HANDBOOK

Ohio County Commissioners

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CHAPTER 14

LOCAL PROPERTY TAXES

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14.01 INTRODUCTION

Property taxes form the financial base of many local government services. For counties, the board of county commissioners is the county's taxing authority and has the authority and responsibility to place most of the statutorily authorized county property tax levies on the ballot for consideration of the electors. In addition, a county commissioner is a member of the county board of revision.

County government plays a central role in the administration of property taxes for all political subdivisions. The county auditor has the complex job of serving as the agent of the state in the appraisal of real property; calculation of tax rates; applying tax reduction factors to tax bills; calculating the non-business (formerly the 10% tax credit or "rollback") and the owner-occupied tax credits (formerly the 2½% tax credit or rollback); administering homestead exemption tax credits; and, distribution of taxes collected to taxing authorities. The county auditor also has the important responsibility of certifying to taxing authorities anticipating the submission of a tax levy to electors the current value of property in the subdivision; the number of mills required to generate a specified dollar amount of revenue; or the dollar amount of revenue that will be generated by a specific number of mills.

The county treasurer is responsible for sending out tax bills and for the collection of property taxes; calculates penalties and interest on late payments; and, works with the county prosecutor to collect delinquent property taxes or to foreclose on properties when necessary. Some county treasurers provide plans for the prepayment of taxes using escrow accounts; administer tax lien sales to collect tax monies on delinquent properties; and, have been drivers to establish land banks to fight the problem of abandoned properties and to stabilize neighborhoods.

The county board of revision, comprised of a county commissioner selected by the board, the county auditor, and the county treasurer, hears complaints relating to the appraisal and valuation of real property.

The county budget commission has the important responsibility to assure that both voted and unvoted property tax levies are "needed" by taxing authorities. This responsibility is performed on the basis of tax budgets demonstrating "need", or other information submitted to the county budget commission, if the county has waived the requirement for a tax budget. The county budget commission certification includes the county auditor's estimate of the rate of each tax necessary to be levied by the taxing authority. Members of the county budget commission include the county auditor, the county treasurer, and the prosecuting attorney. While Ohio law allows for two citizens to be elected to the budget commission, no county has ever used this option (ORC 5705.27).

The Ohio Tax Commissioner, appointed by the Governor, is the major tax administrator of the state. The Tax Commissioner is responsible for the administration of most state collected taxes and several local taxes. The Tax Commissioner has supervisory responsibility for various aspects of real property taxes, including the appraisal work conducted by county auditors through the Division of Tax Equalization. The Tax Commissioner has responsibility in the assessment and apportionment of railroad real property among taxing districts, and also assesses the tangible personal property of public utilities and apportions public utility values among taxing districts (ORC 5703.05).

The Board of Tax Appeals is a state board that provides taxpayers, corporations and governmental entities a forum to resolve tax related disputes. As such it hears appeals of valuation and assessment complaints from the county board of revision and also hears disputes originating with the county budget commission, including disputes concerning the allocation of the undivided local government fund. The three member Board is appointed by the Governor.

14.02 IMPORTANCE OF PROPERTY TAXES

For county government, the property tax is an important source of general fund revenue. It is an even more important source of revenue for other specified county services, especially for county health and human services programs. For most counties, property taxes from “inside” or “unvoted” millage comprise the second single largest source of revenue for the county general fund.

As the county’s taxing authority, the board of county commissioners submits most county voted property tax levies to the electors for final approval or rejection. These voted levies are referred to as levies outside the ten mill limit and are generally for a specific purpose authorized under state law. These voted or “outside” levies will be explained in greater detail later in this Chapter and the specific types of levies authorized are detailed in Exhibit 14-1 at the end of this Chapter

In Ohio, most property taxes go to school districts. On a statewide basis, approximately two-thirds of all real property taxes collected by counties are distributed to school districts. Most county property tax levy dollars are dedicated to specific county government functions as approved by the electors. As such, the revenue from voted levies is deposited in special revenue funds, not in the county general fund, to support programs and services approved by the voters. County general funds are dependent on a variety of sources of revenue, with the permissive sales and use tax being the single largest source in most counties.

Municipal property tax dollars are important sources of revenue for municipal operations. However, in those cities and villages that levy municipal income taxes, it is usually a more important source of municipal revenue than property tax receipts. On

the other hand, townships and some special purpose districts are almost entirely dependent on voted property tax levies.

14.03 GENERAL BACKGROUND ON THIS CHAPTER

This Chapter is one of the more complicated chapters of the *County Commissioners Handbook.* Unlike other chapters, which often summarize one chapter of the Ohio Revised Code, this Chapter attempts to integrate provisions from a number of ORC Chapters including sections in ORC Chapters 319, 321, 323, 4503, 5705, 5713, 5715, 5721, 5723, and 5727.

The purpose of this Chapter is to provide only a basic overview of Ohio's property tax system. Many of the details have been omitted due to space limitations. Yet considerable detail is included, especially as it relates to real and public utility tangible personal property taxes. Significant details are also included on such topics as the taxation of manufactured and mobile homes, Current Agricultural Use Valuation (CAUV), and the valuation of mineral land. This Chapter also includes a number of exhibits which should help the reader better understand some of the topics covered. Fewer details on delinquent tax collection and the foreclosure process have been provided because these subjects could deserve a separate chapter.

The county auditor and the county treasurer are the local experts and should be consulted. In addition, a wealth of information is available on the web site of the Ohio Department of Taxation at: http://www.tax.ohio.gov/ .

14.04 EARLY HISTORY OF PROPERTY TAXES

Records as far back as 6000 BC reveal the "roots" of the property tax system. In Medieval England, each parcel of land was measured and its value estimated[1]. When the Mayflower arrived at Plymouth Rock, the Pilgrims developed a system of property taxation where more productive land was assessed at a higher tax rate. These property tax systems targeted land and its production value.

In Ohio after statehood, property taxes were used by both the state and by local governments to provide services. The 1802 Constitution gave the General Assembly what has been referred to as a "virtually unqualified power to tax". Taxation generally followed the practice of taxing land, but not improvements, based on land fertility—"first, second and third rate" fertility. State taxation of personal property was necessary to pay for massive debt incurred by the state during the "canal era" from 1825 through the 1850's.

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[1] Carlson, Richard Henry. *A Brief History of Property Tax*. International Association of Assessing Officials. *Fair & Equitable*, February, 2005.

In Ohio, the state used property tax levies for both the state general fund and for other specific purposes. Much of the early activity in those days addressed school funding. For example, in 1821 the Legislature established school districts within townships and made property subject to local school taxes. After little action at the local level, in 1825, school districts were required to levy taxes for schools. By 1838, the General Assembly levied a statewide school property tax at a rate of 0.5 mills to fund schools through state appropriations. This 0.5 mill statewide levy was increased to 1.0 mill in 1873.

In 1902 the state eliminated statewide property tax levies for the state general fund, although state levies continued for universities, roads, and schools. In 1920, the Legislature increased the state levy for schools to 1.8 mills and also authorized levies of up to 1.0 mill at the county level, following the establishment of county boards of education in 1914. The next year, the state imposed a 2.65 mill statewide levy, all of which was to be retained at the county level and the state reverted to only funding poorer school districts through state appropriations.[2] [3] This 2.65 mill levy would eventually play a significant role when Constitutional property tax limits were established and modified during the Depression Era.

Since then, property tax levies have been primarily local government taxes. However, statewide levies continued until 1932. This was the first time in over a century that state levies did not appear on local property tax bills. In 1956, however, Ohio voters approved a Constitutional Amendment to provide a bonus to active duty Ohio veterans who served during the Korean Conflict. Bonds were issued and were retired by a statewide property tax levy of 0.2 mills which was last collected in 1968.

There are many other details on the history of Ohio's property tax system that will be discussed in other sections of this Chapter of the *Handbook*. See in particular Section 14.05 which will discuss significant provisions of the Ohio Constitution relating to property taxes. In addition, refer to Exhibit 14-2 which summarizes major Constitutional and statutory changes to Ohio's property tax system.

14.05 BASIC CONSTITUTIONAL PROVISIONS RELATING TO PROPERTY TAXES[4]

Ohio's 1802 Constitution gave almost unlimited authority to the General Assembly to tax. By the time the 1851 Constitution was adopted this situation changed considerably.

Article XII, Section 2 was adopted as a part of the 1851 Constitution to limit the power of the state to tax real and personal property. Since its original adoption this Article has been amended nine times, the last time in 1990.

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[2] Maxwell, Richard E and Sweetland, Scott R. *Ohio School Finance: A Practitioner's Guide*, 4th ed. Matthew Bender & Co., Inc. 2008.
[3] Shreve, Robert P. *History of Ohio's County Boards of Education, 1914-1989*. Ohio Department of Education, 1989.
[4] Steinglass, Steven H. & Scarselli, Gino J. *The Ohio State Constitution*. Oxford University Press, 2011. Note: most of the provisions of this section were summarized from this book.

A maximum limit on the taxation of real and personal property was first added to the Constitution in 1929. This original limit was 1.5%, or 15 mills. It was lowered to 1.0%, or 10 mills, in 1933 by an amendment submitted by initiative petition during the Great Depression. The "ten-mill" limit, however, allows property to be taxed at higher rates if approved by the voters or if authorized by a municipal charter. Other amendments to the Constitutional were approved by the voters to shape significant elements of the property tax system as we know it today such as the homestead exemption, current use valuation of agricultural land, and tax abatements.

For additional information refer to Exhibit 14-2 which includes a more detailed summary of the Constitution as it relates to real and personal property taxes and includes a table which shows major constitutional and statutory changes to Ohio's property tax system. In addition, major provisions of the Constitution including Article II, Section 36 and Article XII, Sections 2 and 2a are included in their entirety as Exhibit 14-3 at the end of the Chapter.

14.06 ESSENTIAL PROPERTY TAX TERMINOLOGY

Familiarity with tax terminology and jargon are essential for a complete understanding of Ohio's property tax system. Included as Exhibit 14-4 is a glossary of tax related terms which are essential to understand property taxation and the rest of this Chapter of the *Handbook*. Here are some of the more important terms needed to understand the details of property taxes.

- Appraised (Market) Value - The County Auditor's opinion of the property's potential selling price on the open market, between a willing seller and a willing buyer. Also referred to as "true" value.

- Assessed (Taxable) Value - This is 35% of the appraised or market value of land and improvements, which is used for real property tax calculations pursuant to Ohio law.

- Mill - A mill or millage is a Latin term meaning "thousandth." As it is applied to property taxes, a mill is 1/10th of a penny or 1/1000 of a dollar. What this really means is that it is equal to $1.00 in taxes for every $1,000 of taxable property value. Another way to say this is that one mill is equal to 10¢ for every $100 of property value. For example, one mill levied on a home assessed at $35,000 ($100,000 market or appraised value) would generate $35.00 in revenue.

  When a tax levy is submitted to the voters for approval the ballot question usually reads ". . . at a rate not exceeding _____ mills for each one dollar of valuation which amounts to $______ for each 100 dollars of valuation. . ."

- New or Additional Levy - A ballot issue which proposes new or additional millage for a specific purpose or purposes and which constitutes an increase in taxes. A new or additional levy is collected at the number of mills proposed on the ballot during the first year after the application of tax reduction factors to the millage in first and subsequent years resulting in a lower effective millage rate.

- Renewal Levy **-** A ballot issue that represents a continuation of a previously approved levy that is set to expire. A levy is renewed at the current effective millage rate after the application of tax reduction factors on the original millage passed by the voters. Renewal levies that are approved continue to be affected by tax reduction factors applied to the renewed millage. A renewal levy may be submitted to the voters along with either an increase or a decrease as one ballot question. A renewal levy is not a tax increase, unless combined with an increase.

- Replacement Levy **-** A ballot issue that would take the place of a tax levy which was previously approved by the voters. A levy that is replaced is at the millage rate when the levy was originally approved by the voters, not at the current effective millage rate, which has been reduced due to the previous application of tax reductions factors. A replacement levy may be submitted to the voters with either an increase or a decrease as one ballot question. A replacement levy is a tax increase.

- Tax Year - For the purposes of real and public utility tangible personal property taxes, the tax year is the year prior to the collection of the taxes. Thus, real and public utility personal property taxes collected in Calendar Year 2014 are Tax Year 2013 taxes. Real and public utility personal property taxes are always collected for the immediately preceding year. Taxes paid in the first half of 2014 are for the first half of Tax Year 2013 and second half taxes paid in July of 2014 are for the second half of Tax Year 2013. In the case of manufactured and mobile homes, the tax year and the collection year are both the current year.

- Tax Reduction Factor - A tax reduction factor is calculated on each voted tax levy. Its purpose is to eliminate inflationary revenue growth that would result from increased property values due to reappraisals. Tax reduction factors are applied to millage rates for real property, but not to the millage rates on public utility tangible personal property. Tax reduction factors also do not apply to inside millage and to fixed-sum levies such as bond levies and emergency school levies. When tax reduction factors are applied to voted millage rates they are reduced to effective millage rates. For real property there are really two tax reduction factors, one calculated separately for Class 1 property (agricultural and residential) and another calculated for Class 2 property (commercial, industrial, public utility real, railroad, and mineral). Tax reduction factors are also often referred to as “HB 920 factors.”

- Gross Millage Rate - This is the millage rate of a voted tax as approved by the electors.

- Effective Millage Rate - This is the millage rate of a voted tax after tax reduction factors have been applied annually to the current tax rate. This is also often referred to as the "net millage rate." The effective millage rate is used to calculate real estate taxes on assessed value.

14.07 TYPES OF PROPERTY SUBJECT TO TAXATION

Until recently, there were three major distinct types of "property" subject to taxation under Ohio law:

1. Real property.

2. Public Utility Tangible Personal Property.

3. Tangible Personal Property, also referred to as the General Business Tangible Personal Property Tax.

The largest source of property tax revenue is from real property. The real property tax base is the taxable value of land and improvements. Real property includes residential and agricultural property, as well as commercial, industrial, railroad, mineral and public utility real property. Real property is further divided into two classes:

1. Class 1 - Consists of residential and agricultural property.

2. Class 2 - Consists of all other real property including commercial, industrial, public utility real, railroad and mineral property.

Public utility tangible personal property is the only type of personal property that still is taxed in Ohio. This tax is levied on the personal property of electric, natural gas, pipeline, rural electric, public utility lessors, and private waterworks companies. Railroad and telephone company property is no longer taxed as public utility personal property.

General business tangible personal property tax traditionally had been a significant source of revenue for schools and local governments. This tax was repealed in 2005 as a part of a state budget bill. Historically, the tangible personal property tax was a tax levied on businesses and included the following categories of property:

1. Manufacturing machinery and equipment.

2. Manufacturers' inventories.

3. Merchants' inventories.

4. Furniture, fixtures, and other property.

The next section of this Chapter will explain how changes in the taxation of the personal property of electric, gas, railroad, and telephone companies and elimination of the general business tangible personal property tax have impacted local governments.

For information on the statewide value of real and public utility tangible personal property, gross and net taxes charged and gross and net millage rates levied, refer to Exhibits 14-5 and 14-6.

The manufactured home tax is similar to the real property tax on manufactured and mobile homes and will be described later in this Chapter.

14.08 RECENT LEGISLATIVE ACTIONS ON PUBLIC UTILITY AND GENERAL BUSINESS TANGIBLE PERSONAL PROPERTY TAXES

Since 1999, the General Assembly has made significant legislative changes to public utility and general business tangible personal property taxes. These laws significantly reduced local tax revenue from the tangible personal property of both public utilities and general businesses.

SB 3 of the 123rd General Assembly "deregulated" the electric industry and included reductions in the assessment rate of electric generating plants and related property. The argument on the part of the electric industry to support the reduction was that if the industry was to be deregulated then the assessment rate for its personal property should be the same as other unregulated businesses. Likewise, in 2000, legislation was enacted (SB 287) also giving the natural gas industry reductions in the assessment rate of its personal property.

In order to generate revenue to replace the lost revenue to schools and local governments, the Legislature enacted a kilowatt-hour tax (KWH) and a natural gas distribution tax (MCF). Initially, all of the MCF tax and a portion of the KWH tax were earmarked to reimburse schools and other local governments for the revenue losses.

Under these laws, county (and other non-school jurisdictions) reimbursements for lost electric and gas personal property taxes were fully reimbursed using a distribution formula that reflected the proportion to the tax losses from public utility personal property as it existed prior to the reduction in assessment rates. In 2007, the reimbursements started phasing out using this distribution formula, however, the payments were not terminated, but earmarked monies were distributed under a new distribution formula. Under the new formula, 50% of the earmarked funds for non-school taxing authorities were distributed to each county on the basis of population and

the other 50% in proportion to the original tax losses from public utility personal property. The county then distributed these funds to all non-school taxing authorities. Thus, the reimbursements were permanent under the original laws passed dealing with electric and gas deregulation.

Next, in 2005, with the enactment of major tax reform initiatives in HB 66 of the 126th General Assembly, the general business tangible personal property tax (TPP) and railroad personal property tax were eliminated over a period of years. At the same time, the grain handling tax, a minor tax on grain that functioned like the TPP, was eliminated in 2007. The phase out of the TPP took place in four years between 2006 and 2009. The elimination was accomplished by annually reducing the current assessment rate for various types of tangible personal property until the assessment rate reached zero.

The business community had lobbied for decades to eliminate this tax. Prior to its total elimination in HB 66, other changes occurred, including the elimination of agricultural personal property from taxation; exempting the first $10,000 of value from the tax; and, reducing the assessment rate from 35% to lesser percentages for various categories of TPP over a period of years.

HB 66 also changed how the personal property of telephone companies was taxed. Prior to this time, telephone company property was classified as public utility personal property. This was changed so that starting in 2007 telephone property was reclassified as general business tangible personal property like other business property. Due to this reclassification, telephone property also became subject to annual reduced assessment rates until the rate became zero. In the case of telephone property, the phase out occurred over a five year period between 2007 and 2011.

In an effort to recognize the problems that would be faced by local governments, HB 66 provided for a reimbursement mechanism. Schools were to be fully reimbursed or "held harmless" for seven years, while other local governments were to be reimbursed for five years. After this "hold harmless" period reimbursements would be phased out, with final reimbursements to be made in 2018. In order to help pay for the reimbursements, a Commercial Activity Tax (CAT) was enacted and the rates were phased in over a number of years. It should be noted that unlike electric and gas public utility reimbursements, which were essentially permanent, TPP reimbursements were always time limited.

After this action by the General Assembly, CCAO and other school and local government organizations began a major lobbying initiative to make the TPP reimbursements permanent. This initiative also involved the development of a new formula for the distribution of anticipated permanent reimbursements as was developed for electric and gas reimbursements. This effort was partially successful as will be explained later.

TPP was an important source of revenue for local governments. For example, during 2005 the total revenue received by local governments from TPP was approximately $1.7 billion. Of this amount, approximately $1.2 billion went to schools and the other $500 million to non-school subdivisions. The actual loss to non-school political subdivisions was $482 million. Of this total loss, approximately $268 million, or 56% of the total, was money distributed to counties. Of the $268 million, the largest single losers were county DD boards where the loss was approximately $93 million, or 35% of the total county loss. The next largest loser was the county general fund with a loss of approximately $40 million, or 15% of the total county loss. Also impacted were child welfare levies ($31 million), alcohol, drug, and mental health levies ($23 million), and general health levies ($20 million). For additional information on the importance of TPP to individual counties, refer to County Data Exchange Bulletin 2006-01.

Other changes were made in the FY10-11 biennial budget, HB 1 of the 128th General Assembly. As it relates to non-school jurisdictions, this state budget extended the "hold harmless" until May 2011. Reimbursements were phased out under a new schedule with the final payment in October 2017 for TPP and 2018 for telephone property. This small victory, and movement in the right direction by the Legislature, was short lived.

The final significant change took place in HB 153 of the 129th General Assembly, the first biennial budget proposed by Governor John Kasich. In the FY 12-13 Budget, the Kasich Administration was estimating a budget shortfall of nearly $8 billion, and one method selected to close part of the budget gap was to reduce the Local Government Fund (LGF) and to change how reimbursements to local governments were made for both public utility and general business tangible personal property.

The state found these reimbursements to be a large budgetary expense amounting to nearly $1.85 billion for both sources. In addition, while the KWH and the MCF taxes generated adequate funds to reimburse for public utility personal property taxes, the CAT tax had not generated adequate funds to service the TPP reimbursements during the three previous state fiscal years. In FY 2011, for example, a subsidy of $215 million from the state general fund was required to make the reimbursements.

The Kasich Administration thus proposed changes to both reimbursement programs along with a 50% cut to the Local Government Fund. The basis of the proposal was to determine how reliant the local government or agency was on public utility and tangible personal property tax reimbursements. Reliance factors determined how long the reimbursements would continue.

In the case of the county general fund, this meant that, in most counties, the reimbursements were generally phased out during the first or second year after enactment of the Kasich Plan by the Legislature. On the other hand, a Developmental Disabilities Board or Children Services Board, for example, might experience a longer period of reduction, and might actually be permanently held harmless for a portion of the

original loss after 2013. The rationale for the proposed change was that the reimbursements were a small percentage of operating revenue for the county general fund, but for the DD Board or Children Services Board, the reimbursement was a larger percentage of its total operating revenue.

The net result was that, in most cases, the former permanent nature of public utility reimbursements was eliminated, except in those few jurisdictions that were heavily reliant on the reimbursements. These were often jurisdictions where power plants were located.

In the case of TPP reimbursements, the general result was an accelerated phase out of reimbursements prior to the originally scheduled 2017/2018 phase out. The bottom line was that monies that formerly benefited local governments from TPP and public utility personal property taxes were diverted to the state general fund to help balance the state budget.

14.09 APPRAISAL AND VALUATION OF VARIOUS TYPES OF PROPERTY

Perhaps the most important part of the property tax system is how the various types of real and personal property are appraised and valued for tax purposes. The county auditor has the responsibility to assess all real property in the county. This includes the real property of public utilities. In the case of railroad real property the responsibility is shared between the county auditor and the Tax Commissioner. Likewise, the Tax Commissioner has the responsibility to assess the value of public utility tangible personal property and apportion the values to the various taxing districts. Subsequent Sections of this Chapter will discuss the appraisal and valuation of the following types of real and personal property:

1. Real Property.

2. Public Utility Personal Property.

3. Manufactured and Mobile Homes.

4. Agricultural Property using Current Agricultural Use Valuation (CAUV).

5. Mineral Property.

14.091 REAL PROPERTY APPRAISAL AND VALUATION

The county auditor, under the supervision of the Ohio Tax Commissioner, is the assessor of all taxable real property, with the exception of railroad property, part of which is assessed by the Tax Commissioner. The county auditor must make abstracts, according to forms prescribed by the Tax Commissioner, containing descriptions of all

the real estate in the county. Laws regarding the appraisal and assessment of real estate are found in ORC Chapters 5713 and 5715.

