



**Senator Matt Huffman – 12th District
Senate Ways & Means Committee
February 27, 2019
Senate Bill 36 – Sponsor Testimony**

Chairman Terhar, Vice Chair Roegner, Ranking Member Williams, and members of the committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 36, which seeks to clarify the property tax valuation of a subsidized residential rental property.

As you may know, the bill was previously introduced as S.B. 336 of the 132nd General Assembly. This legislation is written in response to the Supreme Court of Ohio's invitation for General Assembly action following its decision in *Notestine Manor, Inc. v. Logan County Board of Revision* and is designed to proactively address this issue as it will undoubtedly arise again in the future.

Six years ago, the owners of Notestine Manor apartments in Bellefontaine purchased the property upon which the complex resides for \$145,000. The owners obtained a grant from the federal government that did not need to be repaid to invest \$1.5 million in construction costs building the complex. Based upon this investment and the typical market rental rates for similar apartments, the Logan County Auditor valued the property at \$811,000 for property tax purposes. Notestine's owners appealed this valuation, saying that the calculation unfairly raised their valuation because it did not take into account the reduced rate of income they were able to collect because of the rent restrictions required by the government in exchange for the grant for construction funds and tenant rental assistance from the government.

The Board of Tax Appeals (BTA) sided with the owners, as did the Ohio Supreme Court by upholding the BTA decision in *Notestine Manor*. Both entities agreed with the owner that under current law, property tax valuations can be calculated based upon actual income from rent restrictions, rather than market rental rates. Because of this, it was determined that the County Auditor's valuation was too high and the proper value of the property was only \$75,000. Ultimately, Logan County was forced to refund roughly \$55,000 to the owners, approximately \$41,000 of which was taken from the Bellefontaine City School District.

This decision sets a dangerous precedent. Essentially, it allows property owners to lean on government subsidies to dramatically deflate their property values, even when permitted construction investments and true market rental rates would have that value calculated much higher. The situation allows residential companies to take advantage of and unfairly short local revenues used to support important projects including infrastructure, safety services, and public education. Owners of non-subsidized rental properties continue to have their properties valued at fair market value while owners of subsidized properties obtain an unfair advantage to have their properties valued below fair market value.

To remedy this situation, my legislation amends the Ohio Revised Code to require the tax commissioner to adopt rules such that a subsidized residential rental property is valued according

to its market rental rate income capacity, and not upon the property's contract restricted rent as determined by the government. This language will clarify the method of valuing rental properties and ensure that no other constituency in Ohio experiences the issues Logan County faced in the *Notestine* case.

Once again, thank you for your consideration of this legislation. I am happy to answer questions at this time.