



**House Ways and Means Committee
House Bill 344**

**Ohio School Boards Association
Buckeye Association of School Administrators
Ohio Association of School Business Officials**

January 23, 2024

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the Ohio House Ways and Means Committee, thank you for the opportunity to submit written testimony in opposition to HB 344. Collectively, our organizations represent public school board members, superintendents, treasurers/CFOs and other school business officials from around the state.

On behalf of our members, we respectfully ask this committee to carefully consider the proposed changes in HB 344 and their impact on property taxpayers, our school districts, and the students we serve. Due to the interconnectedness of Ohio's property tax system and school funding, it is impossible to discuss proposed changes to Ohio's property tax laws without considering their impact on school districts and the communities they serve.

Ohio's system of funding for K-12 education calls for a shared responsibility between the state and each local school district. Each district's state share is based on the capacity of the school district and is determined by considering the district's assessed property valuation and the income of the district's residents. A school district's state share ranges from 10% for the highest-capacity school districts to approximately 90% for a few of the lowest capacity districts. The remaining funding must be raised at the local level.

Each district generates a portion of the local funding through "inside millage." This millage represents a school district's allocation of the ten mills of unvoted property tax millage levied on property, per the Ohio Constitution, and shared between local government entities. Outside of the inside millage received, school districts must raise the local funds necessary to meet the needs of students. School districts are restricted to raising local funds by levying property and/or income taxes.

Elimination of Replacement Levies

HB 344 would eliminate the authority of political subdivisions, including school districts, to levy replacement property tax levies. The elimination of replacement levies will restrict the options available for school districts to raise the local share of the school funding formula and will impact the resources and opportunities available for their students.

The Ohio Constitution and the state's school funding formula force many school districts to routinely ask their voters to pass property tax levies to maintain current levels of education service. Eliminating the replacement tax levy will reduce the options and tools available to districts and restrict their ability to raise the required local share of the funding.

Placing a tax levy on the ballot is a decision that is not taken lightly by school districts. When it is necessary to place a tax levy on the ballot, boards of education select a particular levy type based on several factors, including the proposed use, rate and term of a levy. Each board of education makes this important decision with their understanding of the community's needs and interests. ***We ask this committee to continue to allow boards of education to make decisions regarding property tax levies at the local level, including the option to levy a replacement property tax.***

County Board of Revision (BOR)

Turning to the proposed changes related to the county board of revision (BOR) process. Ohio's current property tax system distributes the tax burden among residents and businesses based on their respective property values. The Board of Revision (BOR) process operates to ensure these values are set correctly by hearing complaints and issuing decisions on disputed property values. Within certain parameters, boards of education (BOEs) and other local governments challenge property values that do not accurately reflect market value, often based on a recent sale. This process protects residents and business owners from shouldering a disproportionate share of the local tax burden.

We understand that certain provisions of HB 344 are intended to clarify terms to ensure consistency across the state. We ask this committee to consider the following suggestions in its work to refine and establish fair and equal taxation practices in Ohio.

LLC Loophole. We support closing loopholes in the BOR process, including requiring disclosures to county auditors for business transfers where real estate is the sole asset. There is a loophole under Ohio law that allows businesses to utilize a limited liability corporation (LLC) structure to transfer property without disclosure of the sale price to the county auditor. Property owners who sell an LLC with its only asset being the real estate subject to the sale avoid paying any conveyance fees associated with the sale and the sale is not disclosed. This limits the information available to county auditors in determining property values.

Further, the bill would require a copy of the conveyance fee statement to be attached to a complaint when filing on a sale. By way of background, a conveyance fee statement and a related fee is required under Ohio law to be paid with a transfer of real property, but it is not required in an LLC property transfer. The use of the LLC transfer structure limits the information available to county auditors, making it very challenging to determine property values, but it is still possible to file a complaint on these transfers if discovered. The proposed changes in the substitute bill requiring a copy of the conveyance fee statement to be attached to the complaint, in practice, eliminates the possibility of challenging the value of properties subject to an LLC transfer altogether.

To ensure transparency and fairness in the application of Ohio's property tax laws, we support requiring the transferor to provide the amount paid for the real property and the percentage of ownership interest acquired in the real property, to the county auditor, when more than fifty percent of the ownership interest in the LLC transfers.

We also ask this committee to remove the requirement that a copy of the conveyance fee statement be attached to the complaint when filing on a sale, as this requirement would serve to further encourage LLC transfers. Leaving the LLC loophole in law results in commercial and residential property owners with accurate property values paying more than their fair share to subsidize the lower taxes paid by commercial property owners with undervalued properties.

Limits on ability to appeal. The purpose of the Board of Revision process is to ensure that property values are set correctly. This process serves as a safeguard in our property tax system so that each property owner is paying their fair share of taxes. However, the proposed changes in the substitute bill, including limits placed on appeals and the retroactive application of that change, undermines this process in favor of certain businesses at the detriment of other residential and commercial property taxpayers. ***We ask that these additional modifications be reserved for the broader discussion of property tax reform taking place in the Joint Committee on Property Tax Review and Reform.***

Financial penalty. HB 344 would create an undue burden and cost on school districts to prove that they were not involved in the filing of a complaint by a person acting on behalf of the school district. This essentially creates a process that requires a school district to prove that they were not involved in all complaints filed. The fact that an individual files a complaint should not necessitate that a school district incurs legal fees to prove that they were not involved or be a risk for paying a penalty if they fail to respond.

Joint Committee on Property Tax Review and Reform; Diminishing the Property Tax Base

We look forward to working with the Joint Committee on Property Tax Review and Reform as this General Assembly in the coming months. The interconnectedness of Ohio's property tax system and our school funding system – both enshrined in our Constitution – requires a thoughtful and thorough consideration of any proposal to ensure our tax and school funding systems remain equitable and predictable.

As property tax reform is evaluated in the coming months, we ask that the impact of tax abatements and other incentives be evaluated to determine their effectiveness and impact. Each property abated reduces the number of properties subject to local taxation, shifting the tax burden and placing it squarely on the shoulders of residential homeowners. This in turn makes it more challenging for our local school districts to successfully pass levies to fund necessary programs as we continue the phase-in our school funding formula.

Chair Roemer and member of the committee, this concludes our testimony. Thank you for your consideration. Please contact us with questions.

Respectfully submitted,

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