

# FAQ

**Q1** – How much is this going to cost me?

**A1** – Good question. It's the first one on everyone's mind. The reality is we do not know at this time. What we do know is that if WRT becomes a city, either through self-incorporation or the re-organization process with Greenwood, we will begin to pay a city tax. We do not know what that rate will be at this point but we will make an attempt to show you how adding a city tax can/will affect your property tax bill.

Before we get there however, let's run through an example of how your current property tax bill is calculated.

Please note that this is a hypothetical example used for instructional purposes to explain how your property tax bill is calculated. The example here is by no means stating that this is what you would pay. Rather it is attempting to demonstrate how the addition of a city tax rate will affect your property tax bill.

I must warn you in advance. If you currently escrow your property taxes or have never seen a breakout of how much you currently pay and to whom, please look away now, as the tables below may surprise you.

Taxing Authority	Current Tax Rate
State	.002400
County	.242400
Township	.008300
School District	1.516900
City	.000000
Library	.081400
Fire	.234900
Solid Waste	.005500
Other1	.000000
<b>Total Rate or Tax</b>	<b>2.091800</b>

Surprised? In this example, there are 7 taxing units that are being supported with property tax dollars.

**NOTE:** Currently there is no city tax being paid.

When all of these taxing units are added up, total property taxes paid in this example is \$2.0918 for every \$100 of assessed home value.

Now, in order to get to an actual payment amount we need three more pieces of information: the home's assessed value, the homestead credit and the mortgage deduction. For this example, let's use an assessed value of \$175,000. The homestead credit and mortgage deduction are pre-determined by our government. For 2007 and 2008 the combined total was \$48,000 (\$45K homestead + \$3K mortgage deduct). Subtracting these credits/deductions from the assessed value will provide us with the home's net assessed value. This is the dollar value used to calculate the actual property tax to be paid. In this case: \$175,000 - \$48,000 (Homestead credit) = \$127,000.

Multiplying the tax rate from above (2.091800 converted to percentage) by the net assessed value we just determined will give us the amount of taxes owed.

$$\$127,000 \times .02918 = \$2,656.59.$$

## A1 – Continued

It is possible that the state will provide additional property tax relief. This could come in the form of a higher mortgage deduction, higher homestead credit or a dollar amount that is subtracted from the gross property taxes due. For this example we will assume that no additional relief is provided. Net property taxes owed under our current situation is \$2,656.59.

Now that we understand our current tax amount, let's look at how becoming a city, either through re-organization or self incorporation affects property taxes.

Again, it is important to understand two things before we get into this calculation. First, should re-organization effort succeed or if we became Center Grove, Indiana, we will begin paying a city tax in our property tax bill. Second and most important, as stated earlier, the rate for the new city tax has not yet been determined.

The re-organization committee could decide to lower the current Greenwood city tax rate for all citizens or a new city could need a higher rate than the one identified in this hypothetical example. The final details of what the exact tax rate will be, has not yet been determined by either group.

Greenwood's current city tax rate is approximately .5298. What this means is that for every \$100 in assessed value on your home, you will pay Greenwood roughly \$.53. This figure gets rolled into your property taxes. How you ask? Please see below.

Now let's take the same example and add in Greenwood's city tax rate.

Taxing Authority	New Tax Rate
State	.002400
County	.242400
Township	.008300
School District	1.516900
<b>City</b>	<b>.529800</b>
Library	.081400
<b>Fire</b>	<b>.000000</b>
Solid Waste	.005500
Other1	.000000
<b>Total Rate or Tax</b>	<b>2.3867</b>

Note the changes.

Greenwood City tax added.

Fire tax is removed because it is included in the city tax.

The total tax rate is now 2.3867. A difference of .2949. Using the same housing values and formula above let's calculate the new tax rate:

$$\$127,000 \times .023867 = \$3,031.11.$$

The difference between this rate and the current rate we calculated before can be considered "what this is going to cost you" (assuming of course that your house assessed at \$175,000). The difference:  $\$3,031.11 - \$2,656.59 = \$374.52$ .

So in this example, if the re-organization goes through, your home's assessed value is \$175,000, and the Greenwood imposed tax rate is .5298, then it would "cost you" an additional \$347.52 in property tax a year.

