

S. B. No. 186  
As Passed by the Senate

\_\_\_\_\_ moved to amend as follows:

- In line 2 of the title, after "5713.18" insert ", 5715.01, 5715.012" 1
- In line 5 of the title, delete "and" and insert "," 2
- In line 7 of the title, after "property" insert ", and to modify the 3  
procedures used to value real property for tax purposes" 4
- In line 9, after "5713.18" insert ", 5715.01, 5715.012" 5
- After line 391, insert: 6
- "Sec. 5715.01.** (A) The tax commissioner shall direct and 7  
supervise the assessment for taxation of all real property. The 8  
commissioner shall adopt, prescribe, and promulgate rules for 9  
the determination of true value and taxable value of real 10  
property by uniform rule for such values and for the 11  
determination of the current agricultural use value of land 12  
devoted exclusively to agricultural use. 13
- (1) The uniform rules shall prescribe methods of 14  
determining the true value and taxable value of real property. 15  
The rules shall provide that in determining the true value of 16



lands or improvements thereon for tax purposes, all facts and 17  
circumstances relating to the value of the property, its 18  
availability for the purposes for which it is constructed or 19  
being used, its obsolete character, if any, the income capacity 20  
of the property, if any, and any other factor that tends to 21  
prove its true value shall be used. In determining the true 22  
value of minerals or rights to minerals for the purpose of real 23  
property taxation, the tax commissioner shall not include in the 24  
value of the minerals or rights to minerals the value of any 25  
tangible personal property used in the recovery of those 26  
minerals. 27

(2) The uniform rules shall prescribe the method for 28  
determining the current agricultural use value of land devoted 29  
exclusively to agricultural use, which method shall reflect 30  
standard and modern appraisal techniques that take into 31  
consideration the productivity of the soil under normal 32  
management practices, typical cropping and land use patterns, 33  
the average price patterns of the crops and products produced 34  
and the typical production costs to determine the net income 35  
potential to be capitalized, and other pertinent factors. 36

In determining the agricultural land capitalization rate 37  
to be applied to the net income potential from agricultural use, 38  
the commissioner shall use standard and modern appraisal 39  
techniques. In calculating the capitalization rate for any year, 40  
the commissioner shall comply with both of the following 41  
requirements: 42

(a) The commissioner shall use an equity yield rate equal 43  
to the greater of (i) the average of the total rates of return 44  
on farm equity for the twenty-five most recent years for which 45  
those rates have been calculated and published by the United 46

States department of agriculture economic research service or 47  
another published source or (ii) the loan interest rate the 48  
commissioner uses for that year to calculate the capitalization 49  
rate; 50

(b) The commissioner shall assume that the holding period 51  
for agricultural land is twenty-five years for the purpose of 52  
computing buildup of equity or appreciation with respect to that 53  
land. 54

The commissioner shall add to the overall capitalization 55  
rate a tax additur. The sum of the overall capitalization rate 56  
and the tax additur shall represent as nearly as possible the 57  
rate of return a prudent investor would expect from an average 58  
or typical farm in this state considering only agricultural 59  
factors. 60

The commissioner shall annually determine and announce the 61  
overall capitalization rate, tax additur, agricultural land 62  
capitalization rate, and the individual components used in 63  
computing such amounts in a determination, finding, computation, 64  
or order of the commissioner published simultaneously with the 65  
commissioner's annual publication of the per-acre agricultural 66  
use values for each soil type. 67

(3) Notwithstanding any other provision of this chapter 68  
and Chapter 5713. of the Revised Code, the current agricultural 69  
use value of land devoted exclusively to agricultural use shall 70  
equal the following amounts for the years specified: 71

(a) In counties that undergo a reappraisal or triennial 72  
update in ~~2017~~2025, the current agricultural use value of the 73  
land for each of the ~~2017, 2018, and 2019~~2025, 2026, and 2027 74  
tax years shall equal the ~~sum~~average of the following amounts\_ 75

