

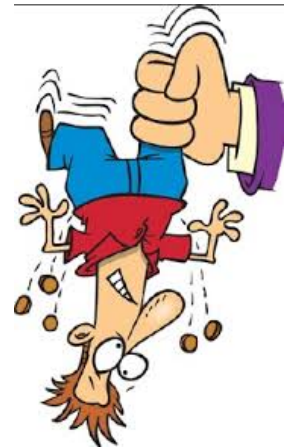


THE OHIO STATE UNIVERSITY

JOHN GLENN COLLEGE OF PUBLIC AFFAIRS

Ohio's Property Tax System

The Complete Version: For Study & Final Exam



Property Tax History

- **6000BC**-- King of the city-state of *Lagash* (Iraq) used a tax system based primarily on food produced on the land.
- **Medieval England**—land measured and value estimated. Assessment/property taxes kept in book

The Domesday Book

How many ploughs are there in the manor ?

How many mills and fishponds ?

How many freemen, villagers and slaves are there in the manor ?

How much woodland, pasture, meadow ?

What does each freeman owe in the manor ?

How much is the manor worth ?

Property Tax History

The English Hearth Tax 1662-1689

Also moved to the Continent

Followed by the Window Tax in 1696



Property Tax History

U. S. Experiment with Property Tax

U. S. Direct Tax of 1798 (Property, Land, Slaves)

“for the valuation of lands and dwelling houses and the enumeration of slaves within the United States,”

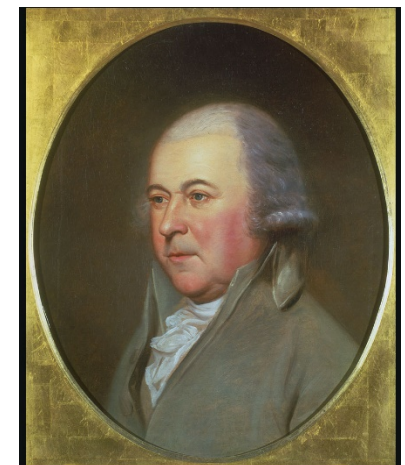
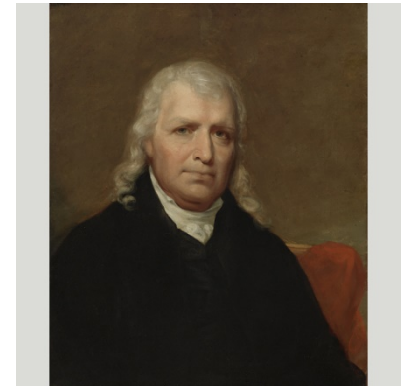
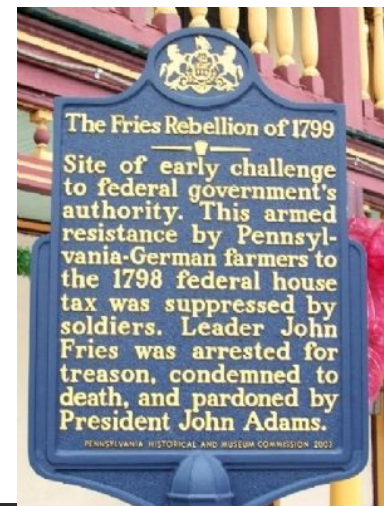
“Windows Tax” or “Hot Water Tax”

- John Adams proposes
- Undeclared War with France
- To raise \$2 M and divided into state shares
- Federal assessors riding around counting and measuring windows—the basis of assessment
- Thomas Jefferson abolishes it in 1802

Property Tax History

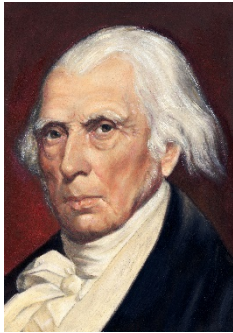
John Fries “House Tax Rebellion”

Pennsylvania Dutch in eastern Pa.

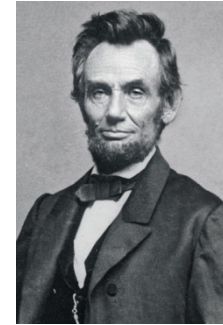


Property Tax History

Other “Experiments” with U. S. Property Tax



Twice Enacted for Wars



- **1813**—for **War of 1812**, states collected and got discount for their states for remitting tax—automatically repealed when hostilities with Britain ended
- **1861**—for **Civil War**—collected by states and ended when war ended--\$20 Million

Property Tax History

Use By States

- **After Civil War the property tax became a state & local tax**
- **State Reliance on the Tax Reduced over the years so it became primarily a local tax**

Property Tax History

Use By State Governments

State Reliance on Property Taxes

(As a Per Cent of General Revenue)

