

Sub. H.B. 33
As Passed by the Senate
TAXCD74

_____ moved to amend as follows:

In line 275 of the title, after "5709.56," insert "5713.031," 1

In line 963, after "5709.56," insert "5713.031," 2

In line 4165, delete "5713.03" and insert "5713.031" 3

In line 21749, delete "5713.03" and insert "5713.031" 4

In line 21762, delete "5713.03" and insert "5713.031" 5

Delete lines 112610 through 112690 and insert: 6

"**Sec. 5713.03.** ~~(A)~~ The county auditor, from the best sources 7
of information available, shall determine, as nearly as 8
practicable, the true value of the fee simple estate, as if 9
unencumbered but subject to any effects from the exercise of 10
police powers or from other governmental actions, of each separate 11
tract, lot, or parcel of real property and of buildings, 12
structures, and improvements located thereon and the current 13
agricultural use value of land valued for tax purposes in 14
accordance with section 5713.31 of the Revised Code, in every 15
district, according to the rules prescribed by this chapter and 16
section 5715.01 of the Revised Code, and in accordance with the 17
uniform rules and methods of valuing and assessing real property 18
as adopted, prescribed, and promulgated by the tax commissioner. 19

The auditor shall determine the taxable value of all real property 20
 by reducing its true or current agricultural use value by the 21
 percentage ordered by the commissioner. In determining the true 22
 value of any tract, lot, or parcel of real estate under this 23
 section, if such tract, lot, or parcel has been the subject of an 24
 arm's length sale between a willing seller and a willing buyer 25
 within a reasonable length of time, either before or after the tax 26
 lien date, the auditor may consider the sale price of such tract, 27
 lot, or parcel to be the true value for taxation purposes. 28
 However, the sale price in an arm's length transaction between a 29
 willing seller and a willing buyer shall not be considered the 30
 true value of the property sold if subsequent to the sale: 31

~~(1)(A)~~ The tract, lot, or parcel of real estate loses value 32
 due to some casualty; 33

~~(2)(B)~~ An improvement is added to the property. 34

Nothing in this section or section 5713.01 of the Revised 35
 Code and no rule adopted under section 5715.01 of the Revised Code 36
 shall require the county auditor to change the true value in money 37
 of any property in any year except a year in which the tax 38
 commissioner is required to determine under section 5715.24 of the 39
 Revised Code whether the property has been assessed as required by 40
 law. 41

~~(B) Pursuant to division (A) of this section, the county 42
 auditor may determine the true value of real property that is part 43
 of a qualified low income housing tax credit project through use 44
 of one or more of the market data approach, the income approach, 45
 or the cost approach. 46~~

~~As used in division (B) of this section, "low income housing 47
 tax credit project" means a qualified low income housing project 48~~

~~during its compliance period, as those terms are defined by
section 42 of the Internal Revenue Code.~~

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~~(C) The county auditor shall adopt and use a real property
record approved by the commissioner for each tract, lot, or parcel
of real property, setting forth the true and taxable value of land
and, in the case of land valued in accordance with section 5713.31
of the Revised Code, its current agricultural use value, the
number of acres of arable land, permanent pasture land, woodland,
and wasteland in each tract, lot, or parcel. The auditor shall
record pertinent information and the true and taxable value of
each building, structure, or improvement to land, which value
shall be included as a separate part of the total value of each
tract, lot, or parcel of real property.~~

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Sec. 5713.031. (A) As used in this section, "federally
subsidized residential rental property" means property to which
one or more of the following apply:

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(1) It is part of a qualified low-income housing project,
through its compliance and extended use period, as those terms are
defined in section 42 of the Internal Revenue Code, or any other
period during which it is similarly restricted under section 42 of
the Internal Revenue Code.

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(2) It receives assistance pursuant to section 202 of the
"Housing Act of 1959," 12 U.S.C. 1701q, and remains restricted
pursuant to that section.

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(3) Property that receives assistance pursuant to Section 811
of the "Cranston-Gonzalez National Affordable Housing Act," 42
U.S.C. 8013, and remains restricted pursuant to that section;

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(4) Property that receives project-based assistance pursuant
to section 8 of the "United States Housing Act of 1937," 42 U.S.C.

