

# CTAO Fall Conference on Property Taxes

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# Session I

## PRIMER ON PROPERTY TAXATION / VALUATION IN OHIO

# Topics to Cover

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Constitutional  
issues

Real Property v.  
Tangible Personal  
Property

Valuation  
Concepts

Valuation in the  
“world of Ohio  
tax system”

Practical issues

Public Utility  
Tangible Personal  
Property



# General Introduction

- Basic concept – the property tax in Ohio is an “ad valorem” tax, and therefore the value of the property is one of the critical elements of the system.
- But it gets more complicated because of the tax rates, the levy types, the tax reduction factors, credits, and how my property’s value is or is not similar to my neighbor's property.



# Article XII, Section 2

“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\*\*\*\*.”



# Article XII, Section 2

“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 \*\*\*.”



# Ohio Constitutional Restrictions

- All real property must be taxed uniformly according to value, meaning all property must be generally treated equally.
- Taxes can exceed one percent of true value only by vote.
- Real property may be classified for tax reduction factors as either residential/ agricultural or other.
  - “Tax Reduction Factors” is a complex topic that will be covered in Part II of the presentation.



# Property Taxation Overview

- There are two (2) types of property:
  - Real Property, which consists of land and buildings (improvements).
  - Tangible personal property of businesses, which consists of machinery, equipment, inventories, furniture, and fixtures.



# Property Taxation Overview

- Real Property is divided into two “classes”
  - Residential & agricultural (Class 1).
  - Commercial and industrial (Class 2).
- Tangible Personal Property
  - General business property – not taxed after tax reform phased it out from 2005 through 2009.
  - Public utility tangible personal property tax still in effect.



# Property Taxation Overview

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- In a simple world to derive the actual tax due:

$$\begin{aligned} & \text{Property Value} \\ & \times \text{Property Tax Rate} \\ \hline & = \text{Property Taxes} \end{aligned}$$

**But it is not  
that simple!**



# Property Taxation Overview

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- In Ohio (in the real world for Ohioans) for real property to derive the actual tax due:

**(Market Value x Assessment Rate) x (Tax Rate x Reduction Factors) =**

**Taxes Charged before Credits - Tax Credits =**

**Net Taxes**

 Much more on this (effective tax rates and credits) later in the presentation.



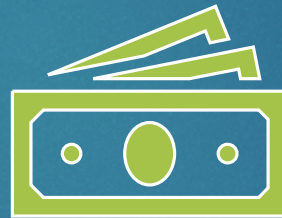
# Property Taxation Overview

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- In Ohio for public utility tangible personal property, the rules are different.
- Will be discussed later in the presentation.



## What is it worth?





# Real Property Valuation

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- Property values (and hence the tax) are based on “true value.”
- For real property, true value is generally market value, and generally what a willing buyer and seller would agree to in an exchange in the open market.
- **Exception:**
  - Agricultural property is valued based on its ability to generate agricultural income (CAUV – more later on this / a “value in use” concept).





# Real Property Valuation

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- Ohio's valuation rule is *generally* "the true value of the fee simple estate, as if unencumbered."
- Translated, don't look specifically at the actual use of property, so much as look at the "highest and best use" of the property.
- Some call this "value in exchange" as opposed to "value in use."



# Real Property Valuation

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## EXAMPLE

- Assume two buildings next door to each other of the exact same quality and size.
  - **Building A** – fully leased, great lease rate, landlord making money hand over fist.
  - **Building B** – completely vacant, no rent, landlord losing money.
    - Are these two buildings worth the same for Ohio real property tax purposes?





# Real Property Valuation

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- Real property is reappraised every six years through visual inspection.
- Values are updated three years after reappraisals based on computer analyses of property transactions.
- “Taxable value” of real property is statutorily set at 35 percent of true value.



# Real Property Valuation

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- The County Auditor and the Ohio Tax Commissioner work on this in collaboration.
- History – Division of Tax Equalization at Ohio Department of Taxation (DTE).
- Seek uniformity because of Constitution and case law and disinterested non-local official.



# Real Property Valuation

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- Sometimes a tension exists between the local County Auditor and the State Tax Commissioner.
- Butler County decision recently issued by Ohio Board of Tax Appeals – more on that later.





# Real Property Valuation

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- R.C. 5713.01 – County auditor shall assess the real estate\*\*\*in accordance with other statutes and with the rules and methods\*\*\* adopted by the tax commissioner.
  - R.C. 5713.03; 5713.31 and 5715.01 also referenced
- R.C. 5715.01 – The tax commissioner “shall direct and supervise” the assessment for taxation / R.C. 5713.31 - CAUV.



# Real Property Valuation

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- R.C. 5713.03 – The county auditor from the best sources of information available, shall determine \*\*\* the true value of each separate tract, lot, or parcel of real property and of buildings, structures, and improvements located thereon \*\*\* and CAUV \*\*\* in accordance with the uniform rules of valuing \*\*\* as promulgated by the tax commissioner.”



# Real Property Valuation

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- R.C. 5715.33 – The tax commissioner shall order a reappraisal of all real property in each county once in each six-year period.
- Update (every three years).
  - OAC 5703-25-06 / R.C. 5715.24.





# Real Property Valuation

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- R.C. 5715.012 – Sales assessment ratios
- The tax commissioner shall make sales-assessment ratio studies of sales and assessments of real property for the purpose of determining the common level of assessment of real property \*\*\*and for the purpose of equalization. Such studies shall be based on a representative sampling during the three years prior to the tax year to which the sample is applied of open market arms' length sales by a willing seller to a willing buyer for a current like use within the class or classes of real property sampled by the board.\*\*\*



# Real Property Valuation

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- R.C. 5715.012 – Sales assessment ratios
- General idea is to see how far off the Auditor was, by looking at sales that occur and studying the differences, and then using that to re-assess the property.
- It is never going to be perfect.



- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- The Butler County Auditor appeals from a Journal Entry of the Tax Commissioner finding the Auditor failed to lawfully value residential property in four political units during the **2020 sexennial reappraisal**.
- Consistent with his finding, the Commissioner ordered specific aggregate increases for residential property within those political units.



# Real Property Valuation

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- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- In short, the Tax Commissioner (through DTE) concluded that the values had not been increased in a manner that was correct in the real world and based on the studies, and the Auditor appealed that conclusion to the Ohio BTA.



- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- “The Auditor’s primary argument is the Commissioner’s sales ratio studies were legally deficient because the Commissioner “relied exclusively or at least heavily on sales data from the year 2019 while ignoring or minimizing the sales data from 2017 and 2018.”



# Real Property Valuation

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- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- Remember, the job is to find the true value today, not three years ago.
- Lien Date – January 1 of the Tax Year – so as of January 1, 2020.
- (2017, 2018, 2019 transactions).



# Real Property Valuation

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- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- “Having found the Commissioner reasonably and lawfully created and utilized his sales ratio studies, we find he reasonably and lawfully argued aggregate increases \*\*\* we find his Journal Entry supported by reliable and probative evidence.”
- Tax Commissioner wins.



# Real Property Valuation

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- *Roger Reynolds v. Tax Commissioner McClain* – BTA CASE NO. 2021-120.
- General Assembly reacted to this with some proposals, including:
  - That County Auditors should be the primary decision maker on true value, not the Tax Commissioner.
  - That the three years prior to the tax lien date being reviewed should be more equally considered.
  - NOTE: These did not pass into law, yet, but could?



How do Farmers pay tax  
on all that land?





# Real Property Valuation – CAUV

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- CAUV stands for **current agricultural use valuation**.
  - Idea is to preserve farmland for Ohio.
  - Exception to “highest and best use” concept.
    - Allows for a “pretend” value based on soil types, etc. and income generating ability (in agriculture).
  - Litigation has been prevalent on this recently.
  - Claw back for three years after not CAUV.
  - Examples of where purchaser can get stuck with three big tax year amounts.



TIDBITS



# Real Property Valuation – Tidbits

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- R.C. 5715.01 – the assessment percentage determined by rule by the tax commissioner, but it “shall not exceed 35%.
  - It does not need to be exactly 35% but has been for years.
- R.C. 5713.01 has a clause that states “the auditor **shall** revalue and assess at any time all or any part of the real estate in such county \*\*\* where the auditor finds that the \*\*\* values thereof have changed.”
  - Does not need to wait to 3 or 6 year cycle.



# Real Property Valuation – Tidbits

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- R.C. 5713.01 – also states: The auditor may increase or decrease the **\*\*\*value of any \*\*\*parcel\*\*\*** in any township, municipal corporation, **\*\*\*** by an amount which will cause **all** real property on the tax list to be valued as required by law, ---- (see next slide for more)



# Real Property Valuation – Tidbits

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- R.C. 5713.01 - (continued from prior slide) or the auditor may increase or decrease the aggregate value of all real property, or any class of real property, in the county, township, municipal corporation, or other taxing district, or in any ward or other division of a municipal corporation by a per cent or amount which will cause all property to be properly valued and assessed for taxation in accordance with [uniformity provisions and other statutes]”.



# Real Property Valuation – Tidbits

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- **The practical reality is:**
  - Board of Revision challenges
    - See H.B. 126.
  - Sales, but not all?
  - Can wait?





# Public Utility Tangible Personal Property



# Public Utility Tangible Personal Property

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- In Ohio for public utility tangible personal property:
  - **(Depreciated Value x Assessment Rate) x Tax Rate = Taxes Charged**
  - Assessment rates are different than the 35% discussed for real property.



# Public Utility Tangible Personal Property

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- In Ohio for public utility tangible personal property (**continued**):
  - Default “starting point” is cost as capitalized on books and records (less state depreciation)
    - This can be challenged, and often is, because cost is not always reflective of true value.
  - *Texas Eastern* – can deviate from costs as capitalized.
    - Regulatory issues make this area more complex.



## Assessment Rates of Public Utility Property

Public Utility Type	Taxable Property	Assessment Percentage
Electric Companies	Taxable transmission and distribution property and energy conversion equipment	85%
	All other taxable property	24%
Energy Companies	Taxable production equipment	24%
	All other taxable property	85%
Rural Electric Companies	Taxable transmission and distribution property and energy conversion equipment	50%
	All other taxable property	25%
Other companies	Heating and Pipeline Companies	88%
	Natural gas, waterworks <sup>1</sup> , and water transportation companies	25%

<sup>1</sup>The assessment percentage is 88% for taxable personal property first subject to taxation in Ohio before tax year 2017



# Public Utility Tangible Personal Property - Tidbits

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- Impact on state aid when challenged.
- Policy of taxing based on cost.
- Effective rate very high because of assessment percentages.
- “Tax on energy” for certain utilities in some instances, born by the ratepayers?





