

## PROPERTY TAX - REAL

### TAX BASE

The taxable base is the assessed value of land and buildings. Assessed value is 35% of market value, except for certain agricultural land. County auditors must reappraise all real estate once every six years. Equalization adjustments are made in the third year following reappraisal.

### RATES

Real property tax rates vary with taxing jurisdiction. Total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located (e.g., county, township, municipal corporation, school district).

The 2000 average statewide gross tax rate was 79.68 mills. Application of "tax reduction factors" resulted in an average statewide net tax rate of 51.82 mills.

The Ohio Constitution prohibits governmental units from levying property taxes which in total exceed 1% of true value unless approved by the voters. Ohio law further limits property taxes to 1% of taxable value; this provision is known as the 10-mill limitation.

### MAJOR EXEMPTIONS

State law has implemented the following exceptions:

Land devoted exclusively to commercial agricultural use may be valued according to current use instead of "highest and best" use.

Certified air, water, and noise pollution control facilities are exempt.

Property of governmental and private institutional owners is exempt on grounds of ownership and/or usage under a general legislative authority for exempting real property (examples include schools, hospitals, churches, and municipal corporations).

Tax abatements are granted by county, township, and municipal governments on qualified real property for a designated time period for the purposes of economic and community development.

## PROPERTY TAX - REAL

### REVENUE (IN MILLIONS)

Tax Year	Property Tax Relief		Homestead Exemption
	Taxes Charged Before Relief <sup>(1)</sup>	Percentage Rollback <sup>(2)</sup>	
1997	\$7,172.5	\$816.3	\$66.0
1998	7,583.3	864.8	63.1
1999	8,129.3	922.3	66.3
2000	8,697.8	991.0	65.0

<sup>(1)</sup> Taxes charged represent real estate and public utility real property taxes after tax reduction factors but before 10% and 2.5% rollbacks and homestead exemption.

<sup>(2)</sup> Percentage rollback represents the 10% rollback for all real property, including public utility real property, and the 2.5% rollback for residential real property.

### DISPOSITION OF REVENUE

Revenue is distributed to the counties, municipalities, townships, and school districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately 65% of the total real property tax revenue.

### SECTIONS OF OHIO REVISED CODE

Chapters 319, 321, 323, 5701, 5705, 5709, 5713, 5715 and 5721.

### RESPONSIBILITY FOR ADMINISTRATION

Primarily county auditors, county treasurers, county boards of revision, and the tax commissioner.

### REMITTER OF TAX

All real property owners unless specifically exempt.

### PAYMENT DATES

December 31: full amount of tax (or one-half) is due; June 20: balance due.

Each county is permitted, but is not required, to extend the aforementioned due dates for the taxpayers' payments of the tax to January 31 and to July 20, respectively. Upon application by a county treasurer alone or by a county auditor and treasurer together, the tax commissioner may grant further extensions of time in which the county must collect the tax.

## PROPERTY TAX - REAL

### SPECIAL PROVISIONS / CREDITS

If a school district has a total voted and unvoted current expense millage exceeding 20 mills, its effective millage after application of reduction factors (see below) cannot fall below 20 mills. If the initial calculation of the factors does drop the effective current expense rate below 20 mills, the factors must be recalculated to arrive at 20 mills. Joint vocational schools have the same provision with a floor of 2 mills.

Forest land devoted exclusively to forestry or timber growing may be taxed at 50% of the local rate.

Three major state laws allow property tax credits (direct reductions of tax rather than reductions of value). These include the *percentage rollback*, *homestead exemption*, and *tax reduction factor*.

#### Percentage Rollback

State law grants tax relief in the form of a 10% reduction in each taxpayer's real property tax bill. In addition to the 10% rollback, a 2.5% rollback is granted on real property taxes for owner-occupied dwellings. The state reimburses local governments for these tax losses.

#### Homestead Exemption

This tax relief is granted to qualified low income, elderly and disabled homeowners, as well as to certain surviving spouses. The tax reduction is reimbursed to local governments by the state. The tax reduction under the homestead exemption is equal to the gross millage rate multiplied by a reduction in taxable value determined by the income class of the homeowner. The income classes are increased based on inflation factors to determine eligibility. Also, taxable value reductions were indexed. In 2002, the dollar amount of reductions were also indexed. For tax year 2002, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse	Reduce Taxable Value By the Lesser of
\$12,500 or less	\$5,100 or 75% of taxable value
12,501 - \$18,300	3,100 or 60% of taxable value
18,301 - 24,100	1,000 or 25% of taxable value
24,101 and over	-0-

## PROPERTY TAX - REAL

### SPECIAL PROVISIONS / CREDITS (con't.)

#### Tax Reduction Factor

Percentage reductions are applied to taxes levied against real property after reappraisal or update. Separate percentage reductions are applied to two classes of real property: Class I, consisting of residential and agricultural property, and Class II, consisting of commercial, industrial, mineral and public utility real property. These reductions do not apply to any tangible personal property.

