Real Estate Taxes in Ohio

Real Estate Tax calculation begins with appraised value. Appraised value is based on what the property would sell for at a given point in time. We use a mass appraisal process to acquire property data. Mass appraisal computer software calculates the probable sales price of each property; this is known as the Appraised Value. This Appraised Value is then compared to actual sales to determine accuracy and if any adjustments are needed.

You do not pay Real Estate Taxes on the Appraised Value. You pay tax on the Assessed Value, which is 35% of the Appraised Value. The Assessed Value multiplied by the tax rate produces the tax due. For example, if your property has an Appraised Value of $100,000, the Assessed Value (or Taxable Value) is only $35,000.

There are different types of Tax Levies. We will discuss three of them. Each Levy reacts differently to value changes. They are:

- Inside Levies (Unvoted) – each taxing district can have up to 10 mills of unvoted millage. This millage is unique in that it moves in direct correlation with your property value. For instance, if your value increases or decreases 5%, your taxes on the inside millage will increase or decrease 5%, respectively.
- Fixed Sum Levies –are approved by the voters to generate a specific amount of money. The two most popular Fixed Sum Levies are Emergency Levies, where a school district levies a tax to generate a specified amount of money each year; and a Bond Levy, where a taxing district passes a levy to meet the annual debt requirements related to a project. In each case, the Budget Commission determines the tax rate necessary to generate the amount of money needed to comply with the levy requirements.
    - As values increase the rate necessary to produce the specified amount of money would decrease, resulting in no net change to the property taxes.
    - If values decrease, the rate necessary to produce the specified amount of money would increase, resulting in no net change to the property taxes.
- Fixed Rate Levies – are approved by the voters and are the most common type of levy. Fixed Rate Levies can only generate additional income if new construction occurs.
    - If the value within a taxing district increases due to a reappraisal, the tax rate is reduced so that it generates the same amount of money it did in the prior year. This is done by creating an Effective Tax Rate, which is lower than the voted rate.
    - If the value increases due to new construction, there will be no adjustment to the Effective Tax Rate. Additional tax revenue will be realized by the taxing district as the taxpayer making the improvement pays additional taxes.
- If the value decreases due to a reappraisal, the Effective Tax Rate is adjusted upward so that it generates the same amount it did in the previous year, so long as the adjustment does not cause the rate to increase above the voted rate. If an

Effective Rate is equal to the voted rate and values decrease, the taxpayer pays less resulting in less money realized by the taxing district.

The following graph shows how different types of levies are impacted by valuation changes:

Levy Type	Description	Impact on Value Change
Inside Levies-Unvoted	10 mill limit shared among taxing districts.	Tax rate is fixed. Taxes move in proportion to value change. If value increases 10%, taxes increase 10%.
Fixed-Sum Levies–Voted	Bond & Emergency Levies where rates are set to produce a specific dollar amount.	As values increase, for any reason, the tax rate decreases resulting in no tax impact.
Fixed-Rate Levies–Voted	Specific rate approved by the voters, but the rate is adjusted for reappraisal changes.	As values increase due to Reappraisal, the tax rate decreases resulting in no tax impact. As values increase due to New Construction, the tax rate remains constant resulting in additional income.

Tax rates are expressed in mills. A mill is equal to $1 of tax for every $1,000 of Assessed Value. Therefore, a 1 mill levy would cost the owner of a property Appraised at $100,000, $35.

	Appraised Value	$ 100,000.00
*	Assessment Ratio	35%
=	Assessed Value	$ 35,000.00
*	Tax Rate (1 mill / 1000)	0.0010
=	Tax	$ 35.00

Let us look at how millage rates change as they relate to different types of levies and change in value.

