



SENATE BILL 153
OPPONENT TESTIMONY
October 3, 2023

Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and members of the committee, I am Bethany Sanders, Director of Policy and Strategic Initiatives for Franklin County Auditor Michael Stinziano, we thank you for the opportunity to testify today in opposition to S.B. 153 and note that Auditor Stinziano provided similar testimony to H.B 187 to the house committee in the spring. Artificially lowering taxable property values in the current cycle does not obtain a similar amount of tax relief and would undermine the core basis of property taxation—that a property should be taxed based on its actual value.

Proponents are concerned about how a major increase in property values this year will impact Ohioans. Franklin County is nearing the end of the full reappraisal process and is facing historic value increases. Auditor Stinziano and our team are incredibly concerned about the increased tax burden on those who become house rich and cash poor. This proposal will neither change how taxes are calculated nor provide relief for those who are burdened despite the significant changes in values that would come with this bill.

Since this concept was first proposed in the spring, Franklin County has notified property owners of all 450,000 parcels of their new values and projected updated tax burden. We have met with nearly 10,000 property owners to receive information for possible adjustments before values are finalized. We have attended dozens of community events and meetings to update and answer questions on the reappraisal.

As a practical matter it is not possible to make the value changes that would be ordered by this legislation on the existing timeline for finalizing tax rates and sending bills. This would result in a delay of months for the typical January collection time. Such a disruption would only be worth it if it would fully address to problem of property tax burdens.

Disruption of the 2023 Appraisal Cycle and 2024 Property Tax Collection

The timing of this proposal jeopardizes accurate, equitable, and timely valuations and taxation. In the spring, the timing and disruption was a concern, at this late date it is difficult to overstate the complications. These are problems that would be worth accommodating if the proposal would protect those facing large property tax increases, but it will not.



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As currently drafted, the bill if passed today would not be effective until January after work for the 2023 cycle is complete, values certified, and bills sent. Counties on cycle this year would need to evaluate options for if and how to retroactively adjust values. If an emergency clause is included, it would result in a delay of weeks or months in final values for Franklin County and many of the 40 other counties conducting a required reappraisal or triennial update for TY2023.

Counties not currently on cycle would also be impacted as the values for jurisdictions that cross county lines are needed before tax rates can be set. These values are necessary to calculate the tax rates in all counties with overlapping jurisdictions like school districts or cities.

The legislation makes no provision for any significant delay or county wide correction of property taxes or collection timelines. It does not address how Board of Revision jurisdiction for appeals may shift. It does not make provision for the cost to counties to redo months of work often with vendors nearing the end of their contracts. It does not address how local governments including the most vulnerable small townships and joint service districts are to bridge a gap in revenue—not just for those affected by the reappraisal or granted relief from this bill but the total lack of property tax collection.

The artificial changes in value will not result in equivalent tax savings and will pick winners and losers.

This legislation does not address the real issue: the property tax burden that shifts as values change to burden those who are house rich and cash poor. The H.B. 920 equalization process will still work on the artificially changed values such that voted levies collect the amounts they are authorized to collect. The major shift in how property is appraised will only moderately change taxation. The taxation change will also not be the same for all taxpayers—some will pay less, others will pay more, and some will see almost no change.

Our team analyzed what this proposal could mean for Franklin County in tax year 2023, payable in 2024.¹ The submitted tentative abstract is at a 90% sales ratio—the bottom of the range that meets appraisal best practices and is accepted by the department of tax. County wide, for class one (residential plus agricultural) property, the value change would shift from 42% as submitted on our tentative abstract to 27% with use of the average.

We calculated impact on values to three taxing districts—below, at, and above the countywide average. For these same districts we estimated the new effective rate for tax year 2023 under current law and this legislation which also allows us to provide examples of the tax changes from this bill. We then applied that projected rate to example houses all currently valued at \$200,000 and increase below, at, or above the average for their district. The changes in value are always larger than the changes in tax liability. Tax liability under the HB920 process is driven less by individual value change and more by how much a property changes compared to other property in the same taxing district.²

¹ All internally calculated numbers referred to in this testimony are appended to the end of this document. Franklin County currently has 150 taxing districts. The three referenced in this testimony are 020-City of Bexley, 010-City of Columbus (the county's largest taxing district), and 025-City of Gahanna-Gahanna Jefferson. They were chosen based on ability to represent a range of value changes for 2023 and our ability to calculate effective rates with the information currently available.