# Session II

## CONCERNS ABOUT PROPERTY TAXATION FROM TAXPAYERS (AND POSSIBLE SOLUTIONS!)



# HB 920 of the 111<sup>th</sup> General Assembly (1976)

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(Amended Substitute House Bill No. 920)

## AN ACT

To amend sections 119.01, 121.02, 121.03, 131.23, 131.24, 133.14, 133.16, 133.23, 133.29, 133.53, 149.01, 319.202, 319.301, 319.33, 319.54, 321.24, 323.151, 323.153, 323.154, 323.157, 323.17, 1507.13, 1541.06, 2105.09, 3311.21, 3317.021, 3317.025, 3317.04, 3318.07, 3354.12, 5703.01, 5703.02, 5703.03, 5703.04, 5703.05, 5703.07, 5703.14, 5703.15, 5703.18, 5705.16, 5705.19, 5705.192, 5705.21, 5705.25, 5705.27, 5705.30, 5705.31, 5705.34, 5705.341, 5705.37, 5705.51, 5709.06, 5709.08, 5711.03, 5711.09, 5711.22, 5713.01, 5713.03, 5713.08, 5713.081, 5713.24, 5713.31, 5713.33, 5715.01, 5715.011, 5715.012, 5715.04, 5715.06, 5715.18, 5715.19, 5715.20, 5715.23 to 5715.34, 5715.36 to 5715.39, 5715.42, 5715.44, 5715.441, 5715.51, 5717.01, 5717.02, 5717.03, 5719.11, 5725.02, 5725.05, 5739.32, and 5747.51, to enact sections 323.251, and 5715.251, and to repeal sections 5713.11 and 5713.111 of the Revised Code to transfer the administrative functions of the board of tax appeals to the new department of tax equalization, to provide for filing tax appeals by certified mail, to require the county treasurer to accept partial payment of taxes when complaints are filed, to



<http://www.stcroixcollections.com/2015/08/25/st-croix-bicentennial-flag-flies-again/>



# Ohio House Bill 920, Enacted 1976

(ORC § 319.301)

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- Reduces taxes charged to offset increases in property value.
- A “tax reduction factor” is applied to the rates of certain voted millage.
- The reduced rate at which taxes are collected is termed the “effective” millage.
- H.B. 920 applies to existing property

## Important Note

In general, HB 920 prevents an increase in taxes on existing property without a vote of the people

School districts can see revenue growth on existing properties with inside mills. School districts also receive revenue growth on existing levies from new construction that adds property value.




ANY NEW CHEVY  
WITH INTEREST AT

# 13.8%

NOW, YOUR PARTICIPATING  
CHEVY DEALER TAKES  
THE STING OUT OF CAR  
FINANCING BY ROLLING  
BACK INTEREST RATES.

FINANCING OFFER SUBJECT TO CREDIT REVIEW AND APPROVAL. FINANCING OFFER AVAILABLE AT PARTICIPATING CHEVY DEALERS. FINANCING OFFER ENDS AUGUST 31st. SEE DEALER FOR DETAILS. ©2008 GM Corp.

SAVE HUNDREDS OF DOLLARS. HURRY, OFFER ENDS AUGUST 31st.  
(IT'LL PAY YOU) TO SEE YOUR CHEVY DEALER!



<https://www.youtube.com/watch?v=upr9LbEgJcE>

# 13.8%?!?

## WHAT A DEAL!



**TEXT OF  
QUESTIONS AND  
ISSUES WILL  
APPEAR HERE**

**1**

**PROPOSED CONSTITUTIONAL AMENDMENT**

To enact Section 2a of Article XII of the Constitution of the State of Ohio relative to the classification of real property for the purpose of taxation.

THIS PROPOSED AMENDMENT GIVES THE GENERAL ASSEMBLY AUTHORITY TO PASS LAWS FOR THE FOLLOWING PURPOSES:

1. TO CREATE TWO DIFFERENT CLASSES OF LAND FOR TAXATION:  
(A) RESIDENTIAL AND AGRICULTURAL LAND AND IMPROVEMENTS  
(B) ALL OTHER LAND AND IMPROVEMENTS
2. TO ADJUST EACH VOTED TAX IN BOTH CLASSES SO THAT THE REVENUE PRODUCED BY EACH CLASS IS NO GREATER THAN THE REVENUE PRODUCED BY THE CLASS IN THE PRECEDING YEAR.

IF ADOPTED, THIS AMENDMENT SHALL TAKE IMMEDIATE EFFECT.

(Proposed by Resolution of the General Assembly of Ohio)



**Voter Approved!**



# H.B. 920 Tax Reduction Factors and School District Millage

However, not all levies and local funding options are included in the 20-mill floor:

