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Taxpayer

All real property owners unless specifically exempt.

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 jurisdictions. 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 2004 average statewide gross tax rate was 84.19 mills. Application of "tax reduction factors" resulted in an average statewide effective tax rate of 55.49 mills.

The Ohio Constitution prohibits governmental units from levying property taxes which in total exceed 1.0% of true value unless approved by the voters. Ohio law further limits property taxes to 1.0% 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.
- 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.

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Revenue (In Millions)

Tax Year	Taxes Charged Before Relief*(1)*	Property Tax Relief: Percentage Rollback*(2)*	Property Tax Relief: Homestead Exemption
2000	$8,697.8	$991.0	$65.0
2001	9,183.4	1,035.1	64.0
2002	9,807.9	1,123.0	64.8
2003	10,473.6	1,197.5	68.8
2004*(3)*	11,242.6	1,283.0	71.0

Notes: *(1)Taxes charged represent real estate and public utility real property taxes after tax reduction factors but before the 10% and 2.5% rollbacks and homestead exemption. (2)Percentage rollback represents the 10% rollback for all real property, including public utility real property, and the 2.5% rollback for residential real property. (3)Percentage rollback and homestead exemption figures are estimated.*

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 two-thirds of the total real property tax revenue.

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 taxpayer's payments of the tax to January 31 and to July 20, respectively, because of certain delays affecting property tax administration. 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.

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 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

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be recalculated to arrive at 20 mills. Joint vocational schools have the same provision with a floor of 2.0 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:
Starting with tax year 2005, state law grants tax relief in the form of a 10% reduction in the real property tax bill of parcels not used in a business activity. In general, the 10% reduction will apply to farmland and residential property containing a single-family, two-family, or three-family dwelling. See **History of Major Changes** later in this chapter for a more detailed explanation. 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. In 2002, the dollar amount of reductions was also indexed. For tax year 2005, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse			Reduce Taxable Value By the Lesser of		
$13,100		or less	$5,400	or 75%	of taxable value
13,101	-	$19,200	3,300	or 60%	of taxable value
19,201	-	25,400	1,000	or 25%	of taxable value
25,401		and over		-0-	

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.

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.

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 (1.0% of true value since 1911).

1931 • Constitutional amendment limited levies without voters' approval to 1.5% of true value.

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1933 • Constitution set limit of 1.0% of true value on non-voted levies.

1934 • Statute reduced aggregate tax limit from 15 mills to ten mills for non-voted levies.

1939 • State Tax Commission replaced by: Department of Taxation; the Board of Tax Appeals, to supervise 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 (BTA).

1971 • Enactment of 10% rollback and 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 income 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; and real property valuations updated every three years.
- Ohio 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

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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.

1979 • A 2.5% tax rollback on residential property granted.
- Upper income limit of the homestead exemption set at $15,000 and three $5,000 income brackets created.
- Constitutional amendment passed effective for 1980 that 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) indexed annually based on inflation.
- Certain manufactured homes that would otherwise be subject to the manufactured home tax converted to, and taxed as, real property.
- Each board of county commissioners permitted to charge a lower real estate transfer fee for homestead exemption qualifiers than for other taxpayers.

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2003 • Definition of exemption for land devoted exclusively to agricultural use expanded to include land used for conservation purposes to abate soil erosion, provided that these practices do not comprise more than 25% of the land otherwise qualified as exclusively devoted to agricultural use.

2004 • Tax increment financing law altered in several major ways:
- Service payments and service charges in lieu of taxes were explicitly made liens on the land.
- Political subdivisions granting one of six tax increment financing exemptions can file the exemption application with the Tax Commissioner on behalf of the property owners. However, if the subdivision files the exemption application without the property owner's consent, the parcel remains subordinate to any other exemption that may apply to the property.
- If the property owner, or the subdivision with the property owner's consent, files the exemption application, then no other exemption can be granted to any future owners after the property owner or subdivision files a notice with the county recorder, unless the subdivision consents.
- Under certain circumstances, a county may receive compensation from a municipality or township for a tax increment financing exemption granted by the municipality or township, and a township may receive compensation from a county for a tax increment financing exemption granted by the county.