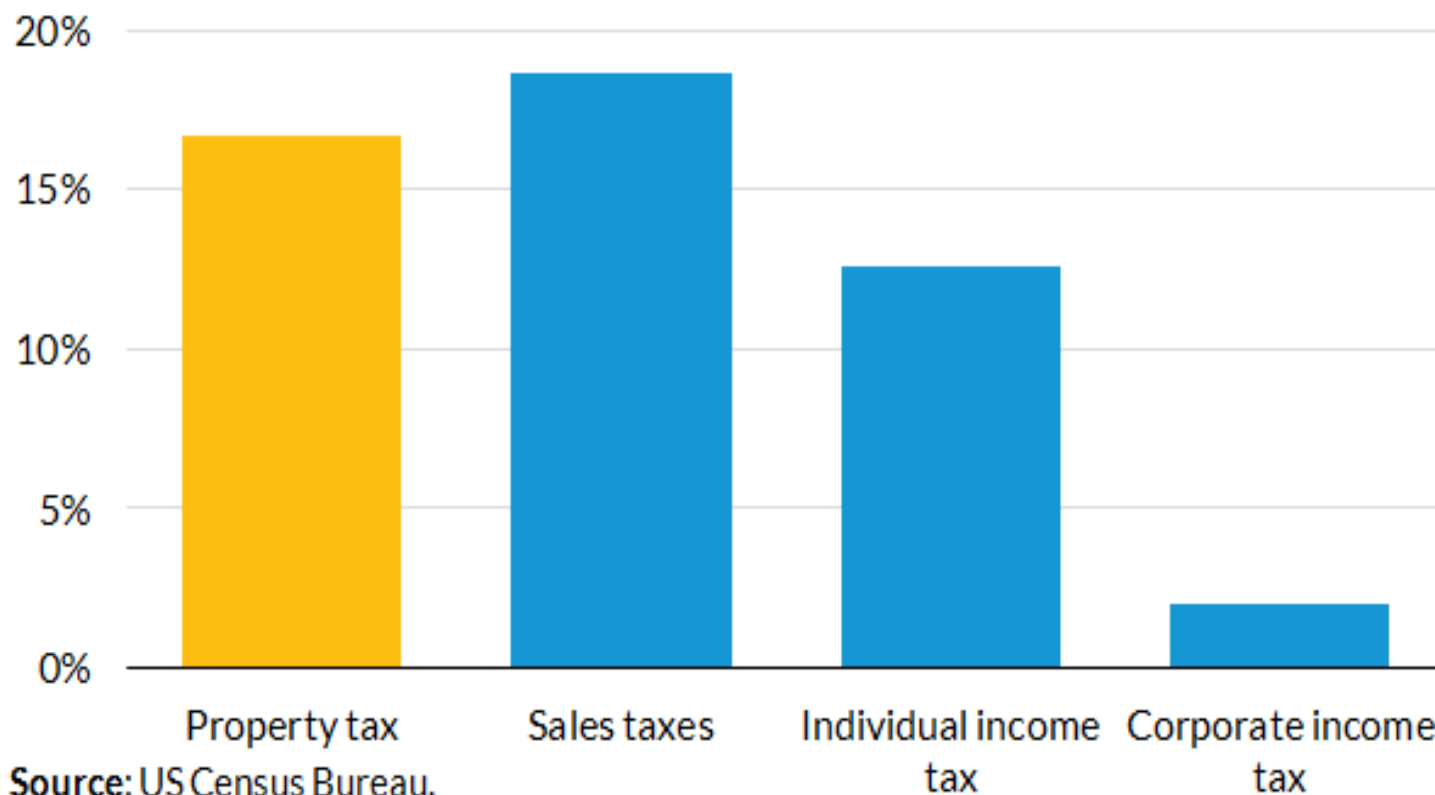
Year	Per Cent
1902	45
1913	39
1932	15
1942	6
1952	3
1992	1.7

Source: Economic History Association from U.S Census data; <https://eh.net/encyclopedia/history-of-property-taxes-in-the-united-states/>

State & Local Revenue in U.S.

By Type of Taxes

Percentage of State and Local General Revenue, 2015



Source: US Census Bureau.

Note: Sales taxes include selective sales taxes (e.g., cigarette taxes).

URBAN INSTITUTE

<https://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/property-taxes>

Current Use of Property Tax in U.S.

State and Local Property Tax Revenue (2015)

Type of Government	Amount (in Billions \$)	Per Cent of General Revenue
State & Local Government	488	17
States	17	1
Local Governments	473	30

Source: The Urban Institute; <https://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/property-taxes>

Current Use of Property Tax in U. S.

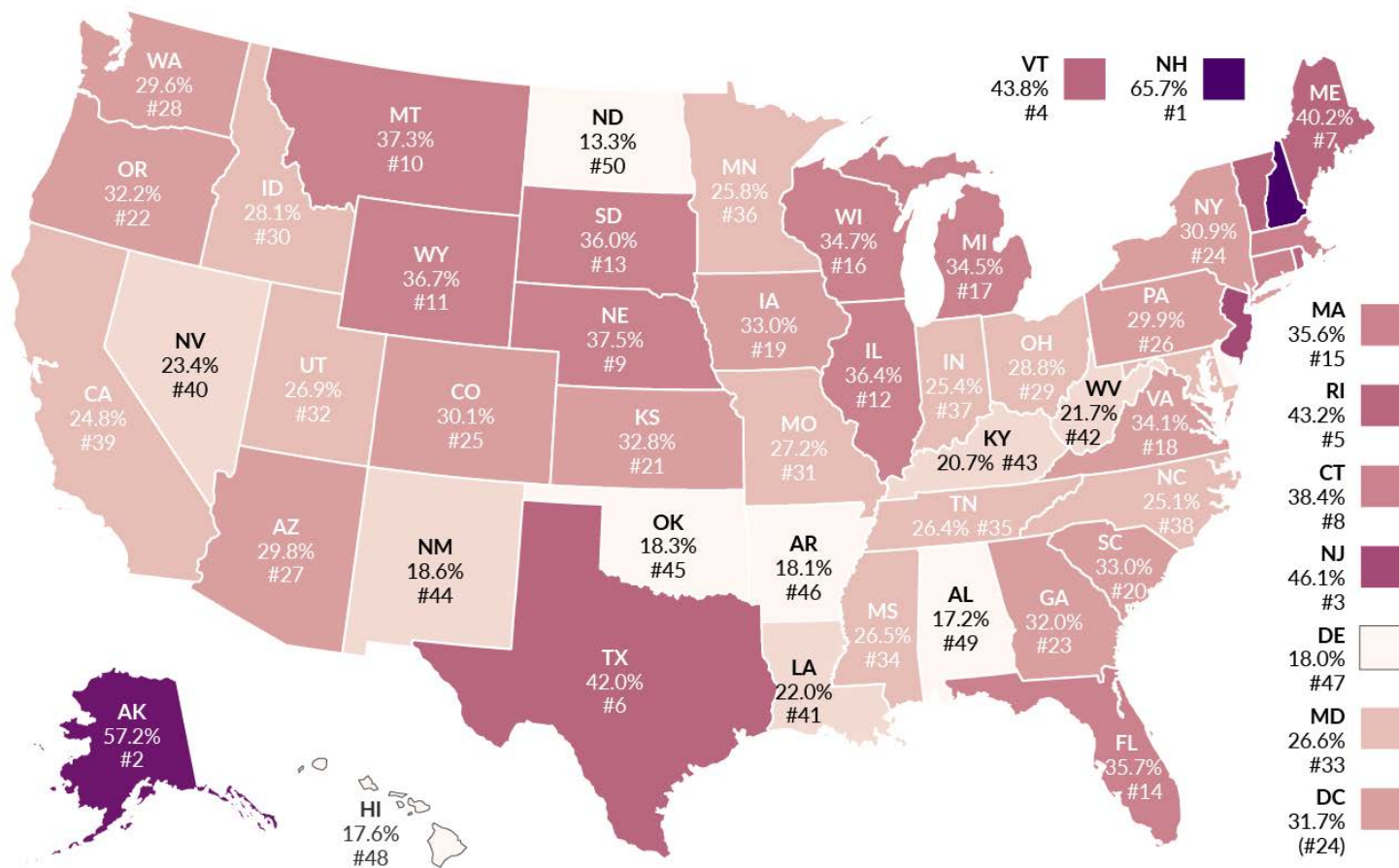
Utilization of Local Governments Property Tax Revenue by Type of Local Government (2012)

Type of Government	Amount (in Billions \$)	Per Cent of General Revenue
School Districts	181	37
Counties	104	28
Municipalities	102	24
Townships	29	60

Source: U. S. Census Bureau, Census of Governments, 2012

To What Extent Does Your State Rely on Property Taxes?