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<u>1437f, and remains restricted pursuant to that section;</u>	78
<u>(5) Property that receives assistance pursuant to section 515</u>	79
<u>of the "Housing Act of 1949," 42 U.S.C. 1485, and remains</u>	80
<u>restricted pursuant to that section;</u>	81
<u>(6) Property that receives assistance pursuant to section 538</u>	82
<u>of the "Housing Act of 1949," 42 U.S.C. 1490p-2, and remains</u>	83
<u>restricted pursuant to that section;</u>	84
<u>(7) Property that receives assistance pursuant to section 521</u>	85
<u>of the "Housing Act of 1949," 42 U.S.C. 1490a, and remains</u>	86
<u>restricted pursuant to that section.</u>	87
<u>(B) An owner of federally subsidized residential rental</u>	88
<u>property shall file with the county auditor of the county in which</u>	89
<u>the property is located the following information from the</u>	90
<u>preceding calendar year or up to three preceding calendar years,</u>	91
<u>as applicable:</u>	92
<u>(1) The operating income of the property which shall include</u>	93
<u>gross potential rent, any forgiveness of or allowance received for</u>	94
<u>losses due to vacancy or unpaid rent, and any income derived from</u>	95
<u>other sources;</u>	96
<u>(2) The operating expenses of the property including all</u>	97
<u>non-capitalized expenses related to staffing, utilities, repairs,</u>	98
<u>supplies, telecommunication, management fees, audits, legal and</u>	99
<u>contract services, and any other expense a prospective buyer might</u>	100
<u>consider in purchasing the property. Real property taxes,</u>	101
<u>depreciation, and amortization expenses and replacement of</u>	102
<u>short-term capitalized assets shall be excluded from operating</u>	103
<u>expenses.</u>	104
<u>(3) The annual amount of contribution to replacement reserve</u>	105
<u>funds or accounts related to the property.</u>	106

(C)(1) The information required under division (B) of this section shall be filed by the owner both before the property is placed in service and after the commencement of the property's operations, and each following year to which section 5715.24 of the Revised Code applies in the county, on or before the first day of March. Each such filing in a reappraisal or update year shall report the information required under division (B) of this section for the preceding three calendar years or for the period of time the property has been in operation, if less than three years.

(2) Information filed under this section shall have first been audited by an independent public accountant or auditor or a certified public accountant prior to filing. If such an audit is not completed by the first day of March, the owner of the property shall file updated records within thirty days after the completion of such an audit.

(3) If a property owner fails to timely submit the information required under division (B) of this section, the county auditor is not required to value the property in accordance with division (A)(4) of section 5715.01 of the Revised Code for any applicable tax year to which that division would have applied and shall otherwise proceed under section 5713.01 of the Revised Code to value the property in compliance with Ohio Constitution, Article XII, Section 2 for that tax year.

(D) The county auditor shall use the information submitted under this section to determine the valuation of the property pursuant to rules adopted under division (A)(4) of section 5715.01 of the Revised Code.

(E) Any information submitted under this section is not a public record for purposes of section 149.43 of the Revised Code."

After line 112820, insert:

"(4) The uniform rules shall prescribe the method for 137
determining the value of federally subsidized residential rental 138
property through the use of a formula that accounts for the 139
following factors: 140

(a) Up to three years of operating income of the property, 141
which includes gross potential rent, and any income derived from 142
other sources as reported by the property owner to the county 143
auditor under section 5713.031 of the Revised Code. Operating 144
income shall include an allowance for vacancy losses, which shall 145
be presumed to be four per cent of gross potential rent, and 146
unpaid rent losses, which shall be presumed to be three per cent 147
of gross potential rent. These presumptive amounts may be exceeded 148
with evidence demonstrating the actual income of the property. 149

(b) Operating expenses of the property, which shall be 150
presumed to be forty-eight per cent of operating income plus 151
utility expenses as reported by the property owner to the county 152
auditor under section 5713.031 of the Revised Code. Operating 153
expenses shall also include replacement reserve fund or account 154
contributions which shall be presumed to be five per cent of gross 155
potential rent. These presumptive amounts may be exceeded with 156
evidence demonstrating the actual expenses of the property. Real 157
property taxes, depreciation, and amortization expenses and 158
replacement of short-term capitalized assets shall be excluded 159
from operating expenses. 160

(c) A market-appropriate, uniform capitalization rate plus a 161
tax additur accounting for the real property tax rate of the 162
property's location. For federally subsidized residential rental 163
property described in division (A)(1) of section 5713.031 of the 164
Revised Code, one percentage point shall be subtracted from the 165
uniform capitalization rate. 166

The uniform rules shall also prescribe a minimum total value 167
for federally subsidized residential rental property of five 168
thousand dollars multiplied by the number of dwelling units 169
comprising the property or one hundred fifty per cent of the 170
property's unimproved land value, whichever is greater. The 171
formula and other rules adopted by the commissioner pursuant to 172
this division shall comply with Ohio Constitution, Article XII, 173
Section 2. 174

As used in division (A)(4) of this section, "federally 175
subsidized residential rental property" has the same meaning as in 176
section 5713.031 of the Revised Code and "dwelling unit" has the 177
same meaning as in section 5321.01 of the Revised Code." 178

The motion was _____ agreed to.

SYNOPSIS

Property tax: valuation of subsidized housing 179

R.C. 117.10, 175.20, 5713.03, 5713.031, and 5715.01 180

Reinstates a provision, added by the House but removed by the 181
 Senate, requiring the Tax Commissioner to prescribe a formula for 182
 uniformly valuing federal subsidized rental housing that takes 183
 into account a property's operating income and expenses and a 184
 uniform capitalization rate as reported by the property owner. 185

Removes a provision of current law, expanded by the Senate, 186
 that explicitly authorizes a county auditor to value subsidized 187
 rental housing by employing the income approach, cost approach, or 188
 comparable sales approach. 189