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**Senate Ways and Means Committee
House Bill 126 - Opposition Testimony**

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Chair Blessing, Vice Chair Roegner, Ranking Member Williams, and members of the Senate Ways and Means Committee, thank you for the opportunity to submit written testimony today in opposition of House Bill 126.

I am Todd Puster, Treasurer/CFO of the Orange City School District. I have served the Orange City Schools for the past six years and have worked as a school treasurer for 29 years, serving school districts of widely varying economic circumstances during my career. One overarching lesson of those experiences is to treat citizens fairly and equitably. This is especially so in regard to questions of taxation and related financial matters.

It is important to keep in mind that school districts levy property taxes because they must generate local funds to provide their local share for funding public education per the Ohio Constitution. Since school districts must rely on property taxes under Ohio law to generate this local share, it is fair and appropriate for property owners, school boards, and others to participate in the board of revision (BOR) process to file and respond to cases affecting the value of real estate. The current BOR process has worked to benefit Ohioans for decades. It provides the proper checks and balances to maintain a fair taxation system.

House Bill 126 disrupts this balance and creates various procedural impediments for school districts to surmount in filing property tax valuation complaints. Indeed, these procedures do little more than create a sticky tangle of red tape for school districts in this process and ill will for those involved. Many deterrents already exist to the filing of unwarranted valuation complaints, starting with attorney fees. The general rule most school districts use when considering filing a valuation complaint is whether it makes economic sense to file. That analysis is based on various criteria such as sale price, comparable local values or minimizing financial loss.

For example, it is fundamentally right and appropriate to file a valuation complaint when a property sells in an arm's length transaction for a much higher price than its current value for tax purposes. Why is that so? It is because it provides the proper amount of tax revenue for all local governments that fund their operations through the property taxes. This is one way of fairly and equitably allocating the tax burden among all taxpayers. It is also right to contest a property owner's decrease complaint, especially if the same owner is filing essentially the same complaint on its properties statewide. Indeed, such cases are nothing more than an attempt to create competitive advantage through the tax complaint process.

To explain what can happen in this process, look at what happens with respect to the allocation of debt service among taxpayers. Suppose it is necessary to raise \$1 million per year for debt service for a voted bond issue. Every taxpayer shares equally in the tax burden based on the value of their property. Now suppose that a taxpayer seeks to decrease the value of his property. In this case, a successful complaint reallocates the financial obligation for the debt service among all other taxpayers so that each of the other taxpayers pay a little more. The opposite also is true. So, it is important that the tax burden be allocated fairly and equitably.

Occasionally, valuation inequities are discovered through this process. I have witnessed this in my time at Orange City Schools. A few years ago, a major shopping center containing multiple parcels was sold to an out-of-state party. The District filed a valuation complaint based on the sale price. This seemed to be a routine complaint. Yet what was uncovered at the Board of Revision was anything but routine. What was learned is that the allocation of values for tax purposes in the sale price was disproportionately allocated to one parcel. In this case, a well-respected local business leased retail space in a building on this particular parcel. The business owner was obligated under contract to reimburse the landlord for property taxes paid on that parcel. In this case, the result was a more fair and equitable distribution of the tax liability among parcels. Had the valuation complaint not been filed, this inequitable distribution of tax liability may never have been discovered and the local business owner may never have been the wiser.

It is reasonable for taxpayers to expect to pay only their fair share to fund local government services. Local taxpayers expect their schools to help keep the playing field level. The stakes are high. It is imperative that all taxpayers should pay their fair share of the tax obligation for schools, police, fire, roads, libraries and a host of other important services. When a question about the fairness of the valuation of a property exists, Ohio has a longstanding process for getting the value right and ensuring fairness and equity among all taxpayers. That process works. It should not be hampered by a series of procedural hurdles. These hurdles created by House Bill 126 do little more than create a sticky tangle of red tape and ill will.

Mr. Chairman, this concludes my testimony. Thank you for your consideration. I am happy to address your questions.