

## Publications

### Ohio Financial Institutions Should Prepare for Property Tax Valuation Increases as Owners and as Lenders

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Over the next several months many Ohio county auditors will complete the required six-year tax appraisal of all properties located in their counties.

This will be the first reappraisal since 2011 and is likely to lead to significant increases in tax valuations. The actual increase in tax will vary, however, based upon the relative revaluation of all properties in a taxing district and the application of Ohio's mandated tax reduction factors.

Ohio's county auditors are required to reappraise all properties in their counties every six years. Among the 28 counties reappraising for 2017, by far the largest number in Ohio's reappraisal cycle, are Delaware, Franklin, Licking and Pickaway counties in central Ohio and Hamilton County in southwest Ohio. Through online posts and articles in local newspapers, the auditors have begun to prepare property owners for the tax valuation increases to come—in one instance an almost 30% average increase for homeowners in a specified school district.

Financial institutions, as owners of real estate used in their business or as owners of OREO properties, are directly impacted by these reappraisals which may impact their property tax expenses as well as the value of properties on their balance sheet.

### What Should Financial Institutions Know?

The task of reappraising every property in the county is no small task. Franklin County, for example, will be setting new values for over 428,000 parcels while over 350,000 will need to be re-valued in Hamilton County. All of this is done through mass appraisal techniques that do not allow for consideration of the unique challenges facing a property.

As a comparison, for the 2011 reappraisal, the fees paid by Hamilton County were between \$15 and \$20 per parcel per the Hamilton County Auditor. The cost for a straight forward residential appraisal can range between \$250 and \$500 while commercial appraisals typically total in the thousands.

Given the challenge of re-valuing all properties in a county, it can be difficult for the auditor's office to fully understand specific challenges facing a property. While, for the Columbus market, CoStar reports increases in asking rents between 2011 and first quarter 2017 ranging from 25% for retail to 10% for office, the general increases are not shared by each property in the market.

## What Can Property Owners Do?

It is important to recognize that, since counties have a limited ability to make special considerations for each unique property, part of the responsibility for making sure that properties are fairly assessed falls upon property owners and their advisors. ***Property owners need to review their individual assessments to determine if they are truly reflective of market value for that property.*** Many of the auditors will be notifying property owners in the mail of the proposed new tax valuations and holding informal meetings to review those valuations prior to finalizing the assessed values. ***If a property owner wants to challenge the assessment, this is an important opportunity that should not be ignored, and property owners need to prepare to take appropriate steps to contest the valuation or face the prospect of increased real estate tax expenses going forward.***

## Do Commercial Property Owners Face Special Challenges?

Adding to the challenges faced by county auditors are the changes made since the last reappraisal to Ohio tax valuation statutes. These changes are most applicable to commercial property and specify the interest in real estate, the fee simple interest, that is to be valued and lessen the reliance upon recorded arm's length sales, from a "shall" rely upon to a "may" rely upon standard.

While recent decisions of the Supreme Court of Ohio are starting to define the application of these changes, this guidance from Ohio's highest court was not available before the proposed reappraised values were set. (See *Terraza 8 v. Franklin Cty., Bd., of Revision*, Slip Opinion No. 2017-Ohio-4415 (June 22, 2017)) Commercial property owners should understand how these changes could impact their tax valuations — both up and down.

### What Does a Tax Valuation Increase Actually Mean?

An increase in tax valuation can equate to an increase in taxes. The overall impact of tax valuation increases on an individual property can vary depending upon how an individual property's value changes relative to other properties in the taxing district.

Financial institutions who have received their updated valuations should act quickly to meet the deadlines to challenge the appraisal in their jurisdiction.

Please contact your Vorys attorney with any questions about property tax valuation.