

Testimony of Stephen K. Hall
on behalf of the
Coalition for Fair Property Tax Valuations
House Bill 126
Senate Ways and Means Committee
September 21, 2021

Chairman Blessing, Vice Chair Roegner, Ranking Member Williams and members of the Senate Ways and Means Committee, thank you for this opportunity to appear before you today on behalf of the *Coalition for Fair Property Tax Valuations*. My name is Steve Hall, and I am an attorney at Zaino Hall, & Farrin, LLC, a law firm based in central Ohio that focuses on state and local taxes, including real property tax matters. Along with my business partner Tom Zaino, I have been involved in several tax reform bills in my career, including when Tom and I worked together at the Ohio Department of Taxation. All those tax reform efforts, whether at the Ohio Department of Taxation or in private practice, were designed to keep Ohio's tax system competitive, eliminate barriers to new capital investment and job creation, and lower administrative headaches for both the government and taxpayers.

Coalition for Fair Property Tax Valuations

The *Coalition for Fair Property Tax Valuations* is a group of developers, owners, and real property professionals who seek reforms to Ohio's unique concept of allowing one unit of government to challenge another unit of government over other functions of government. In this case, local school districts are permitted to challenge the county auditor's valuation of commercial or residential property to attempt to extract more tax dollars from property owners for the benefit of school districts. The current real property tax valuation system has also empowered many large school districts to aggressively use their broad authority to coerce property owners to make direct payments to settle valuation challenges ("Direct Payments"). These Direct Payments are not included in the state's school funding formula. That means local tax effort can be artificially reduced. As a result, state school funding resources may be allocated improperly to some school districts—resources that should go to districts with less tax capacity.

Ohio Compared to Other States

Ohio's laws are unique in allowing one unit of government (a public school district) to challenge the determination of another part of government (a county auditor) or government board (the county board of revision) in determining the amount of tax that is to be paid by a private citizen or business. We are aware of no other state system that allows such broad authority for a local unit of government to challenge the amount of tax to be paid by property owners that is established by another part of the local government. This structure has created a cottage industry for private law firms which has grown and profits significantly from public dollars used by one unit of government to routinely challenge the decisions of another part of government.

Support for H.B. 126

On behalf of the Coalition, I thank you for the opportunity to provide proponent testimony on House Bill 126. At its heart, H.B. 126 adds transparency and accountability for those school districts that participate in such valuation challenges. If you believe these challenges should be allowed to continue, we support the changes that H.B. 126 makes.

We believe, however, that if Ohio were designing its property tax system from scratch in the year 2021, the members of the General Assembly would not include this current aspect of the system in its statutory setup – that is, it would not provide another unit of government the ability to challenge the valuation decision of a part of government (the auditor) whose role and expertise it is to determine the value of real estate. To the extent that giving school districts the authority to file these claims made sense in the past, it is difficult to see how it continues to make sense today. We strongly urge that you eliminate the ability of one unit of government to challenge the opinion of county auditors regarding property values when that challenge comes at the expense of taxpayers and property owners. Simply put, school boards ought to be focused on educating children, not spending taxpayer resources seeking to raise the tax imposed on taxpayers and job creators in their districts.

According to an Associated Press article from earlier this year, Ohio's school districts received \$6.2 billion (with a "b") in coronavirus relief funds. Eighty per cent (80%) of that money, or \$4.96 billion, can be used "on nearly any cost school officials deem 'reasonable and necessary.'" Add to this the passage of the important Cupp-Patterson school funding formula, which has been described by the Ohio School Boards Association as "a generational investment that will thrust Ohio forward into an era of stable and predictable education budgets to help schools meet the needs of all students," and it is difficult to comprehend why Ohio would want to continue to allow school boards the ability to question and contradict the professional conclusions of those hired by a county auditor to perform the task designated for auditors in the Ohio Revised Code. If this challenge process was needed in the past, considering the sheer amount of money flowing into school districts from the federal and state governments, it is unnecessary now. Allowing it to continue only serves as a mechanism that is ripe for abuse by a select few school districts and their private attorneys who fill their coffers at the expense of job creators.

I think you would agree it would not be wise for the General Assembly to authorize county auditors to challenge decisions of the School Boards when it comes to education. Likewise, it also makes sense for the General Assembly to not allow School Boards to challenge county auditors' valuation decisions. We encourage the committee to fix this problem, eliminate a cottage legal industry fed by school funding dollars, and bring Ohio's valuation system more in line with other states.

Thank you for allowing me to testify today on behalf of the Coalition for Fair Property Tax Valuations. Mr. Chairman, I am happy to answer any questions you or other members of the Committee may have.