Property Tax Collections As a Percent of Total State and Local Tax Collections, FY 2015



Source: Census Bureau; Tax Foundation calculations.

Percent of Total State & Local Collections from Property Taxes



Property Tax History--Ohio

- 1821—Authority for Township Schools
- 1825—School Districts Required to Levy
- 1838—Statewide Levy for Schools
- Later State Levies for state, universities, schools, and roads
- State Levies end in 1932
- 1956—statewide levy with Korean War Bonus--.2 mills until 1968



Real & Public Utility Tangible Personal Property Taxes

TY 2017 Collected in Ohio in 2018
in billions \$

Type of Property	Tax Value	Gross Taxes	Net Taxes*
Residential & Agricultural Real Property	193.7	18.2	12.5
Public Utility, Industrial, Commercial & Mineral Real Property	53.2	5.2	4.1
Public Utility Tangible Personal Property	16.4	1.3	1.3
Total <i>*Includes Inflationary Property Tax Rollback (Tax Reduction Factors)</i> *Does NOT include Property Tax Credits Reimbursed to Local Governments	263.3	24.7	17.9

Source: Ohio Department of Taxation. Tax Data Series. Table PD-23, September 10, 2018

Type of Property Subject to Taxation

- **Real Property**
- **Public Utility Tangible Personal Property**
 - **Generating plants, distribution lines, other**
- **General Business Tangible Personal Property**
 - **Machinery/Equipment, inventories, furniture & fixtures**
- **Intangible Personal Property**
 - **Financial Related Shares of stock, bonds, capital employed, insurance, dealers**

Intangible Personal Property Taxes

Dealers In Intangibles Tax—A Business Tax on Firms engaged in:

- Lending money
- Discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other types of debts
- Buying or selling bonds, stocks, or other investments

Intangible Personal Property Taxes

- **Enacted in Ohio 1931**
- **The tax rate on fair value of shares or capital employed is 8 mills, or 0.8 percent.**
- **Starting in 2014 the Dealers in Intangibles tax was repealed**
- **Most taxpayers became subject to the newly created Financial Institutions Tax (FIT) or Commercial Activity Tax (CAT)**

Intangible Personal Property Taxes

Why Important to Local Governments?

- **Former important source of library revenue until the 1980's when portions were repealed**
(Replaced with Public Library Fund)
- **Former source of funding to the Local Government Fund (LGF) until 2012 (Not Replaced): 5 of 8 mills--\$10-15 M/yr.**
(See table on next page)
- **Tax was distributed on basis of "Situs"**

Loss of Local Government Funds from Dealers in Intangibles Tax Redirection to State

The local situs dealers intangible property tax used to be a source of funding to the County Undivided Local Government Fund until 2012. These funds now go to State GRF

Firms having an office in Ohio and engaged in:

- lending money;
- discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness; or
- buying or selling bonds, stocks, or other investment securities.

Calendar Year	Intangible Taxes (in millions unless otherwise noted)
2001	15.9
2004	10.4
2006	13.9
2009	13.2
2011	13.8
2012	6,619
2013	0

Source: Ohio Department of Taxation

The Constitutional Basis & Limitations on Property Taxes

Article XII, Section 2 (Ten Mill Limit)

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**

The Constitutional Basis & Limitations on Property Taxes

Article XII, Section 2 (Property Tax Credit Programs)

Land and improvements thereon shall be taxed by **uniform rule according to value**, 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.

The Constitutional Basis & Limitations on Property Taxes

Article XII, Section 2 (Property Tax Exemptions)

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.

The Constitutional Basis & Limitations on Property Taxes

Article XII, Section 2a (C)(1) (Class 1 & Class 2 Property)

(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.

The Constitutional Basis & Limitations on Property Taxes

Article XII, Section 2a (C)(2) (Tax Reduction Factors)

C(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.**

The Constitutional Basis & Limitations on Property Taxes

Article II, Section 36 (Forest & Ag. Land Exceptions)

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.

The Constitutional Basis & Limitations on Property Taxes

Article II, Section 36

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**.

The Constitutional Basis & Limitations on Property Taxes

Article II, Section 36 (CAUV Assessment for Agricultural Land/ Recoupment)

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.**

Constitutional Provisions Summarized

Article XII, Section 2

- Limits taxes on real & personal property to 1% of true value— “Ten Mill Limit”, “Inside Millage” & “Unvoted Millage”
 - Exceptions—Voted & Municipal Charter Levies
- Prohibits classification of real property by requiring taxation to be by “Uniform Rule”
 - All property assessed at 35% of true value unless otherwise exempted

Constitutional Exceptions to the “Uniform Rule” Summarized

Homestead Exemption

- **1970—Homestead exemption for those 65+**
- **1975—For permanently & totally disabled**
- **1990—For surviving spouses 60+**

Constitutional Changes on “Uniform Rule” Summarized

Forestry Land—1912

- Article II, Section 36 to allow forests to be exempted wholly or partly from taxation

Agricultural Land --1973

- Article II, Section 36 to allow agricultural land to be taxed at current use value not highest and best use value and to allow for recoupment

Classes of Real Property--1980

- Article XII, Section 2a allows a reduction in assessed value of residential and agricultural property (**Class 1** (Res. & Ag) & **Class 2** (Business, Ind., & Mineral) (**Tax Reduction Factors**)

Article XII, Section 2 Property Tax Exemptions Summarized

Property Tax Exemptions

- Cemeteries
- Public Schools
- Houses use **exclusively** for worship
- Institutions used **exclusively** for charitable purposes
- Public property used **exclusively** for public purposes

Tangible Personal Property (TPP)



**TAKING
INVENTORY**



Tangible Personal Property (TPP)

“The most hated tax by business”

- **Elimination of Agricultural Property**
- **First \$10,000 of Value Exempted**
- **Phased Reduction of assessment rate from 35% of its “true value”**
- **Total Phase out between 2006 – 2009 enacted in 2005 State Budget**
- **Original Law--Full Reimbursement for Limited Number of Years to Both Schools and Political Subdivisions; Phased Down Thereafter**

