

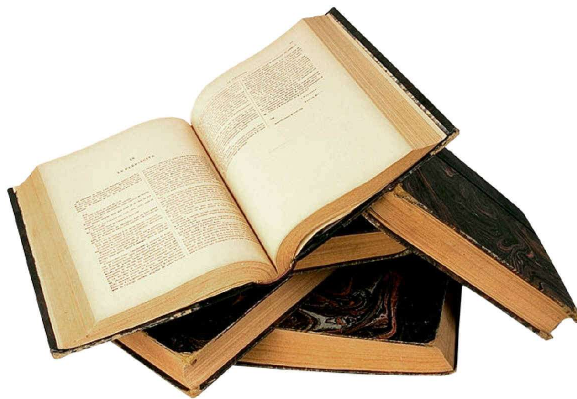


ADAMH Board Property Tax Levy Training

April 28, 2023

*THANK YOU TO THE FRANKLIN COUNTY AUDITOR'S OFFICE &
OHIO DEPARTMENT OF TAXATION!*

1



Ohio Revised Code Chapter 5705 Tax Levy Law

2

Property Tax Levies for ADAMH Boards

O.R.C. 5705.19(A)
"Current Expenses" Levy

O.R.C. 5705.221
ADAMH-Board Specific

O.R.C. 5705.191
Health & Human
Services Levy

3

O.R.C. 5705.19(A) Current Expenses of a Subdivision

Multi-County ADAMH Boards

ADAMH Board seeks levy as a "Taxing Authority"

Purpose is "Current Expenses"

Maximum of 5 years

4

O.R.C. 5705.221 ADAMH-Board Specific

Single or Multi-County ADAMH Boards

County Commissioners seek levy on behalf of ADAMH Board

Purpose is “operation of community addiction services providers and community mental health services providers and the acquisition, construction, renovation, financing, maintenance, and operation of alcohol and drug addiction facilities and mental health facilities”

Maximum of 10 years

5

O.R.C. 5705.191 “Health & Human Services Levy”

Single or Multi-County ADAMH Boards

County Commissioners or Multi-County ADAMH Board seek as a “Taxing Authority”

Typically, county commissioners seek this levy on behalf of a single-county ADAMH Board and other local public service agencies

Purpose is one or more of the following: public assistance, human or social services, relief, welfare, hospitalization, health, and support of general hospitals

Maximum of 10 years

6

ADAMH Board Unique Levy Authority

Ohio law has a general prohibition against political subdivisions using public funds to communicate or distribute information that supports the passage of a levy

ADAMH Boards are specifically excepted from this prohibition in O.R.C. 9.03 as a result of an ADAMH Board's duty under ORC 340.03(A)(7) to "recruit and promote local financial support...from private and public sources..."

7

Unique exception authorizes an ADAMH Board to:



Receive and expend funds for the support of its levy



Utilize staff time to work on the passage of its levy



Publish and distribute communications in support of its levy to the public



Use a "Vote YES!" message with the public

8

CCAO & OACBHA

Property Tax Levies

An Overview of Levy Types, Purposes,
Terms, & their Implications on Rollbacks

April 28, 2023



Presentation Agenda



- **TYPES OF PROPERTY TAX**
 - Class I (Res/Ag) & Class II (Com, Ind, Min)
- **UNVOTED (INSIDE) MILLAGE**
 - Limitations, Procedures, Exceptions
- **VOTED (OUTSIDE) MILLAGE**
 - Types, Renewals, and Replacements
- **LEVY TERMS & ELECTIONS**
 - Terms & Presentation to Electors
- **ROLLBACK CREDITS**
 - The Implications of Levy Types on Rollbacks

Constitutional & Statutory Limitations

➤ ART. XII, SEC. 2A OF THE OHIO CONSTITUTION IMPOSES TWO PRIMARY LIMITATIONS ON REAL PROPERTY TAXATION

- Property taxes can exceed one percent of “true value” (fair market value) only by popular vote.
- All real property must be taxed uniformly according to fair market value.

➤ STATUTORY LAW IS EVEN MORE RESTRICTIVE

- Unvoted taxes cannot exceed 1% of taxable value. [R.C. 5705.02](#).

