Property Tax – Real

Taxpayer

The tax is paid by all real property owners unless specifically exempt.

Tax Base

The tax is based on the assessed value of land and buildings. Assessed value is 35 percent of market value, except for certain agricultural land. County auditors must reappraise all real estate once every six years. Updates of these values are required in the third year following reappraisal.

Rates

Real property tax rates vary with taxing jurisdictions. The 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. These include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

The 2011 average statewide gross tax rate on residential and agricultural real property property was 89.47 mills and 92.06 mills on commercial and industrial property. Application of "tax reduction factors" resulted in an average statewide effective rate on residential and agricultural property of 61.11 mills and 70.02 mills on commercial and industrial property. In 2010, the average statewide gross tax rate was 88.63 mills on residential and agricultural property and 90.02 mills on commercial and industrial property. Application of "tax reduction factors" resulted in an average statewide effective rate in 2010 of 58.91 mills on residential and agricultural property and 67.50 mills on commercial and industrial property.

The Ohio constitution prohibits governmental units from levying property taxes that, in total, exceed 1 percent of true value unless approved by the voters. Statutory law further limits property taxes to 1 percent of taxable value. This provision is known as the 10-mill limitation.

Major Exemptions

Government or privately-owned real property may qualify for a tax exemption based on how the property is used or owned. Examples of tax-exempt property include schools, charities, churches and municipal corporations.

Also:

- Land devoted exclusively to commercial agricultural use may be valued according to current use instead of "highest and best" use.
- County, township, and municipal governments may grant tax abatements on qualified real property for a designated time period for the purposes of economic and community development.

Revenue

(In Millions)

In the table below, "Taxes Charged Before Relief" represents the amount of real property taxes[1] charged after the application of tax reduction factors but before the savings realized through certain state-funded property tax relief efforts. The value of the 10 percent and 2.5 percent rollbacks appear in the "Total Percentage Rollbacks" column. These rollbacks, as well as the homestead exemption, are more fully described in the **Special Provisions/Credits** section, below.

Tax Year	Taxes Charged Before Relief	10% & 2.5% Percentage Rollbacks	Homstead Exemption	Net Taxes Charged
2007	$13,128.2	$1,184.5	$317.1	$11,626.6
2008	13,819.4	1,244.9	341.9	12,232.6
2009	14,124.4	1,268.5	361.8	12,494.0
2010	14,494.6	1,302.1	376.4	12,816.1
2011[2]	14,595.8	1,311.4	391.9	12,892.5

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts, joint vocational districts, and special service districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately two-thirds of total real property tax revenue.

1 Including public utility real property.
2 The figures for the 2011 tax year are estimates.

Payment Dates

The standard due dates are:

- Dec. 31, when at least one half of the tax is due.
- June 20, when the balance is due.

Each county is permitted to extend the due dates to Jan. 31 and to July 20, respectively, in the case 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

State law provides for several property tax credits – meaning direct reductions of tax liability rather than reductions of value. These credits include two rollbacks, the homestead exemption, and the tax reduction factors commonly referred to as "House Bill 920" credits.

Property tax rollbacks:

Since 1971, a 10 percent reduction, or "rollback," has applied to property tax bills. In 2005, as part of a larger series of tax reforms, the General Assembly limited this 10 percent reduction to parcels not intended primarily for use in a business activity. In general, the 10 percent reduction applies to farmland and residential property containing single-family, two-family, or three-family dwellings.

In addition, since 1979, a 2½ percent rollback has applied to homesteads – meaning, an owner-occupied dwelling that is the taxpayer's domicile, and up to one acre of land. The state reimburses local governments for the cost of both of these rollbacks.

Homestead exemption:

The homestead exemption is available to homesteads of qualified homeowners who are either: at least 65 years of age, permanently and totally disabled, or at least 59 years of age and the surviving spouse of a deceased taxpayer who had previously received the exemption.

Before the 2007 tax year, this tax relief was limited to approximately 222,000 homeowners who earned $26,200 or less, with benefits tiered according to income. In 2007, House Bill 119 eliminated these income restrictions and simplified the benefit so that it shields $25,000 of a homestead's true value from all property taxation. These changes added an estimated 566,000 additional homeowners to the program. The state reimburses local governments for the tax losses caused by this credit.

Tax reduction factors:

Each year, the Department of Taxation calculates effective tax rates based on a system of tax reduction factors outlined in Ohio Revised Code section 319.301 and enacted by House Bill 920 in 1976. The computation of these percentage reductions is complex, but the basic effect is to eliminate changes in revenue from certain voted levies that would otherwise occur when existing real property in a taxing unit is reappraised or updated.

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. The result is lower effective tax rates for each class of 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.

Other special provisions:

- If a school district has more than 20 gross mills worth of voted and unvoted levies for general current expenses, its effective millage after the application of reduction factors cannot fall below 20 mills (sometimes known as the "floor.") If the initial calculation of the factors would 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 percent of the local rate.