The auditor is required to perform the appraisal every six years, which is commonly referred to as the sexennial reappraisal. During the third year after this appraisal, property values are adjusted to reflect changes in market conditions. This is known as the triennial update. The sexennial reappraisal involves an actual physical visitation to each property, while the triennial update primarily involves an analysis of actual real estate sales data since the completion of the sexennial reappraisal.

The Tax Commissioner supervises the taxation of real property in Ohio and is charged with the duty of achieving uniformity in the taxation of real property. The Tax Commissioner, through the Division of Tax Equalization, compares the values of properties to sales prices and uses these “sales ratios” to evaluate the valuations. The Tax Commissioner also may seek changes to the valuations and may order changes in the value of real estate in any taxing district.

It is the duty of the county auditor to appraise, or cause to be appraised, each parcel of real estate in the county. County auditors generally contract with professional appraisal firms and other experts, with the approval of the Tax Commissioner, to perform or assist with the appraisal. Buildings may be entered to determine what improvements or additions have been made since the previous appraisal.

Each parcel of real estate must be classified according to its principal current use. Classes used are agricultural and residential (Class 1), and commercial, industrial public utility real, railroad, and mineral (Class 2). If the auditor determines that the value of any parcel has changed, it may be revalued at any time. Likewise, the auditor may revalue property if it is determined that property within any taxing district or the aggregate value of all or any class of real estate has changed.

The county auditor also uses staff to work on the appraisal process. The aggregate amount of compensation to be paid to employees working on the appraisal process is fixed by the board of county commissioners (ORC 5713.01). If, in the opinion of the auditor, the commissioners fail to provide a sufficient aggregate amount for the compensation for these employees, the auditor may apply to the Tax Commissioner for an additional allowance. Any additional amount allowed by the Tax Commissioner must be certified to the commissioners, and that aggregate amount of compensation is final. The salaries and compensation of these employees are paid upon the warrant of the auditor, out of the county general fund, or out of the real estate assessment fund of the county, or both.

The appraisals are made at true value in money, but the taxable value equals 35% of true or market value. These taxable values are placed on the auditor's general tax list and the treasurer's general duplicate.

In the case of railroad real property, the county auditor has responsibility to determine the value for railroad property "not used in operations" while the Tax Commissioner has the responsibility for railroad property "used in operations". The Tax Commissioner apportions the property used in operations to each taxing district on the basis of miles of track, and track usage rights in the taxing district in relation to the miles of track in the total railroad system. The Tax Commissioner notifies the auditor of these values before the first Monday in October so that they can be placed on the auditor's general tax list (ORC 5727.10 & 5727.23).

On or before the first Monday of August, the county auditor compiles a general tax list of all real property in the county, including public utility real and railroad property. The list contains the names of the owners, the taxing subdivisions they are within, a description of each tract, the value of each tract, the value of the improvements on each tract, if any, the names of the public utilities and railroads subject to taxation, and the amounts of the public utility property apportioned to each taxing district.

On or before the first Monday in September, the auditor prepares a corrected list. The corrected list includes additions or deductions ordered by the Division of Tax Equalization or the county board of revision.

On the first day of October, normally extended to the first Monday in December, the auditor delivers the list to the county treasurer. The list prepared by the auditor constitutes the auditor's general tax list and the treasurer's general duplicate of real and public utility property (ORC 319.28). Note: While these dates are statutorily correct, in most counties the duplicate is not delivered until later.

14.092 PUBLIC UTILITY TANGIBLE PERSONAL PROPERTY VALUATION

The Tax Commissioner has the responsibility to assess the tangible personal property tax of public utilities. Public utilities subject to the tax include electric, rural electric, natural gas, pipeline, water works, water transportation, heating, and telegraph companies. The tax was formerly levied on railroads and telephone companies but this changed with tax reform initiatives in 2005. The last year railroads paid the PUPP was in 2009 and telephone companies last paid in 2011.

It is interesting to note that in 2011 there were only 121 public utility taxpayers. This was down from 759 taxpayers in 2003, for example. In 2011, the assessed value of this property was $10.2 billion and the taxes levied equaled $784.5 million. Compare this with 1994, when the value of PUPT was $15.4 billion and taxes paid were slightly over $1 billion dollars ($1.03 billion). Nearly 70% of the value of public utility personal property is attributable to electric utilities.

The public utility tangible personal property tax base of all public utilities, except water transportation companies, consists of all tangible personal property owned and located in Ohio on December 31st of the preceding year. For water transportation companies the tax base is all personal property except watercraft.

For most public utility personal property, "true value" is the capitalized cost of the property, as shown on the books of the public utility, minus the composite annual allowances, which vary according to the actual age and the expected life of the property. These allowances are essentially depreciation tables established by the Tax Commissioner. True value is determined differently for the following types of public utility personal property:

1. Electric Company Production Equipment and All Property of a Rural Electric Company—50% of the capitalized cost of electric production equipment of both electric and rural electric companies. If electric production equipment, however, is purchased or sold after the date in 1999 when the "electric deregulation" legislation became effective, value is then the capitalized cost, minus the composite annual allowances. The non-production personal property of rural electric companies is also valued at 50% of capitalized cost.

2. Underground Gas—Underground stored gas which is available for market (current gas) is based on the 12 month average cost of the gas. Underground stored gas which provides pressure for gas that is not available for market (non-current gas) is valued at 35% of cost.

Many types of public utility tangible personal property were formerly assessed at 88% of true value. Now, after a series of legislative enactments and court rulings in the 1990's and 2000's, public utility tangible personal property is assessed at a number of different rates, depending on the type of utility and class of property. The Tax Year 2014 assessment rates are:

Type of Utility	Type of Property	Assessment Rate (%)
Electric	Production (Generating) Equipment	24
	Transmission & Distribution	85
	All Other	24
Rural Electric	Production (Generating) Equipment	24
	Transmission & Distribution	50
	All Other	25
Natural Gas	All Property	25
Heating, Pipeline & Water Works		88
Water Transportation		25

14.0921 APPORTIONMENT OF PUBLIC UTILITY PERSONAL PROPERTY TAX BASE

The Tax Commissioner has the responsibility of apportioning the values of public utility personal property values among taxing districts. The methodology for apportioning the property varies depending on the type of utility and class of property. In most cases, public utilities are valued as a statewide unit and the values are apportioned to taxing districts by the Tax Commissioner. The following table summarizes the apportionment process:

Type of Utility	Apportionment Methodology
Natural Gas, Heating, Pipeline, Water Works & Water Transportation Companies	According to the cost of all taxable personal property physically located in the taxing district as a proportion (%) of total cost of all taxable personal property located in Ohio.
Electric Production (Generating) Equipment	All is apportioned to the taxing district where the property is physically located.
All Other Electric Property	According to the cost of all taxable personal property physically located in the taxing district as a proportion (%) of the total cost of all taxable personal property located in Ohio.

14.0923 PUBLIC UTILITY TANGIBLE PERSONAL PROPERTY EXEMPTIONS, CREDITS & ALLOWANCES

Specified types of public utility tangible personal property are exempt from taxation, including the following:

1. Property of municipally-owned utilities.
2. Certified air, water, and noise pollution control facilities.
3. Facilities of non-profit corporations and political subdivisions used in the treatment, distribution, and sale of water to consumers.
4. Licensed motor vehicles.
5. Tangible personal property under construction.

In addition, an allowance is available for funds and interest used during construction. Also, certain electric generating property may qualify for a reduction in taxes if located in an enterprise zone.

Finally, it should be noted that tax rates for public utility personal property are not reduced as a result of the application of tax reduction factors. Thus, public utility personal property is subject to gross rates of taxation. Also, neither public utility personal nor public utility real property receives the 10% property tax credit or rollback, now referred to as the non-business credit. Public utility real property did receive this tax credit until 2005 when it was eliminated as a part of HB 66.

14.0924 COLLECTION AND DISTRIBUTION OF PUBLIC UTILITY TANGIBLE PERSONAL PROPERTY TAX

The collection and distribution procedures for public utility personal property taxes are essentially the same as for real property taxes. Significant dates in the process are:

1. March 1st---Companies annual report to Tax Commissioner (ORC 5727.08, 5727.48). The Tax Commissioner may grant an extension of up to 60 days.

2. On or before the first Monday in October---Tax Commissioner certifies values to county auditors and public utility companies (ORC 5727.10, 5727.23).

3. December 31st---At least half of tax liability due (ORC 323.12, 323.17). This deadline may be extended by 45 days, or longer, in specified circumstances.

4. June 20th---Balance of tax liability due (ORC 323.12, 323.17). This deadline may be extended by 45 days, or longer, in specified circumstances.

Note that in practice the December 31st and June 20th dates specified above are extended to January 31st and July 20th pursuant to ORC 323.17.

14.093 MANUFACTURED HOME VALUATION AND TAXATION

As far back as 1920, house trailers were taxed as commercial trailers under Ohio's motor vehicle laws. The revenue from house trailers at that time was distributed as other motor vehicle revenue was distributed. In 1951, the law was changed to distinguish a house trailer from a commercial trailer. An annual license fee of $18 was levied on the house trailer and the revenue was distributed to local governments. This was modified in 1962 when the house trailer tax became an ad valorem tax. Units were valued at either 40% of the cost of the unit or market value minus a depreciation allowance, whichever is greater. There were two depreciation schedules for units, one applied to units that were purchased furnished and another for unfurnished units. In 1984, house trailers were redefined as manufactured homes.

The most significant change affecting the taxation of manufactured and mobile homes began in 1999 with the enactment of HB 142 of the 122nd General Assembly. The primary purpose of this legislation was to treat manufactured homes the same as "stick

built" homes under zoning laws and to tax manufactured and mobile homes as much like real estate as was possible.

This law provided for three different tax valuation approaches for manufactured and mobile homes; addressed issues related to equal treatment of manufactured homes under zoning laws; included provisions to make a manufactured home subject to the one-mill statewide conveyance fee; and, provisions on how units would become subject to a county permissive manufactured home transfer tax under the same terms and conditions as real estate subject to the county permissive conveyance tax. For additional information on the permissive manufactured home transfer tax refer to Chapter 19 of this *Handbook*. For details on the zoning treatment of manufactured homes see Chapter 86, Section 86.23.

Beginning with Tax Year 2000, there were three possible tax methodologies for manufactured and mobile homes. First, units can be taxed as real property under the same terms and conditions as any other real property. As such, they appear on the county auditor's general tax list and duplicate and tax reduction factors and property tax credits apply to the units.

Second, manufactured and mobile homes can be taxed under a personal property approach under two separate depreciation schedules, one for manufactured or mobile homes that are furnished and another for unfurnished units. Under this method, tax reduction factors do not apply and gross tax rates are used to calculate the tax due. The owner is also not eligible for the non-business or owner-occupied credit (formerly the 10% or 2 ½% tax credits) or the homestead exemption.

The final tax methodology is for the units to be taxed like real property. In this case, tax reduction factors are applied to gross tax rates to calculate the tax due, and owners are eligible for the non-business and owner-occupied tax credits (formerly the 10% and 2 ½% tax credits) and the homestead exemption.

While those taxed as real property are shown on the county auditor's general tax list and duplicate with all other real property, those taxed under depreciation schedules and like real property, are shown on the county auditor's manufactured and mobile home tax list and duplicate.

The county auditor is required to deliver the manufactured and mobile home tax list to the county treasurer by January 15 of each year unless an extension is granted by the Tax Commissioner. First half taxes are due on March 1 and second half taxes are due on July 31, unless extensions are granted. There are a number of other issues related to the appraisal, movement, titling, placarding, and taxation of manufactured and mobile homes which are not covered in this general summary. For an extensive description of the details on these issues refer to Ohio Department of Taxation Bulletin 11.

EXHIBIT 14-7 at the end of this Chapter includes selected statewide data on manufactured and mobile homes taxed under the depreciation schedule or like real property as shown the county auditors manufactured and mobile home tax list.

14.094 CURRENT AGRICULTURAL USE VALUATION (CAUV) FOR AGRICULTURAL PROPERTY

Land devoted exclusively for commercial agriculture may be valued according to its current (agricultural) use rather than its highest and best potential use. The ability to value agricultural land at its current use was authorized when a Constitutional Amendment was approved by voters in November, 1973. The amendment was to Article II, Section 36 of the Constitution. The amendment provided an exception to the constitutional requirement in Article XII, Section 2 requiring property to be taxed "at a uniform rule according to value." See Exhibit 14-3 for a copy of the Constitutional language.

Following voter approval of the amendment, the General Assembly enacted SB 423 which established the Current Agricultural Use Value (CAUV) law. The law became effective in April, 1974. With the enactment of this law, Ohio joined many other states with agricultural tax relief programs. Nationally, these tax relief programs are either differential assessment programs, like Ohio's CAUV program, or "circuit breaker" programs where farmers are granted a state income tax credit. Under circuit breaker programs, farmers are allowed a state income tax credit when the property tax bill exceeds a certain percent of household income.

To qualify for Ohio's CAUV program, a property owner must file an annual application with the county auditor. The application must be received annually by the county auditor after the first Monday of January and before the first Monday of March. A separate application must be filed for each farm which includes all parcels worked as a single operating unit. An initial application must include a $25 application fee. Thereafter, no fee is required. The fee is deposited in the Real Estate Assessment Fund (REA).

The county auditor is required to mail applications to current CAUV owners before January 15 of each year. If the current owner of CAUV property has not filed a renewal application before the second Tuesday after the first Monday in March, the auditor is required to send a certified mail notice to the owner. This notice informs the owner that unless an application is filed before the first Monday in April, CAUV valuation will expire and the owner will be required to pay a recoupment charge.

Upon receipt of a completed CAUV application the auditor must view the parcel to determine if the land is being devoted exclusively to agricultural use. This determination must be made by the first Monday of June. If the auditor finds that the land is not devoted exclusively to agricultural use, certified mail notice must be sent to the owners

not later than the first Monday of August. Denial of an application may be appealed to the county board of revision.

All properties that qualify for CAUV must be maintained on the agricultural land tax list. The county auditor is also required to examine the agricultural land list prior to the second Monday in October each year to determine if land devoted exclusively to agriculture has been converted. If it is determined that conversion has occurred, the auditor calculates the amount of tax recoupment that will be due and includes this amount as a separate item on the agricultural land list.

14.0941 ELIGIBILITY FOR CAUV

Basic eligibility for CAUV requires a minimum of 10 acres of land which must be devoted exclusively to commercial agriculture. As such, CAUV is not an agricultural use program because all crops, animals and other agricultural pursuits must be conducted with a profit motive, not as a hobby or leisure time activity.

The land is considered devoted exclusively for commercial agriculture if no more than 25% of the total acreage in the operating unit is used for conservation practices. For the purposes of CAUV agriculture is defined to include animal and poultry husbandry, aquaculture, apiculture, commercial timber and timber contiguous to other qualifying land, field, crops, tobacco, fruits, vegetables, nursery stock, ornamental trees, sod, and flowers.

Land also qualifies if it is devoted to biodiesel production, biomass energy production, electric or heat energy production, and biologically derived methane gas production under certain circumstances related to the origin of the grain used to produce the energy.

CAUV valuation only applies to agricultural land. It does not apply to farm homes or homesteads, one acre of land surrounding a home site, or to farm outbuildings. These uses continue to be appraised at fair market value like all other real property and may qualify for the non-business and owner occupied tax credits (formerly the 10% & 2½% credits or “rollbacks”) and the homestead exemption.

Parcels less than 10 acres in size are also eligible for CAUV valuation if, during the last three years, the parcel produced an average gross income of at least $2,500. A parcel also qualifies if, during the year the application is made, evidence is submitted that anticipated income will be at least $2,500. In addition, land receiving compensation from the federal government from land conservation and retirement programs such as the Conservation Reserve Program (CRP) and the Conservation Reserve Enhancement Program (CREP) is eligible.

Woodlands qualify if the woodlot meets the commercial production test or the woodland is part of a farm with 10 or more qualifying acres. In addition, for woodlands to qualify for CAUV, a request for a Land Management Program can be required. Woodlands may also qualify for the Ohio Forest Tax Law (OFTL). Unlike CAUV, the OFTL is administered by the Division of Forestry at the Ohio Department of Natural Resources, not by the county auditor. Forest lands are eligible for a 50% reduction in the tax rate under this program if the county auditor is notified by the Chief of the Division of Forestry pursuant to ORC Sections 5771.22 to 5713.26. For additional information refer to the Division of Forestry web site.

Farmland must be appraised under the CAUV program in order to qualify for designation as an Agricultural Security Area under ORC Chapter 929 as discussed in Chapter 94 of this *Handbook.*

14.0942 THE CAUV VALUATION PROCESS

The valuation of farmland under CAUV occurs every three years, as is the case for other real property, when the county auditor performs the sexennial reappraisal and the triennial update. CAUV values are established by the Ohio Department of Taxation, not by the county auditor. The Tax Commissioner annually appoints an Agricultural Advisory Committee to assist in the process of establishing the values. The values determined by the state are not appealable to the county board of revision. The county auditor uses these state established values at the time of the sexennial reappraisal or triennial update.

CAUV values are established using a detailed formula for each of nearly 3,500 different soil types in Ohio. Within each soil type a value is established for cropland and a separate value for woodlands. The values are determined by capitalizing typical net income from crops assuming typical management, cropping patterns, and crop yields for the soil type identified on the parcel.

In addition, certain minimum values are established for certain types of land depending on the slope of the land. On slopes of 25% or less, the current minimum value of cropland and pasture is $350/acre and for woodland is $230/acre. On land where slopes exceed 25% the minimum value for both pasture and woodland is $230/acre, an increase from $100/acre since 2008.

The CAUV formula includes five factors which are applied to three crops which are prevalent in Ohio: corn, soybeans, and wheat. Formerly hay was a crop included in the formula, but its use was eliminated in 2010. Following is a description of the five factors used in the formula:

1. Cropping Pattern - Based on the acres of corn, soybeans and wheat compared to the total acres of those three crops. These percentages are

based on statewide averages. Using data from 2008-2012 the following percentages are used for 2014: corn (38.6%), soybeans (52.0%), and wheat (9.4%).

2. <u>Crop Prices</u> - Based on a survey of elevators in Ohio. For 2014 the price per bushel, after a 5% management allowance, is as follows: corn ($4.48), soybeans ($10.13), and wheat ($5.16).

3. <u>Crop Yields</u> - Based on 1984 National Resource Conservation Service/National Agricultural Statistics Service (NRCS/NASS) per acre yield estimates for each soil type, adjusted for actual average Ohio yields during the past 10 years. As is noted below, it was discovered in 2005 that crop yield data had not been updated since 1984 and data adjustments were made starting in 2006.

4. <u>Non-Land Production Costs</u> - Based on information prepared by The Ohio State University. Non-land production costs includes seed, fertilizer, chemicals, fuel, repairs, crop insurance, drying of grain, trucking costs, labor, and machinery and equipment.

5. <u>Capitalization Rate</u> - Based on 15-year fixed mortgage interest rates at Farm Credit Services, with 40% attributed to equity and 60% to debt.

Calculations for crop prices, non-land production costs and the capitalization rate are based on data from the previous seven years. Then, the data from the highest and lowest year is eliminated and the data from the remaining five years is averaged. The cropping pattern factor is based on the average percentage of the three major crops planted during the last five years.

The crop price, cropping pattern, production cost and yield data are then multiplied, added and subtracted to determine the net profit per acre by soil type. This number is then divided by the capitalization rate to arrive at the final per acre value of the land for tax purposes which is used by county auditors. This calculation is performed for each of Ohio's 3,500 soil types. Refer to Exhibit 14-8 for an example of how the formula works.

14.0943 RECOUPMENT OF TAXES AND CONVERSION CHARGES WHEN CAUV LAND IS CONVERTED

If any parcel, or part of a parcel, devoted exclusively to agriculture is converted to another use the owner must pay a recoupment charge which is distributed to political subdivisions in the same way taxes are distributed. The recoupment charge is equal to the amount of tax savings on the land that has been converted for three years before the year when the conversion occurs. One exception from the recoupment charge is when the conversion of land on CAUV is incident to the construction of wind turbines or

solar panels as long as the remainder of the parcel is still devoted exclusively to agriculture.

Generally, a conversion for which a recoupment charge must be collected is triggered by any of the following:

1. An owner currently on CAUV failing to file a renewal application by March 1 of any year. The board of revision has the authority to make exceptions for good cause.

2. A new owner of land failing to file an initial application by March 1 of any year. The board of revision has authority to make exceptions for good cause.

3. Failure of the parcel or portion of a parcel to qualify as land devoted exclusively for agricultural use.

4. Failure of the owner of CAUV land that has been lying fallow to take actions consistent with returning the land to agricultural production after 3 years.

In addition, there are other provisions that deal with recoupment of taxes when public entities acquire land for various public purposes, both when eminent domain is used and when the land is otherwise acquired by a public entity. In some of these cases, the payment of the recoupment charge is waived for land converted to other public purposes by public entities, especially when the land remains "principally undeveloped."

In most cases, however, when land on CAUV is taken by eminent domain, recoupment charges must be paid by the public entity that acquires the land. Also, provisions of law which generally prohibit persons who acquire CAUV land from directly or indirectly transferring the payment of recoupment charges to the farmer, do not apply in certain cases when land is obtained by public owners for public purposes. For additional information refer to ORC Section 5713.34.

14.0944 COMMON LANDOWNER CONCERNS WITH CAUV VALUES

From 2012-2014 the value of agricultural land in many counties has increased significantly primarily because the values are based on the average net return from farming. While these years may not be representative of future valuation changes, commissioners need to understand the interrelationship of the various factors used in the CAUV formula so they may more knowledgably respond to landowner concerns.

One of the reasons values increased so much from 2012-2014 was because crop yield data was updated in 2006 after not being updated since 1984. Starting in 2006, yield data has been annually updated. Use of the updated crop yield data in one highly productive soil in 2013, for example, increased the yield factor for corn, from 144 to 181

bushels per acre. Another example is for a soil type considered a medium productive soil. In this case, the yield for corn increased from 108 to 136 bushels per acre. Similar crop yield increases also generally occurred for other soil types and for soybeans and wheat.

Another major factor in the determination of CAUV farmland values is interest rates which impacts the formula's capitalization factor. For example, the capitalization rate decrease from 7.8% in 2010 to 6.2% in 2014 resulted in higher land values. CAUV values are calculated by dividing net return by the capitalization rate. Lower capitalization rates result in higher land values.

