

Proponent Testimony – Senate Bill 186
Ohio Senate Ways and Means Committee – Wednesday January 24, 2024

Presented by:
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1st Vice President, County Treasurers Association of Ohio

Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and Members of the Senate Ways & Means Committee –

My name is Brad Cromes, and I currently have the pleasure of serving as Cuyahoga County Treasurer and as 1st Vice President of the County Treasurers Association of Ohio. I am here today to offer support in both capacities as a proponent of Senate Bill 186, a badly-needed piece of legislation that will give county treasurers additional tools to fight tax delinquency and blight and help us ensure all Ohioans are paying their fair share of property taxes – and no more.

At present, there is no requirement under Ohio law that property taxes be paid before a parcel is sold or subdivided. While this does not pose a problem in the majority of cases, where taxes do go unpaid they are likely to remain that way, inviting blight and all of the negative knock-on consequences that come with it. It is well documented that abandoned and blighted properties depress property values, discourage investment, and attract criminal activity. In the case of residential areas, tax delinquent properties invite speculation by out-of-state investors, who have less incentive to maintain properties than other classes of purchaser. This has the added negative impact of taking housing stock that otherwise might be owner-occupied or attractive to first-time homebuyers out of circulation. SB 186's provision to require the payment of taxes at transfer mirrors a similar provision that already exists in Ohio law for transfers of mobile homes. Making this change for real property transfers will not only bring those two systems into alignment but will also help substantially in the fight to preserve property values in our communities.

SB 186's other primary provisions – requiring that purchasers at tax foreclosure sales identify themselves meaningfully and affirmatively declare under criminal penalty that they do no own tax delinquent property – assist our offices in both the collection of current taxes and for future collections. This is of particular importance with respect to corporate or pass-through entity purchasers, a fact a recent review of data from Cuyahoga County makes clear. As of this month, just over 9,000 parcels in our County are owned by an LLC in delinquency, with a total delinquency amount in excess of \$114 million. This represents almost 20% of all delinquent parcels in Cuyahoga County, and more than 27% of all outstanding late and delinquent tax owed in our community. These figures, while eye-opening, likely

only describe part of the problem, as we confined our search to LLCs (and not other business types or configurations that may also hold delinquent parcels). It's evident no matter how we review the data that these delinquencies are a serious issue – one SB 186 would help us address by giving us a strong point of contact for all pass-through entity purchasers. The bill's criminal penalty provisions for failure to do so create a real compliance incentive, as well, and I am confident will result in significantly improved collections in this area.

Lastly, I would suggest that the bill appropriately accounts for circumstances where delinquencies might exist that are legitimately not the fault of the taxpayer – including misassigned payments, pending property transfers, litigation, or mere error on the part of public offices – and continue to allow transfers in those limited circumstances. Sales officers are best positioned to make determinations as to the validity of such claims, and a guide posts exist in the legislation for subsequent administrative processes to effectuate these changes. We look forward to that opportunity.

Taken as a whole, SB 186 is straightforward legislation that gives us additional tools for the collection of delinquencies, and closes loopholes that are too often exploited by property speculators to, at best, avoid taxation, and at worst to box out the sorts of property purchasers most likely to invest in and preserve our communities. The County Treasurers Association of Ohio wholeheartedly supports this legislation, and we are sincerely grateful to Chair Blessing for sponsoring this legislation and to the committee for its consideration.

I would be happy to have any questions the committee may have.

Delinquent Tax	Description	Type of Owner	# of Parcels
\$ 38,883,415.69	Quit Claim or Sheriff	LLC	535
\$ 53,543,560.29	Over \$5000 in DT	LLC	1607
\$ 114,395,647.85	Over \$500 in DT	LLC	9011
\$ 413,500,000.00	Total Late Payers	All	47,100

