Real Estate Taxes in Ohio
Or How Did Value * Rate = Become So Difficult

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Things to Note Before we Start

- Appraised vs Assessed Value
  - Appraised value represents what the auditor thinks a property will sell for at a
given point in time.
  - Assessed value is the value which the tax rate is applied to and is equal to 35% of
the appraised value.
- Tax Rates are expressed in mills.
  - 1 mill = $1 of tax for every $1,000 of assessed value or .001 for every $1 of assessed valuation.
  - If your total assessed valuation is $5,000,000 and you have a two mill levy the
revenue from the levy would be $3,500.
    - $5,000,000 * 35% * 2 / 1000

HOW IS VALUE DETERMINED
The Good and The Bad of the Mass Appraisal

- Problems
  - We don’t get inside the house, How do we really know what it is worth?
  - We ignore details the impact value (age of the roof)
  - A computer model and not a person determines value
  - People lie to me
- Benefits
  - Time
  - Cost
  - Privacy
WHEN ARE VALUES UPDATED

- Reappraisal
  - Completed every six years.
  - Every property must be inspected at least once during this six-year period.
  - Computer model calculates the most likely selling price.
  - Actual sales are used to determine the accuracy of the model.
- Triennial Update
  - Completed at the midpoint of the reappraisal cycle
  - Valuations updated based on sales ratio of valid sales

Types of Levies
Inside Millage

- Unvoted, established in 1933
- Never Expires
- In certain situations it can be moved between funds
- Maximum inside millage for a taxing district is 10 mills. This is shared among all subdivisions.
- As value changes revenue changes by the same percentage regardless of the reason for the change in value
  - Value increases 10% revenue increases 10%
  - Value decreases 10% revenue decreases 10%

Inside Millage
Taxing District Example

<table>
<thead>
<tr>
<th>Taxing District 1</th>
<th>Taxing District 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>H - County</td>
<td>H - County</td>
</tr>
<tr>
<td>Twp Gen</td>
<td>Twp Gen</td>
</tr>
<tr>
<td>Twp Road</td>
<td>Twp Road</td>
</tr>
<tr>
<td>Municipality</td>
<td>Municipality</td>
</tr>
<tr>
<td>School</td>
<td>School</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>9.00</td>
<td>10.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxing District 3</th>
<th>Taxing District 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>H - County</td>
<td>H - County</td>
</tr>
<tr>
<td>Twp Gen</td>
<td>Twp Gen</td>
</tr>
<tr>
<td>Twp Road</td>
<td>Twp Road</td>
</tr>
<tr>
<td>Municipality</td>
<td>Municipality</td>
</tr>
<tr>
<td>School</td>
<td>School</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>9.00</td>
<td>10.00</td>
</tr>
</tbody>
</table>
Types of Levies
Fixed Sum Levies

- Voted
- Specific Number of Years
- Bond Levy; most common type (school district emergency levies)
- Budget Commission sets rate to generate a specific amount of money
- As values change, the rate is adjusted in the opposite direction so it generates the specified dollar amount.
  - Value increases 10%; rate decreases 10% to generate the same amount of money
  - Value decreases 10%; rate increases 10% to generate the same amount of money

Types of Levies
Fixed Rate Levies

- Voted
- Can be for a specific period of time or indefinite for certain levy types
- Most common type of levy
- Value changes due to reappraisal; tax rate is adjusted to generate the same amount of money as the prior year
- Value changes not due to reappraisal (new construction) results in a change in revenue
- Effective Tax Rate is the vehicle used to adjust the tax rate for reappraisal changes.

Theory Behind the Effective Tax Rate

- If your value increases due to reappraisal, it doesn’t mean it costs you more money to provide services.
- If your value changes due to new construction, there are more services to be provided.
Effective Tax Rate

- Reappraisal changes
  - If reappraisal causes an increase in value the effective tax rate is reduced so that it generates the same amount of money it did in the previous year.
  - If reappraisal causes a decrease in value the effective tax rate is increased so that it generates the same amount of money it did in the previous year. The effective rate can never be more than the voted rate.