The final factor impacting CAUV values are crop prices. From 2012-2014 the biggest factor contributing to the increased value of farmland was crop price increases. Given the use of the seven year rolling average and the fact that values are set at each sexennial reappraisal and triennial update, three years of crop prices drop out of the formula and are replaced by price data from three more recent years every three years. The following table shows how crop prices were changed in the formula for 2013:

Crop	Prices Dropped from Formula-$/bu. (3 Years)	Prices Added to the Formula-$/bu. (3 Years)	Current Year Price $/bu.
Corn	1.85 2.45 2.50	3.70 5.55 6.40	**3.91**
Soybeans	5.15 7.20 5.45	9.60 11.80 11.90	**8.98**
Wheat	3.15 3.15 3.20	4.35 5.20 6.60	**4.54**

And while non-land production costs often increase at the same time crop prices increase and interest rates decrease, if the increases in production costs do not increase at as great a rate as the other two factors, CAUV values will increase relatively.

Finally, it should be remembered that, on a statewide basis, the CAUV valuations in 2012 were only 33% of what the values would have been if the land was appraised for its highest and best potential use. Even with CAUV valuation increases, actual taxes charged may not increase at as great a rate. This is because when the tax bill is actually calculated other factors come into play such as tax reduction factors; the non-business credit (formerly the 10% credit or rollback); whether new tax levies have been approved or existing levies expire; and, the status of fixed-sum levies such as bond levies and school district emergency levies.

For additional information on CAUV calculations and other issues refer to Exhibit 14-8.[5] EXHIBIT 14-9 includes selected statewide data on CAUV.

14.095 REAL PROPERTY VALUATION AND TAXATION OF MINERAL LAND

Mineral property is included in what is referred to as Class 2 real property along with commercial, industrial, railroad and public utility real property. In 2011, 56 counties reported the taxable value of mineral property at $172.9 million. This is just .1% of total real property values of nearly $231 billion. Thirty-four counties reported no mineral property.

How mineral property is valued and taxed is often one of the most misunderstood aspects of real property valuation and taxation. Mineral property must be assessed and taxed at its true value in money, just like other real property. The Tax Commissioner must adopt uniform rules to give guidance to county auditors and the rules include methods by which true and taxable value can be determined. In determining the true value of minerals or mineral rights values cannot include the value of any tangible personal property used to mine or recover the minerals (ORC 5705.01(A).

The process is further complicated because of the practice of separating mineral rights from the surface rights of land. It was not unusual, as far back as the late 1800's, to sell mineral rights. In some cases, mineral rights were severed from the surface rights generations ago. It is not unusual for the original business holding the mineral right to have gone out of business. Likewise, some individuals holding mineral rights have died and their heirs may be unaware of the mineral right. As a result of this problem, the General Assembly enacted Ohio's Dormant Minerals Act which is codified as ORC Section 5301.56. The Act allows surface owners to reunite mineral rights with surface rights.

Today, with the "Shale Boom", some Ohioans have sold mineral rights. Others have retained ownership of the mineral rights while separating the mineral rights from the surface rights, sometimes placed in a trust, as an estate planning tool. ORC Section 5713.04 requires that if the surface rights and mineral rights are separate, then the auditor must value these interests separately and tax the parties owning the separate interests. This can result in two tax bills to some property owners who have separated mineral interests from surface interests and maintained the ownership of both.

Another issue, which appears to be handled differently around the state, is how minerals are valued and taxed when minerals are present on the land, but there is no current production. ORC Section 5713.05 requires the county auditor to annually prepare a list of "petroleum, oil, and natural gas wells, coal and ore mines, limestone

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[5] Gearhardt, Larry, Field Specialist, Taxation. *Why Did My CAUV Values Increase So Much?* The Ohio State University Extension. February, 2014. Note: Much of the information in this section was abstracted from this paper. See also Ohio Department of Taxation. *2013 Current Agricultural Use Value of Land Tables.* March 2013.

quarries, fireclay pits, and works designed for the production of minerals which have begun or have been constructed since the last preceding appraisal (ORC 5713.05)." If the county auditor determines that the value of the land or the mineral interest has increased due to the discovery of minerals, construction of production facilities, commencement of mining or drilling, or other factors, then the taxable value must be increased.

It is clearly easier to value mineral property when the minerals are being mined or produced than it is to establish value for an undeveloped mineral interest. In the case of oil and gas, ORC Section 5713.051(B) establishes a methodology, using the income capitalization method of valuation, which must be used to establish value, but this only applies to oil and gas, not to other minerals.

In the case of oil and gas, the Ohio Administrative Code (OAC 5703-2-11(I)) provides that oil and gas rights which have been separated from surface rights must be valued in accordance with an annual journal entry by the Tax Commissioner. Under this method of valuation, the value is dependent on production from the well. The Tax Commissioner has developed forms DTE-6 and DTE-6A which must be filed with the county auditor by May 31 of each year for this purpose.

Some have argued that if there is no current production then the mineral value for oil and gas lands would be zero. Yet, some county auditors have assigned values of $200-$400 per acre based on the level of activity, amount of production in the area, and historical data. It can also be argued that true values can be established through the use of recent arm's length sales data. How to establish values for undeveloped minerals may be an issue where additional state guidance is needed.

14.10 REAL ESTATE ASSESSMENT FUND

The real estate assessment fund (REA fund) is a special fund in the county treasury which is used primarily to pay for appraisal firms; salaries of employees who work on the sexennial appraisal; the triennial update; and, for equipment, services and other administrative expenses associated with the real estate appraisal process.

The REA fund can be used for other purposes, but these uses are generally "at the county auditor's discretion" (ORC 325.31). Following is a list of what is eligible to be paid from the REA fund:

1. Costs incurred by the auditor to assess real estate pursuant to ORC Chapter 5713 and to assess manufactured and mobile homes pursuant to ORC Chapter 4503.

2. Costs and expenses incurred by the auditor in preparing the general tax list of real and public utility property, in administering laws related to the taxation of real

property and the levying of special assessments on real property, including the administration of property tax credit programs under ORC Chapters 319 and 323 and ORC Section 4503.65, and to support the appraisal of real property in any administrative or judicial proceeding.

3. Expenses incurred by the county board of revision under ORC Chapter 5715.

4. Expenses incurred by the auditor for geographic information system (GIS) mapping programs, for technological advances in GIS systems or mapping programs, or for similar systems of programs.

5. Expenses incurred by the county auditor in compiling the general tax list of tangible personal property taxes and administering tangible personal property taxes under ORC Chapters 5711 and 5719. It should be noted that with the repeal of TPP, this provision no longer has much relevance other than for the administration of any state reimbursements that remain in effect and activities related to delinquent personal property taxes.

6. Costs, expenses and fees incurred by the county auditor in the administration of estate taxes under ORC Chapter 5731 and specifically the amounts incurred under ORC Section 5731.41. This section provides for additional personal compensation for county auditors serving as the agent of the Tax Commissioner for estate tax purposes and to administer the real property appraisal function under ORC Chapter 5713 and the valuation of manufactured and mobile homes pursuant to ORC Chapter 4503.

   Until the estate tax was repealed, this additional personal compensation came exclusively for estate tax related functions from the undivided inheritance tax fund. With the repeal of the estate tax, anyone dying after January 1, 2013 had no estate tax liability. The repeal of the estate tax would have resulted in a loss of personal compensation to county auditors. Therefore, the law was amended to allow the same amount of compensation to be paid from the REA fund for real, manufactured home, and mobile home appraisal functions. The amount of this personal compensation is equal to 8¢ per capita for the each full 1,000 of the first 20,000 population of the county and 2¢ per capita of each full 1,000 of the county population over 20,000. This may result in additional compensation of not less than $1,200 nor more than $3,000 on top of the statutory compensation provided for in ORC Chapter 325.

Expenditures made from the REA fund must comply with rules of the Tax Commissioner adopted under ORC Section 5703.05(O). Those rules can be found in the Ohio Administrative Code (OAC) Chapters 5703-25-55 and 5705-25-56.

While funds from the REA fund are subject to appropriation by the commissioners, the county auditor has the authority to apply to the Tax Commissioner for an additional allowance if the auditor feels the appropriation is insufficient. If the Tax Commissioner approves such an allowance, the commissioners are required to make the additional appropriation (ORC 5713.01 and OAC 5703-25-55(F)). It there are inadequate funds in the REA fund to conduct required appraisal work, commissioners can be required to appropriate general fund monies, although a general fund subsidy is rare.

ORC 325.20(B) bars the auditor from applying to the Tax Commissioner for authority to spend monies from the REA fund for out-of-state travel. The auditor, in this particular instance, must apply to the county commissioners in writing, showing the necessity of the out-of-state travel if the probable REA cost exceeds $100. The commissioners must approve or disapprove the auditor's request to use REA funds for out-of-state travel. The board's decision is final.

The county auditor has the authority to enter into the appraisal contract without the approval of the commissioners. However, approval of the Tax Commissioner is required. While competitive bidding is not required for an appraisal contract, all other contracts for goods and services such as mapping, computers, photographs, microfiche, or magnetic tapes must follow competitive bidding procedures (ORC 5713.01).

Among the current rules in OAC Chapter 5705-25-55 is one that requires a copy of any property appraisal plans, work progress reports, contracts or other documents required to be filed with the Tax Commissioner to also be filed with the commissioners (OAC 5705-25-55 (G)). This requirement applies to any person filing any applicable document with the Tax Commissioner, whether that person is the county auditor, an individual appraiser, an appraisal firm, a consultant, or a computer firm.

County commissioners cannot transfer REA monies to any other fund. After the sexennial reappraisal is completed, any monies not used by the auditor for any of the statutory purposes discussed above are to be apportioned ratably and distributed back to all taxing districts that contributed to the fund. However, no distribution is to be made to the contributing tax districts if the amount of unexpended monies in the REA fund is less than $5,000.

Monies in the real estate assessment fund are derived from taxing districts within the county. The county auditor is allowed the following maximum percentages of real and public utility tangible personal property tax collections, which are then "apportioned ratably" among the various taxing districts in the county:

Amount of Taxes Collected	% Retained for REA
First $500,000	4.0
Next $10 million	2.0
All over $10.5 million	0.75

In addition, the REA fund receives a small amount of state general fund money related to homestead exemptions on both real and manufactured homes and application fees for current agricultural use value applications.

14.14 REAL PROPERTY TAX EXEMPTIONS

In CY 2011, the assessed value of all real property in Ohio was $276.4 billion. However, only $231.3 billion of the assessed real property value was taxable. Approximately $45.1 billion, or 16.3% of total assessed real property value, was exempt from taxation under provisions of the Ohio Constitution and state law. Refer to Exhibit 14-10 for additional information on the types and amounts of property that is exempt from real property taxation

Real property owned by the federal government, the State of Ohio, counties, townships, municipalities and boards of education is exempt from taxation. Real property owned by governments and used for recreational rather than governmental purposes, such as parks and conservancy districts, also are exempt (ORC 5709.07).

Privately-owned schools, colleges, academies and other educational facilities are exempt, as is real property owned by institutions with tax exempt status. Church property used for religious purposes is exempt, as are cemeteries and monuments (ORC 5709.08).

In addition to the exemptions listed above, real property may be exempted by counties, townships and municipalities through the granting of tax abatements, for the purpose of fostering urban renewal and economic development. Of the $45.1 billion in assessed value that was exempt from real property taxation in 2011, approximately $9.1 billion, or 20.2%, was exempted through tax abatements. This is the largest category of exempt real property in Ohio. For additional information on the amounts of tax abatement by abatement category refer to Exhibit 14-11.

The five major tax abatement categories include the following:

1. Community Urban Redevelopment Corporation Abatements--These abatements are granted by municipal corporations in specified blight areas. Companies that are granted abatements make service payments in lieu of paying real property taxes. See ORC Sections 1728.01-1728.13.

2. Community Reinvestment Area Abatements—CRA's are granted by municipalities and counties for specified real property improvements. See ORC Sections 3735.65-3735.70.

3. Tax Increment Financing Abatements--Commonly known as TIF's, granted by counties under ORC Sections 5709.77-5705.81 and 307.081 and 307.082; by municipalities under ORC Sections 5709.40-5709.43; and by townships under ORC Sections 5709.73- 5709.75.

4. Municipal Urban Renewal Abatements--Granted under ORC Sections 725.01-725.11 for designated urban renewal areas.

5. Enterprise Zone Tax Abatements--Granted by counties and municipalities under ORC Sections 5709.62-5709.65.

There are also additional abatements granted for specified types of property. An example of this is the exemption for facilities used primarily for the purpose of eliminating or reducing air, water, or noise pollution (ORC 5709.21). For additional information on tax abatements refer to Chapter 15 of this *Handbook*.

14.15 APPEALS OF PROPERTY VALUATIONS

Valuations of real property can be appealed to the county board of revision. This can occur by either the property owner or by a political subdivision. The county treasurer, county auditor, and a county commissioner selected by the board constitute the board of revision in each county.

Each elected official on the board of revision may appoint a qualified employee from the official's office to serve on the board in place of the official. They may provide for one or more additional hearing boards when necessary. The board or boards have the authority to hear and decide complaints as to the value of real property (ORC 5715.02).

The board of revision organizes annually on the second Monday of January by electing a chairman. The auditor acts as secretary to the board, and calls the board into session as often as necessary during the year (ORC 5715.09).

The board hears complaints relating to the valuation or assessment of real property, investigates those complaints, and may decrease or increase any valuation or assessment. The board of revision also may order a reassessment by the original assessor of the property (ORC 5715.11). The board also may grant exceptions when late CAUV applications are filed and may hear appeals concerning eligibility for owner occupied tax credits (formerly the 2½% tax credit or "rollback"). Farmers may not appeal CAUV valuations to the board of revision because these values are established by the Tax Commissioner. Finally, the board has jurisdiction to hear complaints about eligibility for the nonbusiness credit, formerly the "10% Rollback."

An appeal of a real property valuation must be filed with the board of revision between January 1 and March 31 of each year, or the last day for the payment of the first-half

property tax payment, whichever date is later. Appeals from the board of revision may be taken to the Board of Tax Appeals, a three member state board appointed by the Governor. Appeals from the Board of Tax Appeals go to the courts.

The Board of Tax Appeals also hears appeals relating to most state taxes where the Tax Commissioner has final authority. Thus, the Board of Tax Appeals hears appeals of valuations relating to public utility tangible personal property which impact counties. However, more than 90% of all appeals that go to the BTA are appeals taken from actions by a board of revision. As an alternative to the BTA, a property owner can appeal a board of revision decision to Common Pleas Court (ORC 5717.05). This option is open only to property owners and not to other persons or entities authorized to file complaints with a board of revision.

If taxes become due while an appeal is pending at the board of revision, the individual who appealed to a board of revision may pay the taxes as assessed by the auditor or a lesser amount. If the owner pays less than the amount of taxes due as assessed by the county auditor and the final outcome of the appeal provides for a higher value than what the payment was based on, then the owner must pay the difference plus interest.

Finally, it should be noted that in addition to this formal statutory process a number of county auditors allow for non-statutory and less formal processes, forums, or meetings to discuss and dispute property valuations. Informal reviews usually take place after the initial sexennial reappraisal or triennial update occurs and before the values become final. Informal reviews give property owners the opportunity to dispute property values and allows for adjustments prior to the adoption of final values. This can thus reduce the number of formal appeals filed with the board of revision.

14.16 INSIDE MILLAGE AND OUTSIDE MILLAGE

Article XII, Section 2 of the Ohio Constitution provides that:

> No property, taxed according to value, shall be so taxed in excess of one per cent of its true value in money for all state and local purposes, but laws may be passed authorizing taxes to be levied outside of such limitation, either when approved by at least a majority of the electors of the taxing district voting on the proposition, or when provided for by the charter of a municipal corporation.

ORC Section 5705.02 codifies this Constitutional limitation and refers to it as the "ten mill limitation." Taxes levied within the ten-mill limit are known as "inside millage" or "unvoted levies." Inside millage is divided among the county, townships, municipalities, and school districts by the county budget commission. It is interesting to note that while the Constitution limits the taxation of property to not more than 1% of true value, the statute essentially limits it to .35% given that property is assessed at 35% of its true value. Thus, state law is nearly three times as strict as the Constitution requires.

The majority of inside millage is distributed to schools; however, it is an important source of revenue for the county general fund. In most counties inside millage revenue is usually the second largest source of revenue to the general fund, following the permissive sales and use tax. County Data Exchange Bulletin 2014-01 details current inside millage rates.

“Outside millage” or “voted millage” consists of property tax levies other than those within the ten mill limit. These levies must be voted on and approved by the voters of the taxing district. By a two-thirds vote of all members of a taxing authority (in the case of a county, the board of county commissioners), a resolution may be certified to the board of elections declaring that the taxes raised within the ten mill limitation will not be sufficient for the necessary requirements of the subdivision, and that it is necessary to levy a tax in excess of the ten mill limitation. The resolution must be certified to the board of elections at least 90 days before the election. The board of elections then places the issue on the ballot (ORC 5705.19). Exhibit 14-1 at the end of this Chapter contains a list of outside millage tax levies which county commissioners may submit to the voters for approval. For more information on procedures that must be followed to submit levies to the voters see Section 14.24.

14.161 GUARANTEED INSIDE MILLAGE

The county budget commission must approve without modification a minimum levy within the ten mill limitation as long as the subdivision shows a need for the revenue in the tax budget and other subdivisions can fully meet their debt obligations. This minimum levy, also referred to as “guaranteed inside millage,” equals two-thirds of the average levy for current expenses and debt service allotted within the former 15 mill limitation during the last five years (1929-1933) the 15 mill limit was in effect (ORC 5705.31).

Recall that the 15 mill limit, which was added to the Ohio Constitution in 1929, was reduced to 10 mills in 1933 by a Constitutional amendment brought forth by initiative petition during the Depression. Refer to Exhibit 14-12 which is an example of how the minimum levy or guaranteed inside millage was calculated for all subdivisions in Fairfield County after the reduction of the limit from 15 mills to 10 mills. In addition, see County Data Exchange Bulletin 2014-01 for a list of county guaranteed inside millage rates.

A review of the Fairfield County example shows two interesting facts. First, some of the political subdivisions in existence when the calculations were performed no longer exist. This is particularly true in the case of school districts which have been consolidated with other districts. Second, the consolidation of political subdivisions has created “free millage” that has been allocated to other taxing authorities by the county budget commission. Another factor is that some counties may be collecting less than their

guarantee because they voluntarily reduced inside millage as explained in Section 14-162.

In addition, a review of Exhibit 14-2 shows that all school districts received a credit for a 2.65 mill state school property tax levy which was in effect at the time and is explained in Section 14.04.

14.162 COMMISSIONERS REDUCTION OR "ROLLBACK" OF GUARANTEED INSIDE MILLAGE

A board of county commissioners may voluntarily reduce the county's guaranteed inside millage pursuant to ORC Section 5705.313. This can be implemented in two ways:

1. When a county is increasing its permissive sales and use tax it may adopt an accompanying resolution reducing inside millage.

2. After a sales or use tax has been enacted and is in effect the commissioners may adopt a resolution reducing inside millage.

Thus, in order to voluntarily reduce inside millage, commissioners must either be increasing the rate of a permissive sales tax or have a sales tax in effect. Since all counties currently levy a permissive sales tax, the authority effectively exists for all counties.

When the authority to reduce or rollback inside millage was originally authorized in 1982, it was permitted only when a permissive sales and use tax was being enacted or the rate of a current sales tax was being increased. The amount of the inside millage reduction was required to equal 50% of the estimated revenue from a ½% sales and use tax.

This provision of law was enacted as an alternative to ¼% sales tax rates, which was being advanced by CCAO. The law was later amended, after the Legislature authorized ¼% increments in 1987, to remove the requirement that the reduction could only occur in conjunction with the enactment or increase of the permissive sales and use tax.

Some counties have used the inside millage rollback when increasing a permissive sales tax rate as a tactic to garner support for the sales tax increase. Commissioners may now, however, reduce any number of inside mills at any time as long as the reduction does not exceed the total estimated revenue from the sales and use tax.

The Commissioners must adopt a resolution to reduce inside millage, with a copy certified to the county auditor, which includes the following:

1. The current inside millage rate.

2. The number of guaranteed inside mills, if any, that are currently not being levied as a result of previous rollbacks.

3. The number of inside mills that will be reduced.

4. The resolution may either specify the number of years the reduction will be in effect or may simply state that the reduction will occur until the commissioners' levy or re-impose all or part of the reduction in the future (ORC Section 5705.313(C)).

5. The tax year when the reduction will first apply.

No other taxing unit may levy any portion of the reduced millage, except as may be required by the budget commission to provide for the payment of debt charges of any subdivision or taxing unit in the county (ORC 5705.313(B) and see also ORC 5705.31(D)). The county commissioners may, at any time, re-impose the inside millage that was reduced with the adoption of a resolution and certification to the county auditor (ORC 5705.313(C)).

14.17 CLASSIFICATION OF PROPERTY TAX LEVIES (ORC 5705.04)

ORC Section 5705.04 requires every taxing authority to divide or classify all of its property tax levies into the following separate levies:

1. Inside Millage Levies

    a. General levy for debt charges.

    b. General levy for current expenses.

    c. Special levies authorized in ORC Sections 5705.01-.5705.47 which includes a number of levies for specific purposes. Although most inside millage goes to the county general fund, some counties have allocated inside millage for the repayment of debt. For example, ORC 5705.06 authorizes commissioners to levy inside millage for the following purposes:

        (1) For the construction, reconstruction, resurfacing and repair of roads and bridges other than state roads and bridges.

        (2) For paying the county's portion of the cost of the construction, improvement, and maintenance of state highways.

(3) For any specific permanent improvement which the county is authorized to acquire, construct, or improve or any class of such improvements that can be included in a single bond issue.

(4) For library purposes authorized by law.

2. Outside Millage Levies

   a. The general levy for debt charges authorized by law or approved by the voters.

   b. Other special or general levies authorized by law or approved by the voters.

14.18 AUTHORITY OF COUNTY BUDGET COMMISSION TO REDUCE TAX LEVIES

One important responsibility of the county budget commission is to review tax budgets of all political subdivisions. Tax budgets must be adopted by July 15 of each year by most political subdivisions (January 15 for school districts) and submitted to the county auditor by July 20. If the county budget commission has waived the requirement to adopt and file a tax budget, it may require political subdivisions to submit other information so the budget commission may perform its responsibilities relating to property tax levies.