Tangible Personal Property (TPP)

- Original Law Provided that Part of School District Reimbursements were made up by increases in school foundation aide
- **School Formula—As relative property wealth decreases, state aide increases**
- Schools—Even after phase down—revenue was to be used for other school purposes-- buildings

Tangible Personal Property (TPP)

**CAT—Commercial Activity Tax- enacted (phased-in)
exclusively to replace local government revenue
from 2007-2011 and partially thereafter**

Revenue involved

Total = 1.65 Billion

Schools = \$1.2 Billion

Other Local Governments = \$450 Million

- **Counties = \$268 Million**
- **DD Boards = \$93 Million**

Tangible Personal Property (TPP)

- Commercial Activity Tax (CAT) did not generate expected revenue.
- To make reimbursements, state was subsidizing the CAT tax by over \$200 Million to make required reimbursements to Local Governments.
- Kasich first budget (FY 12/13) phases down reimbursements (“very costly legacy programs”) faster than under original law by basing reductions on **General Fund Reliance** of the TPP by type of subdivision.

Changes to TPP Replacement Revenue from CAT Tax

Schools & Local Government from CAT Tax in Kasich FY 12/13 Budget (HB 153)

State FY	% of CAT Tax to State GRF	% of CAT Tax for School District Revenue Replacement	% of CAT Tax for Other Local Government Revenue Replacement
Original Law Schedule			
2011	0	70.0	30.0
2012	5.3	70.0	24.7
2013	10.6	70.0	19.4
2014	14.1	70.0	15.9
2015	17.6	70.0	12.4
2016	21.1	70.0	8.9
2017	24.6	70.0	5.4
2018	28.1	70.0	1.9
2019 & later	30.0	70.0	0
Changes made in H.B. 153, the Kasich Administration FY 12/12 State Biennial Budget			
2012	25.0	57.0	18.0
2013 & later	50.0	35.0	15.0

TPP Replacement Payments

Original Base Revenue = \$1.65 Billion

State FY	Amount
2010	\$1.6 Billion
2011	\$2.1 Billion
2012	\$1.2 Billion
2013	\$783 Million
2014	\$648 Million

Public Utility Tangible Personal Property Tax



Public Utility Tangible Personal Property Tax

- True Value of PUPPT is based on depreciated value of asset; for electric production equipment true value is generally based on 50% of original cost. Assessment rates applied to true value to determine assessed value.
- Reductions took place in making the supply/generation of natural gas and electricity competitive where consumers could select a supplier.
- **Distribution and Transmission remained competitive.**
- Argument was that if generation was to be competitive that utility property should be **assessed at same rate** as other competitive businesses.

Public Utility Tangible Personal Property Tax

- Higher Assessment Rates on Public Utilities than other business—direct pass through by PUCO.
- 1999—Electric Assessment Rates Reduced on Generating Equipment from 100% to 35%
- 2000—Natural Gas Assessment Rates Reduced
- Original Estimated Base Revenue Loss from PUPPT = \$237 Million
- First Kasich Budget FY 12/13) did same thing that it did for TPP—reimbursements based on a **General Fund Reliance Figure**—the less reliant the subdivision was on the revenue, the faster the loss in reimbursements were.

Public Utility Tangible Personal Property Tax Assessment Rates for TY 2015

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	All Property	88
Water Transportation	All Property	25

Source: Ohio Department of Taxation, FY 2017 Annual Report, pages 120-123

Public Utility Personal Property Tax

- Original Law—for schools a hold harmless period, relation to school foundation formula and phase out over a number of years
- Original law—for local governments a hold harmless period, phase out over a number of years, but the revenue was not lost—it was distributed differently after the phase out formula so that it was 50% Population and 50% old PUPPT values
- KWH & MCF Taxes enacted as replacement source for lost revenue
- First Kasich Budget FY 12/13) did same thing that it did for TPP—reimbursements based on a General Fund Reliance Figure—the less reliant the subdivision was on the revenue, the faster the loss in reimbursements were.

Changes to TPP Replacement Revenue from CAT Tax

Schools & Local Government from CAT Tax in Kasich FY 12/13 Budget (HB 153)

State FY	% of KWH Tax to State GRF	% of KWH Tax for School District Revenue Replacement	% of KWH Tax for Other Local Government Revenue Replacement
Original Law Schedule			
2011	63.0	25.4	11.6
2012 & later	63.0	25.4	11.6
2019 & later	30.0	70.0	0
Changes made in H.B. 153, the Kasich Administration FY 12/12 State Biennial Budget			
2012 & later	88.0	9.0	3.0

Recent TPP & PUPPT Replacement Appropriations (FY 16-19)

in Millions \$

Type of Government	FY 16	FY 17	FY 18	FY 19	Dollar Loss FY 16-19	% Change FY 16-19
Schools	358	245	207	165	193	-54%
Other Local Governments	76	50	31	17	60	-79%
Totals	434	295	238	182	252	-58%

Note: Original TPP Tax Base Prior to its elimination was \$1.65 Billion; original PUPPT Base Prior to “Reform” is estimated at \$237 Million for a total of \$1.887 Billion

Estimated Local Government Losses From Base Year from TPP & PUPPT Reform

(in dollars & Percentages)

Type of Tax	Base Amount	FY 18 Appropriations	FY 19 Appropriations	% Reduction FY 19 from Base
TPP Schools	1.2 Billion	207 Million	165 Million	88%
PUPPT Schools	166 Million			
Schools Subtotal	1.37 Billion			
TPP Other Local Governments	450 Million	31 Million	17 Million	97%
PUPPT Other Local Governments	71 Million			
Other Locals Subtotal	521 Million			
Total Schools & Other Local Governments	1.887 Billion	238 Million	182 Million	96%

Real Property



Appraisal of Real Property

- County Auditor appraises all real property except RR
- Sexennial Reappraisal/Triennial Update
- Ohio Dept. of Taxation (ODT) establishes a schedule so some counties reappraisal or update each year
- ODT oversees process to assure accuracy
- Appraised at true or market value
- Taxable or assessed value is 35% of true or market value



Oversight of Appraisal Process by Ohio Department of Taxation (ODT)

- **Purpose:** to verify that real property is being assessed at or close to 35% of market value
- ODT surveys real property transferred in each county & calculates “sales ratios”
- **Sales ratios** = Total assessed (taxable) value divided by sales price.
- Only sales considered to be a valid “arms length transaction” are included in calculations

Oversight of Appraisal Process by Ohio Department of Taxation (ODT)

- **“Sales Ratios”** show the average taxable value as a % of the average sales price (by class of property).
- The lower the **“sales ratio”**, the greater is the amount by which the sales price of the property exceeds its reappraised or updated value.

