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The Evaluator – Winter 2025: Ohio Property Tax Updates

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AUTHORED ARTICLE | Winter 2025

By: Lindsay Spillman

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The Legislative Changes to HB 126 Introduced in 2024 Were Not Enacted Into Law

In 2024, there were two separate efforts by the Ohio legislature to amend House Bill 126 (HB 126) to address and clarify issues that have resulted in significant litigation – House Bill 187 and House Bill 344. Despite these efforts, the proposed legislation did not pass. Below are some of key points addressed in the proposed bills:

- 1. Clarification on Board of Education Complaints:** The proposed legislation aimed to clarify a board of education can only file a property tax complaint based on a sale price listed on a conveyance fee statement. This clarification would mean that, under current Ohio law, entity sales would not be subject to increase complaints. This provision was intended to be remedial to July 2022.
- 2. Definition of a "Recent" Sale:** Another clarification sought to define a "recent" sale as one that occurred within two years of the tax lien date at issue. This change was also intended to be remedial.
- 3. Elimination of BTA Appeals for Third-Party Complaints:** The proposed changes included eliminating the ability to file Board of Tax Appeals (BTA) appeals for third-party, strawman complaints, which BOEs often use to challenge property valuations indirectly.
- 4. Clarification on Appeals from BOR Decisions:** House Bill 187 specifically aimed to clarify that Ohio Revised Code (R.C.) 2506 does not apply to appeals from Board of Revision (BOR) decisions.

While there are still opportunities for the legislature to make the clarifications to H.B. 126 in the upcoming June Budget Bill, the fact that we are now three years from the implementation of the legislation may make it more difficult for the changes to the legislation to be remedial. Property owners currently engaged in litigation regarding prior year complaints may not be entitled to relief without judicial decisions.

The Joint Committee on Property Tax Review and Reform

In the last legislative session, the biennial budget bill created the Joint Committee on Property Tax Review and Reform (the Committee). The Committee was tasked with reviewing Ohio's real property tax system with the goal of offering recommendations for reform. This initiative comes at a time when rising property values are significantly impacting Ohio's property owners, drawing the attention of state legislators.

The committee was composed of a bipartisan group of lawmakers. The committee's mandate was to review the state's real property tax system and publish a comprehensive report of findings and recommendations by December 31, 2024. The resulting report was 865 pages and provided an in-depth background on Ohio's property tax system. Notably, the report contained 21 recommendations from the Committee, which are detailed on pages 34 and 35 of the report.

The Committee's report was the result of multiple hearings, during which time the Committee heard from 60 witnesses, including representatives from state and local governments, business owners, national and statewide research organizations, subject matter experts, community advocacy groups, and taxpaying Ohioans. The statewide reforms proposed by the Committee would affect all taxpayers, raising questions about implementation, the communities most in need of reform, and how to fund these changes.

The issue of reforming the property tax system has become a politically charged topic. The Committee's 21 proposals or recommendations, which may contradict one another, include expanding the homestead exemption and enhancing exemptions for disabled veterans. However, the implementation of these recommendations raises questions about funding sources.

For those commercial property owners, the Committee suggested that the Ohio General Assembly review how and when LLCs transfer and record property with county auditors. Currently, property acquisitions structured through entity transfers (drop and swaps) are exempt from transfer taxes and recorded as \$0 transfers. The Auditor's association has complained that this system creates insufficient market data for accurate property valuations, particularly for commercial properties. The debate over closing this LLC loophole has been ongoing, with some advocating for Ohio to follow the example of other states that require transfer taxes on such LLC transfers.

Despite the Committee's lengthy report, it has faced some public criticism from members of the state legislature for not taking concrete action to implement changes in the upcoming budget season. Specifically, the Committee has been criticized for failing to propose legislation or take more concrete actions, including offering constitutional reforms to promote transparency and predictability for taxpayers and provide more flexibility to the General Assembly.