



**MIKE DEWINE**  
GOVERNOR OF OHIO



# OHIO PROPERTY TAX WORKING GROUP

**MATT NOLAN & KRISTA BOHN**

# Membership:



- Co-Chairman Pat Tiberi, President and CEO of the Ohio Business Roundtable
- Co-Chairman Bill Seitz, former State Representative
- Krista Bohn, Allen County Treasurer
- Chris Galloway, Lake County Auditor
- Matt Nolan, Warren County Auditor
- Steve Patterson, Mayor of Athens
- Dr. John Marschhausen, Superintendent of Dublin City Schools
- Stephanie Starcher, Superintendent of Fort Frye Local Schools
- Denise Driehaus, Hamilton County Commissioner
- Gary Scherer, Pickaway County Commissioner
- Jeff Chattin, Pike County Commissioner



# How Property Taxes Began:

- 1792 - First tax laws were enacted in the Northwest Territory which taxed land, homes, and livestock.
- 1825 -The Ohio General Assembly abolished the old land classification system, created a general property tax for state, county, and townships. This began today's modern system.
- 1831 - The first personal property tax list was added to the property tax system.
- 1851 – Ohio constitution required uniform taxation on all types of property based on value (ad valorem).
- 1902 – State property tax abolished and the current system of local, voter-approved tax levies created.

# Ohio Property Tax Significant Changes:



- 1970's The 35% assessed value set, 10% real property rollback, 2.5% homestead exemption, and the 2.5% homestead rollback (owner occupied credit) all were enacted and state backed.
- 1973 Constitutional amendment established the Ohio Current Agricultural Use Value Program.
- 1976 HB 920 created the tax reduction factors. (To maintain taxes at a generally constant level for taxpayers). It was soon realized residential/agriculture vs. commercial/business did not rise at the same rate which led to the creation of Class 1 and Class 2.
- Next Business tangible personal property taxes were lowered from 50% to 35%, then to 25% in 1993.
- 1989 public utility TPP was reduced from 100% to 88%, then in 2001 it was reduced from 88% to 25%.
- Next comes 2005 and HB 66 which phased out business tangible personal property taxes by 2010. It also reduced assessment percentages on electricity transmission & distribution from 88% to 85% and generation property from 25% to 24%. This bill also eliminated the 10% property tax rollback for Class 2.

# Ohio Property Tax Significant Changes:

- 2013 the 10% rollback on Class 1 residential and agricultural property eliminated on any new and replacement levies.
- 2013 State-level estate tax or inheritance tax repealed. Prior to repeal Ohio imposed 6% on estates over \$338,333 and 7% on estates over \$500,000.

## Important Supreme Court Ruling which impacted Ohio tax system:

- 2004 *Funtime, Inc. v. Wilkins*, Tax Commissioner (Appeal from BTA in 2001)
  - Geauga Lake appealed real property vs. personal property for three rides located in their park.
- 2014 *Cleveland Clinic v. Richard Levin*, Tax Commissioner of Ohio (Appeal from BTA in 2005 & 2006)
  - Appealed for tax exempt status for Taussing Cancer Center in Cleveland and Beachwood Family Health Center.

# Task Force Recap:



- The group was tasked with providing detailed recommendations to Governor Dewine in 60 days.
- To begin group members studied the Joint Committee On Property Tax Review and Reforms prior 21 vague suggestions, the accompanying details, and testimony as a starting point.
- Each member brought any new ideas or suggestions for property tax reform.
- Written testimony from other entities and Ohioans was provided to the group to make their voices heard and to provide suggestions.
- Invited Testimony that the group heard at weekly meetings included:
  - The Fair School Funding Plan Workgroup
  - Buckeye Institute
  - Policy Matters Ohio
  - Commercial Real Estate Development Association (NAIOP)
  - Ohio Education Policy Institute
  - Ohio Association of County Behavioral Health Authorities
  - Ohio Farm Bureau Federation
  - Franklin County Auditor Michael Stinziano

( Detailed Testimony and resources can be found in the report Appendix )



# Topics of Focus:

- Homestead
- School Funding
- Circuit Breakers
- Deferrals
- Residential Stability Zones
- Tax Burden Shifts
- Pending legislation at that time: HB 96  
HB 186 Inflation Cap; HB 920 Circuit  
Breaker, HB 335 Inside Millage Cap.
  - Deep dive into how these affect all groups  
and what are feasible options long term if  
enacted. Provide information legislators  
could use immediately upon return to  
session.