Oversight of Appraisal Process by Ohio Department of Taxation (ODT)

- **Goal of ODT:** That sales ratios in the year of reappraisal or triennial update are at least 90% & preferably, in the 92-94% range.

Examples

Year	City of Bexley (Franklin County) Sales Ratio (%)	Village of Kalida (Putnam County) Sales Ratio (%)
2012	94.83	81.62
2013	88.46	88.04
2014	85.75	86.55
2015	80.56	86.78
2016	76.76	72.18

Source: Ohio Department of Taxation. Residential Sales Data by County and Jurisdiction 2005-2016

https://www.tax.ohio.gov/tax_analysis/tax_data_series/real_property/residential_sales_data.aspx

Appraisal Methodologies

- Market Approach—Comparable Sales
- Cost Approach—Depreciated Cost or Replacement Cost
- Income Approach—Ability of Property to generate and maintain a stream of revenue

Real Estate Assessment Fund

- *Special Revenue Fund* in County Treasury
- Used to pay for Reappraisal and Updates
- Money withheld by county before tax distributions are made to subdivisions—"fees"
- Most counties contract with professional appraisal firms
- If "fees" not adequate county must provide GRF.
- Ohio Tax Commissioner can order approval of expenditures/appropriations if conflict between Auditor & Commissioners

Real Estate Assessment Fund

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

Source: Ohio Revised Code Section 325.31

Valuation of Manufactured & Mobile Homes

Three Methods for Valuation

Personal Property Method with depreciation schedules for both **furnished & unfurnished** units.

Value = 40% of Cost X Depreciation Schedules

Tax Amount = Value X Gross Tax Rate

no property tax credits or homestead exemption apply

Valuation of Manufactured & Mobile Homes

Three Methods for Valuation

Method where Unit is Taxed LIKE Real Property

Value = Market Value X 35%

Tax Amount = Value X Effective Millage Rate

Owner may receive property tax credits and
homestead exemption

Valuation of Manufactured & Mobile Homes

Three Methods for Valuation

Method Where Unit is Taxed AS Other “Stick Built” Real Property

- **Must be on permanent foundations**
- **On land owned by Owner**
- **Motor Vehicle Title Must be surrendered and Title inactivated**

Data on Manufactured & Mobile Homes Taxed Under Depreciation Schedules & LIKE Real Estate

TY 17

# Manufactured Home	193,947
Taxable Value	\$673 Million
Taxes (Depreciation Method)	\$5 Million
Taxes (Taxed LIKE Real Property)	\$25 Million
Total Taxes	\$30 Million
Delinquencies (Depreciation Method)	\$25 Million
Delinquencies (Taxed LIKE Real Property)	\$30 Million
Total Delinquencies	\$55 Million

Source: Ohio Department of Taxation. Tax Data Series, Table MH-1, August 17, 2018

Current Agricultural Use Value (CAUV)

- Assessment on basis of current use instead of market value (highest & best use)—uses an *“modified” income* appraisal approach to valuation.
- Must be devoted exclusively to commercial ag.
- Does not apply to farmsteads
- Woodlots may qualify or may qualify under Ohio’s Forest Tax Law
- 3 year tax recoupment if land is converted to non-agricultural use

Current Agricultural Use Value (CAUV)

Land devoted exclusively to commercial agriculture (R.C. 5713.30):

- Animal or poultry husbandry
- Algaculture, apiculture, aquaculture
- Commercial timber
- Field crops
- Tobacco
- Fruits & vegetables
- Nursery stock, ornamental trees, sod or flowers
- **Commercial Agriculture** does not include agritourism, wine processing, dog boarding, Medical Marijuana Cultivation

Current Agricultural Use Value (CAUV)

- For land under 10 acres must show income of \$2,500 average during last three years
- Land receiving payments or other compensation under a land retirement or conservation program under an agreement with an agency of the federal government.
- Land used for conservation practices comprising 25% or less of the total qualifying land.

Current Agricultural Use Value (CAUV)

Basic Formula to Determine Current Use Value

$$\text{Projected Gross Income (minus -) Cost of Production} \\ = \text{Net Income}$$

$$\frac{\text{Net Income}}{\text{Capitalization (Interest) Rate}} \text{ (divided by)} \\ = \text{Current Use Value}$$

Current Agricultural Use Value (CAUV) Eligible Conservation Practices

- **Grass waterways**
- **Terraces**
- **Filter strips**
- **Field borders**
- **Windbreaks**
- **Riparian buffers**
- **Wetlands, ponds**
- **Cover crops for erosion control purposes**



Current Agricultural Use Value (CAUV)

- Values established by Tax Commissioner for each of 3,500 different soil types
- Factors used to calculate values on basis of 7 most recent years of data by taking out the high and low figures:
 - Cropping patterns—acreage in corn, beans and wheat
 - Crop prices
 - Crop Yields
 - Non Land Production Costs
 - Capitalization or Interest Rate



CAUV Soils Types

Soil Series	Texture	Slope	Erosion	Drainage	Value in Dollars/ Acre	
					Crop	Woods
Aaron	SIL	0-2	S	MW	2,060	1,060
Aaron	SIL	6-15	M	MW	1,140	230
Ockley	L	0-2	S	W	2,590	1,590
Wadsworth	SIL	6-12	M	SWP	350	230
Tremont	SIL	0-2	S	MW	4,040	3,040

CROP PRICES USED IN FIVE YR. AVERAGE

USDA National Agricultural Statistics Service

<u>Crop Year</u>	<u>CORN</u>	<u>SOYBEANS</u>	<u>WHEAT</u>
2017	\$3.55	\$9.50	\$4.90
2016	\$3.60	\$9.65	\$4.25
2015	\$3.89	\$9.16	\$4.57
2014	\$3.78	\$10.30	\$5.60
2013	\$4.41	\$13.00	\$6.54
2012	\$7.09	\$14.60	\$7.94
2011	\$6.44	\$13.00	\$6.73
2010	\$5.45	\$11.50	\$5.21
2009	\$3.55	\$9.78	\$4.41
2008	\$4.21	\$10.30	\$5.82