Property Tax Rates

➤ THERE ARE TWO DIFFERENT TYPES OF LEVIES

- Unvoted millage (inside millage) is approved by the county budget commission but cannot exceed 10 mills for any taxpayer.
 - Rates must also generally be applied uniformly by purpose.
 - Allocation limited by Guarantees.
 - 19% of Class I; 16% of Class II millage; \$3.7 Billion.
- Voted millage (outside millage) must be approved by popular vote.

Voted (Outside) Millage

- **Outside Millage Requires Voter Approval**: All levies in excess of the 10-mill limitation are outside levies and can only be enacted by popular vote.
- **Levy Purposes**: There are numerous different allowable purposes for voted tax levies. E.g., [R.C. 5705.19](#).
- **Purposes Determine Whether Reduction Factors**: For voted levies, the purpose determines whether tax reduction factors apply.
- **Inside Millage is Not Subject to Reduction Factors**: Inside millage is not subject to reduction factors.

Levy Types

- **There are four common purposes for voted tax levies:**
 - **Current Expense**: For the general operations of a jurisdiction.
 - **Emergency**: For the general operations of a school district.
 - **Special purpose**: Must be used for the specified purpose (i.e., permanent improvement, fire equipment, parks, etc.).
 - **Bond**: For site acquisition and building construction.
- **Chapter 5705 of the Ohio Revised Code** identifies most of the tax types and purposes.

Special Purpose Levies

- **R.C. 5705.19** identifies the majority of the tax levies available to non-school political subdivisions.
 - Multiple Levy Purposes: There are 53 different purposes in [R.C. 5705.19](#) (Divisions (A) through (AAA)).
 - Combined Purposes: Some purposes are combinations of options as a single issue.
 - E.g., Division (JJ) allows for all purposes in (I) or (J).
 - Limited to Certain Taxing Authorities: Some purposes are limited to certain taxing authorities.
 - E.g., Division (KK) only counties can levy for a countywide public safety communications.

Voted (Outside) Millage

- **Fixed-rate levies** are subject to tax reduction factors for real property taxation.
 - The full rate applies to public utility personal property.
 - Provides revenue growth if additional property is added.
 - Approximately 70% of Taxes Levied; \$11.6 Billion.
- **Fixed-sum levies** are designed to raise specific dollar amounts from all types of property and are not subject to reduction factors.
 - As new property is added, the rate generally decreases.
 - 11.7% of Taxes Levied; \$2.3 Billion.

Voted Levy Types

- **Additional levies** are new and result in an increase in tax.
 - "An additional tax for the benefit of (name of subdivision or public library) ___ for the purpose of (purpose stated in the resolution) ___"
- **Renewal levies** continue taxation at the same rate that is already being paid.
- **Replacement levies** sound like renewal levies but provide additional revenue under reduction factor law, which only comes from real property.
- **Substitute levies** are for schools only and provide for a built-in growth factor.

Renewal or Replacement Levies

- **Requirements for Renewals & Replacements**: There are several limitations regarding when and how renewals and replacement levies can be presented:
 - Same Purpose & Amount: The levy purpose and amount must be exactly the same as the original levy.
 - Election Timing: An existing levy may be placed on the ballot only at the general election held during the its last tax year, or at any election held in the following year.
- **Voters Favor?**: Use of term "renewal" or "replacement" is perceived as an advantage in seeking voter approval.

Adjusting Renewals or Replacements

- **Renewals & Replacements With Changes**: Levies may generally be renewed or replaced with:
- **Clearly Identified**: The increase or decrease must be clearly labeled
 - An increase in the rate, e.g., "A renewal of _____ mills and an increase of _____ mills..."
 - A decrease in the rate, e.g., "A renewal of part of an existing levy, being a reduction of _____ mills..."
 - See [R.C. 5705.192](#) (Replacements) and [R.C. 5705.25](#) (Renewals) for the samples of required ballot language.

Voted Levy Terms

- **Term Lengths**: Fixed-term levies usually last five years, but some specific purposes are allowed for up to 10 or 20 years.
 - Continuing levies are permanent.
- **Bond Terms**: Debt levies continue until debt is paid.
- **DTE Levy Memo**: For detailed information on renewal, replacement, and other voted levies, see DTE's ["Renewal and Replacement of Property Tax Levies" Memo \(06/2022\)](#).
 - Detailed explanations regarding when an existing property tax levy, other than bond levies, may be legally renewed, replaced, or substituted.