The auditor then submits the adopted tax budgets and other information if the tax budget requirement has been waived, to the budget commission for review. Upon the basis of the tax budgets or other information the budget commission certifies back to the political subdivisions the estimated tax rates as determined on the basis of need as evidenced in the tax budgets. The budget commission is required to reduce any levy if the need for the levy is not reflected in the tax budget of the political subdivision.

The budget commission looks at all sources of revenue and may revise and adjust the estimated balances and receipts included in the political subdivision's tax budget. This action applies to both inside and outside millage, and the budget commission must complete its work by September 1. Political subdivisions must then adopt an ordinance or resolution to authorize the tax levies and certify them back to the county auditor no later than October 1 (ORC Sections 5705.31 & 5705.32).

One concern for commissioners is that if certain levies are reduced by the budget commission there could be a liability on the county general fund. For example, in the case of children services and programs for the developmentally disabled, there is a potential county general fund obligation if adequate funds are not available from voted levies. Commissioners should be sure that members of the budget commission understand this potential liability if such situations arise.

One common misunderstanding is that a voter approved levy is automatically included on tax bills. Approval of a tax levy by the voters merely authorizes the levying of a tax if the tax budget of the political subdivision shows it to be clearly required. If not, the county budget commission is required to reduce the millage to an appropriate level. This principle is embodied in the following provision of ORC Section 5705.341:

> Nothing in this section or any section of the Revised Code shall permit or require the levying of any rate of taxation, whether within the ten-mill limitation or whether the levy has been approved by the electors of a taxing district, political subdivision, library district, or association library district, or by the charter of a municipal corporation in excess of such ten-mill limitation, *unless such rate of taxation for the ensuing fiscal year is clearly required by a budget of the taxing district or political subdivision* properly and lawfully adopted under this chapter, or by other information that must be provided under section 5705.281 of the Revised Code if a tax budget was waived (Emphasis added).

Thus, in the case of voted levies, the process to include the levy on the tax bill actually includes three separate actions:

1. Approval by the electors which authorizes the tax.

2. Annual determination by the county budget commission that the voter approved levy is clearly needed on the basis of the political subdivision's tax budget.

3. The annual authorizing legislation by the political subdivision which must be certified to the county auditor no later than October 1.

14.19 TAX REDUCTION FACTORS

The complexity of Ohio's property tax system is exemplified by the mechanism known as tax reduction factors. Probably no single element of Ohio's property tax system is harder to understand than property tax reduction factors. Tax reduction factors were enacted in 1976 by the 111th General Assembly as a part of HB 920. Tax reduction factors are sometimes referred to as "HB 920 factors." When enacted in 1976, the provisions of HB 920 were considered as a way to generally reduce taxes after the enactment of the state personal income tax a few years earlier. In order to understand the rationale behind tax reduction factors, it is necessary to understand some of the historical aspects of the property tax system.

Prior to the enactment of the tax reduction factor system, Ohio utilized a millage rollback system which sought to eliminate increases in taxes because of inflationary increases in valuations. The millage rollback system was the result of court challenges relating to the uniformity of assessment practices in use during the 1960's.

It was common practice during these years for agricultural and residential property to be assessed at around 25% of value; in some counties the rate was as low as 15%. At the same time, commercial and industrial property was assessed at a higher percentage,

often 50%. These assessment practices were found by the Supreme Court to violate Article XII, Section 2 of the Constitution which required "land and improvements thereon to be taxed by uniform rule according to value" during a contentious series of court cases from 1964-1972 referred to popularly as the Park Investment Cases[6].

The Supreme Court ordered the Board of Tax Appeals to assure that all real property be assessed at a uniform percent of true value. The assessment rate chosen was 35% of true or market value. SB 455 was enacted in 1972 to make this change over the next six years in each county at the time of the next sexennial reappraisal. This new system was referred to as the "millage reduction system" which was relatively simple compared to the current tax reduction factor system.

Under the millage reduction system, if real property values increased 10% after a reappraisal, then all millage rates, including rates on general business tangible personal property, were reduced by 10%. While this was simple, it resulted in a shift of tax burden from business owners (who paid the tangible personal property tax) to homeowners.

After four years of implementing the millage rollback system specified in SB 455 the General Assembly, in 1976, enacted the tax reduction factor system in HB 920. In addition to stopping tax increases due to inflationary increases in property valuation, another goal of the tax reduction factor system was to stop the relative shift of tax burden to real estate from TPP.

However, the action of moving to the tax reduction factor system led to yet another unanticipated shift in tax burden. This time the shift was from commercial and industrial real property to residential and agricultural real property.

The solution to the problem required a Constitutional Amendment, State Issue I, which was enacted in 1980. The amendment added a Section 2a to Article XII of the Constitution by modifying the "uniform rule" provision of Section 2 by allowing different rates for Class 1 property (agricultural and residential) and Class 2 property (all other including commercial, industrial, railroad, public utility real, and mineral). The net effect of this amendment was that tax reduction factors are calculated separately for Class 1 and Class 2 property, thus eliminating some of the tax burden shift between commercial and industrial real estate to homeowners.

Today, a tax reduction factor is a mechanism intended to ensure that taxing districts do not reap tax benefits or losses from changes in the value of existing property tax values resulting from the county auditor's sexennial reappraisal or the triennial update. The tax reduction factor eliminates the impact of any change in the value of all real property in

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[6] *State ex rel. Park Inv. Com v. Board of Tax Appeals*, 175 Ohio St. 410 (1964); *State ex rel. Park Inv. Com v. Board of Tax Appeals,* 16 Ohio St. 2nd 85 (1968); *State ex rel. Park Inv. Com v. Board of Tax Appeals,* 26 Ohio St. 2nd 161(1971); *State ex rel. Park Inv. Com v. Board of Tax Appeals,* 32 Ohio St. 2nd 28 (1972).

the taxing district on total collections, but does not guarantee that individual tax bills won't change. Tax reduction factors also stopped the redistribution of property tax effort between Class 1 and Class 2 properties.

Tax reduction factors apply only to levies approved by the voters on real property, not to unvoted levies (inside millage). As such, revenue from inside millage may grow with increases in value or decrease when values decline. Likewise, tax reduction factors do not apply to public utility tangible personal property or to fixed sum levies (e.g. bond levies and emergency school levies), as they generate a specified dollar amount and rates are thus already adjusted to yield the same dollar amount.

As a result of the tax reduction factor system, there are actually three different tax rates for each voted levy as follows:

1. The voted rate as originally approved by the electors.

2. The effective rate for Class 1 real property, which is the rate after the application of Class 1 tax reduction factors.

3. The effective rate for Class 2 real property, which is the rate after the application of Class 2 tax reduction factors.

The calculation of tax reduction factors is a complicated process and difficult to understand. The calculations are done each year by the Tax Commissioner for each voted levy, and the tax reduction factor is a six decimal point factor that essentially converts original voted millage rates to new annual effective millage rates used by county auditors. These six digit factors are included on real property tax bills.

Tax reduction factors are only calculated on "carryover property." Carryover property is that property which is taxed both in the preceding and current year. This means that new construction does not trigger a change in reduction factors. Thus, taxing districts are allowed to receive new revenue when new property or improvements to existing property is added to the tax duplicate.

When decreased property values, a consequence of the 2008 recession, were reflected in sexennial reappraisals or triennial updates performed after the recession, the true impact of tax reduction factors on recently voter approved levies was surprising to many taxing authorities. Most officials knew that decreased values would result in reduced revenue from inside millage. Also, most understood that fixed sum levies, such as bond and emergency school levies, would be adjusted upward to yield the fixed amount when these levies were enacted. In the case of other voted levies, to which tax reduction factors apply, the millage would generally be adjusted upward when values decrease.

While this millage adjustment is generally true, in many taxing jurisdictions the reduction in values resulting from the recession was so large that the actual dollar yield from the levies decreased. This was particularly true in the case of newer levies enacted a few years before or after the 2008 recession. While the millage of older levies had often been significantly reduced by the application of tax reduction factors during earlier years, these older levies could be adjusted upward without exceeding the millage approved by voters. On the other hand newer levies, whose millage had not been subjected to as great a reduction from the application of tax reduction factors, could not be increased enough, within the millage approved by the electors, to offset the loss resulting from the recessionary valuation reductions. To make matters even worse, from the perspective of taxing jurisdictions, is the fact that this new amount of capped revenue became the new permanent base for subsequent calculation of tax reduction factors. This, in turn, meant that the lost revenue was permanent and could only be made up by submitting a new or additional levy to the voters.

Another tax reduction factor which is important to schools is what is referred to as the “20 mill floor.” Under this process, if the application of tax reduction factors would reduce the effective tax rate for current expenses of a school district below 20.0 mills on either Class 1 or Class 2 property, the factors are adjusted to yield a minimum of 20.0 effective mills. Likewise, in the case of joint vocational school districts (JVS), if the reduction factors would reduce the JVS effective millage for current expenses below 2.0 mills, adjustments are made to assure a minimum of 2.0 effective mills on both Class 1 and 2 properties. Refer to Exhibit 14-12 for a simple example that shows the concept of how reduction factors are calculated.

14.20 INTRODUCTION TO OHIO’S PROPERTY TAX CREDIT PROGRAMS

The Ohio General Assembly has enacted three major real property tax credit programs. The nature of all three of these programs was significantly modified in 2013 in the state budget bill, HB 59, as will be explained in this and subsequent sections of this Chapter. The property tax credit programs are the 10% property tax credit, the 2½% owner-occupied property tax credit, and the homestead exemption program. A tax credit results in a direct reduction in gross taxes as calculated and charged and are shown as direct credits on the tax bill.

With the passage of HB 59 the 10% credit is now referred to and shown on tax bills as the “Non-Business Credit”. The 2½% credit will now be labeled as the “Owner Occupancy Credit”. These changes in labeling on tax bills took place on TY 2013 bills, paid in CY 2014, and included a percentage tax credit factor on the tax bill that is unique to each taxing district.

This change in labeling on the tax bills is necessary because under the recent changes in the law a full 10% or 2½% credit is no longer an accurate description of the amount of the credit in some jurisdictions. Full 10% and 2½% credit will no longer be an accurate

description in later years. These credits also apply to manufactured and mobile homes that are taxed as or like real property.

The 10% and 2½% property tax credit programs were previously referred to as "property tax rollbacks". Indeed, until tax year 2013 tax bills itemized these credits as the "10% Rollback" and the "2½% Rollback." However, they will be referred to as credits in this *Handbook* to avoid confusion with tax reduction factors which are sometimes referred to as "millage rollbacks".

The 10% and 2½% property tax credit programs (now the "non-business credit" and the "owner occupancy credit") provide a direct dollar credit on the gross amount of taxes charged. Tax reduction factors result in millage rate reductions from gross millage rates to assure that inflationary increases in property values do not result in increased taxes. After the application of tax reduction factors to gross millage rates, lower effective millage rates result. These effective millage rates, or net millage rates, are used to calculate the gross amount of taxes charged on the assessed value of the property. The non-business credit and the owner occupancy credit (formerly the 10% and 2½% property tax credits) are then calculated and subtracted from the gross taxes charged which results in the amount of taxes due from the taxpayer, or net taxes due.

The homestead exemption is a credit that is now means tested for taxpayers 65 years of age or older, those who are permanently and totally disabled, or surviving spouses who were 59 years of age when their spouse died. The means test is family income as shown on the Ohio income tax return (Line 3). New applicants whose income exceeds $30,500 are ineligible starting in TY 2014 (taxes collected in CY 2015). Those who were eligible under the former criteria, which did not include income limits, have been grandfathered. Also, in order to qualify for the homestead exemption, the house, and up to one acre of land surrounding the house, must be the principal residence of the homeowner.

The homestead exemption works differently from the other two credits in that it has the effect of reducing the true or market value of the property by $25,000 or by $8,750 of assessed value (assessed value is 35% of true value). Tax bills of those taxpayers receiving the homestead exemption show both the amount of reduction in assessed value and the dollar savings from the homestead exemption.

The state has reimbursed local government the full dollar amount of the tax credits granted to property taxpayers. This will change with TY 2014 because of legislative amendments which limit the full amount of the 10% and 2 ½% property tax credits (now referred to as non-business and owner occupied credit) primarily to renewal levies and to inside millage. The credit will not apply to new, additional, or replacement levies. Thus, property taxpayers who approve such levies will, in these cases, pay more of the property tax bill than they did under the previous system.

The following Sections of this Chapter will discuss additional details about these programs and recent changes in the law.

14.201 THE 10% PROPERTY TAX CREDIT OR "ROLLBACK" NOW REFERRED TO AS THE "NON-BUSINESS CREDIT"

This program, which began in 1971, granted a 10% reduction on each real property tax bill for residential or agricultural property. Until 2005, this reduction also applied to real property used in business. HB 66, the budget and tax reform measure enacted in 2005, largely eliminated the non-business credit for property used primarily in business effective July 1st, 2005. The non-business credit also does not apply to public utility tangible personal property.

Specific types of property are exempt from the definition of the term "business" and therefore continue to receive the non-business credit. These types of property include:

1. Property used for farming.

2. Leased property used for farming.

3. Leased property improved with single-family, two-family or three-family dwellings.

4. Property consisting of vacant land that the county auditor determines will be used in the future for farming or to develop single-family, two-family or three-family dwellings.

Property owners have the right, under ORC Section 5715.19, to contest the designation of whether property is classified as property "primarily used in business" to the board of revision.

From the beginning of the property tax credit programs until 2013, the state fully reimbursed counties and other political subdivisions for the full amount the 10% credit from the state general revenue fund. For example, in 2011 the amount of reimbursements from this credit totaled $1.1 billion.

With the enactment of HB 59, the FY14-15 State Budget, the reimbursement is eliminated for any new, additional and replacement levies voted on in the November 2013 election, or thereafter. Renewal levies, inside millage and certain substitute school levies will continue to be fully reimbursed by the state, however, any new, additional, or replacement levy approved by the voters will not be eligible for the reimbursement.

This will result in an increased net tax due from the property owner because the property tax credits will no long apply to new, additional or replacement levies. This

means that the net taxes paid by the taxpayer, if such levies are approved, will increase by 10%. In the past, the full amount of the 10% was paid for by the state through reimbursement to the taxing authority. This will make it more difficult to explain the impact of proposed property tax levies, will make it harder to decipher property tax bills, and will further complicate an already overly complicated property tax system

14.202 2½% PROPERTY TAX CREDIT OR "ROLLBACK" NOW REFERRED TO AS THE "OWNER OCCUPANCY CREDIT"

In addition to the 10% property tax credit (now non-business credit) on residential and agricultural property, and on property used or to be used for housing developments, the old law provided for an additional 2½% reduction on all owner-occupied dwellings (ORC 323.152). This property tax credit program began in 1979.

As was the case with the 10% credit, the state paid this amount of the tax bill on behalf of the property owner by reimbursing the local governments for the amount of the credit. And, as is the case with the old 10% property tax credit discussed above, the state will also no longer reimburse for any new or additional and replacement levies, but only for renewal levies and inside millage. Thus, since in many cases the 2 ½% credit will not equal a full 2½%, this credit is now called the "owner occupancy credit and will be referred to as such on tax bills beginning in tax year 2013.

In 2011, the state reimbursed local taxing authorities nearly $211 million for the 2½%, credit. When combined with the 10% credit, the total reimbursement was in excess of $1.3 billion.

14.203 HOMESTEAD EXEMPTION PROGRAM

The homestead exemption program was developed only after the passage of a Constitutional Amendment in 1970. The goal of the homestead exemption program is to grant property tax relief to elderly taxpayers and to taxpayers who are disabled and to surviving spouses. The Amendment that allowed the original homestead exemption program specifically allowed an exception to the uniform rule of taxation clause of Article XII, Section 2 of the Constitution. Later, additional amendments were passed by the voters to make other changes to the original homestead exemption program.

A 1975 Amendment was passed which allowed the homestead exemption program to also apply to permanently and totally disabled Ohioans. Fifteen years later the Constitution was again amended to assure a surviving spouse, who is at least 59 but not 65 or more on the day of the homestead recipient's death, could retain the homestead exemption when the deceased spouse qualified, but the surviving spouse did not meet eligibility requirements.

This tax credit is granted to qualified low-income elderly or disabled homeowners or their surviving spouses. The homeowner must be at least 65 years old or permanently and totally disabled. A surviving spouse must be at least 59 years old, if the deceased spouse had previously received the homestead reduction. The statute provides that the income of the applicant and spouse must be less than $30,000 and is adjusted annually by journal entry of the Tax Commissioner. For new applicants, beginning in TY 2014, they must have Ohio adjusted gross family earnings of less than $30,500 to qualify.

The homestead exemption program has gone through a number of changes since 2007. Prior to TY 2007, the program was a means tested program by income. As such, the homestead exemption was granted to otherwise qualifying applicants on the basis of income of the owner and spouse. In 2006 the following income schedule was used:

Total Income of Owner & Spouse	Reduction of Taxable Value by the Lesser of
$0-13,400	$5,500 or 75% of taxable value
13,401-19,700	3,400 or 60% of taxable value
19,701-26,200	1,100 or 25% of taxable value
26,201 or more	No Reduction

Under the Strickland Administration, the homestead exemption program was expanded in HB 119 of the 127th General Assembly by eliminating income limits. Thus, the program was statutorily available to anyone over 65, permanently and totally disabled persons, and surviving spouses. The state continued to reimburse taxing authorities for the entire loss resulting from the expansion of the homestead exemption. As can be seen from the following table, the number of persons qualifying and the amount of tax revenue reimbursed to local governments increased significantly:

Tax Year	Number of Homestead Exemptions	Dollar Savings/Reimbursements to Local Governments (in millions)
2006	216,810	$70.1
2007	776,154	318.0
2008	813,848	344.6
2009	835,224	364.3
2010	854,251	378.7
2011	870,568	400.1

With the elimination of income limitations, over four times as many Ohioans qualified for the homestead exemption in 2011 as qualified in 2006. Likewise, the dollar amount of property tax savings, and reimbursements to taxing authorities, increased from $70-$400 million, an increase of over 470%.

Under the Kasich Administration's second budget, HB 59, concern was expressed that the annual cost of the three property tax credit programs had increased to $1.7 billion. As a result of these concerns, last minute changes were made to the state budget bill that not only reduced reimbursements for the 10% and 2½% property tax credit programs but also modified the homestead exemption program. These changes were justified by the Administration and some in the Legislature on the grounds that the changes would provide for more "transparency" in taxation because some taxpayers did not know that a portion of their property tax bill was effectively being paid for by the state. In addition, supporters of the change said it made sense to reduce the "rollbacks" because of the state income tax reductions also contained in the bill given the fact that the 10% credit was originally enacted in the wake of the establishment of the state personal income tax.

In the case of the homestead exemption program, the change was a return to a means tested program based on income for new applicants, while grandfathering those currently on the "old" homestead exemption program. To be grandfathered a taxpayer must be on the homestead exemption in tax year 2013.

More specifically, seniors who were 65 or older in 2013 or individuals found to be totally and permanently disabled as of January 1, 2013 and who owned and occupied their homes since at least January 1, 2013 and received the homestead exemption for 2013 will continue to receive the homestead exemption until June 2, 2014 without being subject to income requirements. However, seniors turning 65 in 2014 and those found to be totally and permanently disabled as of January 1, 2014 applying for the homestead exemption for the first time will be eligible only if their household income for tax year 2013 was less than $30,500. Persons who received a Homestead Exemption on any property within the state for tax year 2013 may move to a new residence within the state and qualify for the homestead exemption on a new, otherwise qualifying home without meeting the income threshold test required of new applicants.

As the homestead exemption program now exists for new applicants in tax year 2014, the owner and spouse must make less than $30,500 (indexed to inflation) in order to qualify. Those who qualify then receive a reduction of $25,000 in the true or market value of the home, which also translates into a reduction in the assessed value of the property of $8,750 to which effective millage rates are applied. Unlike the 10% and 2½% credit programs which were renamed on the tax bill as noted above, the homestead exemption itemized credit line item is the same as on previous tax bills.

14.204 HOMESTEAD EXEMPTION FOR QUALIFIED DISABLED VETERANS

The Ohio General Assembly has enacted special homestead exemption eligibility provisions for qualifying disabled veterans. HB 85 became effective on September 11, 2014 and its provisions can apply to Tax Year 2013 tax bills. As stated in the previous section, those who qualify for the homestead exemption generally receive a reduction of $25,000 in the true or market value of a home, including a manufactured or mobile

home. This translates into a reduction in the assessed value of the property of $8,750 to which effective millage rates are applied.

Under the new law a disabled veteran is eligible for a reduction of $50,000 in the true or market value of the home, or $17,500 in assessed value to which effective millage rates are applied. In addition, disabled veterans are exempt from the homestead exemption income limitation which applies to non-disabled veterans.

In order to qualify for this special exemption as a disabled veteran, the applicant must be a U.S. armed forces veteran, including the reserves or the National Guard. The applicant also must receive a permanent total disability rating or a total disability rating for a service-connected disability or a combination of service-connected disabilities for which the schedule for rating disabilities under federal regulations prescribes a 100% evaluation. When applying for the exemption, the veteran must provide written confirmation of the disability from the U.S. Department of Veterans Affairs.

Likewise, if a disabled veteran dies while receiving the increased homestead exemption, the exemption continues for the property if a surviving spouse acquires ownership of the dwelling and resides there. Unlike the current law exemption, no age restriction is placed on surviving spouses of disabled veterans. The exemption continues through the year in which the surviving spouse dies or remarries. In the case of a homestead that is a unit in a house cooperative, the surviving spouse need not obtain ownership, but must occupy the unit.

14.205 STATE PROPERTY TAX ADMINISTRATION FUND

Specified amounts of real property tax credit monies that otherwise would be distributed to counties, school districts and other local taxing entities by the Department of Taxation are retained by the Department and diverted to the State Property Tax Administration Fund (ORC 5703.80). The monies in this fund are used by the Department to defray the costs of property tax administration and the equalization of real property valuation.

The amount the Department receives is based on .48% of the amount of taxes reduced from the non-business credit as shown on the preceding year’s real and public utility real property tax duplicate and .951% of the amount charged against public utility personal property during the preceding year. This administrative cost is a loss of approximately $12 million per year to local governments. This is in addition to approximately $20 million per year the Department withholds to administer county and regional transit authority permissive sales and use taxes and certain other smaller administrative charges for such activities as administration of the gas tax and 9-1-1 tax administration.

14.21 GENERAL TYPES OF VOTED PROPERTY TAX LEVIES

Generally, Ohio law authorizes the following five general types of voted property tax levies:

1. Additional Levy - A tax levy which is not already being collected and is in addition to other existing taxes. Additional tax levies are also often referred to as "new levies." Passage of a new or additional levy is a tax increase to property owners.

