



PROPOSED NO CHANGE 5703-25 APPRAISAL RULES
OHIO DEPARTMENT OF TAX, DIVISION OF TAX EQUALIZATION

December 30, 2022

Dear Commissioner McClain,

Thank you for the opportunity to comment on the proposed no-change rule filing regarding several aspects of appraisal and equalization. While many of these rules continue to serve well, there are portions that I would hope the Department of Tax could revisit and update to align with appraisal best practice, increased technology, and trends in property management. Below I offer comments on some of the rules in this package and would be happy to meet and discuss further how they could be amended.

5703-25-09 Adoption and use of property records, 5703-25-13(A) Review of appraisal

The introductory paragraph in -09 and division (A) of -13 refer to “actual viewing” and “shall be reviewed in the field by competent appraisers” for the appraisal and reappraisal process. Prioritizing in the field property review is no longer industry best practice when technology including aerial photography, advanced GIS techniques, and other desk top review results in a better and more economic appraisal.

Increasingly, field review is the best option only for complex new commercial properties or the rare property where trees or other barriers prevent sufficient image capture. Desk top review, bringing together multiple images of the property, automated building footprint review, and efficient multiple checks and real time quality control result in a better outcome for property owners and taxing districts. Allowing property review to happen independent of actual travel to the neighborhoods can mitigate against any implicit bias. The rule should be updated to reflect this reality.

Safety is also an increasing concern. Auditors from around the state have examples of appraisers being threatened while in the field. Property owners have been concerned of why someone is on their property despite our efforts to communicate where in the county property owners will be. The risk and concern would be worth it if necessary to reach appropriate values, but that is no longer the case. I hope the department will consider these factors and amend these provisions.



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5703-25-10 Classification of real property and coding of records, 57013-25-18(A) Partial exemption from real property tax

The Division of Tax equalization should take this time to evaluate the automatic classification of 1-3 dwelling unit parcels as residential property. In Franklin County we are seeing an increased trend in property owners splitting large rental property communities into smaller parcels for the express purpose of qualifying for the non-business exemption. This allows these property owners to transfer 10% of the tax on qualifying levies to the state, and 8-10% annual savings to the property owner. It also skews the relative value of residential versus commercial property for tax purposes which affects the rates overall. Further, these properties may be able to avoid third-party or government complaint at the Board of Revision through distributing any ultimate sale price to avoid reaching the jurisdictional thresholds enacted via House Bill 126.

From an appraisal perspective, splitting these projects into multiple parcels does not affect how they are appraised since industry standard is to utilize an economic unit approach to such properties. Some of the parties pursuing splits have specifically advocated that their property value not be changed based on the adjustment. The splits are not being done for the sale or change in use, but simply to take advantage of the tax code as it currently stands. These rules are the basis for this action and I ask the Department to seek appropriate amendment.

Having a bright line distinction between residential and commercial property is helpful but is not worth allowing sophisticated corporate property owners to manipulate their structure to take advantage of tax programs designed for homeowners and small rental properties. The Department of Tax should review this issue and work with stakeholders including Auditor' offices to update this language and close this loophole.

5703-25-12 Valuation of buildings, structures, fixtures and improvements to land

In division (B) of this rule the building cost schedules include six grades of construction designated as "very cheap, cheap, ordinary or average, good, extra good or expensive, very expensive." These designations are represented by a number or letter in the description of the building. I ask the that these designations be amended to remove subjective language that also is a very negative connotation about the property.

Even if it is technically accurate based on appraisal standards, no property owner wants the quality of their building called "very cheap." Further, the Franklin County Auditor's Office report with the Kirwan Institute highlighted that subjective terms are more likely to allow for biased results. This type of bias was shown in that report and in national research that lower value homes are often overvalued and higher value homes are often undervalued.¹

¹ Full report available here: <https://www.franklincountyauditor.com/AUDR-website/media/Documents/Community%20Relations/In%20the%20News/Kirwan-Institute-Franklin-County-Auditor-Report-Investigating-the-appraisal-process.pdf>

See also: University of Chicago, Christopher Berry research: propertytaxproject.uchicago.edu

Article on property tax generally: <https://cpb-us->

[w2.wpmucdn.com/voices.uchicago.edu/dist/6/2330/files/2019/04/Berry-Reassessing-the-Property-Tax-2_7_21.pdf](https://cpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/6/2330/files/2019/04/Berry-Reassessing-the-Property-Tax-2_7_21.pdf)

