



George Kaitsa
Delaware County Auditor

House Bill 187
Written Proponent Testimony
September 12, 2023

As the Delaware County Auditor, I respectfully disagree with my colleagues in the County Auditors' Association who are opposed to the use of the three year average for the valuation of properties as well as the valuation of farmland. In my opinion, the public policy for determining the way that properties should be valued for the purposes of taxation rests with the Ohio Legislature rather than with the mass appraisal practices promoted by the International Association of Assessing Officers (IAAO). For example, a five year average is currently used to establish the value of farmland that is used for agricultural purposes. The use of an average has been a historically accepted mathematical practice used to smooth out abnormally large fluctuations associated with data analysis.

It is important to note that the decision to oppose the use of the three year average by the County Auditors' Association was not unanimously supported by the county auditors in attendance when the opposition to the three year average came to a floor vote. Nearly one third of the county auditors in attendance supported the use of the three year average. The adoption of H.B. 187 would provide the Tax Commissioner with clear legislative support for the use of the three year average for the valuation of real property during a sexennial reappraisal or a triennial update.

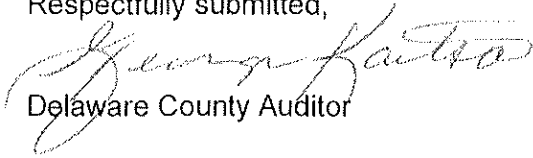
The extremely low interest rate environment coupled with the limited inventory of residential housing and the shift to a remote working environment have created unprecedented sale prices for residential housing. The three year average would help to temper this market spike in real estate prices and mitigate the unprecedented increases in property values observed in the current real estate market as well as possible fluctuations in future real estate markets.

Historically, the tax reduction factor (H.B.920) was intended to offset the increases in property values by reducing the effective tax rates for voted levies by a corresponding percentage. Shortly after H.B. 920 was adopted, legislation establishing the 20 mill floor was adopted to protect school districts from the effects of inflation. However in the current tax environment, the 20 mill floor has impeded the ability of the tax reduction factor to offset the increases in property values.

To illustrate the point, in Delaware County, there are three school districts at the 20 mill floor. An increase of 35% in property values results in estimated property tax increases of 13.8%, 16.0% and 16.3% respectively for those three school districts. For school districts in Delaware County that are not at the 20 mill floor, the same increase of 35% in property values results in an estimated property tax increase of approximately 3.9%. The existence and operation of the 20 mill floor has reconnected property values with property taxes.

I agree with my colleagues that a study of the implications of the tax policy related to the various exemptions and abatements that diminish the tax base as well as a solution for school funding are needed as longer term solutions.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "George Kautza".

Delaware County Auditor