2. Renewal Levy - A tax levy which seeks to renew all or a portion of an existing tax. An existing levy is renewed at the millage rate in effect at the time electors renew the levy. The tax rate is less than the original rate when the levy was approved by the electors because of the application of tax reduction factors which reduce the effective millage rate.

   For example, a 5.0 mill levy that was approved by the electors five years ago is proposed to be renewed. As a result of the application of tax reduction factors since its original approval, the levy is now being collected at an effective rate of 3.00 mills. If the 5.0 mill levy renewal is approved by the electors, it is continued at the 3.00 mill effective rate and new tax reduction factors will apply to the levy in the future. Passage of a renewal levy is not a tax increase to property owners.

3. Replacement Levy - A tax levy which seeks to replace all or a portion of an existing tax. An existing levy is replaced at the rate originally approved by the electors. As such, the effective tax rate of a replaced levy is reset to the rate at which the tax was originally levied and is no longer subject to application of accrued tax reduction factors.

   For example, in the case of the 5.0 mill levy used in the example above, the replacement levy would be levied at an effective rate of 5.0 mills, not the 3.00 mill effective rate that would be levied if it were approved as a renewal levy. As a replacement levy the effective millage would be 2.0 mills higher than if the levy had been renewed, and the accrued tax reduction factors applied to the replaced levy. Passage of a replacement levy is a tax increase to property owners.

   In addition, the following provisions also apply to both renewal and replacement levies:

   a. A replacement levy must be limited to the purpose or purposes of the existing levy.

   b. It must appear on the ballot separately from any other levy.

c. It must be placed on the ballot at a general election the last year the existing levy is in effect or the date of any election the following year.

d. All or any portion of two existing levies may be combined into one replacement levy, but only if both expire in the same year and are for the same purpose.

e. The form of the ballot is specified in ORC Section 5705.192.

4. Bond Issue or Bond Levy - A tax levy that is used to pay principal and interest on capital improvement projects. The bond issue is limited to one purpose which must be specified in the resolution and on the ballot.

5. Other Types of Levies - While the four types of levies specified above are the types of levies commonly used by counties, there are other special type levies for schools that may appear on the ballot. This includes emergency, incremental, conversion, and substitute levies. Indeed, in 2007 the tax levy summaries published by the Ohio Department of Education showed 32 different types of levies available for schools, however, some of the 32 also include both earned and unearned school district income tax levies.[7]

Finally, in the case of renewal and replacement levies, they may be placed on the ballot with either an increase or a decrease in millage. Thus, these additional options exist for renewal and replacement levies:

1. Renewal with an increase.

2. Renewal with a decrease.

3. Replacement with an increase.

4. Replacement with a decrease.

As becomes evident, this can easily become confusing, not only to governmental officials, but also to the public. For example, let's consider a proposed replacement of a levy in conjunction with a decrease. Assume that a levy was originally approved by the electors at 5.0 mills and the effective rate of the levy is now 3.00 mills. The subdivision proposes a replacement of the 5.0 mill levy with a decrease of 1 mill. In this case the tax would be replaced at the effective rate of 4.0 mills, even though the ballot question reads as a "replacement and a decrease."

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[7] Fleeter, Howard. *Analysis of Ohio School District Operating Levies From 1994-2006.* Educational Tax Policy Institute, January 2007.

Because of this and other factors, some have suggested it is time to make significant changes to the way the property tax system works in Ohio so that the system is more transparent and easier for voters to understand. For example, Joe Testa, writing for the Buckeye Institute for Public Policy Solutions before he became Tax Commissioner, wrote:

> No single Governor or General Assembly—Republican or Democrat—would have ever designed the property tax law we have in place in Ohio today. Although there are important elements and safeguards that need to be retained, the process of property valuation and taxation under Ohio law needs an overhaul. What has occurred is a series of "tweaks" to the ORC over many years through many administrations and leadership changes in state government to address specific concerns and challenges to this process. The result is too convoluted for most property owners and voters who cannot afford to spend years to gain sufficient expertise to unravel it.[8]

14.22 FIXED RATE AND FIXED SUM LEVIES

Property tax levies are also classified as either fixed rate or fixed sum levies. With a fixed rate levy electors vote for a certain millage rate which is levied each year after the application of tax reduction factors to the millage. In the case of a county, most of its levies and those of levy funded agencies are fixed rate levies.

A fixed sum levy is one where the electors vote for a certain amount of tax revenue to be collected regardless of property values. Tax reduction factors are not applied to fixed sum levies. The best example of a county fixed sum levy is a bond levy to retire debt. A school district emergency level is another fixed sum levy. With a fixed sum levy, the millage goes down if property values increase, but will increase if property values decrease because a certain amount of revenue is needed to retire the debt.

14.23 DURATION OF PROPERTY TAX LEVIES

The duration of property tax levies is governed by state law. Generally, the duration of a voted property tax levy may be any number of years not exceeding five. However, there are numerous exceptions to the five-year limitation. In the case of a debt levy, the length is for the term of the indebtedness and a maximum number of years must be included on the ballot. Other specific levies may run for a continuing period of time, for a specified number of years, or for up to ten years. Exhibit 14-1 at the end of this Chapter includes a table of the various specific tax levy authorities where county commissioners are the taxing authority which includes details on the duration of each type of levy.

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[8] Testa, Joe. *The Need for Levy Reform in Ohio (Conversion Levy: One Vote, Permanent Tax Increase).* The Buckeye Institute For Public Policy Solutions, May, 2010.

14.24 PROCEDURES AND CONTENT OF RESOLUTIONS TO SUBMIT AN OUTSIDE MILLAGE LEVY TO THE VOTERS

The board of county commissioners is the county's taxing authority for most county voted levies. There are a number of situations where the commissioners are not a taxing authority. For example, in the case of a joint-county alcohol, drug addiction, and mental health service district serving the county, this multi-county board is the taxing authority. Other taxing authorities that may submit levies within the county are listed in ORC Section 5705.01.

In most cases where the board of county commissioners is the taxing authority, the board has discretion on whether and when to put a levy on the ballot, the amount of the levy and the duration of the levy. In some circumstances, however, the commissioners do not have this discretion and simply act in a ministerial and administrative capacity and must submit the levy to the voters if requested by the appropriate board.

For example, this lack of discretion applies to levies submitted to the commissioners by a library board and the board of a general and combined health district. In the case of levies for a health district pursuant to ORC Section 3709.29 the Attorney General has stated that the "board of county commissioners has a mandatory duty upon certification of a deficiency by the board of health to pass a resolution . . . and to file such resolution with the board of elections for placement on the ballot . . ." (OAG 2001-013).

Also, in the case of a library district submitting a levy to the commissioners pursuant to ORC Section 5705.23 the Attorney General ruled that "a board of library trustees cannot independently cause a tax levy to be submitted to the voters; it must act through a separate taxing authority. Yet, the taxing authority's function is merely ministerial . . .". Further, the Attorney General concluded that "while the taxing authority (the board of county commissioners) must perform the administrative function of submitting the question to the electors, all discretionary decisions concerning the need for the tax, the level of the tax, and the timing and duration must be made by the board of public library trustees." (OAG 88-013).

The procedural steps required to submit the question of levying a property tax varies according to the purpose of the levy. ORC Section 5705.03(B) sets forth the basic procedural requirements to be followed for any outside millage levy. All revenue raised from the levy must be applied to the purpose or purposes listed in the resolution. Receipts are deposited to a special revenue fund to assure the funds are used solely for these purposes. This section does not specifically authorize any tax, it only deals with the procedures to be followed. For a listing of specific levies that may be submitted to the electors by the county commissioners see Exhibit 14-1 at the end of this Chapter. Following are the procedural steps required by ORC 5703.03(B):

1. Adoption of Resolution of Necessity and Certification to County Auditor--The board of county commissioners must adopt a resolution declaring it is necessary to levy a tax outside the 10-mill limitation and requesting the county auditor to certify to the commissioners either the total current tax valuation of the subdivision; the number of mills required to generate a specified amount of revenue; or, the dollar amount of revenue that would be generated by a specified number of mills.

   The resolution of necessity must include all the following:

   a. The purpose of the tax.

   b. Whether the tax is an additional levy, a renewal levy, or a replacement levy.

   c. The specific ORC Section authorizing submission of the question of the tax for a particular purpose.

   The commissioners must certify the resolution of necessity to the county auditor.

2. Certification of Tax Information from the County Auditor--The county auditor must issue the certification back to the county commissioners within 10 days after receiving a certified resolution of necessity. The auditor's certification includes total current tax valuation of the subdivision, and the number of mills required to generate a specified amount of revenue, or the dollar amount of revenue that would be generated by a specified number of mills, depending on what the commissioners requested in its resolution.

3. Adoption of Resolution to Proceed--After receiving the certification from the county auditor, if the commissioners decide to submit the tax levy to the voters, the commissioners adopt a resolution stating its intention to proceed with the ballot issue. The resolution to proceed must generally be confined to one purpose, unless multiple purposes are specifically authorized.

   The resolution to proceed must:

   a. Declare that the amount of taxes which may be raised within the 10-mill limitation will be insufficient to provide for the necessary requirements of the county and it is necessary to levy a tax in excess of the limitation;

   b. The rate of the tax levy, expressed in mills for each one dollar in tax valuation as estimated by the county auditor;

c. State the purpose of the levy and whether it is an additional levy, a renewal levy, a replacement levy, or a renewal or replacement in conjunction with either an increase or a decrease;

d. The number of years the levy will be in effect;

e. The tax year the levy will begin; and

f. The date of the election when the issue will appear on the ballot.

g. While not specifically required by statute, it is highly recommended that the resolution also include the ORC Section that authorizes the tax levy. This information is necessary for the board of elections to prepare correct ballot language and format as specified in ORC Section 5705.25.

4. Certification of Resolution to Proceed to the Board of Elections--The commissioners must certify the resolution to proceed to the board of elections in the manner and within the time prescribed by the ORC Section governing submission of the question. Most resolutions to proceed will be governed by the provisions of ORC Section 3501.02(F), which requires that any issue to be voted upon at an election shall be certified to the board of elections not later than 4 p.m. of the 90th day before the day of the election, but be sure the levy is not one of the exceptions to this rule.

A copy of the county auditor's certification must accompany the certified resolution to proceed when the commissioners file the resolution with the board of elections. State law specifically prohibits a board of elections from placing the issue on the ballot without a copy of the auditor's certification attached.

It should be noted that there may be other items that must be included in the resolutions specified above. The major point to remember is that the commissioners must work with both the entity requesting the levy, the county prosecutor, and the county auditor to ensure the resolutions meet all statutory requirements. For example, in the case of a resolution dealing with general obligation bonds, ORC Section133.18 also applies.

As a general rule, ORC Section 5705.25 provides that additional levies will be submitted at a general election. However, there are many exceptions to this limitation. For example, an additional levy authorized pursuant to ORC Section 5705.191 may be submitted at a general, primary or special election. While most county officials know that a levy under this section is for various health and human service purposes (public assistance, human or social services, relief, welfare, hospitalization, health, and support of general or tuberculosis hospitals), most do not know that this same statute also authorizes any levy authorized under ORC Section 5705.19 to be levied pursuant to

ORC Section 5705.191. In the case of a county, this means that most levies may be submitted at a general, primary or special election like most school levies.

Other provisions of the law can make this process even more complex and often confusing. For example, in some cases renewal and replacement levies must be submitted at a general election in the last year the levy appears on the tax duplicate or during the last year it is collected. For example, such a levy that expires in tax year 2013 which is collected during 2014 can only be on the ballot in the general election in 2013 or at a general, primary or special election in 2014. Yet, be warned, there are a lot of exceptions to these general rules. Legal advice and the knowledge of the county auditor are important for the board of commissioners to meet its responsibility.

Then there is the issue of what is a special election. Under Ohio's election laws, a "special election" is defined as "any election other than those elections defined in other divisions of this section" (ORC 3501.01(D)). The "other elections" defined in ORC 3501.01 are the "general election," "regular municipal election," "regular state election," "primary election" and "presidential primary election."

Because most "other elections" involve the nomination or election of candidates, the term "special election" generally has come to be accepted to mean an election on questions and issues. However, some special elections are held also to fill Congressional vacancies.

The statutory guidelines for when to hold special elections are set forth primarily in two ORC Sections (ORC 3501.01(D) & 3501.02(E)). Under a reading of these two sections, special elections may be held on the following dates:

1. In a non-presidential primary year, on the first Tuesday after the first Monday in February, May, August, and November, or on the day authorized by a county charter for the holding of a primary election.

2. In a presidential primary year, on the first Tuesday after the first Monday in March (the presidential primary day), August and November. No special election shall be held in February or May of a presidential primary year, except as authorized by a municipal or county charter.

Finally, there are a series of rules that specify when a levy may be placed on the current year tax duplicate and other related issues that are unique to specific levies that are too detailed for this summary. In most cases, a levy increase is first applied against the tax duplicate for the current tax year, with taxes being collected during the following year because real property taxes are collected one year in arrears.

Fortunately for commissioners, most levy funded agencies, the county auditor, county prosecutor, and the boards of election are familiar with the various details and are of

great help. In order to become generally familiar with these issues, commissioners should review ORC Sections 5703.02, 5705.19, 5705.191, and 5705.25 relating to tax law and to ORC Sections 3501.01(D) and (E) relating to elections. Also, the Secretary of State publishes the *Ohio Ballot Questions and Issues Handbook* which is primarily for the use of board of election members and is probably the most authoritative source of information on this topic.

14.25 COLLECTION OF REAL PROPERTY TAXES

The county treasurer has the challenging responsibility to collect real, public utility tangible personal and manufactured and mobile home taxes. The treasurer also must calculate penalties and interest on late tax payments; is involved in the collection of delinquent taxes and enters into delinquent payment contracts with delinquent taxpayers; and, is engaged in the foreclosure process. A number of county treasurers administer tax lien certificate sales as an alternative to other methods to collect delinquent taxes. The treasurer also provides services to taxpayers such as the establishment of prepayment plans with the use of escrow accounts to help taxpayers save for their current semiannual tax obligation and to assure taxes do not become delinquent. A number of county treasurers have become moving forces in their communities in the establishment of county land reutilization corporations (county land banks) to assist in fighting the problem of abandoned structures and community blight and to stabilize neighborhoods.

Immediately upon receipt of the tax duplicate from the county auditor, the county treasurer prepares tax bills and mails or delivers them to persons charged with taxes on the tax duplicate (ORC 323.13). Recall that the county auditor compiles the general tax list and duplicate of real and public utility property on or before the first Monday of August and must make corrections to the list no later than the first Monday of September. The corrected list includes additions and deductions ordered by the Division of Tax Equalization or the county board of revision. Then on October 1, always extended until the first Monday in December, the auditor delivers the final list to the treasurer.

In practice, tax bills are often prepared by the auditor's office or the county's data processing center instead of the treasurer's office. The content of tax bills are subject to approval by the Tax Commissioner and must be sent at least 20 days before the end of the payment period for first half taxes.

Either the full amount or one-half of the taxes due must be paid before December 31st. As mentioned previously, this date is always extended to January 31 of the following tax year. Any balance must be paid by June 20 (ORC 323.12). If delivery of the tax duplicate is delayed for specified statutory reasons, payment dates are automatically extended for 30 days. The Tax Commissioner may further extend the time by 15 days in case of an emergency and upon application of either the county auditor or treasurer. An

additional extension of time may be granted by the Tax Commissioner for unavoidable delays if both the auditor and treasurer request the extension (ORC 323.17).

The treasurer receives the tax payments, and on February 15th and August 10th, or later if the payment of taxes has been extended, the county auditor settles with the county treasurer and determines the amounts that have been collected (ORC 319.43-.45). The auditor then certifies these amounts to the treasurer and calculates the payment due to each taxing authority. After the auditor calculates the payment due each subdivision and certifies the amount to the treasurer the funds are distributed to the taxing authorities. (ORC 321.31).

In the case of public utility tangible personal property taxes the payment dates are also December 31 and June 20. For additional information refer to Sections 14.10-14.103 of this Chapter.

In the case of manufactured and mobile homes, the county auditor is required to deliver the manufactured and mobile home tax list to the county treasurer by January 15 of each year unless an extension is granted by the Tax Commissioner. First half taxes are due on March 1 and second half taxes are due on July 31, unless extensions are granted. Taxes on manufactured and mobile homes, unlike real property taxes which are paid a year in arrears, are paid for the current year shown on the tax bill.

Finally, in the case of military personnel, Ohio law allows for extended payment periods. An application must be filed with the county treasurer. Taxes on real property and manufactured and mobile homes may be delayed during the period the person is on active duty and for six months after the conclusion of the tour of active duty. Payments can thus be delayed until the seventh month after active duty ends.

14.251 PENALTIES AND INTEREST FOR LATE PAYMENT OF TAXES

If either real or manufactured and mobile home taxes are not paid when due, penalties and interest charges are provided for under law. If taxes are late, a 10% penalty is added to the current year taxes due. However, if the taxes are paid within the first 10 days, the penalty is reduced to 5% of current taxes. This applies to both first half and second half current taxes (ORC 323.121(A) & (C)). If the taxpayer enters into a delinquent tax contract for unpaid first half taxes, the penalty is not added to the second half tax bill.

A taxpayer may request the remission of a penalty that has been assessed against real estate or manufactured and mobile homes by filing a form with the treasurer, but penalties can only be removed for specific reasons as outlined by Ohio law. The penalty can also be remitted by the board of revision for reasonable cause.

Interest is charged on the first day of the month after the deadline for second half taxes. This interest charge, however, is only on delinquent taxes from the prior year, not on the current taxes (ORC 323.121(B)(1)). Then, on December 1, interest is charged on all delinquent taxes, which includes both prior year and current year delinquent taxes. Special provisions apply in a county that has established a county land reutilization corporation, commonly referred to as a land bank. For more information see ORC Section 323.121(B)(2).

The annual interest rate varies each year and is the rate specified in ORC Section 5703.47. This interest rate is established each year by the Tax Commissioner on October 15 and is the federal short term interest rate plus 3%. The 2014 annual rate established by the Tax Commissioner was 3.0%, or ¼% per month. The Tax Commissioner establishes these rates by journal entry.

14.252 PREPAYMENT PLANS AND ESCROW ACCOUNTS

The county treasurer, with the approval of the Tax Commissioner, may establish prepayment programs for taxpayers of real property and manufactured and mobile homes. The treasurer and taxpayer enter into a written agreement where the taxpayer agrees to make the prepayments and the treasurer agrees to hold the prepayments until the last day for the collection of first half and second half taxes and the amount in the escrow account will be applied to the taxes due.

The agreement also may provide that the treasurer will invest the prepayments and give the taxpayer a discount on the taxes due to reflect the amount of interest earned after paying for the costs to establish and administer the program. Interest earnings on prepayments are credited to a special interest account. In the event the agreement does not provide for such a discount, any interest earned will be used to pay for the cost of establishing and administering the prepayment program. The program may also be set up so that funds can be debited directly from checking accounts by the treasurer or the payments can be made by credit card. In many counties the treasurer provides a coupon book to assist the taxpayer in making monthly payments.

The tax bill of any taxpayer that participates in a prepayment plan also includes a tax escrow statement which shows the total amount of prepayments received on or before the date the statement was prepared, the balance of total taxes due for which no prepayment has been received, the amount of any discount to be applied to total taxes due, and the date the statement was prepared.

When the treasurer applies the prepayments to the tax bill on the last day for payment of first half or second half taxes, if there are not adequate funds in the escrow account to fully pay the taxes, then the bill is subject to normal penalty and interest charges. See ORC Section 321.45 for additional information.

14.26 ADVANCES AND DISTRIBUTIONS TO POLITICAL SUBDIVISIONS

Immediately after each settlement, and upon presentation of the warrant of the auditor, the treasurer pays the fiscal officer of each taxing district all monies belonging to the taxing district (ORC 321.31).

Local taxing authorities also may, by resolution, request advances. If such a request is made, the county auditor must pay the taxing districts any money in the county treasury belonging to the local taxing authorities. The auditor and treasurer may retain necessary funds to pay obligations which the county must pay directly on behalf of a local taxing authority. The auditor draws separate warrants for funds allocated to the general fund and debt charges (ORC 321.34).

On the first Monday of February and August, the treasurer pays to municipal corporations all monies from taxes levied and special assessments made belonging to the municipal corporation (ORC 321.33).

14.27 RETAINAGE AT SETTLEMENT BY AUDITOR AND TREASURER

In addition to the monies retained at settlement from taxing districts for deposit into the real estate assessment fund (REA) explained earlier, the following amounts are retained for the services of the auditor and treasurer and deposited in the county general fund:

Amount of Collection	% Retained for Auditor's Services (ORC 319.54)	% Retained for Treasurer's Services (ORC 321.26)
First $100,000	2.5%	2.9947%
Next $2 million	.8318%	.9982%
Next $2 million	.6655%	.7986%
All other collections	.1663%	.1996%

14.28 DELINQUENT TAX COLLECTION

Immediately after the August settlement required by ORC Section 321.24(C), the county auditor must compile a list of all lands on which taxes are delinquent. The delinquent land list contains a description of the property, the name of the person in whose name it is listed, and the amount of taxes, penalties, interest, recoupment charges, and special assessments due. If there is a county land bank that receives penalties and interest this must also be shown on the list. The auditor places on the tax list and the treasurer's duplicate the word "delinquent." This is a notice to any purchaser that the taxes are delinquent (ORC 5721.11). The original list is retained by the county auditor. The duplicate of this list is certified and delivered to the county treasurer within 30 days after the August settlement (ORC 5721.011).

The auditor must also compile a delinquent vacant land list which includes all delinquent vacant lands prior to beginning foreclosure and forfeiture proceedings against delinquent vacant lands pursuant to ORC Section 5721.18.

The county auditor publishes the delinquent lands list and the delinquent vacant lands list in a newspaper of general circulation in the county, once a week for two consecutive weeks within 60 days after the delivery of the duplicate to the treasurer. The auditor may also publish the list or lists on a pre-printed insert in the newspaper. The cost of the second publication cannot exceed 75% of the cost of the first publication.

Once a week for two consecutive weeks prior to this publication, the auditor publishes, also in a newspaper of general circulation in the county, two display notices of the forthcoming publication of the delinquent lands list (ORC 5721.03). The display notices must be published at least 10 days before publication of the delinquent lands list.

The display notices must contain the times and methods for the payment of taxes and must include information on how installment payments can be made through a written delinquent tax contract. The display notice also must specify that an interest charge will accrue if taxes are still unpaid after the last day of November, unless the taxpayer enters into a written delinquent tax contract.

