

THE TAX ATTACK

Chapter XIII

Today almost every governmental body is focused on the adverse impact of the economy upon its current and anticipated revenues. And it is not different in Gates Mills.

Before detailing the Village challenge, it may be helpful to revisit the meaningful sources of Village revenue. The largest of these is the Village share of real estate taxes, followed by Village income taxes. Less significant is the Village share of Ohio estate taxes. While there are a number of other smaller revenue sources, such as the income on Village real estate leased to others, this category is relatively minor in the larger picture.

The Cuyahoga County Auditor currently is reappraising all real estate. While it's unknown what the specifics of this reappraisal will be, many believe that, if those values are not discounted significantly to reflect the decline in current market values, those taxes (and Village tax revenue) ultimately will be reduced through the real estate tax complaint process. Currently, only 17.4% of our County real estate tax comes to the Village to support operations. The larger portion goes to the Mayfield School District, the County's health and human services levy, MetroParks and the library system, among others.

While news of layoffs among our citizens is not rampant, we know that some individuals have lost jobs and that many employers have either frozen pay levels, declared payless holidays or adjusted compensation downward. Couple this with the constraint on wage increases by other employers and the likelihood that few, if any, bonuses will be paid in the near term, the outlook for increased income tax revenue is bleak.

Over the years, our Village has received significant revenue as its share of Ohio death taxes. These monies have been used for capital improvements, most recently for roads and culverts and building the library, restaurant and office facilities in the Village center. With regard to budgeting death tax revenue, the challenge is its unpredictability based upon the random pattern of resident deaths. Also, many people have become far more sophisticated in their estate planning. So without higher rates of tax it is unlikely that this revenue line will grow consistently. Over the last 28 calendar years, the average annual revenue from these taxes has been \$532,300, but during that same period the range was from \$91,100 to \$1,414,000. The actual annual revenue is unknown until received.

Finally, among the miscellaneous revenue items we know that building permit fees are declining as less new construction is commenced. Past increases in Village density also have limited that source of funds.

Is there a light at the end of this tunnel? In all likelihood there is, but prudent analysts suggest that it may be several years before that light is abundant.

All of these factors bring into sharp focus the need for our community to re-examine its priorities and to link its service needs to its Village tax tolerance. By statute, the Village is denied the luxury of deficit spending. We must pay for the service we want, and those of our citizens who exercise their vote shoulder the burden of those decisions and decide for those who choose not to vote.

It is incumbent upon each of us to express our preferences and willingness to fund our desires. The burden that falls upon Village Council is a heavy one, particularly during an economic downturn. Council members invest significant energy and good will in making difficult choices. We need to inform and support them as they work on our behalf.

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Village Tax Administrator