

Ohio Senate Ways and Means Committee – Wednesday January 24, 2024

Proponent Testimony – Senate Bill 186

Presented by: Michael Zuren, PhD., Lake County Treasurer

Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and Members of the Senate Ways & Means Committee –

My name is Michael Zuren, and I currently have the pleasure of serving as the Lake County Treasurer and have over 30 years' experience in the banking and real estate industries. I am here today grateful for the legislation proposed as well as a strong proponent of Senate Bill 186.

The Bill clearly identifies an issued faced across Ohio and creates a solution to fight tax delinquency and provides an option for blighted and abandoned properties to be rehabilitated and reused in our communities. It also helps us ensure all Ohioans are paying their fair share of property taxes.

Currently, there is no requirement under Ohio law that property taxes be paid before a parcel is sold or subdivided. While this does not pose a problem in the majority of cases, where taxes do go unpaid, they are likely to remain that way, inviting blight and all of the negative consequences that come with it.

From 2016 to 2020, I served as a councilman in the City of Eastlake and one of the most common complaints from residents was abandoned and blighted properties. There were numerous houses in the City of Eastlake, that had squatters, rodent issues, and deplorable maintenance appearances that residents had little recourse to find solutions to remedy. It has been researched and documented that abandoned and blighted properties depress property values, discourage investment, and attract criminal activity. In the case of residential areas, tax delinquent properties invite speculation by out-of-state investors, who have less incentive to maintain properties than other classes of purchaser. Legislation that forces potential purchasers to have skin-in-the-game is part of the long-term solution to cleaning up local communities. Investors and speculators purchasing property while holding other property with delinquent taxes has the added negative impact on housing stock that otherwise might be owner-occupied or attractive to first-time homebuyers. SB 186's provision to require the payment of taxes at transfer mirrors a similar provision that already exists in Ohio law for transfers of mobile homes. Making this change for real property transfers will not only bring those two systems into alignment but will also help substantially in the fight to preserve property values in our communities.

SB 186's other primary provisions – requiring that purchasers at tax foreclosure sales identify themselves meaningfully and affirmatively declare under criminal penalty that they do not own tax delinquent property – assist our offices in both the collection of current taxes and for future collections. This is of particular importance with respect to out of state or investors flipping properties. After reviewing transfer records in Lake County, approximately 3% of all sales have purchasers that own properties that are currently delinquent on their property taxes. Further investigation found just under 200 transfers for 2022 and 2023 calendar years contained purchasers who habitually purchase and flip properties while holding multiple property tax delinquent properties in their portfolios. SB 186 would help us address this by giving us a strong point of contact for pass-through entity purchasers, possibly even resolving millions of delinquent property taxes that are owned by these forementioned offenders. Its criminal penalty provisions not only require all such purchasers to provide that information but create real incentive to do so.

Lastly, I would suggest that the bill's provisions appropriately account for circumstances where delinquencies might exist that are legitimately not the fault of the taxpayer – including misassignments, pending transfers, litigation, or mere error on the part of public offices – and allow transfers in those limited circumstances. Sales officers are best positioned to make determinations as to the validity of such claims, and a roadmap exists in the legislation for subsequent administrative processes to effectuate these changes. We look forward to that opportunity.

Taken as a whole, SB 186 is straightforward legislation that gives us additional tools for the collection of delinquencies, and closes loopholes that are too often exploited by property speculators to, at best, avoid taxation, and at worst to box out the sorts of property purchasers most likely to invest in and preserve our communities. It is overdue, and we are sincerely grateful to Chair Blessing for sponsoring this legislation and to the committee for its consideration.

I would be happy to have any questions the committee may have.

SHERIFF SALES TRANSFERS ONLY

CALENDAR YEAR	# OF SHERIFF SALES T/F'S	# OF PROPS PURCHASED BY DQ BUYERS	
2022	164	12	7%
2023	179	14	8%

ALL REAL ESTATE TRANSFERS

	TOTAL # OF T/F'S	LLC BUYERS	
2022	11,141	1835	16%
2023	9,370	1435	15%