CAUV Values for Selected Years

2000-2018

Year	Avg. CAUV Value/Acre	CAUV as % of Market Value	Year	Avg. CAUV Value/Acre	CAUV as % of Market Value
1990	142	26	2012	719	33
1995	189	32	2013	1,205	38
2000	242	27	2014	1,668	52
2005	123	14	2015	1,388	54
2010	505	23	2016	1,310	53
2011	700	31	2017	1,153	41
Source: Ohio Department of Taxation. https://www.tax.ohio.gov/real_property/cauv.aspx			2018	1,015	


CAUV Values for Selected Years

2000-2015

Parameter	2005	2009	2012	2015	2017
# Parcels	381,958	395,874	404,059	409,501	409,316
# Acres (millions)	16.0	16.1	16.2	16.1	16.0
CAUV Values (billions)	1.8	3.1	5.6	11.5	9.99
Market Value (billions)	12.9	15.4	17.2	21.2	24.6
CAUV Values as % of Market Values	14%	20%	33%	54%	41%

The CAUV Capitalization (Interest) Rate

- This was the biggest factor in the increasing CAUV Farm Values
- Under the Formula:
 - > As **Cap Rate Increases—Values Decrease**
 - > As **Cap Rate Decreases—Values Increase**

A red hexagon with a white border and the text "See an Example" in white.

See an
Example

Recent Changes In CAUV

H.B. 49—Current State Budget

- Codifies what was an administrative formula
- **Major Changes to Capitalization (Interest) Rate**
- Represents after tax rate of return an investor or lender would expect to earn from a farm for farm production purposes
- **Must represent as nearly as possible the rate of return a prudent investor would expect from a typical farm**
- Requires conservation land and those in federal land retirement programs to be valued as if the land was in the lowest of all soil types

Recent Changes In CAUV

Source: Mike Sobul

- HB 49, **phased-in the formula changes** over two triennial appraisal cycles
- Counties going through reappraisal/update in 2017 should see **CAUV decreases averaging 31.7%**, with an additional drop in the range of 12.5% in 2020 (see graph on slide 29)
- Counties going through reappraisal/update in 2018 should see **decreases in CAUV values of about 21.5%** with a second smaller decrease in 2021
- Counties going through reappraisal/update in 2019 should see **decreases in CAUV of about 24%** with a second smaller decrease in 2022

Mineral Land Values

- **Minerals are only on the tax duplicate in 56 Counties**
- **Tax Commissioner Rules establish how appraisal occurs**
- **Appraisal is primarily when there is production, although some counties charge for non-production**
- **Complicated as mineral rights may be severed from the land**

Income Approach to Mineral Property Valuation—Oil & Gas

- **Avg. Royalty Expense** = 15% annual gross revenue
- **Avg. Cost of Operation** = 40% of annual gross revenue
- **Annual Capital Recovery Rate** = 30% of annual gross revenue
- **Discount rate** = 13% + (10 years)
- **Net Present Value of Stripper Oil & Gas Wells*** = 60% (oil)/50% (gas) of value of wells producing > 1 barrel or > 8MCF/day

*Stripper Wells produce < 1 barrel/day or 8MCF/day

Income Approach to Mineral Property Valuation— Oil & Gas 2016, 2017 &

Average Daily Production Valued at

Oil--\$5,310(\$4,510) /barrel if > 1 barrel/day

\$3,190(\$2,710) /barrel if < than 1 barrel/day

Gas--\$220(\$190) /MCF if > than 8MCF/day

\$110(\$110) /MCF if < 8MCF/day

Appeals of Valuations

- **Both the Taxpayer & Political Subdivisions may appeal values**
- **Appeals to County Board of Revision— Auditor, Treasurer, and one Commissioner**
- **Mediation Programs becoming popular**
- **Appeals from the determination of the Board of Revision go to the Ohio Board of Tax Appeals (BTA)**
- **Appeals to Supreme Court from BTA**

Millage



No!!

Not That Kind of a Mill

What is a Mill?

Mill is a Latin Term Meaning $1/1000$ or $.001$

1 mill = \$1.00 in taxes for every \$1,000 of value



1 mill = 10¢ for every \$100 of value



Simple Property Tax Calculations

Assume Taxable Value of 35,000

Method 1

- You Pay \$1.00 in taxes for each \$1,000 of **Taxable** Value
- $\$35,000 / (\text{Divided by}) 1,000 = 35$
- $35 \times \$1.00 = \35.00

Method 2

- $\$35,000 \times .001 = \35

Simple Property Tax Calculations

Assumptions

- **Taxable** Value = \$100,000
- Combined Millage Rate = 17.9838/\$1000 of value

Calculation of Property

- \$100,000 X 17.9838 Mills = 1,798,380
- 1,798,380 / (Divided by) 1000 = \$1,798.38

Simple Property Tax Calculation

Source: Mike Sobul



Property Taxation Overview



- In a simple world, calculating property tax is “simple”:

$$\begin{array}{ccccc} \text{Property} & & \text{Property} & & \text{Property} \\ \text{Value} & \times & \text{Tax Rate} & = & \text{Tax Due} \end{array}$$

Ohio Property Tax Calculation

Real Property Tax

Source: Mike Sobul

Source: Mike Sobul



Property Taxation Overview

- In Ohio, real property tax is calculated:

$$\left(\begin{array}{c} \text{Property} \\ \text{Value} \end{array} \times \begin{array}{c} \text{Assessment} \\ \text{Rate \%} \\ (35\%) \end{array} \right) \times \left(\begin{array}{c} \text{Tax} \\ \text{Rate} \end{array} \times \begin{array}{c} \text{Reduction} \\ \text{Factors} \end{array} \right)$$

$$= \begin{array}{c} \text{Gross Real} \\ \text{Property} \\ \text{Taxes} \end{array} - \begin{array}{c} \text{Tax} \\ \text{Credits} \\ \text{(paid by} \\ \text{state)} \end{array} = \begin{array}{c} \text{Net Real} \\ \text{Property} \\ \text{Tax Due} \end{array}$$

Ohio Property Tax Calculation

Public Utility Personal Property Tax

Source: Mike Sobul



Property Taxation Overview

- In Ohio, public utility personal property tax is calculated:

$$\left(\begin{array}{c} \text{Depreciated} \\ \text{Value of} \\ \text{Property} \end{array} \times \begin{array}{c} \text{Assessment} \\ \text{Rate \%} \\ (24\% - 88\%) \end{array} \right) = \begin{array}{c} \text{Taxable} \\ \text{Value} \end{array}$$

$$\begin{array}{c} \text{Taxable} \\ \text{Value} \end{array} \times \begin{array}{c} \text{Tax} \\ \text{Rate} \end{array} = \begin{array}{c} \text{Tax} \\ \text{Due} \end{array}$$