determined under this section and section 5713.31 of the Revised Code, and rules adopted pursuant to those sections: 76  
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(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) (a) (ii) of this section;~~ 78  
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(ii) ~~One half of the amount, if any, by which the value of the land for the 2016 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 2016 tax year, exceeds the value determined under division (A) (3) (a) (i) of this section~~The current agricultural use value of the land for the 2024 tax year, as determined for counties undergoing a reappraisal or triennial update in the 2024 tax year; 83  
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(iii) The current agricultural use value of the land for the 2023 tax year, as determined for counties undergoing a reappraisal or triennial update in the 2023 tax year. 93  
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(b) In counties that undergo a reappraisal or triennial update in ~~2018~~2026, the current agricultural use value of the land for each of the ~~2018, 2019, and 2020~~2026, 2027, and 2028 tax years shall equal the ~~sum~~average of the following amounts determined under this section and section 5713.31 of the Revised Code, and rules adopted pursuant to those sections: 96  
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(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~~ 102  
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~~sections, without regard to the adjustment under division (A) (3) (b) (ii) of this section;~~ 105  
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~~(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~~ 107  
The current agricultural use value of the land for the 2025 tax year, as determined for counties undergoing a reappraisal or triennial update in the 2025 tax year; 108  
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(iii) The current agricultural use value of the land for the 2024 tax year, as determined for counties undergoing a reappraisal or triennial update in the 2024 tax year. 117  
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(c) In counties that undergo a reappraisal or triennial update in ~~2019~~2027, the current agricultural use value of the land for each of the ~~2019, 2020, and 2021~~2027, 2028, and 2029 tax years shall equal the ~~sum~~average of the following amounts determined under this section and section 5713.31 of the Revised Code, and rules adopted pursuant to those sections: 120  
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(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;~~ 126  
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~~(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~~ 131  
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~~adopted pursuant those sections and issued by the tax~~ 134  
~~commissioner for counties undergoing a reappraisal or triennial~~ 135  
~~update in the 2018 tax year, exceeds the value determined under~~ 136  
~~division (A) (3) (c) (i) of this section~~ 137  
The current agricultural 138  
use value of the land for the 2026 tax year, as determined for 139  
counties undergoing a reappraisal or triennial update in the 140  
2026 tax year; 140

(iii) The current agricultural use value of the land for 141  
the 2025 tax year, as determined for counties undergoing a 142  
reappraisal or triennial update in the 2025 tax year. 143

(4) The uniform rules shall prescribe the method for 144  
determining the value of federally subsidized residential rental 145  
property through the use of a formula that accounts for the 146  
following factors: 147

(a) Up to three years of operating income of the property, 148  
which includes gross potential rent, and any income derived from 149  
other sources as reported by the property owner to the county 150  
auditor under section 5713.031 of the Revised Code. Operating 151  
income shall include an allowance for vacancy losses, which 152  
shall be presumed to be four per cent of gross potential rent, 153  
and unpaid rent losses, which shall be presumed to be three per 154  
cent of gross potential rent. These presumptive amounts may be 155  
exceeded with evidence demonstrating the actual income of the 156  
property. 157

(b) Operating expenses of the property, which shall be 158  
presumed to be forty-eight per cent of operating income plus 159  
utility expenses as reported by the property owner to the county 160  
auditor under section 5713.031 of the Revised Code. Operating 161  
expenses shall also include replacement reserve fund or account 162  
contributions which shall be presumed to be five per cent of 163

gross potential rent. These presumptive amounts may be exceeded 164  
with evidence demonstrating the actual expenses of the property. 165  
Real property taxes, depreciation, and amortization expenses and 166  
replacement of short-term capitalized assets shall be excluded 167  
from operating expenses. 168

(c) A market-appropriate, uniform capitalization rate plus 169  
a tax additur accounting for the real property tax rate of the 170  
property's location. For federally subsidized residential rental 171  
property described in division (A) (1) of section 5713.031 of the 172  
Revised Code, one percentage point shall be subtracted from the 173  
uniform capitalization rate. 174

The uniform rules shall also prescribe a minimum total 175  
value for federally subsidized residential rental property of 176  
five thousand dollars multiplied by the number of dwelling units 177  
comprising the property or one hundred fifty per cent of the 178  
property's unimproved land value, whichever is greater. The 179  
formula and other rules adopted by the commissioner pursuant to 180  
this division shall comply with Ohio Constitution, Article XII, 181  
Section 2. 182

As used in division (A) (4) of this section, "federally 183  
subsidized residential rental property" has the same meaning as 184  
in section 5713.031 of the Revised Code and "dwelling unit" has 185  
the same meaning as in section 5321.01 of the Revised Code. 186

(B) The taxable value shall be that per cent of true value 187  
in money, or current agricultural use value in the case of land 188  
valued in accordance with section 5713.31 of the Revised Code, 189  
the commissioner by rule establishes, but it shall not exceed 190  
thirty-five per cent. The uniform rules shall also prescribe 191  
methods of making the appraisals set forth in section 5713.03 of 192  
the Revised Code. The taxable value of each tract, lot, or 193

parcel of real property and improvements thereon, determined in 194  
accordance with the uniform rules and methods prescribed 195  
thereby, shall be the taxable value of the tract, lot, or parcel 196  
for all purposes of sections 5713.01 to 5713.26, 5715.01 to 197  
5715.51, and 5717.01 to 5717.06 of the Revised Code. County 198  
auditors shall, under the direction and supervision of the 199  
commissioner, be the chief assessing officers of their 200  
respective counties, and shall list and value the real property 201  
within their respective counties for taxation in accordance with 202  
this section and sections 5713.03 and 5713.31 of the Revised 203  
Code and with such rules of the commissioner. There shall also 204  
be a board in each county, known as the county board of 205  
revision, which shall hear complaints and revise assessments of 206  
real property for taxation. 207