**Q2** – If the Center Grove area becomes a town, won't we have to pay a city tax as well?

**A2** – As stated before, a new city would also impose a city tax.

**Q3** – So I'm going to pay more no matter what is decided?

**A3** – Yes. You are correct. Of course, there is always the possibility that if the reorganization fails, and the WRT citizens don't want to self incorporate and neither of our neighbors (Greenwood or Bargersville) decide to annex us, and instead we are just left alone, then there is a chance that we will not pay a city tax in the future.

Do you really think that will happen? While we have a very small commercial tax base in WRT currently (less than 3% I believe), we do have the highest assessed property values (AV) in all of Johnson County, approximately \$2 billion in AV north of Whiteland Road alone. We also have access to 37, which one day will become interstate 69, not to mention one of the best school districts in the state. As much as we don't want to admit it, status quo is really no longer an option for us. We will either be annexed or we can determine our own destiny. The biggest advantage to self determination is that we will be able to ensure that our tax dollars are spent in our area and not somewhere else, along I-65 for example.

**Q4** – Assuming you are correct and I'm going to pay more in the future regardless of the possibilities, how will becoming a new city affect my property taxes?

**A4** – In order to answer this question we need to look at the components of a city tax rate. Since Center Grove, Indiana does not yet exist, we'll look at the components of Greenwood's city tax first.

Because Greenwood is a city, it has the authority to set its own tax levy. The tax levy is determined by statutory formulas. There are various items that go into establishing the levy. Here is an example of how Greenwood's city tax rate is calculated.

**Greenwood City Tax Rate Breakdown**

Taxing Entity	Tax Rate
General	.1706
Debt Service	.0152
Police Pension	.0053
MVH	.0000
Fire	.2023
Fire Equip Debt	.0084
Parks and Rec	.0453
Park Bond	.0061
CCI	.0442
CCD	.0324
<b>Total</b>	<b>.5298</b>

Motor Vehicle Highway (think gas tax)

Cumulative Capital Improvement  
Cumulative Capital Development

**A4 - Continued**

Adding these various items together provides us with a city tax rate of .5298.

A new city will provide WRT with a fresh start, so to speak. We do not have any police pensions or fire equipment debt so we can remove those items. Since our fire protection is currently provided by a fire protection district, we will also remove that item.

**Hypothetical Center Grove, Indiana town Tax Rate Breakdown**

Taxing Entity	Tax Rate
General	.1706
Debt Service	.0152
<b>Police Pension</b>	<b>.0000</b>
MVH	.0000
<b>Fire</b>	<b>.0000</b>
<b>Fire Equip Debt</b>	<b>.0000</b>
Parks and Rec	.0453
Park Bond	.0061
CCI	.0442
CCD	.0324
<b>Total</b>	<b>.3138</b>

The new town tax rate could be .3138.

Since we're talking hypothetically, let's plug Center Grove Town's tax rate back into the property tax table from Q1 and calculate the new property tax.

Taxing Authority	New Tax Rate
State	.002400
County	.242400
Township	.008300
School District	1.516900
<b>City</b>	<b>.3138</b>
Library	.081400
Fire	.234900
Solid Waste	.005500
Other1	.000000
<b>Total Rate or Tax</b>	<b>2.4056</b>

Note the changes.

CG town tax added.

The total tax rate is now 2.4056.

Using the same housing values and formula above let's calculate the new tax rate.  $\$127,000 \times .024056 = \$3,055.11$ . This would be the property tax for the new CG town under this scenario. The difference:  $\$3,031.11$  (Greenwood tax) -  $\$3,055.11$  (CG town tax) = **(\$24)**.

As you can see there is a \$24 difference, meaning that in this example we would pay \$24 more annually than re-organizing with Greenwood. However, remember that this money will be guaranteed to be spent in our area if we become a town. There will be no such guarantee if we merge with Greenwood.

