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HB 614 – Sponsor Testimony to the House Ways and Means Committee 05/24/2022

Good afternoon Chairman Merrin, Vice-Chair Riedel, Ranking Member Sobecki, and Members of the Committee;

Thank you for the opportunity to present proponent testimony on HB 614 – a bill I have had the pleasure to assist with alongside my State Representative Sarah Fowler Arthur which would amend ORC 319.302 of the Revised Code to allow residential agriculture property used for woodlands and forestry to receive the 10% nonbusiness property tax rollback as other forms of agriculture do.

This past winter my office became aware of an error in our taxing process which granted residential properties receiving the Woodlands CAUV or Ohio Forest Tax Law an additional credit called the 10% Non-Business credit. My understanding is that the law changed in the early 1990s creating an incompatibility with these two classes of tax credits.

I believe it took my office 20 years to discover our error, and frankly other counties have continued to grant both classes of credits as well, for the simple reason that the law as currently written is not in line with other forms of agriculture use production and so we have over looked the nuance.

You see, Ohio's farmers who grow timber to sustain our strong lumber market are not treated equally to traditional farmers who grow other forms of agricultural products. The Ohio Forest Tax Law and Woodland CAUV Tax Credit Program are currently incompatible with the 10% Non-Business tax credit, which other CAUV crops in agricultural production enjoy.

This then means that property owners producing lumber must choose which class of credit to receive, while property owners producing all other forms of agriculture can receive both classes of credits. I know our office was not the only office to be confused by this disparity and naturally, Ashtabula County property owner's growing timber, as well as I am sure any of your property owners producing woodlands, also find the disparity unsettling.

While not black and white in the law, the common remedy among counties is to look at the parcel in question, and if 50% + 1 of the value is residential improvement value meaning a house or garage, then the Non-Business 10% credit is granted. This workaround, while not explicitly in code, works for some property owners. However, it is not uncommon to have a 40-acre parcel at \$10,000 an acre in value and a \$200,000 home and see where 50% + 1 would not apply.

Additionally, our county, as in others, it is common for stand-alone parcels of 20 to 50 acres to be woodlands in the Ohio Forest Tax Law or CAUV Woodland program and not have a house or



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improvement value. Similar to a hay field parcel or pasture, for continuity sake those agriculture products should be treated equal.

This language is simple and clears up the discrimination and makes plain the definitions, that all agricultural use should be eligible for the non-business tax credit. I know there is a concern about commercial timbering operations having the opportunity then to qualify for this language and Non-Business Credit. Well, the proof is in the name. Commercial operations would not have Woodland CAUV or Ohio Forest Tax Law Credits applied as those properties must follow licensed forestry plans and traditionally be unharvested for decades at a time.

Therefore, commercial operations would continue as they due under current ORC 219.302, being treated as commercial properties such as saw mills, lumber yards, and packaging plants not eligible for any of the mentioned credits. There is a large difference between John Smith with his home and 50 acres of woods on CAUV and a saw mill packaging operation with woods. Presently both are ineligible for the Non-business credit as both are viewed as commercial. HB 614 would allow John Smith to receive the Non-business credit just as if his 50 acres of woods were 50 acres of corn while not permitting the saw mill to receive the Non-business credit.

This language is good for Ohio's strong timber economy, good for conservation and best practices of land management, and good for the bank having a much smaller impact on state rollback dollars than other property incentive programs.

Thank you for your consideration, if you have any questions I would be happy to answer them.