The display notice for the delinquent vacant land tax list must also include a notice that delinquent vacant lands are those parcels on which taxes have remained unpaid for one year after being certified delinquent, and that they are subject to foreclosure proceedings as specified in ORC Sections 323.25, 323.65-323.79 or ORC Section 5721.18. The notice must also state that those parcels on the delinquent vacant lands list are subject to foreclosure and forfeiture proceedings pursuant to ORC Section 5721.14. The display notice also must state that the lands are subject to a tax certificate sale under ORC Sections 5721.32-5721.33 or may be assigned to a county land bank.

If the board of county commissioners, in a county with a population of 200,000 or more, deems it necessary, it may, with the consent of the prosecuting attorney, authorize the county treasurer to employ collectors to collect the delinquent taxes (ORC 5721.021). The commissioners fix the compensation of these collectors and also provides for the reasonable and necessary expenses of collection, to be paid out of the county treasury. All compensation and expenses must be apportioned ratably by the county auditor among all the funds entitled to share in the distribution of the delinquent taxes that are collected.

14.281 DELINQUENT TAX CONTRACTS

ORC Section 323.31 outlines provisions for delinquent tax contracts for both real property and manufactured and mobile homes. Delinquent tax contracts provide a

mechanism to help delinquent property taxpayers become current on their delinquent taxes.

These payment plans are set up for monthly installments, usually either by coupon payments or automatic withdrawal from a saving or checking account. Once a contract has been signed and the first payment has been made, no additional interest or penalties will be added to delinquent account. The contract will also remove the property from future foreclosure actions and tax lien sales.

The contract typically extends the delinquency repayment period to 24 months, however, the treasurer may allow for longer repayment periods. Delinquent tax contracts require current taxes to be paid on time and the delinquent tax contract may also include provisions so that both delinquent and current taxes are combined into a monthly payment schedule.

If the delinquent tax contract is voided or defaulted, previously accrued penalty and interest charges will be immediately applied to the account, and the property could become subject to foreclosure proceedings or a tax lien sale.

14.282 FORECLOSURE FOR NON PAYMENT OF TAXES

Counties make every effort to avoid foreclosure proceedings which can end in a sheriff's sale of the property to collect delinquent taxes. If the owner continues to not pay taxes or does not enter into a delinquent tax contract, then the treasurer forwards the account to the county prosecutor to begin foreclosure proceedings. Another option is for the property to be bundled with other properties in a tax lien sale.

One year after the certification of the delinquent land list, and 28 days after the final publication of the delinquent vacant land tax list, the auditor makes a master list of delinquent parcels, which contains a listing of all parcels of delinquent lands and delinquent vacant lands and the amount of taxes owed. This list is certified to the county prosecuting attorney (ORC 5721.13 & 5721.14).

The prosecutor then commences foreclosure proceedings on the parcels included on the master list. Two primary types of foreclosure proceedings are provided for under the law. The first is simply referred to as foreclosure and is explained in ORC Sections 323.25, 5721.13 and 5721.14. This foreclosure process allows an action in common pleas court in the same manner that mortgage liens are enforced. The other process is a foreclosure and forfeiture proceeding under ORC Section 5721.18. These ORC sections describe foreclosure proceedings based on liens filed by the state against the delinquent property.

In addition, HB 294, enacted by the 126th General Assembly in 2006, creates an expedited foreclosure process, outside of the formal judicial process, to be initiated by

the county board of revision, which applies solely to parcels of property that are tax delinquent for a time period of at least two years and that are vacant and unoccupied. This expedited process is codified in ORC Sections 323.65-323.75.

In normal foreclosure proceedings the prosecutor files an action in court. A summons is delivered to the taxpayer by certified mail. A copy of the complaint is sent to any party owning an interest in the property. The taxpayer has 28 days to respond. Once the foreclosure action is filed with the clerk of courts, additional fees are charged.

Once a judgment entry is made by the court, a sheriff's sale is scheduled. Notice of the sale is provided in a newspaper of general circulation for three consecutive weeks prior to the sale. The taxpayer may redeem the property prior to the filing of an entry confirming the sale. Payment must be made in full for all taxes, special assessments, penalties, interest, fees, and court costs in order to stop the sheriff's sale.

In many counties there are now really three different types of foreclosure sales that occur:

1. Mortgage Foreclosure Sales—A sale initiated by mortgage company or bank when the property owner defaults on a loan.

2. Treasurer's Tax Sales—A sale initiated by the treasurer for the failure of the property owner to pay property taxes.

3. Tax Lien Foreclosure Sales—A sale initiated by the tax lien holder when the county sold a tax lien to a third party and the property owner failed to pay the third party holding the tax lien.

14.283 SALE OF FORFEITED LANDS BY COUNTY AUDITOR

If tax foreclosed properties have been offered at a Sheriff's sale on two separate occasions, at least two weeks apart, and are not sold the properties are forfeited to the State of Ohio and are remanded to the county auditor for sale. Likewise, tax foreclosed properties which have been offered for sale by tax certificates on two separate occasions are subject to forfeiture to the state.

During the forfeited land sale auction, the county auditor offers each parcel at a "minimum bid." The minimum bid is the lower of either the delinquent taxes, including assessments, penalties and interest, or the market value as determined by the auditor. The minimum price also includes all costs incurred by the county in the foreclosure and forfeiture process. A parcel not sold for the minimum bid at the first sale will be offered immediately following the first sale at a reduced best price at the second sale determined by the county auditor.

Under this procedure, a political subdivision, a county land bank, or the Department of Natural Resources (DNR) also may obtain the parcel. ORC Chapter 5723 establishes procedures to be followed for forfeited land sales by the county auditor which includes the following major steps:

1. Once the parcel is offered for sheriff's or tax lien sale and is not sold the political subdivisions and land banks in which the parcel is located are notified by the court. If no forfeiture petition is filed with the court by a political subdivision or land bank within 10 days, then the county prosecutor certifies to the court that the parcel is forfeited to the state (ORC 5723.01).

2. The forfeited parcel is exempted from taxation from the date of forfeiture to the state until sold. The proportion of taxes between these two dates will be remitted by the county auditor (5723.02).

3. The auditor fixes the date for the auditor's sale of forfeited lands and advertises them once a week for two consecutive weeks prior to the sale and the notice must include the information required by ORC Section 5723.05.

4. The owner may pay taxes and costs and redeem the parcel any time prior to time of the auditor's sale.

5. Within 10 days of compiling the forfeited land list, the auditor must forward it to DNR who may select parcels "situated within the boundaries of any legally established state forest or park purchase area". DNR may give written notice to the auditor prior to the sale date indicating the department's intention to purchase forfeited land for the state. Such notice is a legal minimum bid and if no bid is received that covers the lesser of the auditor's market value or the total taxes and costs (5721.16 (A)(1)(2)), the land is deemed sold to the state for no consideration and DNR records the deed.

6. The auditor personally attends the sale and offers the parcels to the highest bidder, beginning with the first tract contained in the list. This is the first sale and the minimum bid (ORC 5721.16(A)) must be the lesser of the auditor's fair market value or the total of all costs, taxes, and charges.

7. If the auditor reaches the bottom of the list and parcels remain unsold, the auditor begins the second sale and returns to the top of the list. For the second sale, the minimum bid is the best price obtainable.

8. The auditor may offer a tract multiple times at a same sale until sold or may adjourn the sale from day to day until all tracts listed in the notice are sold.

Unsold parcels may be re-advertised and sold at the next official Auditor's Sale. Finally, no person who is delinquent on real property taxes anywhere in the state may bid at an auditor's forfeiture sale. Also, the owner of record or a member of their immediate family prior to the judgment of foreclosure or forfeiture may not purchase the property for less than the total amount of taxes, assessments, penalties, interest and costs.

14.284 DELINQUENT TAX AND ASSESSMENT COLLECTION FUND (DTAC)

In order to provide the county with additional funds to collect delinquent taxes, to process foreclosure actions, and for certain other purposes, the General Assembly has established two delinquent tax assessment collection funds (DETAC).

One DETAC fund is for the county treasurer and the other is for the county prosecutor. ORC Section 321.261 provides that each fund is entitled to 2½% of all delinquent real property, personal property, and manufactured home and mobile home taxes and special assessments. Monies in the funds are to be appropriated by the county commissioners to be used for the following purposes:

1. By the treasurer or prosecutor for purposes related to the collection of delinquent real property, personal property, and manufactured and mobile home taxes and assessments, including foreclosure proceedings.

2. By the treasurer for the benefit of a county land bank.

In addition, if the treasurer or prosecutor determines that they have excess funds available, the excess funds may be spent to prevent residential mortgage foreclosures and to address problems associated with foreclosed real property. The amount used for these two purposes cannot exceed an amount that would cause either fund to have a reserve of less than 20% of the amount expended during the prior year for the two primary purposes specified above. Funds from the DETAC funds cannot be used for land reutilization unless approved by the county investment advisory committee, comprised of the treasurer and two county commissioners; or, in some cases all three commissioners, the treasurer and the clerk of courts.

Funds to be expended for the prevention of residential mortgage foreclosures and problems with foreclosed real property can be used to provide loans to borrowers whose homes are in default, including for the payment of late fees; to clear arrearage balances; and, to supplement funds used in a county foreclosure prevention program. The money also may be used to assist municipal corporations or townships in nuisance abatement of deteriorated residential buildings in foreclosure, or vacant, abandoned, tax-delinquent, or blighted real property, including paying the costs of boarding up such buildings, lot maintenance, and demolition.

In a county with a population over 100,000, if the treasurer or prosecutor determines there are excess funds, then either official may spend excess monies to assist townships or municipalities for the additional purposes specified above as long as the combined amount spent in any year does not exceed $3 million. The funds can also be used to abate foreclosed residential nuisances, including paying the costs of securing such buildings, lot maintenance, and demolition. Monies in the prosecutor's DETAC fund can also be used to prosecute alleged violations of criminal and civil laws relating to real estate and related transactions, including fraud and abuse.

If the balance in either the DETAC funds exceeds three times the amount deposited into the fund during the preceding year, the treasurer or prosecutor may direct the county auditor to stop the allocation of delinquent taxes and assessments to that officer's respective fund during the next year. This must be done no later than October 20 of the prior year.

Also, if the county has established a land bank, the treasurer may request the county commissioners to adopt a resolution providing that an additional 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes and assessments, be deposited in the treasurer's DETAC fund and be available for appropriation by the board for the use of the land bank.

Each year by the first day of December both the treasurer and prosecutor must report to the county commissioners on the use of the money in the DETAC funds. Each report must specify the amount appropriated during the current calendar year, an estimate of the amount of that money that will be spent by the end of the calendar year, a summary of how the money has been spent in connection with delinquent tax activities, and an estimate of the amount of money that will be credited to the DETAC funds in the upcoming calendar year. If funds have been allocated to a land bank the annual report of the land bank must specify how DETAC monies were used.

14.285 TAX LIEN SALES AND TAX CERTIFICATES

The General Assembly enacted HB 371 in 1997 which enabled counties with a population of 200,000 or more to collect delinquent taxes by selling tax certificates to private investors. In 2008 the law was amended to give all county treasurers' the authority to sell tax certificates. The original legislation was sponsored by the Rep. Rick Hodges, who had served as the Fulton County Treasurer before coming to the General Assembly. The bill enacted ORC Sections 5721.30-5721.43, which should be referred to for more detailed information.

The bill allows treasurers to negotiate the sale of any number of tax certificates and tax certificates could also be sold to private investors at a certificate sale or auction. The auction is the primary way these transactions are completed. The holder of the certificate has the first, and superior, lien of the state on the property. The holder of the

certificate may initiate foreclosure on the property if the delinquent taxes and other charges are not paid, but only after holding the certificate for at least one year. The tax certificate is a way to obtain cash from delinquent taxes, special assessments, penalties and interest due taxing authorities from the delinquent properties.

There are a number of critics of the use of tax certificates to generate needed revenues for taxing authorities. The argument against their use is that there are a variety of unintended consequences that injure homeowners, and the long term consequences to the community outweigh the benefits because the certificate holders have no long term stake in the health of the community. For an excellent review of these issues refer to a 2011 article in the University of Dayton Law Review on the topic.[9]

While this Section will not go into detail on tax certificate sales, the essence of the transaction is that the county sells past due taxes to a third party and receives cash immediately. The up-front cash is distributed to taxing authorities that are entitled to the funds. It then becomes the responsibility of the owner to make payments through the county treasurer to pay the third party who is the lienholder of the certificate.

Liens consist of delinquent taxes, fees, penalties, and interest which are generally sold to qualified lenders. The liens are sold in large bundles of properties. They are not sold individually nor do individuals purchase them. Generally, the bundles are sold at auction, and the successful bidder is the bidder that bids the lowest interest rate to hold the lien. The maximum interest rate allowed is 18%, and bidders usually bid the rate down in ¼% increments.

The property owner no longer owes the county for the delinquent taxes; these are now owed to the third party that has already paid the county. When a tax lien is sold, the property owner is notified by certified mail of the name of the company that purchased the lien. After 12 months of ownership, the lien holder may then foreclose on the property if the property owner has not paid off the delinquency which is now held by the third party.

Prior to selling the lien for delinquent taxes, the property owner has a couple of options. First, the owner can simply pay the past due taxes, penalties, interest, and special assessments. Another option is to enter into a delinquent tax contract as explained previously in this Chapter. The owner still must be up to date on current taxes or a second tax certificate could be sold.

14.29 LAND BANKS

Land banks are the common name for what is technically a county land reutilization corporation which can be established as a community improvement corporation pursuant to ORC Chapter 1724. The general purpose of a land bank is to return vacant,

[9] Rittenhouse, Charles D. *The True Costs of Not Paying Your Property Taxes in Ohio.* University of Dayton Law Review, Vol. 32, No 2, pages 222-247.

abandoned, and tax foreclosed properties to productive economic use in the community.

Land banks have been around since the 1970's. Ohio passed legislation in 1976 authorizing “passive” land banks. A passive land bank was used primarily to hold vacant properties in inventory for future use. Passive land banks were allowed by local governments under the provisions of ORC Chapter 5722 dealing with land reutilization.

The law was amended in 1988 to permit the abatement of property taxes on land held by passive land banks and also established the delinquent tax assessment collection fund (DETAC) to provide revenue to enhance the collection of delinquent taxes. The legislation also streamlined the judicial foreclosure process. In 2006, the foreclosure process was further expedited by allowing boards of revision to administratively foreclose on some properties rather than having to go through the courts.

The need to change the land banking statutes became evident because of the results of “active” land banking initiatives that were occurring in such places as Genesee County, Flint, Michigan. Here an “active” land bank was used to spur a reawakening of this downtrodden Midwest City. Property values increased significantly and this bolstered home equity and neighborhood stability which led to stabilization of the tax base. Flint seemed to show that an “active” land bank model could help both the private and public sectors in the creation of new wealth in what had become a devastated community.

In 2009 the General Assembly moved forward in making Ohio’s “passive” land bank law an “active” land bank statute with the enactment of SB 353. This legislation only granted authority to Cuyahoga County to establish an “active” land bank. The law was later amended, with the enactment of HB 313 in 2010, to extend the “active” land bank authority to counties with populations greater than 60,000. Land banks are non-profit corporations formed for the following purposes:

1. To facilitate the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax foreclosed, or other real property in the county.

2. To efficiently hold and manage vacant, abandoned, or tax-foreclosed real property pending its reclamation, rehabilitation, and reutilization.

3. To assist governmental entities and other nonprofit or for-profit persons or organizations to assemble, and clear the title of property in a coordinated manner.

4. To promote economic and housing development in the county or region.

Some saw land banks as a preferable long term alternative to tax liens or certificate sales. While it did not have the ability to bring in a lot of immediate cash to help taxing

authorities, the argument was that a long range community wide approach would have a more lasting impact on the community. In some cases, the two programs can work together because land banks can purchase tax certificates.

Land banks are governed by a board of directors of five, seven, or nine members including the county treasurer and at least two county commissioners. In addition, the board must include one representative of the largest municipality and one representative of a township with a population of at least 10,000 in the unincorporated area, if at least two such townships exist in the county. The remaining members are selected by the treasurer and the county commissioners. The township representative is selected by a majority of the boards of township trustees of townships with a population of at least 10,000. At least one board member must have private or nonprofit experience in rehabilitation or real estate acquisitions. A county treasurer and the county commissioners each may appoint a representative to act for them.

Counties, townships and municipalities have the authority under ORC Chapter 5722 to implement a program that focuses on the reutilization of nonproductive lands within their jurisdictions. Portions of this law were the original "passive" land bank law. In the case of a county, the board of county commissioners may essentially delegate the authority granted in ORC Chapter 5722 to the land bank to implement the program. When coupled with the new authority of an "active" land bank, the program can become even more dynamic.

In order to delegate authority to a county land bank, the commissioners must adopt a resolution stating that "the existence of nonproductive land within its boundaries is such as to necessitate the implementation of a land reutilization program to foster either the return of such nonproductive land to tax revenue generating status or the devotion thereof to public use (ORC 5722.02)." If the county is going to have the program administered by the land bank, the resolution must also direct the land bank to act on behalf of the county and cooperate with the county when exercising its powers and duties under ORC Chapter 5722.

The primary method of property acquisition is by foreclosure of delinquent property, but it cannot focus its activity entirely on vacant and abandoned properties to be successful. Land banks will also strategically acquire abandoned homes that can be renovated and occupied before demolition is the only practical option. Other successful land bank programs include developing green spaces in neighborhoods, initiating urban gardening programs, and developing side lot programs. A side lot program is where a homeowner obtains a portion of an adjoining vacant lot as a wider side lot to help stabilize the neighborhood from further deterioration. The land bank also can obtain properties from banks and from other mortgage lenders.

Funding for the land bank can come from the county general fund or from a voted property tax levy, but most funds come from other sources. In particular the land bank

can receive the penalties and interest from foreclosed properties, monies from the DETAC fund, and county commissioners may also increase the amount of money that is retained from delinquent tax distributions that goes to the DETAC fund for the use of the land bank.

A number of counties including Cuyahoga, Franklin, Montgomery, Hamilton, Lucas, Trumbull, and Erie have established land banks and can be contacted for additional information. Also, a policy discussion paper published by the Cleveland Federal Reserve Bank is an excellent source of other information on Ohio land banks.[10]

[10] Fitzpatrick IV, Thomas, J. *Understanding Ohio's Land Bank Legislation*. Federal Reserve Bank of Cleveland. Policy Discussion Paper No. 25, January, 2009.

EXHIBIT 14-1

COUNTY OUTSIDE THE TEN MILL LIMIT PROPERTY TAX LEVIES AND BOND ISSUES WHERE BOARDS OF COUNTY COMMISSIONERS ARE THE TAXING AUTHORITY

NOTE: UNLESS OTHERWISE NOTED BELOW ALL LEVIES AND BOND ISSUES REQUIRE APPROVAL OF A MAJORITY OF ELECTORS VOTING ON THE ISSUE AND ALL MUST BE FILED WITH THE BOARD OF ELECTIONS 90 DAYS BEFORE THE ELECTION

PURPOSE	ELIGIBLE ELECTIONS	DURATION OF LEVY	MILL LIMIT	ORC SECTION
Veterans Memorial Levy—Can be used for land, improvements and operating expenses. Resolution must be adopted 100 days before a general election. A property tax levy for a veteran's memorial must be placed on the ballot if 2% of those voting for Governor in the last election submit a petition to the board of county commissioners requesting its placement on the ballot.	General	Not to exceed 5 years	1.0 mills	345.01 345.03 345.04
Veterans Memorial Bond Issue—Can only be used for land and improvements, not for operating expenses. Must be approved by 60% of electors voting on the issue.	General Primary	Number of years to retire debt		345.02 133.18
Agricultural Society Bond Issue—Can be used for purchase or lease of new fairgrounds and for improvements.	General Election in even number year	Number of years to retire debt or make lease payments		1711.29 1711.30
University Branch District Levy-Commissioners are the taxing authority only if they have not appointed a University District Board of Trustees, otherwise the District Board is the taxing authority.	General Primary	Any specified number of years		3355.09
General Health District Levy—For the provision of sufficient funds to carry out the district's health program. Note that commissioners as the taxing authority do not have discretion over this levy and must submit it to the voters if they receive a	Primary General	Not to exceed 10 years		3709.29

resolution from the board of health.				
Sewage Disposal—For maintaining and operating sewage plants and facilities.	General Primary Special	Not to exceed 5 years		5705.19(P)
Current County Expense Levy--Total levy for current expenses of a detention facility district or district organized under ORC Section 2151.65 shall not exceed two mills and that the total levy for current expenses of a combined district organized under ORC Sections 2151.65 and 2152.41 shall not exceed four mills. See also County or District Detention Facility operating, maintenance and building levies under ORC Sections 5705.19 (N) & (R).	General Primary Special	Not to exceed 5 years		5705.19(A)
Debt Charges Levy—For payment of debt charges on all bonds, notes, and certificates of indebtedness.	General Primary Special	Life of debt		5705.19(B)(C)
General Obligation Bonds—For any one purpose that the county has borrowing authority in another ORC Section.	Any election authorized in ORC Section authorizing the borrowing	Maximum period of time authorized in ORC Section authorizing the borrowing or for the life of the debt.		133.18
Bonds to Pay Unsecured Debt & for Disability Assistance—To pay debt certified by the county auditor pursuant to ORC Section 131.23(B)(2) and the aggregate requirement to pay disability assistance pursuant to ORC Chapter 5115.	General Primary Special	Not to exceed 10 years		131.23
County District Library Levy	General Primary Special	For any specified number of years or for a continuing period of time		5705.19(D)
County Library Special Levy—For current expenses or for the construction of any specific permanent improvement or class		Any specified number of years or for a		5705.23

of improvements and could be included in a single bond issue. Note that commissioners as the taxing authority do not have discretion over this levy and must submit it to the voters if they receive a resolution from the board of public library trustees.		continuing period of time		
Association Library District Levy—In situations where such a district exists and there is a contract for library services with another library district or with a library association or a corporation that provided library services before 1947.	General Primary Special	Not to exceed 5 years		3375.42
Library Building Bond Issue—To purchase, erect, construct, enlarge, extend, improve, equip and furnish a library building and to purchase land for the building.	General Primary Special	Number of years to retire debt		3375.43
Municipal University Levy—For participation in the development of a municipal university where the commissioners have entered into an agreement with the university pursuant to ORC Section 3349.23. See also ORC Section 3349.13.	General Primary Special	Not to exceed 5 years	2.0 mills	5705.19(E) 3349.25
Permanent Improvement Levy—For construction or acquisition of any specific permanent improvement or class of improvements that the county may include in a single bond issue.	General Primary Special	Not to exceed 5 years		5705.19(F)
Roads & Bridge Levy—For general construction, reconstruction, resurfacing, and repair of roads and bridges.	General Primary Special	Any specified number of years or for a continuing period of time		5705.19(G)
Parks and Recreational Levy	General Primary Special	Any specified number of years or for a continuing period of time		5705.19(H)
Police (Sheriff) Equipment & Personnel Levy	General *	Five years or less or for a continuing period of time		5705.19(J)