**One more time:** *All of the calculations in these examples are hypothetical and are intended for reference/educational purposes only. There are many other factors that can/will affect the actual taxes paid. Remember that neither the reorganization committee nor the self incorporation option have determined exactly what the city tax will be. It could be less than the examples, it could be more.*

**Q5** – You mention other factors. What do you mean?

**A5** - First, as you may know, the fate of township government is currently being discussed in the statehouse. Should state government decide to eliminate township government, it our assumption that this taxing authority will be dropped from our property taxes as a line item. This does not mean that it couldn't or wouldn't be "redistributed" to another taxing entity. Hopefully, it goes away. Regardless of the outcome, this decision will affect both scenarios above.

You probably noticed in the CG town tax breakdown that a couple of line items were left in: park bond and debt service. Because of the way taxes are paid out by the state to cities and towns, in all likelihood the town of Center Grove, Indiana will begin its existence with a bridge loan. This loan will cover expenses until such time as we are paid our share of taxes. This is why the debt service and park bond items were left in. We could have called them "bridge loan" and added them together. Rather than guess, we just left the amounts the same. How much that loan will need to be has yet to be determined.

In addition to a loan to cover expenses, we would also need to pay for a special census. The census will provide us with the exact population of the area being considered for incorporation. The population of the area is a key component of determining our share of all the other taxes that we can collect as a town. Keep in mind that we are nearly as big as Greenwood from a population standpoint. This is also a key component that hopefully the re-organization committee will take into consideration as they set the new city tax rate. Not only will they have access to the taxes from \$2B in AV, but all other tax calculations that use the population as a component will increase as well.

**Q6** – What kind of revenue will the town of Center Grove receive?

**A6** - In addition to property taxes, here are other taxes that we would receive as a town:

Commercial Vehicle Excise tax, Alcoholic Beverage Consumption tax, Alcoholic Beverage Gallonage tax, Riverboat Revenue Sharing, Cigarette tax, and Auto and Aircraft Excise tax.

I would not be surprised if there are other sources of revenue. We are just beginning to understand the advantages that becoming a town would bring. Again, remember the biggest benefit of all is that we control our own destiny. All of our money will be spent in our area.

**Q7** – You mentioned starting the city off in debt, who’s to say that the government of the new town won’t take out even more debt?

**A7** – As a town, there is a constitutional debt limit imposed on us of 1/3 of 2% of the assessed value. So the answer is yes, more debt could be taken out by a new town government. But remember that Greenwood can take out debt as well and with our added assessed values (\$2B+) they would be able to take out a lot more than a new city.

**Q8** – Isn’t it a given that as a new city we will incur more debt than you are hinting at? I mean we are going to need city employees, police cars, fire trucks, snow removal equipment, etc. All of that costs money.

**A8** – Correct. Under the traditional view of government we would need to purchase all of those things. However, this is looking at government in the tired, old and inefficient method that we have grown accustomed to expect. Just because we expect it to be this way, does not mean we have to accept it.

**Q9** – What do mean by traditional government?

**A9** – As you know, governments provide services to its taxpayers in return for our money. Take for example snow removal. Our snow is not removed for free. The government uses our tax dollars to buy snow plows and hires employees to drive them. Not only can the governmental entity take on debt to buy the snow plow, but they have also taken on the longer term responsibility of a city employee. Bear in mind that every time an employee is hired by government, we are almost guaranteed that our taxes will go up at some point in the future. The exception would be if that same government lowers its expenses in other areas to cover the increasing costs of employees. By the way, if anyone has any examples of this, please send me an email.

The question we should ask is how do we get the snow removed without putting extra burden on the taxpayers? One method is to simply not hire that employee or purchase the plow. What if instead the government put a contract out to bid for snow removal? We could easily divide the new town into segments based on road miles or some other common metric, offering each segment out for public bid(s). Ideally, those who responded to the bid(s) would be local small businesses.

Winning bids would have to adhere to guidelines in the contract. As a city, we could mandate specific performance and quality criteria that would need to be met. By bidding out this type of work, Center Grove, Indiana would not incur the expense of equipment or the long term expenses of employees. Yes, we would still have to pay for the service.

This same philosophy can be applied to other traditional governmental departments such as road repair and maintenance and information technology services. We need to ask ourselves, how we can make our government more efficient, not more of the same. The current traditional model will only cost us more in the long run. We can change that with a new town.