



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Sam Benham

H.B. 371

132nd General Assembly
(As Introduced)

Reps. Merrin, Schaffer, Seitz, Lang, Kick, Becker, Vitale, Riedel, Brinkman, Romanchuk, Keller, Hood, Zeltwanger, Dean, Goodman

BILL SUMMARY

- Exempts from property tax the increased value of unimproved land subdivided for residential development until construction begins or the land is sold.
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CONTENT AND OPERATION

Exemption for residential development property

The bill exempts increases in the assessed value of land subdivided for residential development measured from when the land is subdivided until construction begins or the land is sold. Specifically, the exemption applies to any subdivided, unimproved parcel on which construction of residential buildings, e.g., single- or multi-family dwellings, is planned but has not started (referred to in the bill as "pre-residential development property").¹ The exemption applies beginning for the tax year in which the subdivided parcel first appears on the tax list, but no sooner than the tax year that includes the bill's effective date.²

The exemption ceases to apply for the tax year following the year in which either the parcel is sold or construction of a residential building begins.³ The bill specifies that residential construction is not deemed to have begun solely on the basis of streets, sidewalks, curbs, driveways, or water, sewer, or other utility lines having been

¹ R.C. 5709.51(A)(1) and (2).

² R.C. 5709.51(A)(6) and (B).

³ R.C. 5709.51(B).

constructed or installed.⁴ Also, if title to the parcel is transferred without payment, then the exemption continues to apply without interruption.⁵

Exempted portion

The exemption applies to the portion of the assessed value of a parcel that represents the increase in value, if any, occurring after the parcel was created by the subdivision of a larger parcel (in the bill's terms, the larger parcel is the "original property"). Since such a parcel would not have had its own individual assessed value before it was subdivided, the bill attributes a base, taxable value to each parcel resulting from the subdivision. This base value ("ascribed taxable value" in the bill's terms) equals a portion of the taxable value of the original property before it was subdivided: each parcel's portion is the parcel's appraised value once the subdivision occurred in proportion to the total of the appraised values of all parcels resulting from the subdivision of the original property.

For example, if original property valued at \$100,000 is subdivided into two residential development parcels that, once the subdivision occurs, are assessed at \$50,000 and \$75,000, the ascribed taxable values are \$40,000 and \$60,000, respectively, since the first parcel's assessed value is two-thirds of the second's value. The bill would exempt the value of the first parcel in excess of \$40,000 and the value of the second parcel in excess of \$60,000.⁶ If the exemption continues until another reappraisal or assessment update occurs—i.e., no construction has begun and the property has not been sold in the meantime—the new assessed value of each parcel would be exempted to the extent that it exceeded the parcel's ascribed taxable value of \$40,000 or \$60,000.

The bill accounts also for how the exemption applies if a residential development parcel that resulted from a prior subdivision is itself further subdivided. In such a case, the exemption continues to apply to the new parcels resulting from the later subdivision, with each of the new parcels having an ascribed taxable value that is a proportion of the ascribed taxable value of the larger parcel from which it was most recently subdivided; the proportion is based on each new parcel's appraised value relative to the total appraised value of all the new parcels.⁷

⁴ R.C. 5709.51(A)(1).

⁵ R.C. 5709.51(A)(6) and (B).

⁶ R.C. 5709.51(A)(3)(a) and (B).

⁷ R.C. 5709.51(A)(3)(b).



Real property tax valuation, generally

Under continuing law, the value of each parcel of real property is appraised for tax purposes and is entered as a separate entry on the tax list. The appraisal is supposed to approximate the "true" or fair market value of the parcel, which, generally, is the unconditioned price the property would sell for in an arm's length sale, or the price for which it has in fact been sold recently in such a sale.⁸ Each parcel is so valued as of January 1 of each year (the "tax lien date"). When a parcel is subdivided into several parcels, each new parcel is then valued as a separate unit.⁹

The subdivision of land itself might cause the aggregate appraised true values of the new parcels to exceed the appraised true value of the original parcel before it was subdivided, because the subdivision itself might influence the market value of the land. Also, the appraised value of any parcel, subdivided or not, may change because of market factors without the parcel itself undergoing any construction or other physical change.

Exemption application

A parcel's owner is required to apply annually to the Tax Commissioner for the bill's exemption, as with other property tax exemptions.¹⁰ However, as part of an exemption application for pre-residential development property, the owner must expressly certify that the parcel qualifies as such.¹¹

HISTORY

ACTION	DATE
Introduced	10-04-17

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⁸ R.C. 5713.01 and 5713.03, not in the bill; Article XII, Section 2, Ohio Constitution; see also *State, ex rel. Park Investment Co. v. Board of Tax Appeals*, 175 Ohio St. 410 (1964).

⁹ R.C. 5713.09 and 5713.18, not in the bill.

¹⁰ R.C. 5715.27, not in the bill.

¹¹ R.C. 5709.51(C).