Sections of Ohio Revised Code

Chapters of the Ohio Revised Code that pertain to real property taxation include 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

1803	Ohio gains statehood. General Assembly continues territorial practice of taxing land (but not improvements) based on whether the fertility of the land is "first rate," "second rate" or "third rate."
1825	General Assembly abolishes land classification system, replacing it with an *ad valorem* tax on land, improvements and select forms of personal property.
1846	General Assembly enacts "Kelley Law," which requires that "all property, whether real or personal… unless exempted, shall be subject to taxation." Previously, the legislature had exempted from taxation many forms of personal property, such as tools and machinery.
1851	New state constitution requires that all real and personal property be taxed according to uniform rule, except for exemptions specifically permitted by the constitution, such as for churches and schools.
1902	Legislature repeals state property tax levies for the general fund. State levies persist for other purposes, such as public universities, common schools and highways.
1910	General Assembly creates the Tax Commission of Ohio to supervise local property tax administration.
1911	General Assembly enacts "Smith 1 percent law," which sets an overall 10 mill limit on unvoted levies. Further levies are permitted up to a 15 mill limit, as long as they receive approval through a vote of the people.
1925	General Assembly enacts first statutory requirement for a six-year reappraisal cycle.
1927	General Assembly repeals Smith Law and replaces it with a 15 mill cap on unvoted levies. Additional millage is permitted above this mark through a vote of the people.
1929	Ohio voters approve a constitutional amendment that, starting in 1931, generally limits levies enacted without voter approval to 1.5 percent of true value. The amendment also limits the principle of taxation by uniform rule to real property, rather than all property.
1932	For the first time in more than a century, no state tax is levied on real property.
1933	Voters approve a constitutional amendment that tightens the cap on non-voted levies to 1 percent of true value.
1934	Through statute, the General Assembly reduces the aggregate tax limit on non-voted levies from 15 mills to 10 mills.
1939	The Tax Commission of Ohio is replaced by the Department of Taxation, the Board of Tax Appeals (which begins supervising real property tax administration), and a Tax Commissioner (who assumes functions with respect to taxation of public utility property).
1965	For the first time, the General Assembly explicitly permits real property to be uniformly assessed at less than true value. The legislature requires that taxable values be no more than 50 percent of true value, with the actual uniform percentage to be established by rule of the Board of Tax Appeals.
1968	A state tax applies to real property for the last time – 0.2 mills to retire bonds issued to provide bonus compensation to veterans of the Korean conflict.
1970	Ohio voters approve constitutional amendment permitting a homestead exemption for low- and middle-income senior citizens.
1971	General Assembly enacts 10 percent property tax rollback. Homestead exemption begins.
1972	Board of Tax Appeals requires taxable values to be set at 35 percent of true value as counties complete their sexennial reappraisals, with annual adjustments to maintain the 35 percent level.
1973	Voters approve a constitutional amendment permitting the valuation of agricultural property based upon current use.
1974	Voters approve a constitutional amendment that permits the extension of the homestead exemption to permanently and totally disabled homeowners.

1976	General Assembly enacts House Bill 920, which calls for the calculation of effective tax rates based on reduction factors. These factors are intended to eliminate from certain voted levies the changes in revenue that might occur when values grow on existing real property as part of a reappraisal or update. H.B. 920 also creates the Ohio Department of Tax Equalization to supervise real property tax administration and requires real property valuations to be updated every three years, instead of annually.
1977	Senate Bill 221 establishes a 20 mill floor for school districts, after the application of "House Bill 920" reduction factors.
1979	Legislature enacts a 2½ percent tax rollback for owner-occupied residential property.
1980	Voters approve a constitutional amendment that calls for separate reduction factors to be applied to two classes of real property: residential and agricultural property (Class I) and all other real property (Class II).
1983	Department of Tax Equalization is eliminated; all of its functions are transferred to the Department of Taxation.
1990	Voters approve a constitutional amendment that permits the homestead exemption to be extended to the surviving spouses of homestead exemption recipients.
2005	As part of a larger series of tax reforms, House Bill 66 narrows the 10 percent rollback to real property not intended primarily for use in a business activity.
2007	House Bill 119 expands the homestead exemption to all senior citizens, qualifying disabled homeowners, and surviving spouses of previously-qualified homeowners, regardless of income. Tiered benefits are scrapped in favor of allowing participants to shield $25,000 of the true value of their homesteads from taxation.

Comparisons with Other States

(as of December, 2012)

The complexity of real property tax laws prevents a simple rate comparison among states. However, the following table highlights the property tax liability on the median residential home value in the largest city in each of the 13 selected states after applicable exemptions or tax reductions.

Data are sorted by ascending property tax rates.

City / State	Median Home Value in Largest City[1]	2010 Property Tax on Median Home less Tax Exemption or Tax Reduction[2]	Effective Tax Rate per $100[3] per 2011 study
Chicago	$244,900	$1,225	$0.50
New York[4]	566,700	4,250	0.75
Charleston, WV[5]	99,000	832	0.84
Los Angeles	452,300	5,111	1.13
Boston	369,000	4,805	1.30
Jacksonville	155,000	2,790	1.80
Newark	267,200	5,959	2.23
Columbus	**137,700**	**3,195**	**2.32**
Houston	124,700	3,155	2.53
Louisville[6]	147,800	3,769	2.55
Detroit	53,900	1,525	2.83
Philadelphia	142,800	4,155	2.91
Indianapolis	118,100	3,602	3.05

1 Source: Table B25077, US Census Bureau, American Factfinder 2010 American Community Survey, Housing Characteristics.
2 same.
3 Source: calculations by Ohio Department of Taxation based on Table 4 of Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2011).
4 Median home value for metropolitan statistical area of Brooklyn borough, Kings County, NY.
5 Median home value for metropolitan statistical area of Charleston, WV area.
6 Median home value for metropolitan statistical area of Louisville/Jefferson county, KY-IN area.