state mandates, increased transportation costs, increased utilities, textbooks, technology, salaries, benefits, school safety, purchased services and increased maintenance costs.
22. **Can you name SPECIFIC areas where the new operating funds will be used? Ex: Books, computers, Educational Programs, utilities, salaries...** General operating funds are primarily used for the operational costs of the district: transportation/bussing costs, College Credit Plus classes, FFA, Music/Band programs, Art department, Vocational Education programs, to support Athletic, Extracurricular, and Co-curricular programs, contracted services for students with disabilities, Para-Professionals hired to assist students with learning disabilities, Guidance/Mental Health department, school safety trainings/programs, textbooks and other instructional resources, salaries, benefits, utilities and other operational expenses that support educational programs.
23. **Can other school district funds such as; Permanent Improvement (PI) or Locally Funded Initiatives (LFI), be used to pay Salaries and benefits?** No, it is illegal to transfer money from a PI or LFI into the general operating fund. 5.2mils is being voted on to cover capital projects and permanent improvements, not operating expenses.
24. **When was the last time that the school asked for new operating funds?** Blanchester Local Schools last passed a 4.5mil new operating levy in 1991. The effective rate for this millage is now at 2.87mils.
25. **How much money will each issue raise if passed?** We rely on projections from the Ohio Department of taxation and the county auditor to determine how much in new monies should be expected if the levies pass. The 5.2mil permanent improvement tax

will generate \$1.07million per year for 5 years. The 1% earned income tax will generate \$1.78million a year for 5 years. No new monies will be able to be collected until January 2024.

**26. The district received \$2.6million in ARP and ESSER funding, why have these dollars not been able to solve the district's financial problems?**

These dollars are one time money and not a long term fix. While other districts were using these funds to create new programs and projects, these were used in our district to keep us afloat and to shore up current costs to buy time for taxpayers to support a more permanent solution. Otherwise, we would have been in Fiscal Emergency much sooner.

**27. What happens to the district when they are placed in Fiscal Emergency?**

The state will come in and cut services to children until we are at a balanced budget. The state will loan us money (with interest) until we get to a balanced budget and will continue to loan us dollars until we start passing levies to adequately fund ourselves. Rather than allow that to happen quickly, the Board decided to ask you, the community, first to help avoid Fiscal Emergency.

**28. Why is the district not asking for all new monies in property millage?**

Operating dollars in millage are subject to the 20 mil floor. HB 920, which was enacted in 1976, restricts tax dollar growth as property value increases. But because expenses continue to rise, schools ask voters to approve levies to keep up with increasing costs. Currently our district is collecting 15.9 outside mils. But because of current state law, the state is required to fund us at the 20mil floor. Meaning any new property taxes that are passed would first be needed to eliminate the deficit that the district is below the 20mil floor (4.1mils). In other words, the first 4.1mils of tax dollars would not be new revenue for the district. Meaning that the district would only receive additional revenue for requested millage above 4.1mils. (Example: asking for 6.9mils of operating money that the taxpayers would be paying would only result in a net 2.8mils of new monies since the first 4.1mils went to reach the 20mil floor) Income taxes are not subject to the 20mil floor or the "rollback" and are collected in their entirety at the percent requested. Permanent improvement monies are not subject to the 20mil floor. Therefore, all millage asked for as a permanent, or capital, improvement dollars would be collected without any reduction in millage as property appraisals increase.