



Senate Ways and Means Committee  
House Bill 187 – Interest Party Testimony  
December 5, 2023

Buckeye Association of School Administrators (BASA)  
Ohio Association of School Business Officials (OASBO)  
Ohio School Boards Association (OSBA)

Chair Blessing, Vice Chair Roegner, Ranking Member Smith, and members of the Senate Ways and Means Committee, thank you for the opportunity to provide interested party testimony on House Bill (HB) 187. My name is Katie Johnson with the Ohio Association of School Business Officials. Joining me today for this testimony and in answering your questions are Paul Imhoff with the Buckeye Association of School Administrators and Nicole Piscitani with the Ohio School Boards Association.

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 the substitute version of the bill and their impact on property taxpayers, our school districts, and the students we serve.

To provide context for our concerns, it is helpful to connect the importance of property tax levies to the broader discussion of school funding. Ohio's system of funding for K-12 education calls for a shared responsibility between the state and each local school district.

For state funding, each district's state share is based on the capacity of the school district, considering the district's assessed property valuation and resident income. The state share of funding for a school district ranges from 10% for the highest-capacity school districts up to approximately 90% for the lowest capacity districts (who are our poorest school districts in the state). This means local school districts must raise the remaining funds at the local level, with the highest-capacity school districts raising at least 90% of its funding locally.

To raise these constitutionally required local funds, a school district is restricted to either levy a property tax or income tax, with every district generating local property taxes from "inside millage." This millage represents a school district's allocation of the 10 mills of unvoted property tax millage levied on property, per the Ohio Constitution, and shared between local government entities. Outside of these 10 mills, political subdivisions, including schools, must place levies on the ballot to raise the additional local funds necessary to meet the needs of their communities (again, with the highest-capacity school districts raising at least 90% of their funding locally). Considering this, it is not surprising that the highest millage rates in a community are typically for school levies.

Due to the interconnectedness of Ohio’s property tax system and its school funding formula, it is impossible to discuss changes to Ohio’s property tax system without taking into account its impact on school funding. With that in mind, we have provided our members’ feedback regarding the various components of substitute HB 187 below.

### **Homestead Expansion**

As this committee has discussed, we are seeing property values increase at historic levels due to Ohio’s strong economy, the lack of housing, and population growth, among other factors. The school community recognizes the burden that could be placed on residents during this unusual time, especially our senior citizens living on fixed incomes. School leaders across Ohio strongly support tax relief for seniors, which will make it easier for them to age in place and remain in their homes. We all owe a debt of gratitude to our senior citizens, and the expansion of the homestead exemption is a tangible way to show that appreciation to our seniors living on fixed income. However, we have some concerns with the funding source for this tax cut.

Under current law, the homestead exemption is applied to a qualifying homeowner’s property and is implemented as a tax credit paid for by the state. Considering the state pays for this tax relief, making local governments whole, the assessed value of the qualifying homeowner’s property (not its exempt value) is assumed in the school funding formula.

The substitute bill temporarily expands the homestead exemption and requires local school districts to pay for half of this cost by foregoing the revenue that would otherwise be collected. While some school districts may be able to accommodate this lost revenue, others may not. ***Considering the state’s strong financial position—with the Rainy Day Fund at a record \$3.65 billion, an estimated General Revenue Fund (GRF) ending cash balance of \$1.73 billion for FY24, and actual FY24 GRF tax revenues through October at \$219 million more than projected—we ask this committee to consider amending the bill to fully fund this tax relief for Ohio’s neediest senior citizens.***

In addition, requiring local governments to pay for half of the state’s tax relief creates inequity in the school funding formula. As drafted, substitute HB 187 uses a property’s assessed value without any reduction for the portion of the homestead exemption that is not being reimbursed in a school district’s capacity calculation in determining its state-local share. Under Ohio’s other exemption programs – such as tax increment financings or TIFs – the capacity calculation does not use any of the exempted value. This makes sense because since the district is not receiving the benefit of the revenue for the exempted improvement, the value of that improvement should not be reflected in its total assessed valuation. To do otherwise would make the district appear wealthier under the funding formula than it actually is. ***Considering this, we ask this committee to follow past precedent and use the exempted value for the expanded homestead exemption in the state’s school funding formula if the state chooses not to fully fund this property tax relief for seniors.***

### **Uniformity of Taxation**

Additionally, our members have concerns regarding uniformity of taxation. We all know that property values change over time. To ensure the “true value” of property remains the base for taxation, Ohio requires property to be reassessed every six years with an update every three years. This cyclical

reassessment serves as the foundation for property tax calculations, as well as the value for appeals to the Board of Revision, and in determining allocations for local government funding.

To maintain consistency in property valuation throughout the state, the Department of Taxation and the Division of Tax Equalization provide guidance and oversight to county auditors. Ohio law requires the Tax Commissioner to conduct "sales-assessment ratio studies." These studies compare sales prices with the auditor's assessed values to ensure that properties are consistently assessed at a uniform rate of 35% of their value. This uniformity safeguards the integrity and equity of Ohio's property tax system.

HB 187 would reverse the roles of the Tax Commissioner and county auditors in the property valuation process. Many of Ohio's school districts cross county lines. Without centralized oversight, there are likely to be significant inconsistencies in how property values are assessed, as well as in how tax rates are set across different counties. This change will likely result in a lack of fairness and equity in the property tax system, leading to disparities in tax burdens among property owners with some paying more or less than their fair share.

It is crucial for any property tax system to have a balance between local autonomy and centralized oversight to ensure fairness, equity, and compliance with state laws. ***We support efforts to improve this process but ask this Committee to carefully consider any changes to the roles and responsibilities of county auditors and the Ohio Department of Taxation. On behalf of our members, we ask this committee to remove this provision from the bill and reserve this topic to be evaluated by the Joint Committee on Property Tax Review and Reform.***

### **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 substitute HB 187 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 substitute 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. However, it is not required in an LLC property transfer. As previously mentioned, 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 to the county auditor the amount paid for the real property and the percentage of ownership interest acquired in the real property when more than fifty percent of the ownership interest in the LLC transfers*** (as provided in HB 449 introduced in the 133<sup>rd</sup> General Assembly).

***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, which would serve to further encourage LLC transfers.*** Leaving the LLC loophole in law means that commercial and residential property owners with accurate property values will pay more than their fair share of taxes, effectively subsidizing the lower taxes paid by commercial property owners whose properties are undervalued.

***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 his or her fair share of taxes. However, the proposed changes in the substitute bill, including limits placed on appeals and the retroactive application of that change, undermine this process in favor of certain businesses and to the detriment of all the other residential and commercial property taxpayers. ***We ask that these additional modifications be reserved for the broader discussion of property tax reform in the coming months.***

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

Finally, we look forward to discussing and working with the Joint Committee on Property Tax Review and Reform as this General Assembly further explores property tax policy 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 evaluation 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 that is 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 Blessing and member of the committee, this concludes our testimony. Thank you for your consideration. We are happy to address your questions.