Columbus Franklin County Report: <https://cpb-us->

[w2.wpmucdn.com/voices.uchicago.edu/dist/6/2330/files/2019/04/Prop-Tax-Columbus-Final-62420-.pdf](https://cpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/6/2330/files/2019/04/Prop-Tax-Columbus-Final-62420-.pdf)

Avenancio-Leon, Carlos and Howard, Troup, The Assessment Gap: Racial Inequalities in Property Taxation (October 5, 2019). Available at SSRN: <https://ssrn.com/abstract=3465010> or <http://dx.doi.org/10.2139/ssrn.3465010>

A rule simply stating that the cost of construction shall be measured via six grades ranging from least to most expensive would maintain the variation necessary to reach appropriate assessment without the pejorative language.

5703-25-13(D) Review of appraisal-Level of Assessment

This rule at division (D) tasks a county auditor to “determine whether all real property . . . have been appraised uniformly at one hundred percent of true value.” This rule no longer reflects Department of Tax instructions to county auditors. For the last several years the required level of assessment has been set between 90% and 94% for all types of property. This is appropriate to minimize the chance that any property is taxed above its full market value and protect against swings in the market, but the rule should be updated to reflect this standard.

5703-25-16 Procedure after reappraisal or update

There are several provisions in this rule that address the timing of when tentative and final abstracts should be filed which are both impossible and are not used. For example, at (A)(3) the rule states the final abstract be submitted the first Monday of August when given levies, new construction, and bond certification most counties submit their final abstract in November of each year. I realize many of these are based on statutory language, so I would ask the Department of Tax work with stakeholders to establish a modern timeline and seek needed legislative change.

In addition, (A)(2) discusses that the state should review using “recent property sales and other information relating to real property values to determine whether all real property has been uniformly appraised at ‘true value in money’” We know the state relies almost entirely on sales to make any recommendations or approve or disapprove tentative abstracts. This often fails to capture the full economic conditions or appropriate value particularly for commercial property which is more often appraised considering an income capitalization approach.

In addition to possibly skewed recommendations, this causes a lack of oversight to the many counties where the Department determines it does not have enough data to make a recommendation particularly regarding commercial property. County auditors are required to appraise property regardless of whether the Department thinks there have been sufficient sales. The current practice often means only the largest counties receive a recommendation for commercial property at all. The Department of Taxation and Division of Tax Equalization should update this rule to reflect existing practice or preferably adjust practice to meet the requirements of this rule.

5703-25-17 Application of rules

This rule discusses how the standards in 25-05 through 25-17 apply for the January 1, 1981 lien date and accommodate any then existing contracts. As a matter of removing any unnecessary code provisions, I would think this rule could be repealed.

5703-25-30 through 5703-25-33 Rules pertaining to Current Agricultural Use Value

I take this opportunity to reiterate a need for the current agricultural use value formula to account for the nature of agriculture in predominantly urban areas. This is not currently captured in the formula which has now been fully implemented and leaves farmers in counties like Franklin County at a tax disadvantage compared to more rural counties that have a better built in infrastructure for agricultural production. Please see for more detail the comments I filed in June 2020.

The region where rural, suburban, and urban lands interweave is often defined as a socioeconomic region called the Rural-Urban Interface (RUI). All of Franklin County’s CAUV property is within this definition, in addition to CAUV property in other metropolitan counties in Ohio. Not considering this

unique reality of farmers within the RUI results in the CAUV formula not fully supporting its purpose: to preserve land for farming that would otherwise be developed.

It is my hope to work with you to incorporate in future iterations of the CAUV formula the reality of urban and suburban farming.

Conclusion

I hope you will consider these comments and open rules for amendment and review where needed to incorporate best appraisal practice and reflect the reality of modern mass appraisal. Given the importance of property tax and the burden that increasing values can place on property owners it is important that we respond to change in a timely fashion. I can be reached at AuditorStinziano@franklincountyohio.gov or 614-525-5700. I would welcome the opportunity to continue this discussion and craft any needed administrative or legislative changes to best pursue our joint mission of ensuring the most accurate and equitable appraisal and taxation of real property in Ohio.

Sincerely,

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