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June 26, 2018

Ohio Senate
Ways and Means Committee

Re: Support of Sub. H.B. 343 – Restricting Local Gov’t Property Tax Appeals

Dear Chairman Eklund, Vice-Chairman Terhar, Ranking Member Williams, and Members of the Ways and Means Committee:

On behalf of the Council On State Taxation (COST), I am testifying today in support of Sub. H.B. 343 as passed by the Ohio House on March 21, 2018. While COST would like to see Ohio join the majority of states that do not allow local governments to independently file property tax complaints, this legislation requiring a local political subdivision to adopt a resolution authorizing a complaint or counter complaint is a step in the right direction.

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 550 major corporations engaged in interstate and international business. COST’s objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. COST has a significant number of members that own property, have employees, and otherwise have significant operations in Ohio.

Of all the state and local taxes paid by business, property taxes are important because they typically represent the highest portion of state and local taxes paid by the business community — 38% of all such taxes nationally (33% in Ohio).¹ When local political subdivisions are given the ability to appeal property owner values, businesses (as nonvoters) are often the primary target of such complaints. In 2014, COST, in conjunction with the International Property Tax Institute, issued an updated Scorecard on the “Best and Worst of International Property Tax Administration.”² Ohio’s overall grade was a “C.” One item which Ohio received a negative point on in the Scorecard was the ability of the State’s local political subdivisions to appeal property owners’ valuations.

¹ Source: COST/EY Total State and Local Business Tax Burden Study for Fiscal Year 2016, issued August, 2017. Available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/fy16-state-and-local-business-tax-burden-study.pdf>.

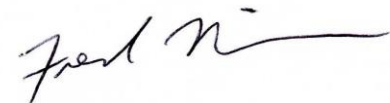
² COST/IPTI “Best and Worst of International Property Tax Administration,” issued September, 2014, is available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/the-best-and-worst-of-international-property-tax-administration---scorecard.pdf>. COST and IPTI will likely issued an updated Scorecard this Fall, 2018.

Sub. H.B. 343, by requiring at least seven days' notice to a property owner before a complaint is filed, coupled with a requirement that a local political subdivision must pass a resolution approving the filing of a complaint or counter-complaint, will help mitigate instances of unwarranted property tax appeals by political subdivisions. Such litigation is expensive and hinders Ohio's ability to foster a pro-business economic development environment. COST's membership at its annual Property Tax Workshop has consistently raised issues about states that allow local political subdivisions to independently initiate property tax complaints.

Ohio county auditors oversee the valuation of residential and business properties in their jurisdictions. A property owner should be able to deal with one governmental agency when it has a dispute. It is inequitable and inefficient for Ohio to have a property tax dispute structure requiring property owners to not only resolve property valuation issues with a county auditor, but also requiring them to potentially resolve a property valuation dispute with all the local political subdivisions where the property is located.

Accordingly, COST sees this legislation as a step in the right direction and supports the passage of Sub. H.B. 343. I would be pleased to answer any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred Nicely", with a long horizontal flourish extending to the right.

Fred Nicely

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director
Ohio Representative Merrin