Emergency

Substitute

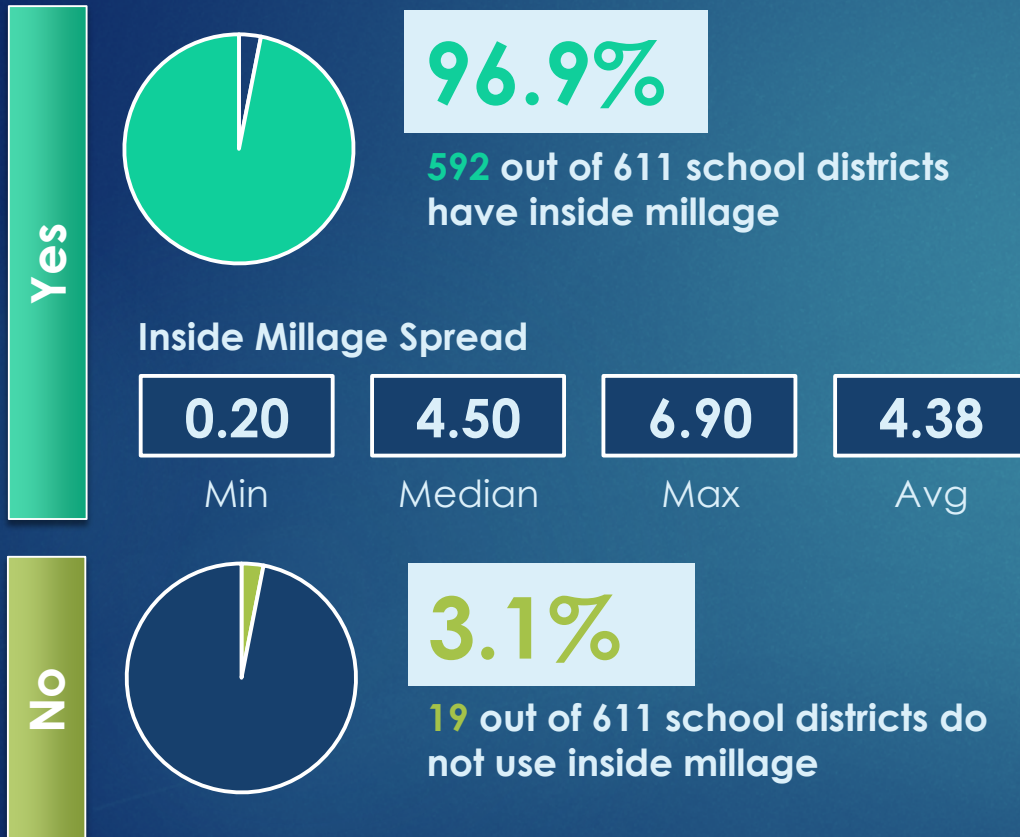
Income Tax

Bonds

Permanent  
Improvement



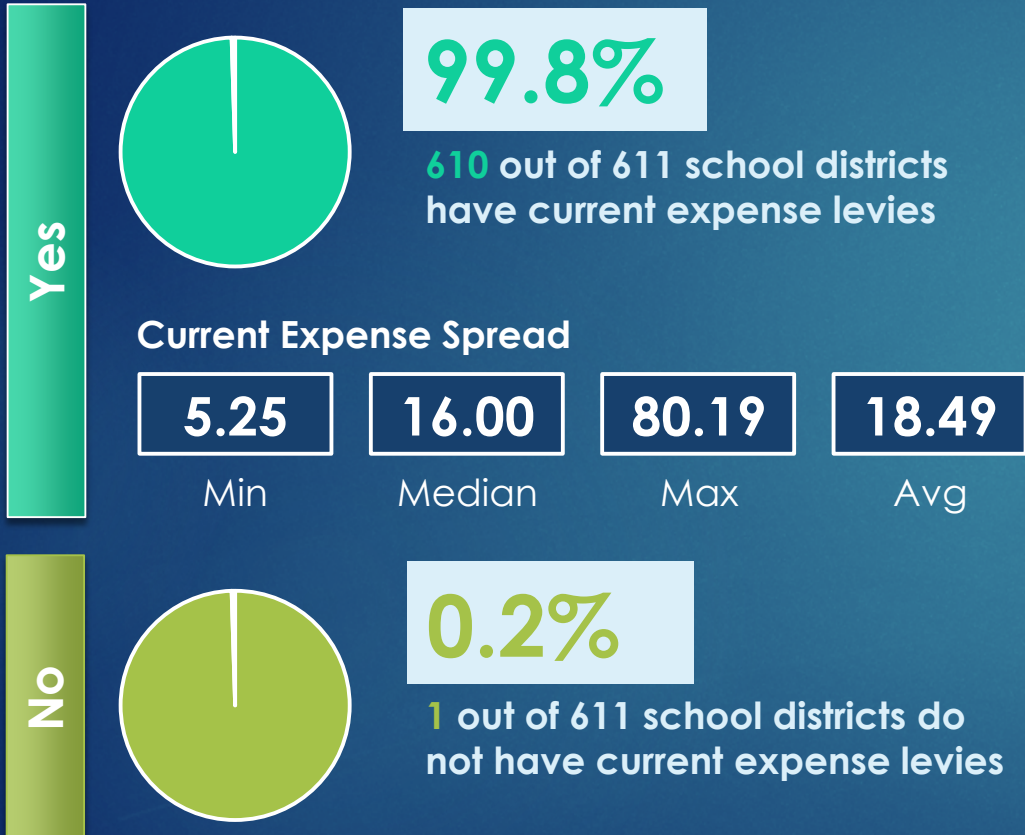
# Inside Millage



- ORC 5705.02
- Unvoted property taxes, referred to as inside millage, are limited by state law to 10 mills of a property's assessed value and are divided among the overlapping local governments by statutory formula.
- Inside millage is not subject to reduction factors and experiences full inflationary growth.
- 19 School Districts with no inside millage are also all at the 20-mill floor.



# Current Expense Rate (Class I)



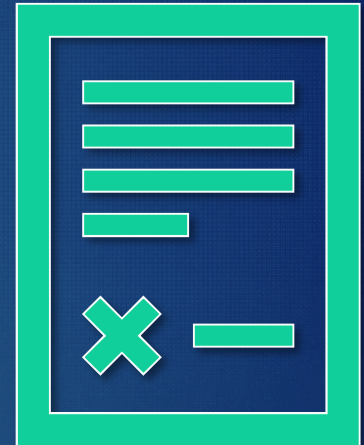
- The Current Expense Rate is the sum of the effective tax rate of voted fixed-rate levies for current expense purposes on Class I property.
- All recreation and library levies are excluded.
- Middle Bass LSD, a special island school district, is the one without current expense rate levy millage.



# Bond Levies

51

- ORC § 5705.21
- Bond proceeds are used to finance permanent improvements, which is any property or asset having an estimated useful life of 5 years or more.
- Max term of a bond issue is weighted average maturity of the assets financed, ORC § 133.20
- While an estimated millage amount appears on the ballot for voter approval, actual millage is set annually at whatever level is necessary to pay debt service (principal + interest) on the bond issue.





# Permanent Improvement Levies

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- ORC § 5705.21
- A restricted use levy that can be used for capital improvement projects, maintenance and repairs, and certain equipment items that are designed to last five years or more. Generally, used for maintenance of the physical plant of the school.
- Term options are for one year, five years, or on a continuing basis.
- These levies do not contribute to the calculation of the 20-mill floor but are subject to reduction factors if they are outside levies.





