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H.B. 17
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Lorenz

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SUMMARY

- Reclassifies certain storage properties from commercial to residential property for the purpose of applying the tax reduction factor.

DETAILED ANALYSIS

Property tax classification for vehicle storage property

The bill requires the Tax Commissioner to classify, for property tax purposes as described below, certain storage properties as residential, rather than commercial, property. The reclassified properties, called “storage condominiums” by the bill meet both of the following requirements:

- All persons with a direct ownership interest in the property are individuals, as opposed to fictitious persons like corporations or limited liability companies;
- Each owner has an individual ownership interest in one or more units at the property that is dedicated to storage of a motor vehicle, boat, trailer, recreational vehicle, or household items.

A property may qualify as a storage condominium regardless of whether each owner has an undivided ownership interest in the property’s common elements with the other owners. The reclassification commences for the tax year ending after the bill’s 90-day effective date.¹

Classification of property: constitutional framework

Classification of property is used solely to compute a property tax credit often referred to as the tax reduction factor. This credit is rather complicated, but its general purpose is to limit

¹ R.C. 5713.041; Section 3.

increased collections on certain property tax levies as the result of inflationary increases in property values.² The tax reduction factor is separately calculated and applied to two classes of property – Class I Property, which is agricultural or residential, and Class II Property, which is all other property. Separate classification is applied because the two types of property tend to experience inflation at different rates, so without classification one type of property would receive a larger benefit due to the faster appreciation of the other.

The Class I and Class II distinction is required by state law, but the classes themselves are prescribed in the Ohio Constitution. This is because classification of property based on its use is generally prohibited by the Ohio Constitution, which requires real property to be taxed by uniform rule, according to value; in other words, valued without considering how the property is used.³ Classification for tax reduction factor purposes was an exception to this rule, explicitly authorized by a separate constitutional amendment. That amendment requires that all land and improvements to land “be placed into one of two classes solely for the purpose of separately reducing the taxes charged” against property in each class. It also requires that the classes be (1) residential and agricultural property and (2) all other property.⁴

The Ohio Supreme Court has previously found that the residential/agricultural class was intended to provide relief specifically for “homeowners, as well as agricultural landowners . . .”⁵ The effect of the bill’s reclassification is to remove storage condominium property that is currently Class II property and reclassify it as Class I property. However, property may seemingly only be included in Class I if it is residential or agricultural property, in accordance with the constitutional standards.

HISTORY

Action	Date
Introduced	01-23-25

ANHB0017IN-136/ts

² R.C. 319.301, not in the bill.

³ Ohio Constitution, Article XII, Section 2.

⁴ Ohio Constitution, Article XII, Section 2a(C).

⁵ See *Roosevelt Properties Co. v. Kinney*, 12 Ohio St.3d 7, 14 (1984) (finding that residential buildings with five or more units were properly classified as commercial property).