

**As Introduced**

**133rd General Assembly  
Regular Session  
2019-2020**

**S. B. No. 36**

**Senator Huffman, M.  
Cosponsor: Senator Hoagland**

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**A BILL**

To amend sections 5713.03 and 5715.01 of the 1  
Revised Code to prescribe how federally 2  
subsidized residential rental property must be 3  
valued for property tax purposes. 4

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 5713.03 and 5715.01 of the 5  
Revised Code be amended to read as follows: 6

**Sec. 5713.03.** The county auditor, from the best sources of 7  
information available, shall determine, as nearly as 8  
practicable, the true value of the fee simple estate, as if 9  
unencumbered but, except as otherwise provided in rules adopted 10  
under section 5715.01 of the Revised Code related to the 11  
valuation of subsidized residential rental property, subject to 12  
any effects from the exercise of police powers or from other 13  
governmental actions, of each separate tract, lot, or parcel of 14  
real property and of buildings, structures, and improvements 15  
located thereon and the current agricultural use value of land 16  
valued for tax purposes in accordance with section 5713.31 of 17  
the Revised Code, in every district, according to the rules 18

prescribed by this chapter and section 5715.01 of the Revised Code, and in accordance with the uniform rules and methods of valuing and assessing real property as adopted, prescribed, and promulgated by the tax commissioner. The auditor shall determine the taxable value of all real property by reducing its true or current agricultural use value by the percentage ordered by the commissioner. In determining the true value of any tract, lot, or parcel of real estate under this section, if such tract, lot, or parcel has been the subject of an arm's length sale between a willing seller and a willing buyer within a reasonable length of time, either before or after the tax lien date, the auditor may consider the sale price of such tract, lot, or parcel to be the true value for taxation purposes. However, the sale price in an arm's length transaction between a willing seller and a willing buyer shall not be considered the true value of the property sold if subsequent to the sale:

(A) The tract, lot, or parcel of real estate loses value due to some casualty;

(B) An improvement is added to the property. Nothing in this section or section 5713.01 of the Revised Code and no rule adopted under section 5715.01 of the Revised Code shall require the county auditor to change the true value in money of any property in any year except a year in which the tax commissioner is required to determine under section 5715.24 of the Revised Code whether the property has been assessed as required by law.

The county auditor shall adopt and use a real property record approved by the commissioner for each tract, lot, or parcel of real property, setting forth the true and taxable value of land and, in the case of land valued in accordance with section 5713.31 of the Revised Code, its current agricultural

use value, the number of acres of arable land, permanent pasture 49  
land, woodland, and wasteland in each tract, lot, or parcel. The 50  
auditor shall record pertinent information and the true and 51  
taxable value of each building, structure, or improvement to 52  
land, which value shall be included as a separate part of the 53  
total value of each tract, lot, or parcel of real property. 54

**Sec. 5715.01.** (A) The tax commissioner shall direct and 55  
supervise the assessment for taxation of all real property. The 56  
commissioner shall adopt, prescribe, and promulgate rules for 57  
the determination of true value and taxable value of real 58  
property by uniform rule for such values and for the 59  
determination of the current agricultural use value of land 60  
devoted exclusively to agricultural use. 61

(1) The uniform rules shall prescribe methods of 62  
determining the true value and taxable value of real property. 63  
The rules shall provide that in determining the true value of 64  
lands or improvements thereon for tax purposes, all facts and 65  
circumstances relating to the value of the property, its 66  
availability for the purposes for which it is constructed or 67  
being used, its obsolete character, if any, the income capacity 68  
of the property, if any, and any other factor that tends to 69  
prove its true value shall be used. In determining the true 70  
value of minerals or rights to minerals for the purpose of real 71  
property taxation, the tax commissioner shall not include in the 72  
value of the minerals or rights to minerals the value of any 73  
tangible personal property used in the recovery of those 74  
minerals. 75

The rules shall require that subsidized residential rental 76  
property be valued according to its income capacity on the basis 77  
of the property's market rent and expenses and not on the 78

property's contract rent. The market rent and expenses of 79  
subsidized residential rental property shall be calculated 80  
without considering any effects on the property from the 81  
exercise of police powers or from other governmental actions. As 82  
used in division (A) (1) of this section, "subsidized residential 83  
rental property" means property on which is situated one or more 84  
dwelling units leased or otherwise rented to tenants solely for 85  
residential purposes, excluding a college or university 86  
dormitory, to which any of the following applies: 87

(a) All or a portion of the units' construction or 88  
renovation costs are paid by financial incentives authorized 89  
under federal law. 90

(b) All or a portion of the units' rent is subsidized as 91  
authorized under federal law. 92

(c) The property is a qualified low-income housing project 93  
allocated a tax credit pursuant to section 42 of the Internal 94  
Revenue Code. 95

(2) The uniform rules shall prescribe the method for 96  
determining the current agricultural use value of land devoted 97  
exclusively to agricultural use, which method shall reflect 98  
standard and modern appraisal techniques that take into 99  
consideration the productivity of the soil under normal 100  
management practices, typical cropping and land use patterns, 101  
the average price patterns of the crops and products produced 102  
and the typical production costs to determine the net income 103  
potential to be capitalized, and other pertinent factors. 104

In determining the agricultural land capitalization rate 105  
to be applied to the net income potential from agricultural use, 106  
the commissioner shall use standard and modern appraisal 107

techniques. In calculating the capitalization rate for any year, 108  
the commissioner shall comply with both of the following 109  
requirements: 110