# Bond Rates

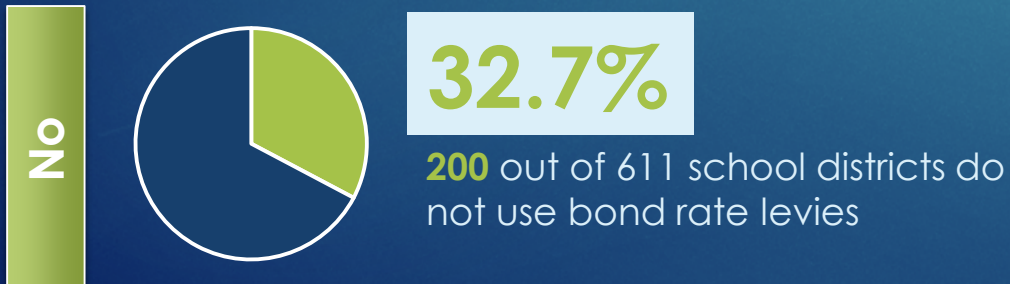
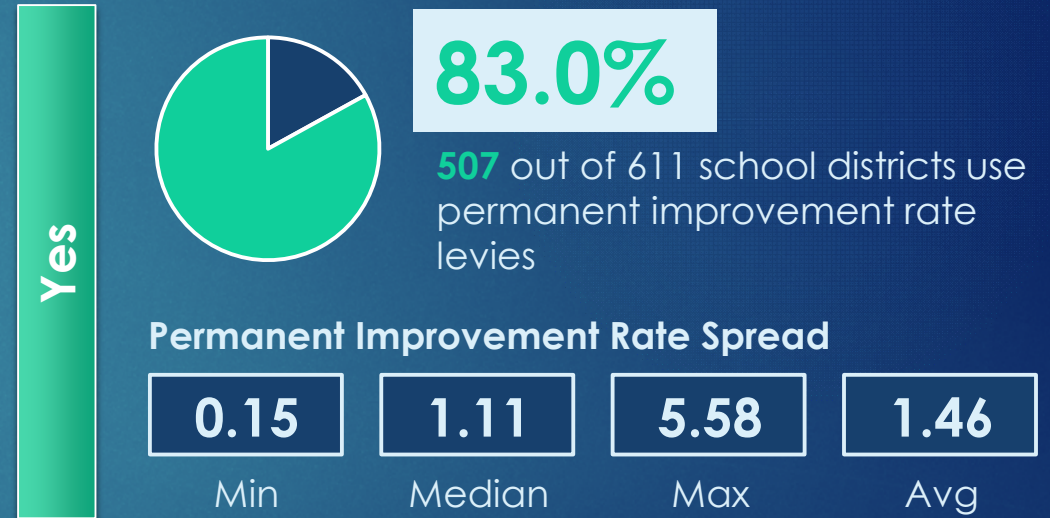
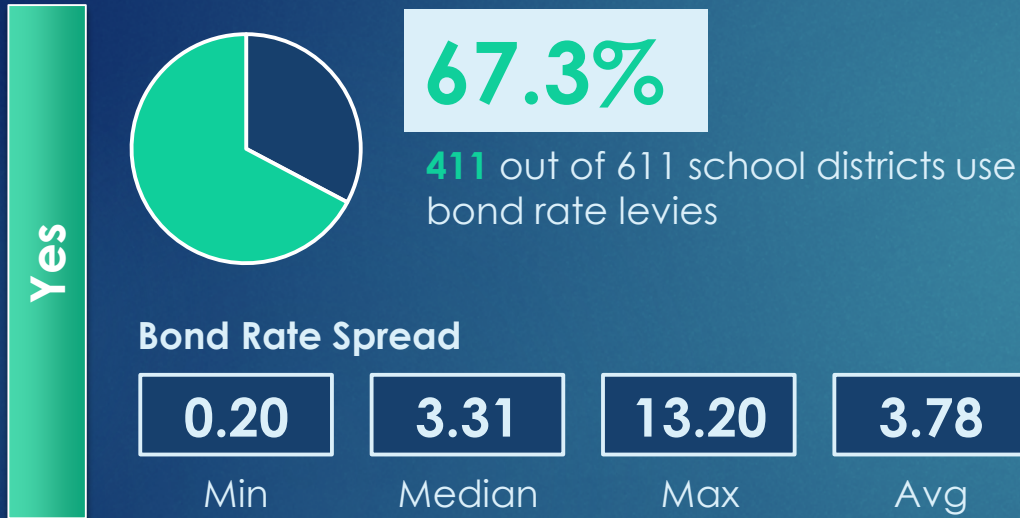
# Permanent Improvement Rates

53

Count of Schools



Count of Schools





# Recreation, Library, Safety & Security Levies

- ORC § 5705.21
- Traditional property tax levy may be approved for a maximum of five years for the following purposes:
  - Recreational purposes,
  - Public library supported by the School District,
  - School safety and security
- Purposes are infrequently used