County Home and Detention Facility Operation & Maintenance Levy—See also Jails and Detention Facilities as authorized in ORC Section 5705.19(MM).	General Primary Special	Not to exceed 5 years		5705.19(K)
County or District Detention Facility Operation & Maintenance Levy—For schools, detention facilities, forestry camps, or other facilities under a county or joint district pursuant to ORC Sections 2151.65 or 2152.41. See also Current County Operations Levy under ORC 5705.19(A).	General Primary Special	Shall be for a continuing period of time		5705.19(N)
County or District Detention Facility Building Levy—For constructing or acquiring schools, forestry camps, detention facilities or other facilities for a county or joint county district pursuant to ORC Sections 2151.65 or 2152.41. See also Current County Operations Levy under ORC 5705.19(A).	General Primary Special	Shall be for a continuing period of time		5705.19(R)
Developmental Disabilities Programs & Services Levy - For DD programs and services pursuant to ORC Chapter 5126 except the procedure for such levies shall be as provided for in ORC 5705.222.	General Primary Special	Not to exceed 5 years		5705.19(L)
Developmental Disabilities Programs, Services & Facilities Levy - For operation and support of programs and services by the DD Board and for the acquisition, construction, renovation, financing, maintenance, and operation of DD facilities.	General Primary Special	10 years or less or for a continuing period of time		5705.222
Regional Planning Levy	General Primary Special	Not to exceed 5 years		5705.19(M)
Flood Defense Levy—Including maintaining a flood wall or pumps or other purposes to prevent floods.	General Primary Special	Not to exceed 5 years		5705.19(O)
Sewage Disposal Plants Operation & Maintenance Levy—Also may be used for	General Primary Special	Not to exceed 5 years		5705.19(P)

constructing, improving, and extending sewage disposal plants and sewerage systems and to pay debt charges. In the case it is used for these purposes the tax may be levied for any number of years not exceeding 20.				
County Transit System Levy—For purchasing, acquiring, constructing, enlarging, improving, equipping, repairing, maintaining, or operating a transit system pursuant to ORC Sections 306.01-306.13. Also for making payments if the commissioners contract for transit services pursuant to ORC Section 306.06.	General Primary Special	Not to exceed 5 years		5705.19(Q)
Air Pollution Prevention, Control & Abatement Levy	General Primary Special	Not to exceed 5 years		5705.19(S)
Ambulance or Emergency Medical Services Levy	General Primary Special	5 years of less or for a continuing period of time		5705.19(U)
Garbage Collection & Disposal Levy—Includes yard waste.	General Primary Special	Not to exceed 5 years		5705.19(V)
Drainage Improvement Construction & Maintenance Levy—This levy is for either general drainage improvements pursuant to ORC Section 6131.52 or within a drainage improvement district.	General Primary Special	Not to exceed 5 years		5705.19(X) 6131.52
Soil & Water Conservation District Improvement and Expense Levy—For construction and maintenance of improvements and for expenses of SWCD programs.	General Primary Special	Not to exceed 5 years		5705.19(VV)
OSU Extension Levy—For the OSU Extension Fund for purposes specified in ORC Section 3335.36 for the benefit of the citizens of the county.	General Primary Special	Not to exceed 5 years		5705.19(WW)
Soil & Water Conservation District Improvement Levy—For construction and maintenance of improvements of the SWCD.	General	Any specified number of years		1515.28
Combined OSU Extension,	General			5705.19(YY)

SWCD & Fair Levy—For the same purposes that individual levies authorized pursuant to ORC Section 5705.19(NN), (VV) & (WW) may be levied.	Primary Special			
Senior Citizens Services & Facilities Levy—For providing and maintaining senior citizen services for facilities authorized in ORC Section 307.694. In addition to this levy, a levy may be initiated by petition filed with the Board of Elections at any primary or general election. The petition must be signed by 10% of those that voted in the last election for Governor. This levy is limited to 5 years unless it is for debt and then it is limited to the life of the debt. See ORC Section 5705.71.	General Primary Special	Not to exceed 5 years		5705.19(Y)
Zoological Park Levy—For the provision and maintenance of zoological park services and facilities. See ORC Section 307.76.	General Primary Special	Any specified number or years or for a continuing period of time.		5705.19(Z)
Free Public Museums of Art, Science or History Levy—For maintenance and operation only, not for construction or improvement.	General Primary Special	Not to exceed 5 years		5705.19(AA)
Science or Natural History Facility—To maintain and operate a facility to encourage the study of and promote the sciences and natural history or to make payments to a non-profit it has contracted with for these purposes. See also ORC Section 307.761	General Primary Special	Not to exceed 5 years		5705.19(TT)
911 Phone Systems Levy—For establishment and operation of a 9-1-1 System as defined in ORC Section 128.01.	General Primary Special	Not to exceed 5 years		5705.19(BB)
Rail Property or Service Levy—For acquiring, rehabilitating, or developing rail property or service. Rail property and service are defined in ORC Section 4981.01.	General Primary Special	Any specified number of years or for a continuing period of time		5705.19(CC)
Community Center Levy—For acquiring property, constructing,	General Primary	Not to exceed 5 years		5705.19(DD)

operating, and maintaining centers pursuant to ORC Section 755.16 if the county is a contracting subdivision.	Special			
Office of Economic Development Levy—For the creation and operation of a county or joint office of economic development pursuant to ORC Sections 307.07 & 307.64. Also may be used for a County Land Reutilizations Corporation (Land Bank) pursuant to ORC Chapter 1724.	General Primary Special	Not to exceed 5 years		5705.19(EE) 307.64
County Land Reutilization Corporation (Land Bank) Levy—For creation and operation of a Land Bank pursuant to ORC Chapter 1724 and for any programs or activities of the Land Bank.	General Primary Special	Not to exceed 5 years		5705.19(UU)
Crime Victim Assistance Program—For support of a program maintained by a county agency or a non-profit pursuant to ORC Section 307.62.	General Primary Special	Not to exceed 5 years		5705.19(II)
Health & Human Service Levy--To supplement the general fund for one or more of the following purposes: public assistance, human or social services, relief, welfare, hospitalization, health and support of general hospitals.	General Primary Special	Not to exceed 10 years		5705.191
TB Treatment & Clinic Levy—To supplement general fund appropriations for TB treatment required under ORC Section 339.73 or to support TB clinics established pursuant to ORC Section 339.76.	General	Not to exceed 10 years	0.65 Mills	5705.20 5705.191
County Hospital Levy—To supplement general fund appropriations.	General	Not to exceed 5 years	0.65 mills	5705.22
Alcohol, Drug Addiction & Mental Health Operating and Facility Levy—For operation of community addiction services providers and community mental health services providers and for the acquisition, construction, renovation, financing, and	General Primary Special	Not to exceed 10 years		5750.221

operation of alcohol and drug addiction and mental health facilities.				
Children Services Levy—To supplement general fund appropriations for the support of children services and for the care and placement of children.	General Primary Special	Not to exceed 10 years		5705.24
Water & Sewer Plan & Specifications Levy—For the preparation of plans, specifications, surveys soundings, drillings, maps, and other data needed to develop plans for water distribution and sewage treatment. The funds may be appropriated to a county or regional planning commission or a regional water and sewer district to prepare the plans.	General	Not to exceed 5 years	0.3 mill	6119.31
Countywide Public Safety Communications System Levy—For systems established pursuant to ORC Section 307.63.	General Primary Special	5 years of less or for a continuing period of time		5705.19(KK)
Combined Public Safety Communications and 9-11 Phone Systems Levy—See also ORC sections 5705.19(BB) & (KK) and ORC Sections 128.01 and 307.63.	General Primary Special	Not to exceed 5 years		5705.19(SS)
County Criminal Justice Services Levy—For a definition of criminal justice services see ORC 307.45.	General Primary Special	Not to exceed 5 years		5705.19 (LL)
Jails & Detention Facilities Levy—For a definition of detention facilities see ORC Section 2921.01. Includes both adult and juvenile facilities.	General Primary Special	Not to exceed 5 years		5705.19 (MM)
Agricultural Fair Building & Operating Levy—For the purchase, maintenance, or improvement of real estate and for operating expenses of fairs operated by either a county or independent agricultural society.	General Primary Special	Not to exceed 5 years		5705.19 (NN)
Sidewalks, Trails, Walkways & Bike Path Levy—For construction, rehabilitation, repair, maintenance of these or similar improvements. Also for	General Primary Special	Not to exceed 5 years		5705.19 (OO)

ownership interests in land to make these or similar improvements.				
Combined Levy for Roads, Bridges, Sidewalks, Trails, Walkways, Bike Paths & Similar Improvements Levy— For both of the purposes authorized in ORC Section 5705.19 (G) & (OO).	General Primary Special	Any specified number of years or for a continuing period of time		5705.19(PP)
Agricultural Easements Levy— For the acquisition, supervision, and enforcement of easements as defined in ORC Section 5301.67.	General Primary Special	Not to exceed 5 years		5705.19 (RR)

EXHIBIT 14-2

A SHORT HISTORY OF CONSTITUTIONAL PROVISIONS RELATING TO PROPERTY TAXES INCLUDING A TABLE OF MAJOR CONSTITUTIONAL AND STATUTORY PROPERTY TAX LAW CHANGES

Ohio's 1802 Constitution, except for the prohibition against poll taxes, gave almost unlimited authority to the General Assembly to tax. Article XII of the 1851 Constitution limited the state's power to tax. It also limited what had become the common practice of giving financial aid to private transportation companies involved in building canals, turnpikes, and railroads which was authorized in legislation enacted in 1837. Pursuant to this legislation Ohio accumulated debts totaling $20 million, increased real property taxes and established a personal property tax to pay for the spending.

Article XII, Section 2 was adopted as a part of the 1851 Constitution to limit the power of the state to tax real and personal property. Since its original adoption this Article has been amended nine times, the last time in 1990. Under the current provisions of this Section the following restrictions apply to property taxes:

1. Limits taxes to 1% of the 'true value in money" of real and personal property—what is commonly referred to as the "ten-mill limit."

2. Prohibits classification of real property by requiring taxation by a "uniform rule", except when otherwise specifically authorized by the Constitution.

A maximum limit on the taxation of real and personal property was first added to the Constitution in 1929. This original limit was 1.5%, or 15 mills. It was lowered to 1.0%, or 10 mills, in 1933 by an amendment submitted by initiative petition during the Great Depression. The "ten-mill" limit, however, allows property to be taxed at higher rates if approved by the voters or if authorized by a municipal charter.

The prohibition against classifying real property was originally adopted as a part of the 1851 Constitution and applied to both real and personal property. Numerous attempts were made to change the classification provision of this section. No provision in Article XII "has occupied a more prominent place in the history of taxation in Ohio" than this provision, according to the Constitutional Revision Commission, a commission that studied the Constitution in the 1970's. From 1851 to 1912 attempts to repeal or amend this provision occurred six times. After much debate and failed attempts, this provision was finally amended in 1929 to apply only to real property, not personal property.

As interpreted by the Supreme Court, it is the "uniform rule" clause of the Constitution that requires all real property, whether it be residential, commercial or agricultural, to be taxed on the same percentage of true or market value, currently 35%. Since its most

recent change in 1929, the “uniform rule” provision has been changed by a number of amendments including:

1. A 1970 amendment which added a homestead exemption allowing a reduction in assessed value of those 65 or older.

2. A 1975 Amendment which allowed the homestead exemption to also apply to permanently and totally disabled Ohioans.

3. A 1990 Amendment which assured that surviving spouses 60 years or older continued to receive the homestead exemption.

Another modification to the uniform rule clause occurred when the electors approved an amendment to Article II, Section 36 of the Constitution in November, 1973. This amendment gave the ability to value agricultural land at its current use instead of its highest and best use. This amendment resulted in the legislative establishment of the current agricultural use value tax program which was explained previously in this Chapter.

Also, in 1980 Article XII, Section 2a was enacted which also modified the “uniform rule.” This provision of the Constitution establishes an exception by allowing reductions in assessed values of residential and agricultural property.

Section 2 of Article XII also allows for the General Assembly and local taxing authorities to exempt properties from taxation and allows exemptions for the following:

1. Cemeteries.

2. Public Schools.

3. Houses used exclusively for public worship.

4. Institutions used exclusively for charitable purposes, and

5. Public property used exclusively for public purposes.

Supreme Court rulings addressing statutory exemptions for public and charitable purposes where the property was not used exclusively for public or charitable purposes was found to be constitutional on the basis of the authority of the General Assembly under Article I of the Constitution. In addition, the Supreme Court has authorized the use of tax abatement as a constitutionally authorized type of tax exemption.

YEAR	DESCRIPTION OF CONSTITUTIONAL OR STATUTORY PROVISIONS ***Note: Entries below in bold italic type are Constitutional Amendments***
1803	Upon admission to the Union in 1803 the General Assembly continues the practice in the Northwest Territory of taxing land on the basis of "first rate," "second rate" or "third rate" fertility. Improvements on the land were not taxed.
1825	The General Assembly repeals the land classification system used in the early years of statehood. It is replaced with an ad valorem tax on land improvements, and certain types of personal property.
1846	The General Assembly enacts the "Kelley Law". The new law requires that "all property, whether real or personal… unless exempted, shall be subject to taxation." Previously, the legislature had exempted from taxation numerous forms of personal property, such as tools and machinery.
1851	***Ohio's new 1851 Constitution requires that all real and personal property be taxed according to a uniform rule except for properties specifically exempted by the Constitution, such as schools and churches.***
1902	The General Assembly eliminates statewide property tax levies for the state general fund. Statewide property tax levies continue for other state purposes, including public universities, schools, and highways.
1910	The General Assembly provides for the state administrative supervision of local property taxes by creating the Tax Commission of Ohio.
1911	The General Assembly enacts the "Smith 1% law". This new law establishes an overall 10 mill limit on un-voted property tax levies. Additional levies are allowed up to a 15 mill limit with a vote of the electors.
1925	Ohio's first statutory requirement for a reappraisal every 6 years is enacted by the General Assembly.
1927	The General Assembly repeals "Smith 1% Law" and replaces it with a 15 mill cap on un-voted levies. Additional millage is allowed with a vote of the electors.
1929	***A Constitutional Amendment is approved by Ohioans that generally limits property tax levies to 1.5% of true value without approval of the electors, beginning in 1931. The Amendment also modifies the "uniform rule" provision of the Constitution to apply only to real property, not to personal property.***
1932	For the first time in more than a century, no statewide property tax is levied on real property.
1933	**Ohioans go to the polls and approve a Constitutional Amendment that further reduces the constitutional cap on unvoted property tax levies to 1% of true value.**
1934	The General Assembly reduces the aggregate tax limit on non-voted levies from 15 mills to 10 mills to conform to the Constitutional Amendment adopted the preceding year. The law also allocates two-thirds of the millage in effect for the five years before the Amendment was adopted to taxing jurisdictions. This is referred to as "guaranteed inside millage".
1939	The Tax Commission of Ohio is replaced by the Ohio Department of Taxation led by a Tax Commissioner who has responsibility for the taxation of public utility property. A Board of Tax Appeals is established and has responsibility to supervise real property tax administration.
1965	For the first time, the General Assembly explicitly permits real property to be uniformly assessed at less than true value. The legislature requires that taxable values be no more than 50 % of true value, with the actual uniform percentage to be established by rule of the Board of Tax Appeals.

1968	A state tax applies to real property for the last time – 0.2 mills to retire bonds issued to provide bonus compensation to veterans of the Korean conflict.
1970	***Ohio voters approve constitutional amendment permitting a homestead exemption for low- and middle-income senior citizens.***
1971	General Assembly enacts 10 % property tax rollback. Homestead exemption begins.
1973	***Voters approve a constitutional amendment permitting the valuation of agricultural property based upon current use.***
1974	***Voters approve a constitutional amendment that permits the extension of the homestead exemption to permanently and totally disabled homeowners***
1976	General Assembly enacts HB 920, which calls for the calculation of effective tax rates based on tax reduction factors. These factors are intended to eliminate inflationary revenue growth from voted levies when a reappraisal or update occurs. HB 920 also creates the Ohio Department of Tax Equalization to supervise real property tax administration and requires real property valuations to be updated every three years, instead of annually.
1979	1979 Legislature enacts a 2.5 % tax rollback for owner-occupied residential property.
1980	***Voters approve a constitutional amendment that calls for separate reduction factors to be applied to two classes of real property: residential and agricultural property (Class 1) and all other real property (Class 2).***
1983	Department of Tax Equalization is eliminated; all of its functions are transferred to the Department of Taxation.
1990	***Voters approve a constitutional amendment that permits the homestead exemption to be extended to the surviving spouses of homestead exemption recipients.***
2005	As part of a larger series of tax reforms, House Bill 66 narrows the 10 % rollback to real property not intended primarily for use in a business activity.
2007	HB 119 expands the homestead exemption to all senior citizens, qualifying disabled homeowners, and surviving spouses of previously-qualified homeowners, regardless of income. Tiered benefits are scrapped in favor of allowing participants to shield $25,000 of the true value of their homesteads from taxation.
2010	SB 232 exempts from taxation real property of an energy facility with a generating capacity of 250 kilowatts or less, provided the facility is constructed on or after Jan. 1, 2010
2013	HB 59 eliminates the 10% and 2½% property tax rollbacks for new, additional, and replacement levies but retains reimbursement for renewal levies and inside millage. Since in certain cases the percentage reduction will be less than 10% or 2½% these tax credits are now referred to as the Non-business Credit and the Owner Occupied Credit on tax bill
2013	HB 59 returns to a means tested homestead exemption program based on income and sets the income limit at $30,000 and provides for annual indexing for inflation by journal entry of the Tax Commissioner. Also changes various aspects of how income is defined for the purposes of the homestead exemption. Individuals who qualified under the previous program are “grandfathered”.
2014	HB 85 established a special homestead exemption program for qualifying disabled veterans. Under the law a disabled veteran is eligible for a reduction of $50,000 in true value or $17,500 of assessed value. To qualify the applicant must be a U.S. armed forces veteran, including the reserves or the National Guard and must meet certain disability ratings.

EXHIBIT 14-3

OHIO CONSTITUTIONAL PROVISIONS RELATING TO PROPERTY TAXES

Article II, Section 36 Conservation of natural resources

Laws may be passed to encourage forestry and agriculture, and to that end areas devoted exclusively to forestry may be exempted, in whole or in part, from taxation. Notwithstanding the provisions of section 2 of Article XII, laws may be passed to provide that land devoted exclusively to agricultural use be valued for real property tax purposes at the current value such land has for such agricultural use. Laws may also be passed to provide for the deferral or recoupment of any part of the difference in the dollar amount of real property tax levied in any year on land valued in accordance with its agricultural use and the dollar amount of real property tax which would have been levied upon such land had it been valued for such year in accordance with section 2 of Article XII. Laws may also be passed to provide for converting into forest reserves such lands or parts of lands as have been or may be forfeited to the state, and to authorize the acquiring of other lands for that purpose; also, to provide for the conservation of the natural resources of the state, including streams, lakes, submerged and swamp lands and the development and regulation of water power and the formation of drainage and conservation districts; and to provide for the regulation of methods of mining, weighing, measuring and marketing coal, oil, gas and all other minerals.

Article XII, Section 2 Limitation on tax rate; exemption

No property, taxed according to value, shall be so taxed in excess of one per cent of its true value in money for all state and local purposes, but laws may be passed authorizing additional taxes to be levied outside of such limitation, either when approved by at least a majority of the electors of the taxing district voting on such proposition, or when provided for by the charter of a municipal corporation. Land and improvements thereon shall be taxed by uniform rule according to value, except that laws may be passed to reduce taxes by providing for a reduction in value of the homestead of permanently and totally disabled residents, residents sixty-five years of age and older, and residents sixty years of age or older who are surviving spouses of deceased residents who were sixty-five years of age or older or permanently and totally disabled and receiving a reduction in the value of their homestead at the time of death, provided the surviving spouse continues to reside in a qualifying homestead, and providing for income and other qualifications to obtain such reduction. Without limiting the general power, subject to the provisions of Article I of this constitution, to determine the subjects and methods of taxation or exemptions therefrom, general laws may be passed to exempt burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, and public property used exclusively for any public purpose, but all such laws shall be subject to alteration or repeal; and the value of all property so exempted shall, from time to time, be ascertained and published as may be directed by law.

Article XII, Section 2a Authority to classify real estate for taxation, two classes; procedures

(A) Except as expressly authorized in this section, land and improvements thereon shall, in all other respects, be taxed as provided in section 36, Article II and Section 2 of this article.

(B) This section does not apply to any of the following:

(1) Taxes levied at whatever rate is required to produce a specified amount of tax money or an amount to pay debt charges;

(2) Taxes levied within the one per cent limitation imposed by section 2 of this article;

(3) Taxes provided for by the charter of a municipal corporation.

(C) Notwithstanding Section 2 of this article, laws may be passed that provide all of the following:

(1) Land and improvements thereon in each taxing district shall be placed into one of two classes solely for the purpose of separately reducing the taxes charged against all land and improvements in each of the two classes as provided in division(C)(2) of this section. The classes shall be:

(a) Residential and agricultural land and improvements;

(b) All other land and improvements.

(2) With respect to each voted tax authorized to be levied by each taxing district, the amount of taxes imposed by such tax against all land and improvements thereon in each class shall be reduced in order that the amount charged for collection against all land and improvements in that class in the current year, exclusive of land and improvements not taxed by the district in both the preceding year and in the current year and those not taxed in that class in the preceding year, equals the amount charged for collection against such land and improvements in the preceding year.

(D) Laws may be passed to provide that the reductions made under this section in the amounts of taxes charged for the current expenses of cities, townships, school districts, counties, or other taxing districts are subject to the limitation that the sum of the amounts of all taxes charged for current expenses against the land and improvements thereon in each of the two classes of property subject to taxation in cities, townships, school districts, counties, or other types of taxing districts, shall not be less than a uniform per cent of the taxable value of the property in the districts to which the limitation applies. Different but uniform percentage limitations may be established for cities, townships, school districts, counties, and other types of taxing district.

EXHIBIT 14-4

GLOSSARY OF TAX RELATED TERMINOLOGY

AGRICULTURAL VALUE - See CAUV

APPRAISED (MARKET) VALUE - The County Auditor's opinion of the property's potential selling price on the open market, between a willing seller and a willing buyer. Also referred to as "true" value.