(a) The commissioner shall use an equity yield rate equal 111  
to the greater of (i) the average of the total rates of return 112  
on farm equity for the twenty-five most recent years for which 113  
those rates have been calculated and published by the United 114  
States department of agriculture economic research service or 115  
another published source or (ii) the loan interest rate the 116  
commissioner uses for that year to calculate the capitalization 117  
rate; 118

(b) The commissioner shall assume that the holding period 119  
for agricultural land is twenty-five years for the purpose of 120  
computing buildup of equity or appreciation with respect to that 121  
land. 122

The commissioner shall add to the overall capitalization 123  
rate a tax additur. The sum of the overall capitalization rate 124  
and the tax additur shall represent as nearly as possible the 125  
rate of return a prudent investor would expect from an average 126  
or typical farm in this state considering only agricultural 127  
factors. 128

The commissioner shall annually determine and announce the 129  
overall capitalization rate, tax additur, agricultural land 130  
capitalization rate, and the individual components used in 131  
computing such amounts in a determination, finding, computation, 132  
or order of the commissioner published simultaneously with the 133  
commissioner's annual publication of the per-acre agricultural 134  
use values for each soil type. 135

(3) Notwithstanding any other provision of this chapter 136

and Chapter 5713. of the Revised Code, the current agricultural 137  
use value of land devoted exclusively to agricultural use shall 138  
equal the following amounts for the years specified: 139

(a) In counties that undergo a reappraisal or triennial 140  
update in 2017, the current agricultural use value of the land 141  
for each of the 2017, 2018, and 2019 tax years shall equal the 142  
sum of the following amounts: 143

(i) The current agricultural use value of the land for 144  
that tax year, as determined under this section and section 145  
5713.31 of the Revised Code, and rules adopted pursuant those 146  
sections, without regard to the adjustment under division (A) (3) 147  
(a) (ii) of this section; 148

(ii) One-half of the amount, if any, by which the value of 149  
the land for the 2016 tax year, as determined under this 150  
section, section 5713.31 of the Revised Code, and the rules 151  
adopted pursuant those sections and issued by the tax 152  
commissioner for counties undergoing a reappraisal or triennial 153  
update in the 2016 tax year, exceeds the value determined under 154  
division (A) (3) (a) (i) of this section. 155

(b) In counties that undergo a reappraisal or triennial 156  
update in 2018, the current agricultural use value of the land 157  
for each of the 2018, 2019, and 2020 tax years shall equal the 158  
sum of the following amounts: 159

(i) The current agricultural use value of the land for 160  
that tax year, as determined under this section and section 161  
5713.31 of the Revised Code, and rules adopted pursuant those 162  
sections, without regard to the adjustment under division (A) (3) 163  
(b) (ii) of this section; 164

(ii) One-half of the amount, if any, by which the value of 165

the land for the 2017 tax year, as determined under this 166  
section, section 5713.31 of the Revised Code, and the rules 167  
adopted pursuant those sections and issued by the tax 168  
commissioner for counties undergoing a reappraisal or triennial 169  
update in the 2017 tax year, exceeds the value determined under 170  
division (A) (3) (b) (i) of this section. 171

(c) In counties that undergo a reappraisal or triennial 172  
update in 2019, the current agricultural use value of the land 173  
for each of the 2019, 2020, and 2021 tax years shall equal the 174  
sum of the following amounts: 175

(i) The current agricultural use value of the land for 176  
that tax year, as determined under this section and section 177  
5713.31 of the Revised Code, and rules adopted pursuant those 178  
sections, without regard to the adjustment under division (A) (3) 179  
(c) (ii) of this section; 180

(ii) One-half of the amount, if any, by which the value of 181  
the land for the 2018 tax year, as determined under this 182  
section, section 5713.31 of the Revised Code, and the rules 183  
adopted pursuant those sections and issued by the tax 184  
commissioner for counties undergoing a reappraisal or triennial 185  
update in the 2018 tax year, exceeds the value determined under 186  
division (A) (3) (c) (i) of this section. 187

(B) The taxable value shall be that per cent of true value 188  
in money, or current agricultural use value in the case of land 189  
valued in accordance with section 5713.31 of the Revised Code, 190  
the commissioner by rule establishes, but it shall not exceed 191  
thirty-five per cent. The uniform rules shall also prescribe 192  
methods of making the appraisals set forth in section 5713.03 of 193  
the Revised Code. The taxable value of each tract, lot, or 194  
parcel of real property and improvements thereon, determined in 195

accordance with the uniform rules and methods prescribed 196  
thereby, shall be the taxable value of the tract, lot, or parcel 197  
for all purposes of sections 5713.01 to 5713.26, 5715.01 to 198  
5715.51, and 5717.01 to 5717.06 of the Revised Code. County 199  
auditors shall, under the direction and supervision of the 200  
commissioner, be the chief assessing officers of their 201  
respective counties, and shall list and value the real property 202  
within their respective counties for taxation in accordance with 203  
this section and sections 5713.03 and 5713.31 of the Revised 204  
Code and with such rules of the commissioner. There shall also 205  
be a board in each county, known as the county board of 206  
revision, which shall hear complaints and revise assessments of 207  
real property for taxation. 208

(C) The commissioner shall neither adopt nor enforce any 209  
rule that requires true value for any tax year to be any value 210  
other than the true value in money on the tax lien date of such 211  
tax year or that requires taxable value to be obtained in any 212  
way other than by reducing the true value, or in the case of 213  
land valued in accordance with section 5713.31 of the Revised 214  
Code, its current agricultural use value, by a specified, 215  
uniform percentage. 216

**Section 2.** That existing sections 5713.03 and 5715.01 of 217  
the Revised Code are hereby repealed. 218