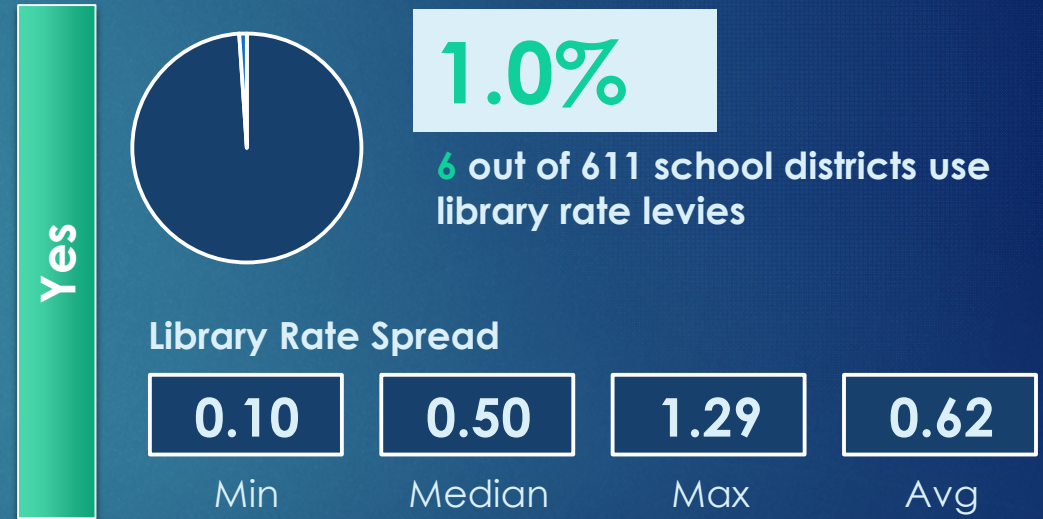
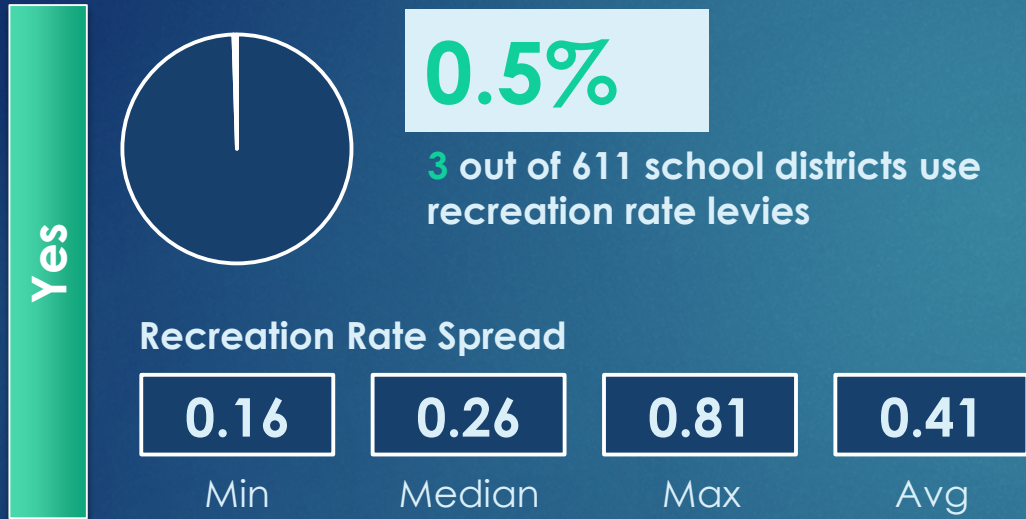
# Recreation Rates

# Library Rates

Count of Schools



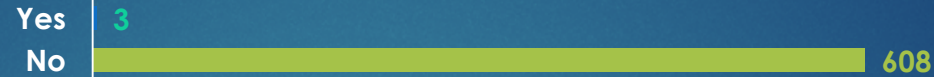
Count of Schools





# Safety & Security Rates

## Count of Schools



## Safety & Security Rate Spread





# Emergency Levy

57

- ORC § 5705.194
- Two purposes are “emergency requirements of the school district” or “avoiding an operating deficit”
- Term is limited to 1-10 years
- Not included in 20-mill floor calculations nor subject to reduction factors.
- An Emergency levy is a “fixed-sum levy” because the levy is intended to raise a specified amount of money annually, and millage rates are adjusted annually to raise only that amount.





# Substitute Levy

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- ORC § 5705.199
- Must have one or more existing emergency levies already in place for which you want to substitute.
- May substitute at any time during term of emergency levy. Can substitute for 2 or more emergency levies at the same time.
- Specific dollar amount, BUT same millage is applied to new construction
- Term is limited to 1-10 years OR continuing
- Not included in 20-mill floor calculations nor subject to reduction factors.

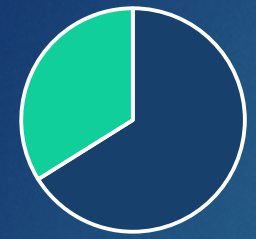


# Emergency Rates

Count of Schools



Yes



**33.9%**

207 out of 611 school districts use emergency rate levies

Emergency Rate Spread



No



**66.1%**

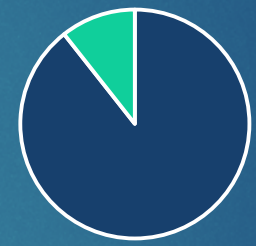
404 out of 611 school districts do not use emergency rate levies

# Substitute Rates

Count of Schools



Yes



**11.5%**

70 out of 611 school districts use substitute rate levies

Substitute Rate Spread



No



**88.5%**

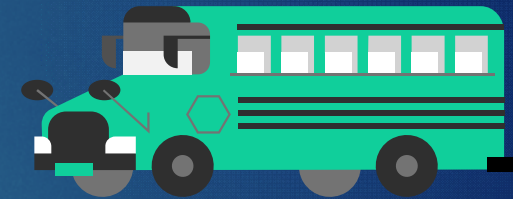
541 out of 611 school districts do not use substitute rate levies



# School District Income Tax

60

- ORC § 5748.02 - .03
- Levied in quarter of a percent (0.25%) increments.
- Typically for current expenses
- Term is any number of years or continuing
- Tax is only paid by residents of the school district
- SDI Tax revenue is dependent on the taxable incomes of the residents of the district. As incomes grow, tax revenue will grow.
- Income tax to millage equivalent calculated by dividing FY 23 total income tax distributions by tax year 2022 property value and multiplied by 1,000.





