

As Introduced

**132nd General Assembly
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S. B. No. 336

**Senator Huffman
Cosponsor: Senator Wilson**

A BILL

To amend sections 5713.03 and 5715.01 of the
Revised Code to require county auditors to value
federally subsidized residential rental property
based on its market rent without regard to
government police powers or other governmental
action.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5713.03 and 5715.01 of the
Revised Code be amended to read as follows:

Sec. 5713.03. The county auditor, from the best sources of
information available, shall determine, as nearly as
practicable, the true value of the fee simple estate, as if
unencumbered but, except as otherwise provided in rules adopted
under section 5715.01 of the Revised Code, subject to any
effects from the exercise of police powers or from other
governmental actions, of each separate tract, lot, or parcel of
real property and of buildings, structures, and improvements
located thereon and the current agricultural use value of land
valued for tax purposes in accordance with section 5713.31 of

the Revised Code, in every district, according to the rules 19
prescribed by this chapter and section 5715.01 of the Revised 20
Code, and in accordance with the uniform rules and methods of 21
valuing and assessing real property as adopted, prescribed, and 22
promulgated by the tax commissioner. The auditor shall determine 23
the taxable value of all real property by reducing its true or 24
current agricultural use value by the percentage ordered by the 25
commissioner. In determining the true value of any tract, lot, 26
or parcel of real estate under this section, if such tract, lot, 27
or parcel has been the subject of an arm's length sale between a 28
willing seller and a willing buyer within a reasonable length of 29
time, either before or after the tax lien date, the auditor may 30
consider the sale price of such tract, lot, or parcel to be the 31
true value for taxation purposes. However, the sale price in an 32
arm's length transaction between a willing seller and a willing 33
buyer shall not be considered the true value of the property 34
sold if subsequent to the sale: 35

(A) The tract, lot, or parcel of real estate loses value 36
due to some casualty; 37

(B) An improvement is added to the property. Nothing in 38
this section or section 5713.01 of the Revised Code and no rule 39
adopted under section 5715.01 of the Revised Code shall require 40
the county auditor to change the true value in money of any 41
property in any year except a year in which the tax commissioner 42
is required to determine under section 5715.24 of the Revised 43
Code whether the property has been assessed as required by law. 44

The county auditor shall adopt and use a real property 45
record approved by the commissioner for each tract, lot, or 46
parcel of real property, setting forth the true and taxable 47
value of land and, in the case of land valued in accordance with 48

section 5713.31 of the Revised Code, its current agricultural 49
use value, the number of acres of arable land, permanent pasture 50
land, woodland, and wasteland in each tract, lot, or parcel. The 51
auditor shall record pertinent information and the true and 52
taxable value of each building, structure, or improvement to 53
land, which value shall be included as a separate part of the 54
total value of each tract, lot, or parcel of real property. 55

Sec. 5715.01. (A) The tax commissioner shall direct and 56
supervise the assessment for taxation of all real property. The 57
commissioner shall adopt, prescribe, and promulgate rules for 58
the determination of true value and taxable value of real 59
property by uniform rule for such values and for the 60
determination of the current agricultural use value of land 61
devoted exclusively to agricultural use. 62

(1) The uniform rules shall prescribe methods of 63
determining the true value and taxable value of real property. 64
The rules shall provide that in determining the true value of 65
lands or improvements thereon for tax purposes, all facts and 66
circumstances relating to the value of the property, its 67
availability for the purposes for which it is constructed or 68
being used, its obsolete character, if any, the income capacity 69
of the property, if any, and any other factor that tends to 70
prove its true value shall be used. In determining the true 71
value of minerals or rights to minerals for the purpose of real 72
property taxation, the tax commissioner shall not include in the 73
value of the minerals or rights to minerals the value of any 74
tangible personal property used in the recovery of those 75
minerals. 76

The rules shall require that subsidized residential rental 77
property be valued according to its income capacity on the basis 78

of the property's market rent and expenses and not on the 79
property's contract rent. The market rent and expenses of 80
subsidized residential rental property shall be calculated 81
without considering any effects on the property from the 82
exercise of police powers or from other governmental actions. As 83
used in division (A)(1) of this section, "subsidized residential 84
rental property" means property on which is situated one or more 85
dwelling units leased or otherwise rented to tenants solely for 86
residential purposes, excluding a college or university 87
dormitory, to which any of the following applies: 88

(a) All or a portion of the units' construction or 89
renovation costs are paid by financial incentives authorized 90
under federal law. 91

(b) All or a portion of the units' rent is subsidized as 92
authorized under federal law. 93

(c) The property is a qualified low-income housing project 94
allocated a tax credit pursuant to section 42 of the Internal 95
Revenue Code. 96

(2) The uniform rules shall prescribe the method for 97
determining the current agricultural use value of land devoted 98
exclusively to agricultural use, which method shall reflect 99
standard and modern appraisal techniques that take into 100
consideration the productivity of the soil under normal 101
management practices, typical cropping and land use patterns, 102
the average price patterns of the crops and products produced 103
and the typical production costs to determine the net income 104
potential to be capitalized, and other pertinent factors. 105

In determining the agricultural land capitalization rate 106
to be applied to the net income potential from agricultural use, 107

the commissioner shall use standard and modern appraisal 108
techniques. In calculating the capitalization rate for any year, 109
the commissioner shall comply with both of the following 110
requirements: 111

