



**Senator George Lang and Senator Terry Johnson
Sponsor Testimony - Senate Bill 153
Senate Ways and Means Committee
September 20, 2023**

Chairman Blessing, Vice Chairwoman Roegner, Ranking Member Smith, and members of the Senate Ways and Means Committee, thank you for allowing me the opportunity to come before you and provide sponsor testimony on behalf of myself and Senator Terry Johnson on Senate Bill 153, which seeks to address the precipitous rise in property valuations, and therefore property taxes, across Ohio due to the 2023 triennial update.

Every three years, differing segments of Ohio undergo what is called a triennial update. This process is used to determine the taxable value of real estate in a given area. The Department of Taxation uses data from market sales compared to current appraised value to arrive at the percentage value to reflect the current market. This is called the sales assessment ratio study, which is outlined in Section 5715 of the Ohio Revised Code.

Within that section of the ORC, the Tax Commissioner is granted discretion to weigh the data points of each of the previous three years' valuations differently. In meeting with the Tax Commissioner, I was informed that this was done to establish a trend. However, Tax puts the most weight on the

third year's figure because, in the Commissioner's opinion, this is most reflective of the coming year's value. Having this uneven weight of data points that is behind in timing to what the market is actually experiencing with upticks in inflation and increasing Federal Reserve rates causes the percentage of taxable valuation for real property to be seemingly punitive and unbearable for Ohioans to afford; especially those on fixed incomes and those just entering the middle class. Under the current practice, some valuations are more than doubling in some counties.

SB 153 would seek to rectify this practice by requiring, rather than allowing, the Tax Commissioner to gather and consider certain information when the Commissioner performs sales-assessment ratio studies, and specifies that the Commissioner may not give greater weight to data from any of the three preceding years. Furthermore, SB 153 would allow for more local input by requiring the Commissioner to confirm the sales data with data collected by county auditors. In addition, the Commissioner shall collaborate with county auditors to collect data and make other studies of the value of real property within the counties, which may be used as guidelines, where applicable, in the equalization of a class or classes of real property.

By undergoing collaboration between the Department of Taxation and the county auditors in the collection and confirmation of this data, as well as mandating that the Tax Commissioner average that data, Senator Johnson and I firmly believe that the ending valuation percentage will be more even-keeled and actually indicative of the market.

When meeting with the Department of Taxation, we asked them to use the current data they have for Butler County, and run it through the process that SB 153 lays out. Rather than Butler County jumping from 20% to 42%, the valuation percentage under SB 153 would be 24%; still an increase given coming off a global pandemic.

Additionally, SB 153 attempts to institute the same solutions for agricultural land. Current Agricultural Use Value, or CAUV, is a complicated taxing formula used to calculate the value of farmland based on its agricultural use. The formula includes variables such as soil type, cropping history, crop prices, yields, non-land production costs and interest rates. Generally, the formula estimates the net income that can be derived from typical farmland, divided by a capitalization rate that simulates the effects of financing the land and the purchaser's expected return.

Since residential and agricultural property are within the same property class under the Ohio Constitution, and more so because in some cases, farmland is being valued higher than Ohio farmers can afford, SB 153 seeks to average the previous three years of CAUV values, just as it does for residential property. Senator Johnson and I want to be clear, SB 153 will not be changing the CAUV formula, only averaging the final values after they have been calculated. CAUV values are on the rise due to sustained high crop prices. However, non-land production costs have increased similarly, if not higher, and have not been as quick to come down to match where the market is currently. The agricultural market is increasingly global and

volatile. An example of this fact is the effect that the war in Ukraine is having on grain and fertilizer prices and availability.

In a recent report, the USDA projects farm income across the U.S. to be down nearly 23% this year, showing how even with higher prices for crops at market, the costs to farmers are not allowing them to realize those better prices.

Unlike other businesses that are able to choose where they operate based on taxing districts and what would be most beneficial to their business, family farms must live with the values that are set for their area/soil type without any choice of moving their operation in order to have friendlier taxes.

Lastly, given some feedback from the County Auditors' Association, Senator Johnson and I have included a three-year sunset in SB 153. There has seemingly been some hesitation to see how permanently mandating these practices of averaging valuations will affect future markets and data. Therefore, we have included the sunset provision. As previously mentioned, Senator Johnson and I firmly believe that SB 153 is good for businesses, good for taxpayers, and good for Ohio.

I would like to, once again, thank the committee for this opportunity to provide sponsor testimony on Senate Bill 153. I am happy to answer any questions.