ASSESSED (TAXABLE) VALUE - This is 35% of the appraised or market value of land and improvements, which is used for real property tax calculations pursuant to Ohio law.

ASSESSMENT RATE - This is the percentage of true value that determines the taxable value of property. For all real property, the assessment rate is 35%. The assessment rate for public utility tangible property the rates range from 24% to 88%.

BOND ISSUE - A ballot issue used to fund construction projects, capital improvements, etc. Taxes are levied in an amount needed to repay the bonds over a set period of time so the millage varies with property valuation of the district. A bond issue is a fixed sum levy and tax reduction factors do not apply to these levies.

CAUV - Current Agricultural Use Valuation is a program which allows parcels of 10 acres or more being used for commercial agriculture to be valued at a lower rate for tax purposes. For parcels smaller than 10 acres the owner can qualify if the owner shows that the average gross income from the parcel in previous years was at least $2,500. CAUV land is assigned a value according to soil type, yields, and other production factors instead of standard real estate appraisal methods, such as recent sales of similar properties. CAUV values reflect agricultural values, not the highest and best potential use of the land.

EFFECTIVE MILLAGE RATE - This is the millage rate of a voted tax after tax reduction factors have been applied annually to the current tax rate. This is also often referred to as the "net millage rate." The effective millage rate is used to calculate real estate taxes on assessed value.

EMERGENCY LEVY - An operating levy for schools limited to ten years that generates funds to meet emergency requirements of a school district or to avoid a deficit. An emergency school levy is another fixed sum levy and is to generate a fixed number of dollars. As such, the millage rate increases or decreases with changes in property values as do bond levies. These levies are not subject to tax reduction factors.

FIXED RATE LEVY - A voted levy where voters approve a specified numbers of mills to be charged against taxable property value.

FIXED SUM LEVY - A voted levy by which voters approve an amount of revenue to be raised each year independent of property value.

GROSS MILLAGE RATE - This is the millage rate of a voted tax as approved by the electors.

GROSS PROPERTY TAXES CHARGED - Property taxes charged before the application of the non-business tax credit, the owner occupied tax credit, and the homestead exemption, but after the application of tax reduction factors.

HOMESTEAD REDUCTION - Property tax credit given to senior citizens (age 65 and older), permanently and totally disabled homeowners, and surviving spouses who qualify under an income test. The credit is equal to a reduction of $25,000 of true or market value or $8,750 of assessed value. Also includes some older Ohioans who were grandfathered into a non-means tested program before 2014. The cost of the reduction is reimbursed by the state to taxing authorities.

INSIDE MILLAGE - Up to 10 mills may be levied without a vote of the taxpayers in each taxing district. Inside millage is split among the county, municipalities, townships and school districts in each taxing district. This is also referred to as "unvoted millage." Inside millage is not subject to tax reduction factors.

MARKET (APPRAISED) VALUE - The County Auditor's opinion of property's potential selling price on the open market, between a willing seller and a willing buyer. This is also referred to as "true value."

MILL - A mill or millage is a Latin term meaning "thousandth." As it is applied to property taxes, a mill is 1/10th of a penny or 1/1000 of a dollar. What this really means is that it is equal to $1.00 in taxes for every $1,000 of taxable property value. Another way to say this is that one mill is equal to 10¢ for every $100 of property value. For example, one mill levied on a home assessed at $35,000 ($100,000 market or appraised value) would generate $35.00 in revenue.

When a tax levy is submitted to the voters for approval the ballot question usually reads ". . . at a rate not exceeding _____ mills for each one dollar of valuation which amounts to $______ for each 100 dollars of valuation. . ."

NET PROPERTY TAXES CHARGED - Property taxes charged less the amounts of property tax credits given before application of the non-business tax credit, the owner occupied tax credit, and the homestead exemption.

NEW OR ADDITIONAL LEVY - A ballot issue which proposes new or additional millage for a specific purpose or purposes and which constitutes an increase in taxes. A new or additional levy is collected at the number of mills proposed on the ballot during the first year after the application of tax reduction factors to the millage in first and subsequent years resulting in a lower effective millage rate.

NON-BUSINESS CREDIT (FORMERLY THE 10% PROPERTY TAX CREDIT OR "ROLLBACK" - A percentage tax reduction which reduces property tax bills by a specified dollar amount and is subtracted from gross taxes charged. This was formerly referred to as the 10% "rollback" on property tax bills and was a full 10% credit. Beginning in tax year 2103, the credit only applies to inside millage, renewal levies and certain school levies because of a change in state law that disqualifies new, additional or replacement levies from the credit. The

dollar amount from qualifying property tax levies are reimbursed by the state to local taxing jurisdictions, but in many cases the credit to the taxpayer no longer equals a full 10%.

OPERATING LEVY - A ballot issue which raises money to pay for day-to-day operations. Operating levies may be for a specified number of years or may be for a continuing period of time.

OWNER OCCUPIED CREDIT (FORMERLY REFERRED TO AS THE 2½% OWNER OCCUPIED CREDIT OR "ROLLBACK") - A percentage tax reduction which reduces property tax bills by a specified dollar amount and is subtracted from gross taxes charged. This was formerly referred to as the 2½% "rollback" on property tax bills and was a full 2½% credit. Beginning in tax year 2103, the credit only applies to inside millage, renewal levies and certain school levies because of a change in state law that disqualifies new, additional or replacement levies from the credit. The dollar amount from qualifying property tax levies are reimbursed by the state to local taxing jurisdictions, but in many cases the credit to the taxpayer no longer equals a full 2½%. Eligible owners are only able to receive the rollback on one home within the State of Ohio.

RENEWAL LEVY - A ballot issue that represents a continuation of a previously approved levy that is set to expire. A levy is renewed at the current effective millage rate after the application of tax reduction factors on the original millage passed by the voters. Renewal levies that are approved continue to be affected by tax reduction factors applied to the renewed millage. A renewal levy may be submitted to the voters along with either an increase or a decrease as one ballot question. A renewal levy is not a tax increase, unless combined with an increase.

REPLACEMENT LEVY - A ballot issue that would take the place of a tax levy which was previously approved by the voters. A levy that is replaced is at the millage rate when the levy was originally approved by the voters, not at the current effective millage rate, which has been reduced due to the previous application of tax reductions factors. A replacement levy may be submitted to the voters with either an increase or a decrease as one ballot question. A replacement levy is a tax increase.

SEXENNIAL REAPPRAISAL - A process completed every six years by county auditors to determine the market value of all real property. It is accomplished through a visual inspection of all property. A different subset of the 88 counties is reappraised each year.

SPECIAL ASSESSMENTS - Charges (which are considered a lien on the property) that are certified to the county auditor, by government entities that are based directly on costs of specific services such as delinquent water and sewer charges, ditch assessments, street and sidewalk improvements, and street lighting, etc. The auditor and treasurer act as billing and collection agents only.

TAXING DISTRICT - Is comprised of a unique set of political subdivisions determined by county, municipal, township, school district, or other special purpose districts such as library districts or fire districts. For example, within the boundaries of a municipality there is not only the city taxing district, but one or more school districts, the county, a library district, and in some cases a township if the city has not removed itself from the township.

TAXES LEVIED - Property taxes calculated before application of tax reduction factors and the three property tax credit programs, the non-business tax credit, the owner occupied credit and the homestead exemption.

TAX RATE - The rate of a tax levy before application of tax reduction factors.

TAXABLE (ASSESSED) VALUE - This is 35% of the appraised or market value, which is used for real property tax calculations pursuant to Ohio law.

TAX REDUCTION FACTOR - A tax reduction factor is calculated on each voted tax levy. Its purpose is to eliminate inflationary revenue growth that would result from increased property values due to reappraisals. Tax reduction factors are applied to millage rates for real property, but not to the millage rates on public utility tangible personal property. Tax reduction factors also do not apply to inside or unvoted millage and to fixed-sum levies such as bond levies and emergency school levies. When tax reduction factors are applied to voted millage rates they are reduced to effective millage rates. For real property there are really two tax reduction factors, one calculated separately for Class 1 property (agricultural and residential) and another calculated for Class 2 property (commercial, industrial, public utility real, railroad, and mineral). Tax reduction factors are also often referred to as "HB 920 factors." For additional information refer to Section 14.19 of this Chapter.

TAX YEAR - For the purposes of real and public utility tangible personal property taxes, the tax year is the year prior to the collection of the taxes. Thus, real and public utility personal property taxes collected in Calendar Year 2014 are Tax Year 2013 taxes. Real and public utility personal property taxes are always collected for the immediately preceding year. Taxes paid in the first half of 2014 are for the first half of Tax Year 2013 and second half taxes paid in July of 2014 are for the second half of Tax Year 2013. In the case of manufactured and mobile homes, the tax year and the collection year are both the current year.

TRIENNIAL UPDATE - A process performed by the county auditor, which occurs three years after the sexennial reappraisal, to update the market value of all real property in the county. It is accomplished through studies of property transactions and sales ratios since reappraisal.

EXHIBIT 14-5

REAL & PUBLIC UTILITY TANGIBLE PERSONAL PROPERTY VALUE, GROSS & NET TAXES CHARGED & PERCENT OF TOTALS

CY 2012
(For 2013 Collection)

Type of Property	Value	% of Total Value	Gross Taxes Charged	% of Gross Taxes Charged	Net Taxes Charged*	% of Net Taxes Charged
Class 1 Real (Residential & Agricultural)	$174.9B	74.0%	$15.9B	74.3%	$11.8B	72.0%
Class 2 Real (Commercial, Industrial & Mineral	$50.3B	21.3%	$4.7B	22.0%	$3.7B	22.6%
Public Utility Personal	$10.9B	4.6%	$862.1M	3.7%	$862.1M (Tax Reduction Factor Does Not Apply)	5.3%
	$236.1	99.9	$21.4	100.0	$16.4B	99.9

*Tax Reduction Factors do not apply to Public Utility Tangible Personal Property

EXHIBIT 14-6

COUNTY GROSS AND NET MILLAGE RATES CALENDAR YEAR 2012
(For 2013 Collections)

Type of Property	Gross Rate	Net Rate
Class 1 Real (Residential & Agricultural)	89.47	61.10
Class 2 Real (Commercial, Industrial & Mineral	92.06	70.02
Public Utility Personal	77.10	77.10(Tax Reduction Factor Does Not Apply)

EXHIBIT 14-7

MANUFACTURED AND MOBILE HOME TAX DATA
SELECTED STATEWIDE DATA CALENDAR YEAR 2012

Number of Manufactured and Mobile Homes	201,650
Taxable Value	$701.1 million
Taxes Charged Under Depreciation Schedule	$7.7 million
Taxes Charged When Taxed Like Real Property	$23.0 million
Total Taxes Charged	30.7 million
Total Tax Delinquencies From Prior Years	$47.6 million
Tax Savings From 10% Rollback	$2.8 million
Tax Savings From 2 ½% Rollback	$.5 million
Tax Savings From Homestead Exemptions	$6.1 million
Number of Homestead Exemptions*	26,776
Total Savings From Tax Credit Programs	$9.5 million

Exhibit 14-8

THE CAUV FORMULA: HOW IT WORKS

THE FORMULA

Income from Agricultural Production		
Minus		**CURRENT**
Non-Land Production Costs		**AGRICULTURAL**
____________*Divided by*____________________	**=**	**USE**
Capitalization Rate (%)		**VALUE**
		(CAUV)

EXAMPLE OF HOW THE FORMULA WORKS

CROP PRICES AND YIELD

Corn

Average Yield:	171 bu/acre
Average Price:	$2.66/bu
Gross Income/acre	$454.86
Non-land production costs:	$330.64
Net Return/acre	***$124.22***

Soybeans

Average Yield:	59 bu/acre
Average Price:	$6.41/bu
Gross Income/acre	$378.19
Non-land production costs:	$204.28
Net return/acre:	***$173.91***

Wheat

Average Yield:	64 bu/acre
Average Price:	$3.41/bu
Gross Income/acre	$334.18
Non-land production costs:	$222.60
Net return/acre:	***$111.58***

CROP PATTERN FACTORS (PERCENT) OF THREE MAJOR CROPS

Corn (39%)—124.22 times 39%= $48.45
Soybeans (51%)—173.91 times 51%= $88.69
Wheat (10%)--$111.58 times 10%= $11.16
Total Net Income **$148.30**

FINAL CAUV VALUE

$148.30 (Net Income)
____divided by_____ = $1,901.28/acre
7.8% (Capitalization Rate)

Source: The Ohio Farm Bureau Federation. *A guide to CAUV.* October 15, 2010

EXHIBIT 14-9

CURRENT AGRICULTURAL USE VALUE (CAUV) DATA
SELECTED STATEWIDE DATA CALENDAR YEAR 2012

Number of Parcels on CAUV	404,059
Number of Acres on CAUV	16.2 million
CAUV Values	$5.6 billion
Highest & Best Use Values	$17.2 billion
CAUV Values as a % of Highest & Best Use Values	33%
Range of CAUV Values as a % of Highest and Best Use Values	16%-67%
Average Statewide CAUV Values/acre	$994
Range of CAUV Values/acre	$230-$2,630
Average Statewide Highest & Best Use Values/acre	$3,044
Range of Highest & Best Use Values/acre	$574-14,938

EXHIBIT 14-10

VALUE OF EXEMPT REAL PROPERTY
BY TYPE OF PROPERTY AND PERCENT OF TOTAL EXEMPT PROPERTY

CALENDAR YEAR 2009

Type of Property	Amount of Tax Exempt Property (In dollars)	% of Total Tax Exempt Property
U. S. Government	1.5 billion	3.4
State of Ohio	3.6 billion	8.2
County Government	2.6 billion	5.9
Township Government	362.3 million	.8
Municipal Government	6.9 billion	15.8
School Boards	5.2 million	11.9
Conservancy & Park Districts	656.8 million	1.5
Private School, Colleges, & Academies	3.7 billion	8.4
Private Charitable Institutions	4.6 billion	10.5
Churches	4.2 billion	9.6
Cemeteries & Monuments	249.1 million	.6
Tax Abatements	9.4 billion	21.7
TOTALS*	**43.0 billion**	**98.3**

Source: The Ohio Department of Taxation
*Actual Amount of Exempt Real Property in CY 2009 was 43.8 billion. Totals do not add due to rounding for simplification.

EXHIBIT 14-11

TYPE AND PERCENT OF TAX ABATEMENTS GRANTED

CALENDAR YEAR 2011

Type of Tax Abatement	Value of Tax Abatements (in dollars)	% of Total Tax Abatements
Community Urban Redevelopment Corporation	104.0 million	1.1
Community Reinvestment Area	3.1 billion	34.1
Urban Redevelopment Tax Increment Financing	4.1 billion	45.1
Municipal Urban Renewal	138 million	1.5
Other—Primarily Enterprise Zones	1.7 billion	18.7
TOTALS	$9.1 billion	100.5

EXHIBIT 14-12
CALCULATION OF GUARANTEED INSIDE MILLAGE RATES
EXAMPLE OF FAIRFIELD COUNTY

Note: This table shows how the minimum levies within the 10 mill limit for current expenses and debt service were calculated for each taxing authority in Fairfield County. The millage amounts are determined by using two thirds of the average levy for current expenses and debt service during the last 5 years the 15 mill limitation was in effect (1929-1933) pursuant to ORC Section 5705.31(D). The rates in the last column have been adjusted by the removal of fractional mills as authorized in ORC Section 319.33. CCAO has similar data available for each county by request.

Subdivision	1929	1930	1931	1932	1933	5 Year Aggregate State School Levy-2.65 Mills	Total 5 year Aggregate	Avg. Annual Rate	2/3 Avg. Levy	Rounded Avg.
FAIRFIELD COUNTY	4.20	4.00	4.00	3.50	3.60	NA	19.30	3.86	2.57	2.60
TOWNSHIPS										
Amanda	2.50	2.45	2.45	2.45	2.25		12.10	2.42	1.61	1.60
Mun. Corp.	.50	.45	.45	.45	.45	NA	2.30	.46	.31	.30
Berne	2.40	2.40	2.80	2.80	2.60		13.00	2.60	1.73	1.70
Mun. Corp.	.40	.40	.80	.80	.60	NA	3.00	.60	.40	.40
Bloom	2.30	2.30	2.30	2.50	2.40		11.80	2.36	1.57	1.60
Mun. Corp.	.30	.30	.30	.50	.50	NA	1.90	.38	.253	.30
Clearcreek	3.50	3.20	2.70	2.70	2.50	NA	14.60	2.92	1.946	1.90
Greenfield	2.40	2.40	2.30	2.20	2.20		11.50	2.30	1.53	1.50
Mun. Corp.	.40	.40	.30	.20	.20	NA	1.50	.30	.20	.20
Hocking	3.00	3.00	3.00	2.90	2.90	NA	14.80	2.96	1.97	2.00
Liberty	3.20	3.00	3.00	3.00	3.00		15.20	3.04	2.03	2.00
Mun. Corp.	1.20	1.00	1.00	1.00	1.00	NA	5.20	1.04	.69	.70
Madison	3.70	3.00	3.00	3.00	3.00	NA	15.70	3.14	2.09	2.10
Pleasant	2.40	2.40	2.40	2.40	2.30		11.90	2.38	1.59	1.60
Mun. Corp	.40	.40	.40	.40	.30	NA	1.90	.38	.253	.30
Richland	3.00	2.60	3.20	3.00	2.90		14.70	2.94	1.959	2.00
Mun. Corp.	1.00	.60	1.20	1.00	1.00	NA	4.80	.96	.64	.60
Rushcreek	2.95	2.95	2.50	2.50	2.50		13.40	2.68	1.79	1.80
Mun. Corp.	.95	.95	.50	.50	.50	NA	3.40	.68	.453	.50
Violet	3.10	3.10	3.00	3.00	2.40		14.60	2.92	1.946	1.90
Mun. Corp.	1.10	1.10	1.00	1.00	.40	NA	4.60	.92	.61	.60

Walnut **Mun. Corp.**	3.50 1.50	2.50 .50	2.40 .40	2.20 .30	2.10 .20	 NA	12.70 2.90	2.54 .58	1.69 .39	1.70 .40
MUNICIPAL CORPORATIONS										
Amanda	2.60	3.90	3.30	3.30	4.60	NA	17.70	3.54	2.359	2.40
Lithopolis	2.70	2.70	2.70	2.70	2.90	NA	13.70	2.74	1.83	1.80
Sugar Grove	2.70	3.00	2.20	2.50	3.20	NA	13.60	2.72	1.81	1.80
Carroll	3.00	3.00	2.70	2.70	3.20	NA	14.60	2.92	1.946	1.90
Baltimore	2.50	2.50	2.50	2.50	2.40	NA	12.40	2.48	1.653	1.70
Basil	2.50	2.50	2.50	2.50	1.40	NA	11.40	2.28	1.52	1.50
Pleasantville	3.00	2.90	2.90	2.90	3.10	NA	14.80	2.96	1.97	2.00
Rushville	3.00	3.40	3.00	3.00	.90	NA	13.30	2.66	1.77	1.80
West Rushville	3.00	3.40	3.00	3.00	2.90	NA	15.30	3.06	2.04	2.00
Breman	3.50	3.60	3.50	3.20	2.50	NA	16.30	3.26	2.17	2.20
Pickerington	3.60	3.60	3.00	3.00	3.00	NA	16.20	3.24	2.159	2.20
Thurston	3.20	3.20	3.20	3.50	3.20	NA	16.30	3.26	2.17	2.20
Millersport	2.80	3.00	3.30	3.90	3.90	NA	16.90	3.38	2.253	2.30
Lancaster	4.85	5.14	5.14	5.14	5.35	NA	25.62	5.12	3.42	3.40
SCHOOL DISTRICTS										
Lancaster City	3.30	3.20	3.20	3.70	3.40	13.25	30.05	6.01	4.01	4.00
Amanda	4.35	4.00	4.60	2.20	2.35	13.25	30.75	6.15	4.10	4.10
Berne-Union	5.70	4.95	4.95	4.95	4.95	13.25	38.75	7.75	5.1	5.20
Bloom	5.10	5.35	5.35	5.35	5.35	13.25	39.75	7.95	5.30	5.30
Carroll	4.75	4.95	5.35	5.35	5.35	13.25	39.00	7.80	5.20	5.20
Clearcreek	4.35	5.15	4.65	5.85	5.35	13.25	38.60	7.72	5.146	5.10
Liberty-Union	4.45	4.85	4.85	5.35	5.35	13.25	38.10	7.62	5.08	5.10
Pleasantville	3.65	4.95	4.95	5.35	5.35	13.25	37.50	7.50	5.00	5.00
Rushcreek	3.50	3.80	3.75	5.15	5.75	13.25	35.20	7.04	4.69	4.70

Rushville	4.15	4.35	4.15	4.85	4.85	13.25	35.60	7.12	4.746	4.70
Thurston	3.40	4.65	4.65	5.05	5.35	13.25	36.35	7.27	4.846	4.80
Violet	3.20	3.65	4.35	4.35	4.35	13.25	33.15	6.63	4.42	4.40
Walnut	3.85	4.85	4.65	4.65	4.65	13.25	35.90	7.18	4.79	4.80

Source: Ohio Department of Taxation, Division of Tax Equalization

EXHIBIT 14-13

A SIMPLIFIED TAX REDUCTION FACTOR CALCULATION

Facts:

- **The taxing jurisdiction has residential property with a market value of $100 million.**
- **There is no commercial, industrial or mineral property in the jurisdiction, so there are no Class 2 reduction factors.**
- **The jurisdiction has 10 mills of inside millage**
- **The jurisdiction has 40 mills of outside millage**
- **The jurisdiction has no additions to or deletions from carryover property**

	Market Value X Assessed Value	**Inside Mills + Outside Mills**	**Tax Liability**
Year 1 Data	$100 million x 35%	10 mills 40 mills 0.010 + 0.040	
Year 1 Calculations	$35 million	350,000 + 1.4 million	$1.75 million
Year 2 Data	$110 million x 35%	10 mills 40 mills 0.010 + 0.040	
Year 2 Calculations	$38.5 million	385,000 + 1.4 million	
Year 2 Effective Millage Rate		36.36 millls 0.03636	
Year 2 Calculations		$385,000 + $1.4 million	$1.785 million

*To calculate the effective millage rate, divide the previous year's revenue ($1.4 million) by the current year's valuation (38.5 million). The result is the new effective millage rate to be collected on voted levies.

Note that this is a very simple example with only Class 1 Real Property.

$$\frac{\$1,400,000}{\$38,500,000} = 0.03636 \text{ or } 36.36 \text{ effective mills}$$