2005 • 10% reduction applied to real property not used in a business activity:
- "Business activity" does not include the following activities, which will qualify for the10% reduction: farming; leasing property for farming; occupying or holding property improved with single-family, two-family, or three-family dwellings; leasing property improved with single-family, two-family, or three-family dwellings; or holding vacant land that the county auditor determines will be used for farming or to develop single-family, two-family, or three-family dwellings. However, "farming" does not include land used for the

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commercial production of timber that is receiving the tax benefit under R.C. 5713.23 or 5713.31.

- Limitations were placed on the tax increment financing for municipal, township, and county incentive districts:
  - If the subdivision's population exceeds 25,000, it cannot create an incentive district that exempts more than 25% of the subdivision's taxable value.
  - For municipal or township incentive districts, if the subdivision intends to exempt property in an incentive district for more than ten years or for more than 75% of improved value, it must notify the board of county commissioners. The board may accept or object to the excess exemptions. If the board objects, it may negotiate an agreement with the granting subdivision for compensation in an amount not to exceed 50% of the taxes in excess of the 75% exemption in the eleventh and subsequent years that the county would have received, if the property was not exempt. If no agreement is reached, the subdivision cannot grant the excess exemptions without paying that maximum 50% compensation described above. For county incentive districts, the county must notify the board of trustees of any township and the legislative authority of any municipality located within the county incentive district of its right to object to excess exemptions. The municipality or township shall have the same rights to compensation that the county has for municipal or township incentive districts outlined above.
  - The revenue from certain enumerated tax levies cannot be included in the service payments in lieu of taxes, but must be distributed to the proper taxing authorities.
- Starting with tax year 2006, the county auditor shall value and assess the real property owned by a railroad company that the Tax Commissioner determines is not used in railroad operations.
- In determining the true value of minerals or rights to minerals, the Tax Commissioner shall not include in that value the value of any tangible personal property used in the recovery of those minerals. Uncodified law directs the commissioner to review the calculations of the multipliers

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used in the determination of the oil and gas valuations in light of the aforementioned restriction in time to be used in the commissioner's annual entry adopting those multipliers for tax year 2006.

Comparisons with Other States (As of 01/06)
The complexity of real estate laws prevents a simple rate comparison among states. However, the table below highlights the property tax liability on the median residential home value in the largest city in each of the 12 selected states for 2005.

Note: data are sorted by descending value on "Property Tax on Median Home."

State/City	Median Home Taxable Value in Largest City*(1)*	Effective Tax Rate, per $100*(2)*	Property Tax On Median Home*(3)*
California			
(Los Angeles)	$221,600	$1.25	$2,770
Indiana			
(Indianapolis)	98,500	2.78	2,738
New Jersey			
(Newark)	119,000	2.30	2,737
New York			
(New York City)	211,900	1.16	2,458
Texas			
(Houston)	79,300	2.99	2,371
Massachusetts			
(Boston)	190,600	1.23	2,344
Illinois			
(Chicago)	132,400	1.74	2,304
Florida			
(Jacksonville)	87,800	1.98	1,738
Pennsylvania			
(Philadelphia)	59,700	2.64	1,576

Notes: *(1)Source: Department of Finance and Revenue, District of Columbia,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004),*** *published August 2005, Table 5. (2)Source: Table 4,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004).*** *(3)Source: calculations by the Ohio Department of Taxation.*

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Median Home State/City	Effective Taxable Value in Largest City*(1)*	Property Tax Rate, per $100*(2)*	Tax On Median Home*(3)*
Ohio			
(Columbus)	**101,400**	**1.49**	**1,510**
Michigan			
(Detroit)	63,600	1.86	1,182
Kentucky			
(Louisville)	82,300	1.10	905
West Virginia			
(Charleston)	101,400	0.88	892

Notes: *(1)Source: Department of Finance and Revenue, District of Columbia,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004),*** *published August 2005, Table 5. (2)Source: Table 4,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004).*** *(3)Source: calculations by the Ohio Department of Taxation.*