# School District Income Tax – FY23

### Count of Schools



Yes



**35.7%**

218 out of 611 school districts use income tax rate levies. Rates vary from 0.25% to 2.00%

### Income Tax Rate Millage Equivalent Spread



No



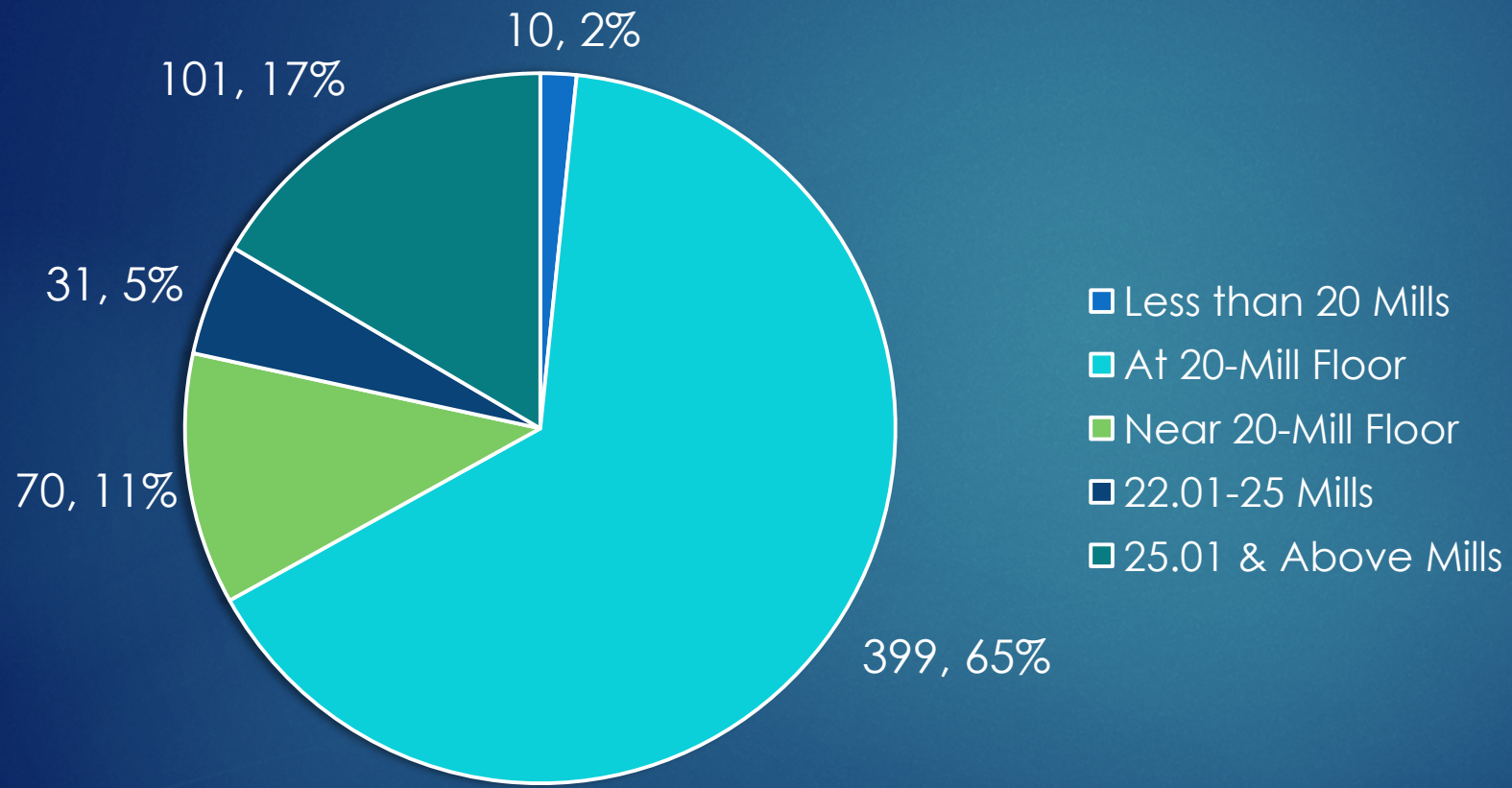
**64.3%**

393 out of 611 school districts do not use income tax rate levies



# Current 20 Mill Floor Status Summary

as Calculated under ORC § 319.301



Of the 611 districts, 399 or 65% of total school districts are at the 20-mill floor

