

The point here is that *true value* and *market value* are not the same. Agricultural values, for example, can be much less than the actual market value of the property.

The true value is multiplied by a ratio that is set by state law to yield the assessed value. The ratios are as follows:

Class I.....	10%
Class II.....	15%
Class III.....	15%
Class IV.....	30%
Class V.....	30%

True value multiplied by these ratios equals assessed value. It is necessary to understand the difference in market value, true value, and assessed value.

Once the assessed value has been determined, it must be multiplied by the appropriate millage rate for the tax district in which the property is located. The millage rate may vary from one taxing district to another, depending upon what services are rendered in that particular district, in what school district the property is located, and whether or not the property lies within or outside municipalities.

What Is a Mill and How Is it Used?

A mill is one-thousandth of one dollar. Just as you would write \$1.00 for one dollar; and \$.10 for a dime, or one-tenth of a dollar; or \$.01 for a penny, or one-hundredth of a dollar; you would write .001, or one-thousandth of a dollar, for one (1) mill. The expression “54.5 mills” is the same thing as the factor .0545.

Example

Let’s say a piece of Class II property is being valued. The assessor appraises the property at \$50,000 of true value. The millage rate in the district where the property is located is 84.56 mills. What is the tax bill?

Facts: \$50,000 = true value
 15% = Class II ratio
 .08456 = millage rate of 84.56 mills

Formula: “true value” X “ratio” = “assessed value”
 “assessed value” X “mileage rate” = “taxes”

Application of Formula to Facts: \$50,000 X 15% = \$7,500
 \$7,500 X .08456 = \$634.20

Thus, in this example, the ad valorem tax bill is \$634.20.

Millage rates change annually. These rates are set by the board of aldermen in September for the next fiscal year beginning October 1st.