- Non-Reappraisal Changes
  - Effective tax rate is not adjusted
  - Gain or loss of value occurs at the effective tax rate for that year

Summary of Types of Tax Levies

<table>
<thead>
<tr>
<th>Levy Type</th>
<th>Description</th>
<th>Impact of Value Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside - Unvoted</td>
<td>• 10 mill limit</td>
<td>Moves in proportion to value change. Value up 10% taxes up 10%</td>
</tr>
<tr>
<td></td>
<td>• shared among political subdivisions</td>
<td></td>
</tr>
<tr>
<td>Voted Fixed Sum Levies - Voted</td>
<td>• Bond &amp; Emergency levies</td>
<td>As values increase rate decreases resulting in no tax impact</td>
</tr>
<tr>
<td>Fixed Rate Levies - Voted</td>
<td>• Specific rate approved by the voters</td>
<td>As value increases due to reappraisal; rate is reduced resulting in no tax impact.</td>
</tr>
<tr>
<td></td>
<td>• Rate is adjusted for reappraisal changes</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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Tax Rate Example

<table>
<thead>
<tr>
<th>Year</th>
<th>Inside</th>
<th>Fixed Sum</th>
<th>Fixed Rate</th>
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<tr>
<td>1</td>
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<td>2.000000</td>
<td>2.000000</td>
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<tr>
<td></td>
<td>70.00</td>
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<tr>
<td>2</td>
<td>105,000</td>
<td>105,000</td>
<td>105,000</td>
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<tr>
<td></td>
<td>2.000000</td>
<td>1.910000</td>
<td>1.904800</td>
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<tr>
<td></td>
<td>73.50</td>
<td>70.19</td>
<td>70.00</td>
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<tr>
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<td>105,100</td>
<td>105,100</td>
<td>105,100</td>
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<tr>
<td></td>
<td>2.000000</td>
<td>1.900000</td>
<td>1.904800</td>
</tr>
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<td></td>
<td>73.57</td>
<td>69.89</td>
<td>70.07</td>
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<td></td>
<td>2.000000</td>
<td>2.110000</td>
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</tr>
<tr>
<td></td>
<td>66.21</td>
<td>69.85</td>
<td>66.21</td>
</tr>
</tbody>
</table>
Summary

- Inside millage rate never change as value changes revenue changes
- Fixed Sum levy rate set by Budget Commission to generate a specific amount of money. As value changes the rate changes
- Fixed Rate levy mathematical formula establishes an effective tax rate
  - Reappraisal value changes cause the rate to change to generate the amount of money the levy produced in the prior year
  - Non-reappraisal changes results in revenue changes

Types of Ballot Issues

- Additional
  - Levy will collect at its voted rate (most likely)
  - Tax revenue increases if it passes
  - Not eligible for Owner Occupancy or Non-business credit
- Replacement
  - Effective rate will revert back to the voted tax rate
  - Tax revenue increases if it passes
  - Not eligible for Owner Occupancy or Non-business credit
- Renewal
  - Levy will continue to collect at its effective rate
  - No change in tax revenue
  - Continues to qualify for Owner Occupancy and Non-business credit

Common Questions

Q: If I have a fire levy that was passed in 1980, does it generate the same amount of money today that it did in 1980?

A: It Depends. If you had no other valuation changes other than reappraisal changes the answer would be yes. However, most entities have new construction or other valuation changes which have a direct impact on the amount of money generated. Generally the answer would be no.
Common Questions

Q. We renewed our levy with the promise of no tax increase, but the taxes on my property increased?

A. When we make the statement that a renewal will not increase taxes we are saying it will not generate additional tax revenue for the subdivision. If everyone’s value changes by the same percentage then there would be no change in an individual’s cost for the levy.

Generally values don’t change by equal percentages. So if my value increased 10% and your value increased 5%. My taxes would increase and your taxes would decrease but we would still generate the same amount of money.

Common Questions

Q. Can a fixed rate levy collect less than it did in the prior year?

A. Yes, this can occur in one of two situations

- The non-reappraisal changes in the district are negative. This would most likely be the result of an annexation or property that was previously taxable becoming tax exempt; or
- If a reappraisal resulted in a reduction of value and the effective rate was equal to the voted rate so that it could not be adjusted upward.

Common Questions

Q. Why does it take two years to pick up new construction?

A. Taxes in Ohio are one year in arrears. This means the taxes paid in 2019 are for what existed as of January 1, 2018. So if a building were constructed during 2018, revenue from that new construction would not be seen until 2020.
Common Questions

Q. What will be the impact of the decreases in CAUV value projected for the future?

A. If you are heavily reliant on agricultural property, the loss of value will impact the revenue from your inside millage. However, while CAUV values are decreasing, residential property values are increasing offsetting the decrease.

For fixed rate levies the effective tax rate will be adjusted upward so there will be no loss of revenue. Remember, the effective rate can not go higher than the voted rate so there may be instances where revenue is lost on fixed rate levies.

Common Myth

- When new construction occurs there is only a one year increase in the revenue
- Not true. New construction comes on at the effective rate in place at the time the addition is picked up and continues through the life of the levy. The additional value increases the base revenue that the levy generates.
- The converse is also true if a building is destroyed the decrease in value results in a permanent loss of revenue.