(C) The commissioner shall neither adopt nor enforce any 208  
rule that requires true value for any tax year to be any value 209  
other than the true value in money on the tax lien date of such 210  
tax year or that requires taxable value to be obtained in any 211  
way other than by reducing the true value, or in the case of 212  
land valued in accordance with section 5713.31 of the Revised 213  
Code, its current agricultural use value, by a specified, 214  
uniform percentage. 215

**Sec. 5715.012.** The tax commissioner shall make sales- 216  
assessment ratio studies of sales and assessments of real 217  
property for the purpose of determining the common level of 218  
assessment of real property within the counties pursuant to 219  
section 5715.19 of the Revised Code and for the purpose of 220  
equalization. ~~Such-~~ 221

(A) Division (A) of this section shall apply to all tax 222  
years other than tax years 2025, 2026, and 2027. Sales- 223



assessment ratio studies shall be based on a representative 224  
sampling during the three years prior to the tax year to which 225  
the sample is applied of open market arms' length sales by a 226  
willing seller to a willing buyer for a current like use within 227  
the class or classes of real property sampled by the board. 228  
Where there are not sufficient arms' length sales to constitute 229  
a representative sampling for such studies within a class, the 230  
commissioner may also conduct appraisals of real property in 231  
that class, which shall be a part of such studies. Such studies 232  
and other information of the commissioner may be used by the 233  
commissioner as guidelines, where applicable, in the 234  
equalization of a class or classes of real property. Such 235  
studies or other information of the commissioner shall not be 236  
applied by the commissioner on a taxing district, countywide, or 237  
statewide basis for the purpose of equalization unless the 238  
commissioner first finds there are sufficient arms' length sales 239  
for a like use included in the sample in a class, or arms' 240  
length sales and appraisals conducted by the commissioner for a 241  
like use included in the sample in a class, to provide an 242  
indication that said sales or sales and appraisals in the class 243  
are representative of all parcels in the class. 244

In addition, the commissioner shall make other studies of 245  
the value of real property within the counties which may be used 246  
as guidelines, where applicable, in the equalization of a class 247  
or classes of real property. 248

(B) Division (B) of this section shall apply to tax years 249  
2025, 2026, and 2027. Sales-assessment ratio studies shall be 250  
based on all open market arms' length sales during the three 251  
calendar years prior to the tax year to which the study is 252  
applied between a willing seller and a willing buyer for a 253  
current like use within the class or classes of real property 254

studied. In conducting such studies, the commissioner shall not 255  
give more weight to sales occurring in any particular year 256  
during that three-year period. The commissioner shall confirm 257  
the sales data with data collected by county auditors. If the 258  
number of arms' length sales for a like use within a class of 259  
property in a county during that three-year period does not 260  
equal at least five per cent of the total number of properties 261  
in the county within that class, the commissioner may also 262  
require that the county auditor conduct appraisals of real 263  
property in that class, which shall be a part of such studies. 264  
The commissioner shall use such studies and other information, 265  
including current economic conditions, in the equalization of a 266  
class or classes of real property. Such studies or other 267  
information of the commissioner or a county auditor shall not be 268  
applied by the commissioner on a taxing district, countywide, or 269  
statewide basis for the purpose of equalization unless the 270  
commissioner first finds there are sufficient arms' length sales 271  
for a like use included in the sample in a class, or arms' 272  
length sales and appraisals conducted by an auditor for a like 273  
use included in the sample in a class, to provide an indication 274  
that said sales or sales and appraisals in the class are 275  
representative of all parcels in the class. 276

In addition, the commissioner shall collaborate with 277  
county auditors to collect data and make other studies of the 278  
value of real property within the counties, which may be used as 279  
guidelines, where applicable, in the equalization of a class or 280  
classes of real property." 281

In line 917, after "5713.18" insert ", 5715.01, 5715.012" 282

The motion was \_\_\_\_\_ agreed to.

<u>SYNOPSIS</u>	283
<b>Temporary property tax valuation changes</b>	284
<b>R.C. 5715.01 and 5715.012</b>	285
Temporarily revises, for tax years 2025, 2026, and 2027,	286
the information considered in the sales-assessment ratio studies	287
that the Department of Taxation uses to review property values.	288
Temporarily, for the same tax years, adjusts the current	289
agricultural use value (CAUV) of farmland for property tax	290
purposes. Instead of directly applying the CAUV formula, a	291
farm's CAUV at its next reappraisal or update will equal the	292
average of the formula value calculated for that year and the	293
values that would have been assigned if the land were in a	294
county that underwent a reappraisal or update in each of the	295
preceding two years.	296