

Publications

Ohio Department of Taxation Finally Releases Regulations for Valuing Affordable Housing Projects

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At long last, the Ohio Department of Taxation has finally enacted the administrative rule outlining the new procedure for valuing eligible federally subsidized residential rental property in the state. Located in Ohio Administrative Code 5703-25-20, these long-awaited regulations clarify and codify how county auditors **must** implement the valuation requirements in Revised Code Section 5715.01(A)(4). When it became effective in October 2023, R.C. 5715.01(4) established a standardized statewide valuation process for all federally subsidized residential rental property. This new statute was intended to replace inconsistent local valuation methods with a defined income capitalization approach and uniform filing procedures.

The new administrative rule provides much-needed guidance for county auditors and property owners about the factors to be used in applying the required income capitalization approach. Specifically, the rule:

- defines operating income and expenses and outlines each should be calculated for valuation purposes;
- sets presumptive income and expense amounts but allows for deviations when supported by actual operations;
- clarifies when and how affordable housing owners must submit the requisite audited financial data; and
- clarifies how county auditors must compute and communicate the resulting values.

These new uniform rules aim to ensure fair, consistent, and transparent property tax assessments for these properties across Ohio.

The most significant changes that will become effective on October 16, 2025 are summarized in greater detail, below.

Comparison Table: Prior Practice vs. New Rule (OAC 5703-25-20)

Topic

Before (Prior Practice)

Now (Under OAC 5703-25-20)

Valuation Method

Varied widely by county; often market or ad-hoc income approaches.

Uniform income-capitalization formula using a combination of defined presumptions and audited data.

Capitalization Rate

Set locally or inconsistently applied.

Standardized statewide using published “reputable” multifamily rate data + tax additur(-1.0% investment risk factor for Section 42 projects).

Income Assumptions

Often based on market rents or local estimates.

Based on *gross potential rent* (actual contract rents × 12) with 4% vacancy and 3% unpaid rent allowances.

Operating Expenses

Discretionary; frequently disputed.

Presumed to be 48% of operating income + utilities + 5% reserve (can be replaced by audited actuals).

Filing Requirement

Not consistently enforced; many counties lacked a standard form.

Mandatory annual filing by March 1 with detailed transmittal form per R.C. 5713.031.

Evidence Standard

Unclear; owners often had to litigate valuations.

Audited financial statements (CPA-certified) are recognized to override presumptions.

Treatment of Construction / Lease-Up Phases

Not uniformly handled.

Explicit formulas for construction-only and non-stabilized phases.

Confidentiality

Ambiguous; some filings subject to records requests.

Explicitly *not* a public record under R.C. 149.43(E).

Auditor-Owner Interaction

No fixed process or deadlines.

Structured review, response within 21 days, and meeting opportunity by Sept 30.