Ballots & Terms – Health Levies

➤ There are special provisions for mental health levies and terms in the Revised Code:

- Renewal of Health Levies – Election Timing: An existing levy imposed for public assistance, human or social services, relief, welfare, hospitalization, *health*, and support of general hospitals *can be placed on the ballot in any election year.* [R.C. 5705.191](#).
- Terms for Health Levies: Levies for purposes of public assistance, human or social services, relief, welfare, hospitalization, *health*, or the support of general or tuberculosis hospitals *may be for any number of years not exceeding ten.* [R.C. 5705.191](#); [R.C. 5705.221](#) (ADAMH); [R.C. 5705.222](#) (DD – can also be a continuing term).

10% Non-Business Credit

- **10% Non-Business Credit**: [R.C. 319.302](#) provides for a partial exemption from real property taxation for non-business property (10% Rollback).
 - Class I Property Only: Applies to residential and agricultural (Class I) real property only. This credit applies generally to one-, two-, or three-family dwellings and nontimber agricultural land.
 - Most Levies Qualify: 85.0% of Class I millage in TY 2022.
 - Revenue Impact: \$1.3 Billion in Reimbursements Annually.

2 1/2% Owner-Occupancy Credit

- **2 1/2% Owner-Occupancy Credit**: [R.C. 323.152\(B\)](#) provides for further reduction of taxes equal to 2.5% of the amount of taxes to be levied on the owner-occupied homestead.
 - Primary Residence: Owner-occupied dwellings that serve as a taxpayer's primary residence and up to one acre of land ("homestead").
 - Revenue Impact: State reimbursements in 2021 for the owner-occupancy credit totaled about \$226 million.

Am. Sub. HB 59, 130th G.A. (2012)

- **Rollback Amendment**: The General Assembly amended R.C. 319.302 & R.C. 323.152 to limit the rollbacks to “Qualifying Levies”. The rollbacks continued to apply to all levies approved at an election held before September 29, 2013, and to subsequent renewals of those levies.
- **Post-2013 Levies Don’t Qualify**: Beginning with tax year 2013, the 10% and 2 ½% rollbacks no longer apply to non-qualifying levies:
 - Qualifying Levies: Levies approved before September 29, 2013, and subsequent renewals of these levies can retain their qualifying status.

Levies that Qualify for Rollback

- **Qualifying Levies**: Rollbacks are only applied to “qualifying levies”, which are:
- Inside Millage: Any millage w/in the 10-mill limitation.
 - Outside Millage: Any existing levy approved at an election held before September 29, 2013.
 - A *Renewal* of any qualifying levy;
 - A *Substitution* of any qualifying levy under [R.C. 5705.199](#);
 - Any levy provided for by the *charter of a municipal corporation* that was levied for 2013.

Levies that Don't Qualify for Rollbacks

- **Non-Qualifying Levies**: Rollbacks do not apply to non-qualifying levies which include:
 - Additional (New) Levies: Any new levy passed in November 2013 or thereafter.
 - Replacement Levies: Any Replacement levy passed in November 2013 or thereafter (This includes the effective millage levied prior to replacement);
 - Increases Associated with Renewals: The increase portion of a Renewal & Increase levy passed in November 2013 or thereafter.

Calculating Rollback Factors

- **Applicable to Qualifying Class I Property**: Rollback factors are calculated for both classes of property, i.e., Class I & Class II, but are only applicable against qualifying Class I Real Property (i.e., Residential & Agricultural).
- **State Reimbursement**: The state reimburses local taxing authorities for the cost of both rollbacks from GRF.
- **Rollback Calculation**: Rollback factors are calculated by using a percentage that weighs the effective rate of qualified levies against the total effective rate of the district, multiplied by the full rollback amount.

Rollback Factor Calculations

10% Non-Business Credit (District A – Hypo)

District A's Full Effective Millage	46.591386
District A's Effective Millage of Qualifying Levies	41.591386
Rollback Percentage	10.00%
$[(\text{Effective Millage of Qualifying Levies} / \text{Full Effective Millage}) * 10\%]$	0.089268

2.5% Owner-Occupancy Credit (District A – Hypo)

District A's Full Effective Millage	46.591386
District A's Effective Millage of Qualifying Levies	41.591386
Rollback Percentage	2.50%
$[(\text{Effective Millage of Qualifying Levies} / \text{Full Effective Millage}) * 2.5\%]$	0.022317

How Does this Look to a Taxpayer?