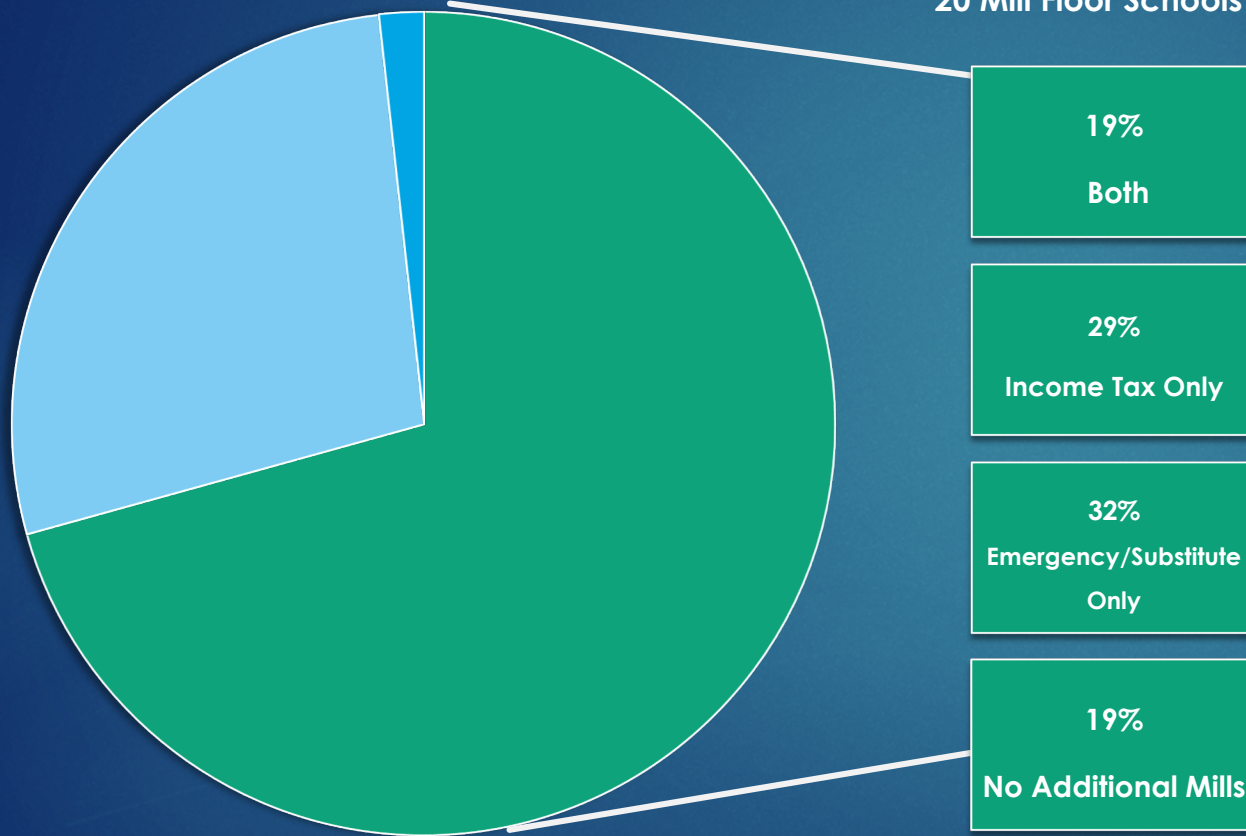
The 10 school districts with “Less than 20 mills” are either special island districts or school districts that rely on JVS millage to meet the 20-mill qualification for foundation formula.

Those “Near 20-Mill Floor”, are those with millage between 20.01-22 mills. They are likely to drop to the 20-mill floor with the next reappraisal or revaluation of property value and application of reduction factors.



# Additional Mills for 20 Mill Floor Schools Summary

Additional Mills for 20 Mill Floor Schools



■ Under 20 Mill Floor   ■ At 20 Mill   ■ Above 20 Mill Floor

## Takeaway

Of the 611 districts, 399 or 65% of total school districts are at the 20-mill floor

Of the 399 districts at the 20-mill floor, 321 districts have additional millage.

While 78 school districts truly have no additional millage.

Of the 321 districts with additional millage: 129 districts have emergency/substitute levies, 116 with income tax, and 76 with both.



# Pending Ohio House Legislation as of October 2024

House Bill	Sponsor(s)	Title/Subject	status
		Roemer, Lorenz, Troy, Brennan, Dell'Aquila, Demetriou, Hall, Issacsohn, King, Lear, Mathews, McClain, Rogers, Stoltzfus, Upchurch, Wiggam, T. Young	
1	Mathews	Income tax rates reduction and property tax modifications	H committee
57	Hall, Demetriou	Index homestead exemption to inflation (done in HB 33 biennial budget bill)	S committee
60	Troy	Expand homestead exemption	H committee
90	Patton	Property tax exemption for disabled veterans, spouses	H committee
187	Hall, Bird	Modify tax commissioner property tax sales-assessment ratio studies	awaiting H concur
254	Richardson, Holmes	Homestead Property Tax Exemption for Disabled Veterans	H committee
263	Isaacsohn, Hall	Property Tax Freeze for certain homes	H committee
274	Mathews, Dell'Aquila	Enhanced Homestead Exemption	H committee
344	Matthews, Hall	Revise property tax complaints and eliminate replacement levies	below black line
378	Lorenz, Santucci	Permit homestead exemption for surviving service member's spouse	S committee
402	Schmidt	Authorize property tax reduction in 2023 for properties with increases compared to 2022	H committee
447	Loychik	Property tax exemptions, restrictions, and land value	H committee
496	Hoops	Property tax and county auditors	S committee
543	Blackshear, Willis	Property tax on split properties and prohibit tax delinquent from purchasing foreclosures	H committee
630	Lorenz	Classify car condominiums as residential property for tax purposes	H committee
645	Isaacsohn, Hall	refundable income tax credit for property taxes exceeding 5% of income	not yet referred
655	Patton	property tax freeze for certain owner-occupied homes	not yet referred
HJR 6	Lear, Williams	Limit property tax increases to no more than 4% per year	H committee



# Pending Ohio Senate Legislation as of October 2024

Senate Bill	Sponsor(s)	Title/Subject	status
		Blessing, Roegner, K. Smith, Cirino, Schaffer	
2	Schuring	Authorize certain subdivisions to designate property tax exemptions	S committee
43	Brenner	Homestead exemption change for surviving spouse of disabled veteran	Enacted
76	Blessing, Antonio	Levy a tax on certain high-volume landlords	S committee
118	Schuring	Authorize a tax credit for new owner-occupied single family homes	S committee
134	Hoagland	Homestead exemption for disabled veterans	S committee
136	Craig	Reduce property tax on owner-occupied homes	S committee
153	Lang, Johnson	Temporary Modification of Valuing Real Property for Tax Purposes	S committee
186	Blessing, Ingram	Require property tax payments upon parcel splits; prevent tax delinquent owner purchasing	H Committee
242	O'Brien	Expand charitable use property tax exemption	S committee
244	Reynolds, Craig	Partial homeowner property tax exemptions	S committee
271	Blessing, Craig	Income tax credit for homeowners or renters whose property taxes exceed 5% of income	S committee
287	DeMora	Property tax freeze for certain owner-occupied homes	S committee
308	O'Brien	School District Property Tax growth limitations	not yet referred



# Questions?





# Contact

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