Reduction factors remain in effect until an increase or decrease in value occurs because of the revaluation of existing property. Revised reduction factors are then calculated and applied. The computation of these percentage reductions is a rather complex process. However, the basic effect is to eliminate increases in revenue from voted taxes which might occur when existing real property in a taxing unit is reappraised or updated.

### HISTORY OF MAJOR CHANGES

- 1851 • New constitution required taxation of all property by uniform rule (but expressly authorized exemption for certain property classes, e.g., churches, schools, etc.).
- 1902 • Eliminated state property tax levies for general fund.
- 1910 • Culmination of reform movement led to creation of single State Tax Commission to supervise local property tax administration.
- 1925 • First statutory requirement for six-year reappraisal cycle enacted.
- 1927 • Statute set aggregate tax limit of 15 mills on each dollar of tax valuation except for taxes approved by voters (1% of true value since 1911).
- 1931 • Constitutional amendment limited levies without voters approval to 1 1/2% of true value.
- 1933 • Constitution set limit of 1% of true value on non-voted levies.
- 1934 • Statute reduced aggregate tax limit from 15 mills to 10 mills for non-voted levies.

## PROPERTY TAX - REAL

### HISTORY OF MAJOR CHANGES (con't.)

- 1939 • State Tax Commission replaced by Department of Taxation; a Board of Tax Appeals, which supervised real property tax administration; and a Tax Commissioner, who assumed functions with respect to taxation of public utility property.
- 1965 • First statutory requirement that real property be assessed at no more than 50% of true value, with actual percentage to be established by uniform rule of Board of Tax Appeals.
- 1971 • Enactment of 10% rollback homestead exemptions.
- 1972 • BTA rule set tax value at 35% of true value to be implemented by all counties as they complete their sexennial reappraisal cycle, with annual adjustments to maintain the 35% level.
- 1973 • Top bracket of the homestead exemption increased from \$8,000 to \$10,000.
- 1974 • Valuation of agricultural property to be based upon current use (1973 constitutional amendment).
- 1975 • Homestead exemption extended to permanently and totally disabled homeowners.
- 1976 • Real property tax credits provided; real property valuations updated every three years; State Department of Tax Equalization created.
  - Definition of "total income" for homestead exemption amended to exclude disability benefits paid by the Veterans Administration and other branches of the armed services, and social security income increases occurring after initial application for homestead exemption.
  - The limit of each homestead exemption income bracket increased by \$1,000 (except the highest bracket).
- 1978 • Effective June 30, 1978, the due date for payment of real property taxes (full amount or one-half of it) changed from December 20 to December 31.

## PROPERTY TAX - REAL

### HISTORY OF MAJOR CHANGES (con't.)

- 1979 • A 2.5% tax rollback on residential property is granted.
  - Set the upper income limit of the homestead exemption at \$15,000 and created three \$5,000 income brackets.
  - Constitutional amendment passed effective for 1980, allowed separate percentage reduction factors applied to two classes of real property (combined value of residential and agricultural property and value of all other real property).
- 1983 • Department of Tax Equalization eliminated and all of its functions transferred to the Department of Taxation.
- 1986 • The limit of each homestead exemption income bracket increased by \$1,500 beginning in tax year 1988.
- 1991 • Homestead exemption extended to surviving spouses of homestead exemption recipients (1990 constitutional amendment).
- 1995 • The limit of each homestead exemption income bracket increased by \$4,300 beginning in tax year 1995.
- 1998 • Treasurers in counties with a population of at least 200,000 permitted to issue tax certificates on delinquent real property.
- 1999 • The limit of each homestead exemption income bracket increased by 10.6% for tax year 1999. The brackets (tax year 2000) and the taxable value reductions (tax year 2002) will be indexed based on gross domestic product deflator in future tax years.
  - Certain manufactured homes that would otherwise be subject to the manufactured home tax will be converted to, and taxed as, real property.
  - Each board of county commissioners is permitted to charge a lower real estate transfer fee for homestead exemption qualifiers than for other taxpayers.

## PROPERTY TAX - REAL

### COMPARISON WITH OTHER STATES

The complexity of real estate laws prevents simple rate comparisons among states. However, set forth below is the property tax liability on the median residential home value in the largest city in each of the thirteen selected states for 1999:

State	Median Home Value in Largest City <sup>(1)</sup>	Property Tax On Median Home <sup>(2)</sup>
New Jersey	\$110,000	\$3,960
Massachusetts	161,400	2,163
California	244,500	1,956
Texas	57,700	1,639
New York	189,600	1,574
Florida	63,800	1,359
Pennsylvania	49,400	1,304
<b>Ohio</b>	<b>65,500</b>	<b>1,094</b>
Indiana	61,200	875
Illinois	78,000	741
West Virginia	65,700	598
Kentucky	44,300	589
Michigan	25,600	502

<sup>(1)</sup> Source: 1990 Census Data (most recent available data).

<sup>(2)</sup> Source: Department of Finance and Revenue, District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison, 1999 Edition, published July, 2000.*