Sample Tax Bill (District A - Hypo)

Full Rate (In Mills)	52.15
Tax Reduction Factor	0.106589
10% Non-Business Credit %	0.089268
2.5% Owner-Occupancy Credit %	0.022317
True (Market) Value	\$180,000
Assessed Value (35% of True Value)	\$63,000
Gross Tax	\$3,285
Reduction from TRFs	\$350
Subtotal	\$2,935
10% Non-Business Credit Amount	\$262
2.5% Owner-Occupancy Credit Amount	\$66
Net Taxes Due	\$2,608



DTE is Committed to Collaboration & Customer Service

Commitment to High-Quality Customer Service & Collaboration: DTE is dedicated to providing quality and responsive interactions with taxpayers, tax practitioners, local governments, and county auditors.

- Collaborating on Complex and High-Profile Issues: Every single day, we provide responses to dozens of external inquires and issues presented.
- Constructive Responses: Even with questions that don't directly fall under the Tax Commissioner's or Department's purview, we still seek to provide constructive responses and references.
- How to Contact DTE:
 - By Email - DTE@tax.state.oh.us: This Divisional email account is checked consistently, and responses are provided within 1-2 business days.
 - By Telephone - Mainline Number: 614-466-5744.
 - Andrew Winkel: 614-466-6316; andrew.winkel@tax.state.oh.us
 - Shelley Wilson: 614-466-5744; shelley.wilson@tax.state.oh.us

Getting a levy on the Ballot & Basics of Property Value Changes

OACBH & CCAO
Franklin County Auditor's Office





Today's Topics

- 🏠 **Procedure to place a levy on the ballot**
- 🏠 **Overview of reappraisals and triennial updates**
- 🏠 **Relationship between value and taxes**



Getting to the Ballot

- 🏠 Placing a levy on the ballot is generally a 3-step process
 - 🏠 Resolution of Necessity
 - 🏠 Certification by County Auditor
 - 🏠 Resolution to Proceed
- 🏠 All must be completed and in order to go to the voter
- 🏠 Deadline: generally 90 days before the desired election

See R.C. 3501.02 and CCAO Commissioners Handbook Ch. 14 “Local Property Taxes” for additional information. https://ccao.org/aws/CCAO/asset_manager/get_file/713122?ver=1

Thanks to David Graham, Greene County Auditor whose presentation on this topic to the CCAO SE Committee was a valuable resource.

See also R.C. Chapter 5705.



Getting to the Ballot

Resolution of Necessity

- 🏠 Before taxes outside the 10-mill limitation can be levied they must be deemed necessary by the taxing authority
- 🏠 Depending on the type of levy and need must ask the county auditor to certify:
 - 🏠 Total valuation of the subdivision
 - 🏠 Mills to generate a particular dollar amount
 - 🏠 Dollar amount that will be generated by a particular number of mills

See R.C. 5705.19, 5705.221



Getting to the Ballot

Resolution of Necessity

- ✦ Proposed rate or total dollar amount
- ✦ Purpose
- ✦ Levy type: additional, renewal, replacement, with or without an increase or decrease, or an extension
- ✦ Revised code authority
- ✦ Term of years (or continuous if authorized)
- ✦ Territory: whole subdivision or portion as authorized (usually a township issue)
- ✦ Territory for the vote, whole subdivision or portion
- ✦ The date of the election the question will appear on the ballot
- ✦ Tax year for levying and calendar year for collection
- ✦ Each county the subdivision has territory

R.C. 5705.03



Getting to the Ballot

Auditor's Certification

- ✦ Auditor's have 10 days to complete the certification after receipt of the resolution of necessity.
- ✦ The Certification must contain the following:
 - ✦ Total current tax valuation of the subdivision (including overlapping counties)
 - ✦ The number of mills (for each one dollar of taxable value)
 - ✦ The estimated cost per \$100K rounded to the nearest dollar
 - ✦ The amount of revenue (if mills certified) rounded to the nearest dollar
 - ✦ Estimate annual proceeds rounded to the nearest one thousand dollars (if revenue is certified-excluding debt levies)