² As other witnesses have noted, when a jurisdiction has a school district on the 20-mill floor the taxes and value changes more closely follow each other. Franklin County does not have any jurisdiction on the 20-mill floor at this time, so this testimony does not reflect that dynamic.

When values increase effective rates go down, artificially lower values in the current market will cause effective tax rates to stay higher. Under current law and under this proposal our three example districts will see a decrease in effective rates, but the bill would keep the effective rates an addition 4-6 mills higher. This means if the changes in this legislation would raise or lower a property's tax liability depends on if that property's value change is far enough above or below the average in their district or their county.

Under the nine examples in three taxing districts we looked at, the greatest tax savings under this bill is \$401.08 in reduced tax liability. The greatest cost is an additional \$154.16 in tax liability.

As calculated for taxing district 010, under this bill a home that increases the average amount for their district sees almost no change between with or without H.B. 187 in their tax liability-\$52.88. A house that increases 50% more than the average is facing substantial tax liability increases regardless-27% vs 20%. A house that increases less than the average will see a decrease in tax liability regardless, but H.B. 187 would mean they pay more in taxes than they would under current law—a tax reduction of 9.24% under current law but only 6.73% under HB 187.

Across the board, there will consistently be a much larger change to valuation-one that separates auditor valuation from the actual fair market value. Such a change might be justified if it would in fact prevent new tax burdens, but it does not.

	020	025	010
TY 2022	68.87	82.34	58.26
TY 2023 Current Law	54.6	62.56	42.30
TY2023 HB 187	59.95	68.63	46.44

Fair market value and uniformity as of a date certain is the basis for accurate and equitable taxation

At its core, Ohio's property tax system in our constitution and tradition requires that property be taxed based on "its true value in money."⁴ This means that the value for taxation purposes is determined as a date certain-the tax lien date of January 1st of the tax year. State law requires property be reassessed every six years with an update three years later to ensure that as the market changes the true value is still the base for taxation. The legitimacy of the property tax, value appeals to the Board of Revision, and local government funding decisions are all based on this standard.

The Department of Taxation and the Division of Tax Equalization provide oversight to County Auditors to ensure uniformity in valuation across the state. The Tax Commissioner must gather data to perform "sales-assessment ratio studies," which compare the sales prices and auditor's assessed value of properties to ensure property is being assessed at a uniform 35% of its value, as prescribed by R.C. § 5715.012. The amendment requires the Commissioner to use all three years of property sales

³ These calculations were made by Franklin County Appraisal and Fiscal staff and are estimates based on TY22 value and taxes compared to the TY23 tentative abstract and the known mechanisms of equalization. They include all TY22 levies, but do not account for newly voted levies or any changes in the needed funds for debt service that will be provided by local governments before tax rates are finalized. Actual rates could be different based on levy changes and changes to final property values.

⁴ Oh. Constitution, Art. XII, Sec. 2.

data evenly instead of using that data to determine value as of the lien date. The amendment makes values less responsive to the actual market.

Generally, the oversight we have works well. There are times counties have conflict with the Department of Taxation on what sales should be used and how the ratios are calculated, but most are resolved through conversation and there is an existing practice for formal disputes. We support efforts to improve this process both administratively and through legislation, if necessary, without upending mass appraisal.

Recent sales are the best evidence of value per both mass appraisal principles and Ohio precedent. The current appraisal processes followed in Ohio track best practices set forth by the International Association of Assessing Officers. We should not alter these assessment standards to address a taxation issue. Our state's reliance on property taxes and a lack of relief for those harmed is at the root of the fear of property value increases expected across the state.

Address Taxation Rather than Valuation

We are supportive of the work the Senate Select Committee on Housing and the Joint Committee on Property Tax Review and Reform included in the state operating budget. It is critical that we address both the lack of sufficient, affordable, and stable housing and how increasing values create a tax burden. There are many models from around the country that should be reviewed by these committees. No matter how committed to the need, we cannot immediately address every aspect of our tax and housing challenge.

