Betty Montgomery
Auditor of State

Bulletin 2003-08

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TO: All Local Governments that Receive Property Taxes

FROM: **Betty Montgomery**
Ohio Auditor of State

SUBJECT: **Property Tax Changes**

New Fees Deducted from 10% Property Tax Rollback

Amended Substitute House Bill 95 (HB 95), as recently enacted by the 125th Ohio General Assembly, enacted a new fee to be deducted from the 10 percent rollback distribution. As you know, the 10 percent rollback is a reduction in the property tax charged against each parcel of real property listed on the general tax list and duplicate of real and public utility property and manufactured and mobile homes on the manufactured home tax list. The taxes lost due to the rollback are reimbursed by the State. This reimbursement is distributed twice a year approximately 30 days after the February and August real estate settlements are certified by the County Auditor to the Ohio Department of Taxation. The Department of Taxation will begin deducting one-half of the new annual fee from each settlement beginning with the second-half Calendar Year 2003 distribution following the August 2003 real estate settlements.

The new fee will go to the Property Tax Administration Fund, created in the State treasury for use by the Department of Taxation. This fund will be used to pay the Department of Taxation's costs of overseeing the equalization of real property tax rates and administering all personal property and public utility taxes as well as expanding the audit capacity for personal property taxes.

The total fee to be deducted from the 10 percent rollback reimbursements will be calculated using the following formula:

0.3 percent of the 10 percent real property rollback tax reimbursement,
- plus -
0.15 percent of the taxes charged against public utility personal property,
- plus -
0.75 percent of the taxes charged against tangible personal property of businesses with property in more than one county.

Generally, the county auditor provides an apportionment or settlement sheet identifying the gross amount of the rollback revenue by levy/fund. The county's apportionment or settlement sheet may or may not identify the State fees and the net distribution. The local government should record the gross 10 percent rollback revenue and pro-rate the State fees, based on the gross 10 percent rollback revenue, to each levy/fund that receives the 10 percent rollback property tax revenue.

If the county does not pro-rate 10 percent property tax revenue for taxing districts, the fee can be allocated using the following formula:

1. Divide the property tax revenue shown on your apportionment sheet for each levy/fund/ by the gross property tax revenue for the taxing district to yield a percentage for each levy/fund.

2. Multiply the resulting percentage(s) by the total fee for the taxing district. The result will be the pro-rated fee for each levy/fund.

In order to ensure that the fee is properly deducted from each taxing district's rollback reimbursement, the Department of Taxation will be issuing the rollback reimbursement payments to each taxing district's taxing authority. In other words, if a taxing district must rely on another entity to pass a resolution to place a tax levy on the ballot, the rollback reimbursement payment will be made to the taxing authority which has passed the resolution and then this entity will then distribute the payment to the taxing district.

The State fees should be recorded to an object expenditure code as follows:

	Object Code
Schools	845
Townships	314 (UAN) or same account as auditor and treasurer fees (non-UAN)
Villages	344 (UAN) or 234 (non UAN)
Counties	An object code similar to that used for county auditor and treasurer fees

$10,000 Filing Requirement-Effective Tax Year 2004

Currently, all taxpayers owning personal property with a taxable value of less than $10,000 are required to file a personal property tax return even though they would not owe any tax. Local taxing districts are reimbursed by the State for personal property tax revenues that are not collected based on the exemption. Beginning in tax year 2004, all taxpayers having taxable personal property with a taxable value of less than $10,000 will no longer be required to file a return. **PLEASE NOTE**: **The state reimbursement will be phased out to the local taxing districts for the revenues lost due to the $10,000 exemption over a ten-year period under this new statute**. Beginning in fiscal year 2004, the reimbursement will be equal to 90 percent of the fiscal year 2003 reimbursement. The reimbursement will be lowered 10 percent each year thereafter until fiscal year 2012. Beginning in fiscal year 2013, reimbursements will no longer be made.

Telephone Company Assessment Percentage-Effective Tax Year 2005

Currently, the taxable personal property of a telephone company is assessed at two different percentages of true value depending on when the personal property was first taxable. Personal property first subject to taxation in tax year 1995 and thereafter is assessed at 25 percent of true value. Personal property first subject to taxation in tax years 1994 and prior is assessed at 88 percent of true value. Beginning in tax year 2005 the assessment percentage on personal property that was subject to taxation in tax years 1994 and prior will be phased-down over three years until it reaches 25 percent of true value.

Inventory Listing Percentage-Effective Tax Year 2005

Currently, the assessment rate for inventory is being reduced by one percent a year if the total statewide collection of personal property taxes for the second preceding year exceeds the total statewide collection of property taxes for the third preceding year. Effective for tax years 2005 and 2006, the assessment rate for inventory will be reduced by two percent instead if the growth criteria are met.

Effective for tax year 2007 and thereafter, the assessment rate for inventory will be reduced by two percent until the assessment rate equals zero. No growth criteria must be met to trigger this reduction.

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