Ohio Tax Talk: Property Tax Bill May Affect School Revenues

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Ohio H.B. 126, which proposes to modify the process for challenging real property tax valuation at the county board of revision, or BOR, level, was introduced in the House earlier this year by state Rep. Derek Merrin, R-Monclova. Picking up steam, the bill has recently captured the attention of both opponents and proponents as it makes its way through committees.

Ohio school districts, other local governments and related associations are strong opponents of the bill because of its perceived negative impact on school districts' ability to participate in the real property tax valuation process. Conversely, the bill has several proponents, including the Ohio Chamber of Commerce, the Ohio Apartment Association, the County Auditors' Association of Ohio, Ohio REALTORS and the Council on State Taxation.

In November, the Senate Ways and Means Committee heard testimony from all sides during its fourth hearing. The bill does not modify or eliminate any of the substance behind real property tax valuation in Ohio. It does propose to make two process changes, one of which could have a significant effect on local school districts and other local governments. The two proposed changes are as follows:

- The bill requires a school district's board of education or the legislative authority of a county, municipal corporation or township, to adopt a resolution specifically approving each tax increase or decrease complaint or countercomplaint at a public meeting before filing; and
- It would modify the notice requirements for both property owners and school districts when a property tax complaint is filed against a certain property.

This article focuses on the first and more contentious one. Under existing law, a property owner or school district — or another local government qualifying under the statute — seeking to decrease or increase the taxable value of a particular property for the prior tax year must file a complaint against the valuation of real property, identified as a DTE1 form, with their BOR by March 31 of the following year.

Upon receipt of notice that a DTE1 form was filed, a property owner or school district may file a countercomplaint to oppose the request — whether that be a request to increase taxable value or to decrease it — within 30 days.

Currently, neither property owners nor school districts — nor any other qualifying local governments — are required to take any formal action prior to filing either a complaint or countercomplaint against the valuation of real property. The bill would change that.

Background

By way of brief background, the real property tax is Ohio's oldest tax, and has been an ad valorem tax since 1825. Since the 1800s, this ad valorem property tax has been the single most important funding source for school districts across the state. While property tax rates vary from school district to school district, approximately two-thirds of all property tax goes to the local school district. School districts have a vested and monetary interest in maintaining high property values to ensure their sources of revenue remain viable while property owners usually seek to reduce the same.

House Bill 126: Evolvement

Under the version of the bill that was re-referred to the Senate Ways and Means Committee for a fourth hearing, a school district would not be permitted to file a complaint or countercomplaint against the valuation of real property unless and until the school district board of education adopts a resolution that includes:

- The identification of the parcel or parcels that are the subject of the school district's proposed complaint or countercomplaint by county parcel ID number and street address, if available;
- The name of at least one of the record owners of the parcel or parcels; and

- If the resolution is sought to authorize the filing of a DTE1 form, the resolution must state the basis for the complaint with respect to each parcel identified therein.

Additionally, before adopting this required resolution, the school district must mail a written notice to at least one of the parcel owners identified in the resolution. The notice must affirmatively state the school board's intent to adopt the resolution, the proposed adoption date, and, if the resolution authorizes a DTE1 form, as opposed to a countercomplaint filing, the basis for each of the parcels.

The notice must also be sent by certified mail to the last known tax-mailing address of at least one of the record owners and, if different from that tax-mailing address, to the street address of the parcel or parcels identified in the resolution.

The BOR will then be tasked with ensuring the complaint form includes a section verifying proper adoption of the required resolution. The BOR is also required to ensure that the resolution is certified to the BOR within 30 days after the filing deadline. Otherwise, the BOR must dismiss the complaint or countercomplaint.

While these additional procedures may appear innocuous, school districts often file dozens — if not hundreds — of complaints and countercomplaints each year to ensure their tax revenues remain consistent or increase. To that end, the bill expressly prohibits the school district board of education from including more than one parcel in a single resolution unless combined with other parcels under similar ownership. School districts could be required to mail, by certified mail, dozens of notices and adopted dozens of resolutions authorizing these filings.

Implications for School Districts, Property Owners and Taxpayers

The practical implications of this process on school districts — and conversely, the real property owners and taxpayers within their jurisdictions — could be significant. The added processes required under the bill will require the school district to expend additional resources and likely to scrutinize the costs and benefits of filing certain complaints or countercomplaint.

While this could lead to a decrease in filings, the importance of real property tax revenues for school districts across Ohio cannot be understated.

On the flip side, property owners facing potential increases in their real property tax valuation via complaints against the valuation of real property will receive an additional notice and presumably additional opportunities to defend against the same. For example, property owners receiving notice about the required resolution have an opportunity to voice their concerns at the school district board of education meeting at which the resolution is to be considered and adopted.

Local governments — primarily school districts — and taxpayers and property owners' associations should continue to monitor the developments in this bill as the changes in process could have real effects on school districts' tax revenue and property owners' tax bills.

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