Property Owners in Several Large Ohio Counties Should Prepare for Property Tax Valuation Increases

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By: Nicholas Ray

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.

What should property owners know?

The task of reappraising every property in the county is no small task. Franklin County, for example, will be setting new values for more than 428,000 parcels while more than 350,000 will need to be revalued 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 straightforward 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 percent for retail to 10 percent for office, the general increases are not shared by each property in the market.

What can property owners do?

Since the county has 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 via 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.

Do commercial property owners face different challenges?

Adding to the challenges faced by county auditors are the changes enacted 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. These changes also 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. 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 does not generally equate to an equal increase in taxes. This is because of Ohio's tax-reduction factors that were enacted in the 1970s. The goal of these factors was to limit tax increases in periods of rapidly increasing property values.

For most levies, these reduction factors cap the total amount of taxes raised such that when values increase, the effective tax rate is decreased. As a result, the overall impact of tax valuation increases is muted, and the impact on an individual property can vary depending upon how an individual property's value changes relative to other properties in the taxing district.

While proposed values have not yet been released, the valuation date in question is January 1, 2017. Property owners should start preparing now and consulting with their advisors to be prepared when the proposed values are released so they are prepared to meet with the auditors if such a meeting is appropriate.

If you have questions or would like to discuss, please contact your Vorys attorney or Nicholas Ray at **nmray@vorys.com** or 614.464.5640.