# Focuses & Debate:

- Repeated message the group received from legislators – No checks will be written or increased funding. Property tax relief had to be funded in a feasible way, long term and not backed by the state.
- Homestead
  - At the time we all agreed a big concern. However, a large number of pending legislation changes were already in the pipeline.
- School Funding
  - Consistent topic since the 1970's
  - 20 mill floor and value increase windfalls
  - State not willing to cover more as the tax burden has consistently shifted to residential
  - Including emergency funding in formulas
  - Reducing the number of levy options
  - School levies are voted on locally
  - Less students, higher costs

## ➤ Circuit Breaker

- Scenarios were ran and discussed with many options factored in such as who would or could be included, relief amounts, incomes limits, age limits, and whether state backed or not.





# Focuses & Debate: (Continued)

- Deferrals
  - Eligible homeowners could postpone paying property taxes, creating a lien on the property until sold or owner passes away. Ex. Colorado, Texas, Maine etc.
- Residential Stability Zones
  - Ability for local governments to tax exempt low-income or long-term homeowners. Capping increases in assessed value. Similar to TIF's we cautioned on shifting the tax burden.
- Tax Burden Shifts
  - Significant changes in tax burdens have shown to have shifted from industrial/commercial to residential/agricultural.
  - There has also been a shift, as local property values rise, more is paid locally versus by the State of Ohio.



# Working Group Recommendations:

1. Refine the process and definition of County Budget Commission, including timeline for when a levy can be reduced. Defined Unnecessary & Excessive
2. Limit carry over balances to all taxing districts to 100%.
3. Eliminate Substitute levies, rename current substitute & emergency levies as fixed sum levies. Future renewals would all count toward 20 mill floor. Continuing substitutes would apply after 5 years.
4. County Commissioners should review any levies by non-elected entities placed on county ballot.
5. Closing LLC loophole when buying/selling Class 1 property.
6. Support HB 186 as amended by House Ways & Means Committee in June and include inside millage.
7. Support HB 156 with amendment that tax credit is the difference in increase from previous taxing year not accumulative.
8. Implement reforms to levy ballot language for transparency and clarification.
9. Restrict emergency levies to under fiscal caution, watch, or emergency as defined by the Auditor of State and impose limit.
10. Explicitly authorize levy boards to retain interest on their levy funds and granting BOC ability to collect on indirect costs.
11. Improve penalty and interest processes on delinquent taxes for qualified homeowners.
12. Implement tax deferral program for qualifying seniors.
13. Property tax exemptions should be regularly reviewed and evaluated.
14. Sexennial reappraisal and triennial update schedule rebalanced across counties and years.
15. Support HB 154. Schools have the ability to disapprove of a CRA program.
16. Codify limits for creation of RSZ's.
17. Encourage Governor to form a group to analyze efficiencies across government.
18. Housing (recommend GA continue examining property tax relief and housing supply).
19. Abuse of Property Tax Credit.
20. Expanding Homestead exemptions or implement a circuit breaker.

# 1<sup>st</sup> Wave of Property Tax Reform:

## ➤ HB 124

Gives County Auditors local authority to determine which real estate sales are valid for revaluations.

## ➤ HB 129

Emergency and Substitute levies will now count toward the 20 mill floor.

## ➤ HB 186

Established an inflation rate cap credit, phasing out nonbusiness credit, increasing owner occupancy credit.

## ➤ HB 309

Gives County Budget Commission authority to modify levies to cut unnecessary collections.

## ➤ HB 335

Caps inside millage increases to inflation.



# Practical Implications of 1<sup>st</sup> Wave:

- Tax credit this year for all floor properties with revaluation in TY 23/24
  - Amounts to be released soon, but will vary from district to district.
  - Short term relief. Credit goes away with next re-evaluation.
- Never have tax increases above inflation again UNLESS – voters approve it.
  - No increase in revenue to local governments above inflation as well.
- Small tax decreases every year for the next 4 years, for Owner Occupied Credit.
  - Increase in taxes for rental properties.
  - Reduce out-of-state investors.

# Potential 2<sup>nd</sup> Wave of Property Tax Reform:

What could be on the horizon?

- Expanding Homestead
- Adding a Deferral option for Seniors and those with Disabilities
- Review of efficiencies across government including the number of entities.
- Property tax exemption reviews.
- Abuse of property tax credits.
- Tax assessment percentage change lowered from the existing 35% of value.
- Closing the LLC loophole
- Increasing school income taxes to offset property taxes
- Replacing county property taxes with sales tax.
- Expanding fees and other local options to decrease dependence on property taxes.





QUESTIONS ?



Detailed testimony and resources can be found in the published Ohio Property Tax Reform Working Group report and appendix.