OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

H.B. 187
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 187's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Hall and Bird

Local Impact Statement Procedure Required: Yes

Philip A. Cummins, Senior Economist

Highlights

- The bill's requirement that real property valuations be based equally on the past three years of property valuation studies could lower tax revenues to school districts and local governments by hundreds of millions of dollars per year.
- The reduction would occur over a three-year period as all counties go through sexennial reappraisals or triennial updates.

Detailed Analysis

The bill would change use of sales-assessment ratio studies by the Tax Commissioner to determine the true value of real property on the tax lien date for the property, January 1 of the tax year. It would require that the studies be based on all open market arms' length sales during the previous three years, rather than a representative sampling, and that data from the three years be given equal weight. It allows the Commissioner to require a county auditor to conduct appraisals of real property in a class of property, if the number of arms' length sales for a like use within a class of property in the county during the three-year period is fewer than 5% of the total number of properties in the county within that class. The Commissioner is to use such studies along with other information, including current economic conditions, in the determination of real property true values for the tax year.

Sponsor testimony indicated that for Clermont County, use of a one-year ratio (presumably the most recent year) would require an increase in property values of 43%, and that with a three-year average value the property value increase would be 23%. If property value increases of these magnitudes are generalized statewide for all types of property, the reduction in the increase in property taxable values with the bill would exceed $52 billion. This difference would occur over a three-year period when sexennial reappraisals and triennial updates are scheduled for all 88 counties in the state.

Data from the Federal Housing Finance Agency (FHFA) indicate that the house price increases in Clermont County are similar to those in other counties in the state. FHFA constructs indexes of house prices based on changes in single-family home values from data on sales involving mortgages purchased or securitized by federal agencies Fannie Mae and Freddie Mac. Over the three-year period 2019 to 2022, the average index value for home prices in Ohio rose 41%. If instead the average index value for 2020 to 2022 is compared with the index value for 2019, the increase is 25%. Clearly the potential exists for the bill to make a sizable difference in real property taxable values.

Ohio's system of real property taxes provides tax rate adjustments for valuation increases that would partially offset the difference between the increases that would occur with the bill and those under current law. With fixed-sum levies, designed to raise fixed sums of money such as for debt service, the difference between valuation increases with the bill and with current law would be offset by differences in the rates at which the levies are imposed. For outside millage fixed-rate levies, tax reduction factors generally would offset the effect on taxes due of the reduction in the increase in property taxable values. An exception is for school districts with operating levies at or near the 20-mill floor that would not adjust downward further whatever the magnitude of the property value increase. Joint vocational school districts (JVSDs), with a two-mill floor, would also be an exception. For such levies, a smaller valuation increase would imply a smaller tax revenue increase.

Inside millage, up to ten mills (1%) that local taxing authorities may impose without voter approval, is not subject to such adjustments. If real property taxable values go up by $52 billion less, over three years, with the bill than with current law, revenue losses of school districts and local governments would be up to $520 million. Additional revenue losses from smaller increases in taxable values with the bill than under current law could be expected for schools and JVSDs with operating levies at or near their respective floors. Even if the 20 percentage point difference reported in sponsor testimony for Clermont County is not representative of the differential statewide, the potential clearly exists for the bill to lower tax revenues to local taxing authorities by hundreds of millions of dollars.

The bill's requirements will increase costs for the Department of Taxation and county auditors.

FNHB0187IN-135/zg