R.C. 5705.03(B)(2)



Getting to the Ballot

Resolution to Proceed

- 🏠 This confirms the desire to go to the ballot after receiving the numbers from the auditor.
- 🏠 Repeats much of the same information and must include:
 - 🏠 The proposed rate in mills
 - 🏠 Estimated cost per \$100,000 of the county auditor's appraised value (for renewals will usually be effective rate)
- 🏠 Certified to the Board of Elections

See R.C. 5705.03, 5705.25



Property Value Changes & How Taxes are Impacted





Sexennial Reappraisal

- ▶ Completed **every six years**
- ▶ Establish market value and equity
- ▶ Each individual property is reviewed
- ▶ Exterior inspections only (interior data & condition estimated) - Viewed by aerial photography and drive-by or in-person
- ▶ Neighborhood delineation
- ▶ Property owners will be notified of their tentative values and have access to informal value review hearings to discuss new value (varies county by county)

Reappraisal vs. Triennial

Triennial Update

- ▶ Completed **on the three-year midpoint between reappraisals**
- ▶ Updates values based on neighborhood market trends
- ▶ Sales verification and analysis
- ▶ Establishes uniform trend analysis for each neighborhood to reflect current market conditions
- ▶ Property owners will be notified of their tentative values and have access to informal value review hearings to discuss new value

Reappraisal Cycles



<u>2019 REAPPRAISAL COUNTIES</u>	<u>2020 REAPPRAISAL COUNTIES</u>	<u>2021 REAPPRAISAL COUNTIES</u>	<u>2022 REAPPRAISAL COUNTIES</u>	<u>2023 REAPPRAISAL COUNTIES</u>	<u>2024 REAPPRAISAL COUNTIES</u>
CARROLL CHAMPAIGN CLARK FAIRFIELD LOGAN MARION MEDINA MIAMI ROSS UNION WYANDOT	ASHLAND ASHTABULA ATHENS BUTLER CLERMONT FULTON GREENE KNOX MADISON MONTGOMERY NOBLE SUMMIT WAYNE	ALLEN COSHOCTON GUERSEY SANDUSKY VINTON <u>2021 UPDATE COUNTIES</u> BELMONT BROWN CRAWFORD CUYAHOGA ERIE FAYETTE HIGHLAND HURON JEFFERSON LAKE LORAIN LUCAS MORGAN MUSKINGUM OTTAWA PORTAGE STARK WARREN WILLIAMS	ADAMS COLUMBIANA HANCOCK HOCKING HOLMES LAWRENCE MEIGS MONROE PAULDING SCIOTO TUSCARAWAS WASHINGTON <u>2022 UPDATE COUNTIES</u> CARROLL CHAMPAIGN CLARK FAIRFIELD LOGAN MARION MEDINA MIAMI ROSS UNION WYANDOT	AUGLAIZE CLINTON DARKE DEFIANCE DELAWARE FRANKLIN GALLIA GEAUGA HAMILTON HARDIN HARRISON HENRY JACKSON LICKING MAHONING MERCER MORROW PERRY PICKAWAY PIKE PREBLE PUTNAM RICHLAND SENECA SHELBY TRUMBULL VAN WERT WOOD <u>2023 UPDATE COUNTIES</u> ASHLAND ASHTABULA ATHENS BUTLER CLERMONT FULTON GREENE KNOX MADISON MONTGOMERY NOBLE SUMMIT WAYNE	BELMONT BROWN CRAWFORD CUYAHOGA ERIE FAYETTE HIGHLAND HURON JEFFERSON LAKE LORAIN LUCAS MORGAN MUSKINGUM OTTAWA PORTAGE STARK WARREN WILLIAMS <u>2018 UPDATE COUNTIES</u> ALLEN COSHOCTON GUERSEY SANDUSKY VINTON

Why does the County Auditors conduct reappraisals?

- ▶ All county Auditors in Ohio are **required by state law** to update the value of all properties by conducting a reappraisal every six years ([Ohio Revised Code section 5713.01](#)), with a Triennial Update at the 3-year midpoint between reappraisals.
- ▶ This is an effort to **accurately reflect property value changes** in the current real estate marketplace.
- ▶ **The Ohio Department of Taxation makes the final determination** as to whether updated property values determined by the Auditor are accurate and acceptable.
- ▶ County Auditors **may face legal action** if the Dept. of Taxation determines reappraisal values are inaccurate and not subsequently corrected.