Ohio Property Tax Calculation

Understanding the Terms

- **Property Value** = Market or True Value
- **Assessment Rate** = 35% Uniform Rate
- **Tax Rate** = Total voted and unvoted mills before the application of tax reduction factors
- **Reduction Factors**—a complex statistical calculation to assure that revenue from voted levies does not grow with inflationary value increases
- **Tax Credits** = *Homestead Exemption*, *Non-Business Credit* (formerly 10%) , & *Owner Occupancy Credit* (formerly 2½% credit)

Types of Millage

- **Inside Millage** is Unvoted Millage
- **Outside Millage** in Voted Millage
- **Guaranteed Inside Millage** is a type of Millage that was in effect before the Constitution was changed to limit unvoted taxes to 1% or 10 mills—prior limit was 1.5% or 15 mills
- **Fixed Sum and Fixed Rate Millage**

Guaranteed Inside Millage

- **1929-1933 Constitutional limit was 1.5% or 15 mills.**
- **1932 Constitution amended during Great Depression to reduce unvoted millage limit from 1.5% or 15 mills to 1% or 10 mills.**
- **All political subdivisions received 2/3rds of what they received from 1929-1933 permanently.**

Guaranteed Inside Millage

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 Mun. Corp.	2.50 .50	2.45 .45	2.45 .45	2.45 .45	2.25 .45	NA	12.10 2.30	2.42 .46	1.61 .31	1.60 .30
Berne Mun. Corp.	2.40 .40	2.40 .40	2.80 .80	2.80 .80	2.60 .60	NA	13.00 3.00	2.60 .60	1.73 .40	1.70 .40
Bloom Mun. Corp.	2.30 .30	2.30 .30	2.30 .30	2.50 .50	2.40 .50	NA	11.80 1.90	2.36 .38	1.57 .253	1.60 .30
Clearcreek	3.50	3.20	2.70	2.70	2.50	NA	14.60	2.92	1.946	1.90

Reduction of Millage by County Budget Commission

- County Budget Commission—Auditor, Treasurer, & Prosecutor
- CBC has the **authority** and **responsibility** to reduce either inside or outside millage IF the taxing district does not show that the revenue is clearly **required or needed** as shown in a document known as the **tax budget**, not an **appropriation budget**

Reduction of Millage by County Budget Commission

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).

Property Tax Reduction Factors

- Began in 1976 & are calculated for each voted tax levy.
- Method intended to stop inflationary tax increases when property was reappraised—for the taxing district not necessarily for each property owner.
- Only applies to voted levies, not inside millage or fixed sum levies.
- Does not apply to “carryover property”—essentially new property or improvements.

Property Tax Reduction Factors

3 Different Tax Rates for Each Voted Levy

- **Voted Rate**
- **Effective Rate** for Class 1 Property—after the application of Tax Reduction Factors
- **Effective Rate** for Class 2 Property—after the application of Tax Reduction Factors

Property Tax Reduction Factor Example

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

	Market Value	Assessment Rate	Inside Mills	Outside Mills	Tax Liability
Year 1 Data	\$100 M.	35%	10 mills = 0.010	40 mills = 0.040	
Year 1 Calculations	\$100M X 35%=\$35M		\$35M X 0.010 = \$350,000	\$35M X 0.040 = \$1,400,000	\$350,000 + \$1,400,000 = \$1,750,000
Year 2 Data	\$110M	35%	10 mills = 0.010	40 mills = 0.040	
Year 2 Initial Calculations	\$110M X 35% = \$38.5M		\$38.5M X 0.010 = \$385,000	\$38.5M X 0.040 = \$1,540,000	\$385,000 + \$1,540,000 = \$1,925,000
Year 2 Effective Millage Rate			0.010 No Millage Reduction	\$1,400,000 divided by 38.5M =.03636 or 36.36 mills instead of 40 mills	40 outside mills must be reduced to 36.36 mills to yield \$1,400,000 to comply with law
Year 2 Final Calculations			\$38.5M X 0.010 = \$385,000	\$38.5M X 0.03636 = \$1,400,000	\$385,000 + \$1,400,000 = \$1,785,000 or \$140,000 less than if there were no tax reduction factors, but \$35,000 more than previous year—from inside millage

Property Tax Reduction Factor Example

- 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.

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

Note than in the case of schools and JVS Districts there are “floors” that make the process even more difficult to understand

Selected Countywide Tax Rates

TY 2017

County	Class 1 Res. & Ag.		Class 2 P.U/ Comm/Ind/ Mineral		PUTPP
	Gross Rate	Net Rate	Gross Rate	Net Rate	
Adams	51.57	42.67	49.14	46.59	47.96
Cuyahoga	130.66	90.93	120.89	96.18	118.76
Franklin	118.83	75.68	113.26	86.14	114.80
Lawrence	38.33	35.17	40.80	38.01	35.93
State Average	93.84	64.51	97.57	76.64	80.86

Source: Ohio Department of Taxation. Tax Data Series, Table PR-6 #61, September 11, 2018

Selected Citywide Tax Rates

TY 2015

City	Class 1 Res. & Ag.		Class 2 P.U/ Comm/Ind/ Mineral		PUTPP
	Gross Rate	Net Rate	Gross Rate	Net Rate	
Columbus	103.88	72.83	103.14	83.02	102.85
Bexley	142.07	74.18	142.07	100.49	142.07
Grandview	143.37	78.18	143.31	103.91	143.37
Franklin Co.	118.83	75.68	113.26	86.14	114.80
State Average	103.60	72.63	100.40	80.10	99.09

Source: Ohio Department of Taxation. Tax Data Series, Table PR-5 #17, March 15, 2017

Selected Citywide Tax Rates

TY 2015

City	Class 1 Res. & Ag.		Class 2 P.U/Comm/ Ind/Mineral		PUTPP
	Gross Rate	Net Rate	Gross Rate	Net Rate	
Shaker Heights	221.56	128.91	221.56	162.68	221.56
Wellston	46.05	43.57	46.05	45.33	46.05
State Average	103.60	72.63	100.40	80.10	99.09

Source: Ohio Department of Taxation. Tax Data Series. Table PR-5 #17, March 15, 2017