		Inside Levies	Fixed Sum Levies	Fixed Rate Levies	Total
Year 1					
	Assessed Value	$35,000	$35,000	$35,000	$35,000
	Base Effective Tax Rate (in Mills)	10.00	8.00	55.00	73.00
	Taxes on Assessed Value	$350.00	$280.00	$1,925.00	$2,555.00
Year 2					
	Reappraisal Change	$1,000	$1,000	$1,000	$1,000
	New Construction Change	$500	$500	$500	$500
	New Value	$36,500	$36,500	$36,500	$36,500
	New Effective Tax Rate (in Mills)	10.00	7.67	53.47	71.14
	Taxes on New Value	$365.00	$280.00	$1,951.74	$2,596.74
Analysis of Changes					
	% Change in Value	4.29%	4.29%	4.29%	4.29%
	$ Change in Taxes	$15.00	$0.00	$26.74	41.74
	% Change in Taxes	4.29%	0.00%	1.39%	1.63%
	Millage Change in Tax Rate	0.00	(0.33)	(1.53)	(1.86)
	% Change in Tax Rate	0.00%	-4.11%	-2.78%	0%

So you can see:

- The Inside Levy tax rate did not change since it is static. There was a 4.29% ($1,500/$35,000) increase in the property value and as a result a 4.29% increase in the tax revenue to the taxing district.
- The Fixed Sum Levy tax rate was set at 8.00 mills by the Budget Commission to produce the amount of money specified in the ballot language. The tax rate was then reduced to 7.67 mills to produce the same amount of money ($280) regardless of the reason for the valuation change.
- The Fixed Rate levy had two adjustments:
  - The Reappraisal Change caused the Effective Rate to decrease resulting in no impact on tax revenues ($35,000+$1,000*53.47/1000=$1,925).
  - The New Construction Change at the Effective Rate produced the additional revenue ($500*53.47/1000 = $26.74).
- The total change in both rate and revenue is a blend of the impact of all three levy types.

There are two perspectives to consider, that of the Taxing District and that of the Taxpayer.

The fact that taxing districts are not made up of single political subdivisions adds to the complexity. The example above assumed one uniform taxing district where all of the values moved in a consistent manner. In reality, a taxing district is made up of multiple political subdivisions whose values change by different amounts.

Let's look at Beavercreek Township. Within Beavercreek Township there are five different taxing districts representing nine different political subdivisions. In addition, some township levies apply to certain taxing districts, but not to others. For instance, the township's road and police levies do not apply to the incorporated areas of the township, but its fire levies do not apply to the incorporated areas except for the City of Beavercreek. This is important because the valuation changes we worked through above would vary for each of those levies. The overall valuation Reappraisal change in the City of Beavercreek was 6.3%, which would be similar to the calculation we did above. The County's Reappraisal change was 5.48% and Beavercreek Township was 6.6%. Each individual levy would have to be calculated based on these projections making it nearly impossible to answer the question, "What impact will this valuation change have on my taxes"?

First, let's look at how valuation changes can effect an individual tax bill. Start with assuming there is only one property in Greene County. It is Appraised at $100,000. The County passes a 2 mill fire levy which costs the property owner $70 per year ($100,000*35%*2/1000). The following year a Reappraisal is completed and the valuation increases to $150,000. The tax rate will be reduced to 1.33 mills so that it still generates $70 per year ($150,000*.35*1.33/1000). Notice the valuation increase did not result in a tax increase.

As a second example, let's assume that after the Reappraisal, the property owner decides to put an addition (new construction) on their property increasing the Appraised Value from $150,000 to $200,000. As we discussed earlier, new construction will not change the tax rate but will result in additional tax. In this case the tax would increase to $93.33 ($200,000*35%*1.33/1000). The county will receive its base of $70 but will also receive additional revenue of $23.33 ($50,000*35%*1.33/1000) from the new construction.

As a third example, let's assume there are two properties in the county. Each property is appraised at $100,000 and the county has a 3 mill levy with an Effective Tax Rate of 2 mills. We know from our earlier calculation that this levy will cost each property owner $70 generating $140 for the taxing district. A Reappraisal is completed in which property Owner A saw a valuation increase from $100,000 to $150,000. Property Owner B saw a valuation increase from $100,000 to $110,000. As discussed earlier, we know the Inside millage will cause the taxes to increase for Owner A and Owner B by 50% and 10%, respectively.