(a) The commissioner shall use an equity yield rate equal 112
to the greater of (i) the average of the total rates of return 113
on farm equity for the twenty-five most recent years for which 114
those rates have been calculated and published by the United 115
States department of agriculture economic research service or 116
another published source or (ii) the loan interest rate the 117
commissioner uses for that year to calculate the capitalization 118
rate; 119

(b) The commissioner shall assume that the holding period 120
for agricultural land is twenty-five years for the purpose of 121
computing buildup of equity or appreciation with respect to that 122
land. 123

The commissioner shall add to the overall capitalization 124
rate a tax additur. The sum of the overall capitalization rate 125
and the tax additur shall represent as nearly as possible the 126
rate of return a prudent investor would expect from an average 127
or typical farm in this state considering only agricultural 128
factors. 129

The commissioner shall annually determine and announce the 130
overall capitalization rate, tax additur, agricultural land 131
capitalization rate, and the individual components used in 132
computing such amounts in a determination, finding, computation, 133
or order of the commissioner published simultaneously with the 134
commissioner's annual publication of the per-acre agricultural 135
use values for each soil type. 136

(3) Notwithstanding any other provision of this chapter	137
and Chapter 5713. of the Revised Code, the current agricultural	138
use value of land devoted exclusively to agricultural use shall	139
equal the following amounts for the years specified:	140
(a) In counties that undergo a reappraisal or triennial	141
update in 2017, the current agricultural use value of the land	142
for each of the 2017, 2018, and 2019 tax years shall equal the	143
sum of the following amounts:	144
(i) The current agricultural use value of the land for	145
that tax year, as determined under this section and section	146
5713.31 of the Revised Code, and rules adopted pursuant those	147
sections, without regard to the adjustment under division (A) (3)	148
(a) (ii) of this section;	149
(ii) One-half of the amount, if any, by which the value of	150
the land for the 2016 tax year, as determined under this	151
section, section 5713.31 of the Revised Code, and the rules	152
adopted pursuant those sections and issued by the tax	153
commissioner for counties undergoing a reappraisal or triennial	154
update in the 2016 tax year, exceeds the value determined under	155
division (A) (3) (a) (i) of this section.	156
(b) In counties that undergo a reappraisal or triennial	157
update in 2018, the current agricultural use value of the land	158
for each of the 2018, 2019, and 2020 tax years shall equal the	159
sum of the following amounts:	160
(i) The current agricultural use value of the land for	161
that tax year, as determined under this section and section	162
5713.31 of the Revised Code, and rules adopted pursuant those	163
sections, without regard to the adjustment under division (A) (3)	164
(b) (ii) of this section;	165

(ii) One-half of the amount, if any, by which the value of the land for the 2017 tax year, as determined under this section, section 5713.31 of the Revised Code, and the rules adopted pursuant those sections and issued by the tax commissioner for counties undergoing a reappraisal or triennial update in the 2017 tax year, exceeds the value determined under division (A) (3) (b) (i) of this section.

(c) In counties that undergo a reappraisal or triennial update in 2019, the current agricultural use value of the land for each of the 2019, 2020, and 2021 tax years shall equal the sum of the following amounts:

(i) The current agricultural use value of the land for that tax year, as determined under this section and section 5713.31 of the Revised Code, and rules adopted pursuant those sections, without regard to the adjustment under division (A) (3) (c) (ii) of this section;

(ii) One-half of the amount, if any, by which the value of the land for the 2018 tax year, as determined under this section, section 5713.31 of the Revised Code, and the rules adopted pursuant those sections and issued by the tax commissioner for counties undergoing a reappraisal or triennial update in the 2018 tax year, exceeds the value determined under division (A) (3) (c) (i) of this section.

(B) The taxable value shall be that per cent of true value in money, or current agricultural use value in the case of land valued in accordance with section 5713.31 of the Revised Code, the commissioner by rule establishes, but it shall not exceed thirty-five per cent. The uniform rules shall also prescribe methods of making the appraisals set forth in section 5713.03 of the Revised Code. The taxable value of each tract, lot, or

parcel of real property and improvements thereon, determined in 196
accordance with the uniform rules and methods prescribed 197
thereby, shall be the taxable value of the tract, lot, or parcel 198
for all purposes of sections 5713.01 to 5713.26, 5715.01 to 199
5715.51, and 5717.01 to 5717.06 of the Revised Code. County 200
auditors shall, under the direction and supervision of the 201
commissioner, be the chief assessing officers of their 202
respective counties, and shall list and value the real property 203
within their respective counties for taxation in accordance with 204
this section and sections 5713.03 and 5713.31 of the Revised 205
Code and with such rules of the commissioner. There shall also 206
be a board in each county, known as the county board of 207
revision, which shall hear complaints and revise assessments of 208
real property for taxation. 209

(C) The commissioner shall neither adopt nor enforce any 210
rule that requires true value for any tax year to be any value 211
other than the true value in money on the tax lien date of such 212
tax year or that requires taxable value to be obtained in any 213
way other than by reducing the true value, or in the case of 214
land valued in accordance with section 5713.31 of the Revised 215
Code, its current agricultural use value, by a specified, 216
uniform percentage. 217

Section 2. That existing sections 5713.03 and 5715.01 of 218
the Revised Code are hereby repealed. 219