There are strong options to mitigate the burden of increasing property taxes by directly addressing the taxation issue instead of attempting to leverage a shift in valuation. The County Auditors Association of Ohio, Property Tax and Valuation Committee has discussed two basic proposals that could be implemented in time for TY2023 tax bills, maintain best practices for valuation, and protect property owners from sudden burdensome increases in property valuation:

- Use remaining covid relief or state surplus funds to mitigate the increases of the reappraisal through either:
 - A credit on the property tax bill for owner occupied and CAUV reimbursed by the state to local governments
 - A refundable income tax credit to mitigate the new tax burden
- Cap the amount of increased revenue that can come from 20-mill floor levies to no more than annual inflation.

This would not flood our housing market with surplus cash but could allow those homeowners who are seeing hundreds or thousands of dollars in new tax liability to maintain stable housing while the general assembly considers broader reform. I would encourage this and other relevant legislative committees to consider such action as soon as possible.

Conclusion

Thank you for the opportunity to provide this testimony as we join with the County Auditors Association of Ohio and individual colleagues in opposing S.B. 153 and the companion H.B. 187 pending in the house. Prioritizing an average over the actual market of the lien date will force values higher during slow-downs and pervert the function and consequences of property value appeals. The

General Assembly can however provide immediate and effective relief to burdensome tax bills and unfair increases driven by how taxes are calculated.

The lack of housing, population growth, and overall intensity of our market mean we are facing a particularly challenging property value increase this year and very much appreciate the legislature's recognition of how property taxes can be a burden. This change would not provide relief and will further jeopardize the function and equity of our property tax system. We welcome an opportunity to work on an effective plan for tax burdens such that all Ohioans can choose where to build their lives and thrive.

Taxing District 020-28% change, below average compared to the county

020- A Average Increase	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,813.45	68.76	-	
TY23-current	28%	\$256,000	\$4,892.16	54.6	1.64%	
TY23-HB187	15%	\$230,000	\$4,825.98	59.95	0.26%	\$66.19

020- B Above Average Increase (1.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,813.45	68.76	-	
TY23-current	42%	\$284,000	\$5,427.24	54.6	12.75%	
TY23-HB187	23%	\$245,000	\$5,140.71	59.95	6.80%	\$286.53

020- C Below Average Increase (.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,813.45	68.76	-	
TY23-current	14%	\$228,000	\$4,357.08	54.6	-9.48%	
TY23-HB187	8%	\$215,000	\$4,511.24	59.95	-6.28%	(\$154.16)

Taxing District 025-40% change, approximately average of the county

025- A Average Increase	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$5,764.14	82.34	-	
TY23-current	40%	\$280,000	\$6,130.88	62.56	6.36%	
TY23-HB187	25%	\$250,000	\$6,005.13	68.63	4.18%	\$125.76

025- B Above Average Increase (1.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,813.45	82.34	-	
TY23-current	60%	\$320,000	\$7,006.72	62.56	21.56%	
TY23-HB187	38%	\$275,000	\$6,605.64	68.63	14.60%	\$401.08

025- C Below Average Increase (.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,813.45	82.34	-	
TY23-current	20%	\$240,000	\$5,255.04	62.56	-8.83%	
TY23-HB187	13%	\$225,000	\$5,404.61	68.63	-6.24%	(\$149.57)

Taxing District 010-50% change, above average compared to the county

010- A Average Increase	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,078.00	58.26	-	
TY23-current	50%	\$300,000	\$4,441.32	42.3	8.91%	
TY23-HB187	34%	\$270,000	\$4,388.44	46.44	7.61%	\$52.88

010- B Above Average Increase (1.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,078.00	58.26	-	
TY23-current	75%	\$350,000	\$5,181.75	42.3	27.07%	
TY23-HB187	51%	\$302,000	\$4,908.71	46.44	20.37%	\$273.04

010- C Below Average Increase (0.5 times the average)	Increase	Value	Taxes (actual or projected)	Effective Rate (actual or projected)	Tax % Change	Savings or (Cost) under HB187
TY22	-	\$200,000	\$4,078.00	58.26	-	
TY23-current	25%	\$250,000	\$3,701.25	42.3	-9.24%	
TY23-HB187	17%	\$234,000	\$3,803.44	46.44	-6.73%	(\$102.19)