The tax implications for Fixed Rate and Fixed Sum Levies are not tied to the percentage change they saw in their value. Instead, think of it as a percentage of the total valuation. We know the County has to generate $140. When each Property Owner owned 50% of the total value on which the tax revenue was based, they shared the

liability equally. Now Owner A owns 58% of the value and thus 58% of the liability and Owner B owns 42%. This means Property Owner A will see taxes increase from $70 to $81 ($140*58%) while Property Owner B will actually see a decrease in the tax liability to $59 ($140*42%), even though the value of the property increased.

The final table highlights some of these relative tax questions.

		Example 1		Example 2	Example 3	
		Year 1	Year 2	Year 1	Year 1	Year 2
Appraised Valuation						
	Owner A	100,000.00	100,000.00	150,000.00	100,000.00	100,000.00
	Owner B			-	100,000.00	100,000.00
	Total Base Appraised Value	100,000.00	100,000.00	150,000.00	200,000.00	200,000.00
Reappraisal Change						
	Owner A		50,000.00			50,000.00
	Owner B					10,000.00
	Total Reappraisal Change	-	50,000.00	-	-	60,000.00
New Construction Change						
	Owner A			50,000.00		
	Owner B					
	Total New Construction	-	-	50,000.00	-	-
New Appraised Value						
	Owner A	100,000.00	150,000.00	200,000.00	100,000.00	150,000.00
	Owner B	-	-	-	100,000.00	110,000.00
	Total New Appraised Value	100,000.00	150,000.00	200,000.00	200,000.00	260,000.00
	Effective Tax Rate	2.00	1.33	1.33	2.00	1.54
Taxes						
	Owner A	70.00	70.00	93.33	70.00	80.77
	Owner B	-	-	-	70.00	59.23
	Total Taxes	70.00	70.00	93.33	140.00	140.00

We have thoroughly reviewed the impact Valuations and Fixed Rate Levies have both the taxing district revenue and an individual's taxes. There are, of course, a few exceptions to the rule.

- The effective rate can never exceed the voted rate. If the voters approve a 2 mill fire levy, the effective rate will equal the voted rate. If the Appraised value decreased from $100,000 to $75,000, the levy would go from collecting $70 ($100,000*35%*2/1000) to collecting $52.50 (75,000*35%*2/1000). This is because the effective rate is already collecting at its cap of 2 mills.

- The most significant exception is when a school district is said to be at the 20 mill floor. This happens when the school district has general fund levies voted in excess of 20 mills, the rate can never be reduced below 20 mills. If a school district is at the 20 mill floor and values increase 10%, the tax rate cannot be reduced below 20 mills, resulting in a 10% increase in the taxes. In essence, the school district's general fund millage acts like inside millage where the percentage increase in value will equal percentage increase in taxes.
- This same exception applies to Joint Vocational School Districts but at a 2 mill floor.

Lastly, there are three property tax credit programs in Ohio, they are:

- Non-Business Credit
  - Automatically applies to all agricultural and residential properties
  - Provides a 10% reduction on tax levies passed prior to August 1, 2013

- Owner Occupied Credit
  - Property must be owner occupied
  - Must file an application with the county auditor
  - Only certain values qualify. For example, outbuilding do not qualify or if you own more than one acre only the value associated with one acre qualifies.
  - Provides a 2.5% reduction on tax levies passed prior to August 1, 2013.

- Homestead
  - To qualify you must:
    - Meet the same requirement as the Owner Occupied Credit and
    - Must be older than 64 or permanent disabled and
    - Must have an Ohio Adjusted Gross Income less than $31,800. This amount is adjusted each year for inflation.

We hope this helped you in understanding the interaction between tax value changes and tax rates. Should you prefer to discuss this further, contact your local County Auditor