Property Tax Credit Programs

Non-Business Credit

- Formerly called the 10% Credit or Rollback

Owner Occupancy Credit

- Formerly called 2½% Credit or Rollback

Homestead Exemption

- For those over 65, permanently and totally disabled and for surviving spouses

Property Tax Credit Programs

- Purpose was to provide property tax relief for property taxpayers
- The loss of revenue to local governments & schools were fully reimbursed by the state
- Seen by local governments as a way to encourage residents to vote for levies as 12½% of property tax bill is paid by state

Recent Changes to Non Business & Owner Occupancy Credits

- Homeowners may no longer get a full 10% or 2½% Credit on their tax bills
- Started in TY 2014 (*levies passed after September 29, 2013*)
- Homeowners **do not receive** full credit for new, additional, and replacement levies
- Homeowners **continue to receive** the full credit for inside millage and renewal levies
- Local governments do not lose money but homeowners **do not receive** full credit on specified levies

TAX INCREASE



Recent Changes to Homestead Exemption

- **Prior to 2007**--Program was *means tested*
- **Strickland**—*removed the income* limit so that anyone over 65 qualified, irrespective of income
- **Kasich**—moved back to *means tested* program so that only persons over a certain income qualify, but “grandfathered” those receiving it in 2013

Recent Changes to Homestead Exemption

Cost to the State when Strickland Removed Means Testing

2006--\$70 Million • 2011--\$400 Million

Current Income Limit

\$32,200 for 2018, indexed annually

Impact of Exemption on Eligible Property Owners

\$25,000 of Appraised Value; \$8,750 of Assessed Value

For Disabled Veterans

\$50,000 of Appraised Value; \$17,500 of Assessed Value

Impact of Removing Means Testing on Homestead Exemption Program

Calendar 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
2014	902,352	448.9
2016	868,123	429.5

Source: Ohio Department of Taxation. Tax Data Series, Tables HE-1—2006 to 2016

Other Facts on Ohio's Property Tax Credit Programs

- In CY 2016 more than 868,000 homes qualified for homestead exemption program
- **Average tax reduction statewide = \$495.00**
- Veterans must be “permanently” disabled to qualify
- **“Grandfathered” owners may sell and move to a new home and still qualify**

Program	Cost
Homestead Exemption	\$243.4 Million
Non-Business Credit (10%)	\$1.14 Billion
Owner Occupancy Credit (2.5%)	\$211.1 Million
Total	\$1.78 Billion

Source: Ohio Department of Taxation. Tax Data Series. Table HE-1, September 12, 2017; Table PD-1, No. 58, September 4, 2018

Types of Voted Property Tax Levies

- New
- Additional
- Renewal (with or without an increase or decrease)
- Replacement (with or without an increase or decrease)
- Bond Issue or Permanent Improvement Levy (Fixed Dollar/Sum Levy)
- Emergency School Levies (Fixed Dollar/Sum Levy)
- Continuing (Permanent) or Time Limited

Collection of Property Taxes

- **First & Second Half Payment**
- **10% Penalty if late and becomes Delinquent**
- **Reduced to 5% if paid within 10 days**
- **Interest Charged if unpaid after second half taxes are due**
- **County Treasurer will set up pre-payment plans for homeowners that do not have mortgage escrows**
- **Both County Auditor & Treasurer charge statutory fees for their responsibilities that are deducted from political subdivision distributions and benefit the county general fund (see next slide)**

Retainage by Auditor and Treasurer for Services

Auditor

Amount of Collection	% Retained for Auditor's Services (ORC 319.54)
First \$100,000	2.5%
Next \$2 Million	.8318%
Next \$2 Million	.6655%
All other collections	.1663%

Treasurer

Amount of Collection	% Retained for Treasurer's Services (ORC 321.26)
First \$5 Million	.9982%
Over \$5 Million	.1996%

Delinquent Taxes

- **Delinquent owners may enter into delinquent tax contracts with Treasurer.**
- **If not paid tax foreclosure occurs**
- **Property may go to Sheriffs Sale**
- **Property may be sold to private investors through Tax Lien Sales**
- **Land may be Forfeited to State**
- **Land may be acquired by County Land Bank**

Delinquent Taxes

TY 2011-2016

TY	<u>Real & PUTPP</u> Delinquent (in Billions)	Special Assessment Delinquent (in Millions)	Total Delinquent (in Billions)
2016	1.36	382.0	1.75
2015	1.46	369.6	1.82
2014	1.65	320.6	1.97
2013	1.62	304.7	1.92
2012	1.64	260.2	1.90
2011	1.71	232.9	1.94

Source: Ohio Department of Taxation. Tax Data Series. Table TD-1, 2011-2016

Tax Exempt Property

TY 16 & 17

Statewide Real Property Assessed Values

\$289.9; \$301.3 Billion

Tax Exempt Property Values

\$51.6 (17.8%); \$54.4 Billion (18.1%)

Source: Ohio Department of Taxation. Tax Data Bulletins. Table PE-1, #69, September 27, 2017
& PE-1 # 73, October 10, 2018

Types of Tax Exempt Property--2016

Type of Property	Amount of Tax Exempt Property (In dollars)	% of Total Tax Exempt Property
U. S. Government	1.6 Billion	3.1
State of Ohio	5.3 Billion	10.4
County Government	3.0 Billion	5.9
Township Government	425 Million	.84
Municipal Government	5.5 Billion	10.8
School Boards	8.1 Billion	15.9
Conservancy & Park Districts	751 Million	1.5
Private School, Colleges, & Academies	3.4 Billion	6.7
Private Charitable Institutions	7.0 Billion	13.8
Churches	4.5 Billion	8.9
Cemeteries & Monuments	278 Million	.5
Tax Abatements	10.9 Billion	21.5
TOTALS* (Rounding)	51.6 (50.8) Billion	99.8

17.8 % of Total Assessed Value of Real Property of 289.9 Billion is tax exempt for 2016

Source: Ohio Department of Taxation. Tax Data Bulletin PE-2 #70, September 27, 2018

Tax Abatements Are 21.5% of Total Tax Exempt Property in 2016

Type of Tax Abatement	Value of Tax Abatements (in dollars)	% of Total Tax Abatements
Community Urban Redevelopment Corporation	97.6 Million	.9
Community Reinvestment Area	3.1 Billion	28.4
Urban Redevelopment Tax Increment Financing (TIF)	5.7 Billion	52.3
Municipal Urban Renewal	396.0 Million	3.6
Other—Primarily Enterprise Zones	1.6 Billion	14.7
TOTALS* (Rounding)	10.9 (10.9) Billion	99.9

Source: Ohio Department of Taxation. Tax Data Series. Table PE-3 #71, September 27, 2018