Statewide Hot Real Estate Market

- ▶ Franklin County in 2023 expects 30-35% value increases for residential property.
- ▶ Other counties on cycle are seeing similar increases with Department of Taxation recommendations for triennial counties including a range of 20%-43% (these are not final but the final change is likely to be close)
- ▶ These are historic value increases and will result in major changes in tax rates due to equalization.
- ▶ Reappraisals and triennial updates are not done with the purpose to increase or decrease taxes, but they do.
- ▶ The amount any property's taxes change relates to the change in the value of the property in relation to other properties in the district.



Ohio Department of Taxation, Division of Tax Equalization (DTE) provides recommended changes for triennial update counties and must approve of all final reappraisal and triennial changes. DTE recently released recommendations for the triennial updates. Counties on reappraisals do not receive a recommendation but are likely to be in a similar range.

Tri Counties Residential Recommendations (other classes noted where applicable):

- Ashland 39%

- Ashtabula 32% (Ag 25%)
- Athens 20%
- Clermont 43%
- Fulton 32%
- Greene 32%
- Knox 40%
- Madison 36%
- Montgomery 37% (Com 13%)
- Noble 22%
- Summit 34% (Com 14%)
- Wayne: 38%

Taxing Districts and Rates

- ▶ Taxes are determined by multiplying the taxable value of property (35% of appraised value) by the effective rate for the taxing district.
- ▶ The effective rate is a combination of all the millage that applies to a property reduced as calculated by the state to ensure levies do not earn more than voters approved.
- ▶ A county wide or joint board wide levy will appear in many taxing districts.
- ▶ Values vary but tax rates are the same for a taxing district Rates go up and down per taxing district



Levy Equalization

▶ For fixed-sum levies, most commonly bonds, the rate is set by calculating how the rate needed to raise the necessary funds based on the updated value of property within the taxing authorities jurisdiction.

▶ This calculation includes any new construction added annually but does not have a reduction factor based on the value of carry over property.

▶ For fixed-rate levies, in 1976 the legislature enacted H.B. 920 to create reduction factors and effective tax rates to prevent local government revenue from directly increasing with property values on existing property.

▶ New construction is left out of this calculation in the first year so revenue growth can occur on new property.

▶ There can be a significant gap between the average value change and the average tax change. In 2020 in Franklin County the average value change was +20% but the average tax change was +7%.



A few examples of how different counties present this information online:

Greene County Explainer:

<https://www.greenecountyohio.gov/DocumentCenter/View/23348/Understanding-Real-Estate-Taxes-in-Ohio?bidId=>

Fairfield County Video:

<https://www.youtube.com/watch?v=vss8J80bL6E>

Franklin County Know Your Home Value website (will be updated throughout reappraisal):

<https://audr-apps.franklincountyohio.gov/KnowYourHomeValue>

Value and Tax Change Key Takeaways

- ▶ Outside of inside millage, tax rates are set by voters through approved levies.
- ▶ As value changes, the effective rate collected on levies will also change—usually meaning a lower rate as values increase.
- ▶ Changes in taxes are not just a feature of each property's value change but of the balance between the value change of that property and others in the area.
- ▶ It is complex, but this complexity is in part to protect taxpayers from excessive burden while ensuring approved levies serve their purpose.



Property Taxes and the State Legislature

- ▶ H.B. 1 (Matthews) as introduced would make major changes to both income tax and property tax
 - ▶ Would establish a flat income tax, reduce the taxable value from 35% to 31.5%, eliminate the 10% rollback on qualifying levies for residential and agricultural property, and make changes to the homestead exemption and other provisions
 - ▶ As of 4/25/23 this bill has had 7 hearings
 - ▶ Unlikely to proceed as drafted, but shines a spotlight on complexity of property tax code-due to equalization as drafted it would increase residential property taxes while reducing commercial property taxes

- ▶ Other proposals relate to expanding the homestead exemption and continuing to adjust and expand exemptions and abatements.



Questions?

Find your county auditor:

<http://caao.org/auditors-directory/>

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