

Testimony of Stephen K. Hall & Thomas M. Zaino
on behalf of the
Coalition for Fair Property Tax Valuations
House Bill 126 – As Introduced
House Ways and Means Committee
March 23, 2021

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobecki and members of the House Ways and Means Committee, thank you for this opportunity to appear before you today on behalf of the Coalition for Fair Property Tax Valuations (“the Coalition”). My name is Steve Hall. Tom Zaino and I are attorneys at Zaino Hall, & Farrin, LLC, a law firm based here in central Ohio that focuses on state and local taxes, including real property tax matters. Tom and I have been involved in several tax reform bills over our careers, including when we worked together at the Ohio Department of Taxation. All those tax reform efforts, whether at the Ohio Department of Taxation or in private law practice, were designed to keep Ohio’s tax system competitive, eliminating barriers to new capital investment and job creation, and lowering administrative headaches for both the government and taxpayers. That is why I am here today, as well.

Coalition for Fair Property Tax Valuations

The Coalition for Fair Property Tax Valuations has been formed by a group of developers, owners, and real property professionals who are interested in achieving reforms to the way Ohio’s valuation challenges proceed, and to make the process more transparent and fairer for both property owners and government jurisdictions. One of the Coalition’s biggest concerns is the carte blanche that seems to be given to school districts to challenge the value of real property without a formal process to ensure that the challenge is in the best interest of the school district and all the taxpayers who pay the tax that helps to fund further litigation. Furthermore, the way the system has developed over the years is disproportionately harming some school districts who do not participate in the challenges at the same level or frequency as other districts. For example, the current real property tax valuation system has 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 is 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. This is not to say that Direct Payments are not an appropriate tool—an Opinion of the Attorney General has said they are permitted—it is just that the broad authority granted to school districts incentivizes them to abuse this important tool.

Ohio Compared to Other States

Ohio’s laws are unique in allowing one part 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 government to challenge the decision of another government, year in and year out.

Support for H.B. 126

On behalf of the Coalition, I thank you for the opportunity to provide proponent testimony on House Bill 126 ("H.B. 126" or "the Bill"), a great first step to reforming the way that real property tax valuation challenges are commenced by a school district. H.B. 126 adds transparency and accountability for those school districts that participate in such valuation challenges. We are supportive of all elements of the bill, which you have already heard about from Chairman Merrin and other proponents. Therefore, I will not restate those elements. I wish to take just a few minutes of your time to give you some more ideas for making this complicated system a little less complicated, and to make it more fair for taxpayers and school districts.

Other Improvements

The Coalition has the following ideas that it urges be added to HB 126 to make it even better.

- I. Eliminate the ability for any governmental entity to file a complaint which seeks to raise the value of the real estate of a property owner.
- II. Eliminate the ability of school districts to file counter complaints against a decrease complaint filed by a property owner.
- III. If a school district or any other governmental entity is permitted to challenge a property's value, the challenging governmental entity should at least be required to meet a threshold burden of proof prior seeking to increase the value of real estate.
- IV. Prohibit a governmental entity from challenging the value of a real estate parcel that is substantially abated. Surprisingly, this happens quite often.
- V. The amount of Direct Payments paid to a school district should be factored into the calculation of the state share of the school funding formula and factored into the computation of the effective tax rates for applicable levies (i.e., the HB 920 tax reduction factors).
- VI. Correspondingly, the amounts of any Direct Payments should be disclosed to the Department of Education and the Ohio Tax Commissioner and to ensure that these payments are reflected in the school funding formula and the property tax rollback calculations.
- VII. Attorneys representing School Districts in valuation challenges or similar proceedings should be required to provide a cost/benefit analysis, on a parcel-by-parcel basis, to the school district and school board to ensure that the legal fees are worth the potentially increased tax or resulting increased Direct Payments.

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 of you or other members of the Committee.