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GUEST COLUMN

Does Ohio law give homeowners a real estate tax break in down market?

Thursday, April 10, 2008

Joe Testa

In February, I wrote a column describing the Franklin County residential real estate market from my perspective as the county auditor. Essentially the message was that home values remain secure for most property in Franklin County.

While some neighborhoods have been harder hit and sales have slowed, most homes are still holding value and some neighborhoods have even seen a slight increase from the 2005 reappraisal. I know this contradicts the constant bad news from the National media about the housing market, but as you know, all real estate is local.

Frequently I am asked this question: "If property values actually did decline, how much of a tax break will we see?" The surprising answer is, almost none. Why?

It is because Ohio Tax Law protects schools, social service agencies etc. during down markets in the same way it protects homeowners during up markets through a tax rate adjuster called "reduction factors."

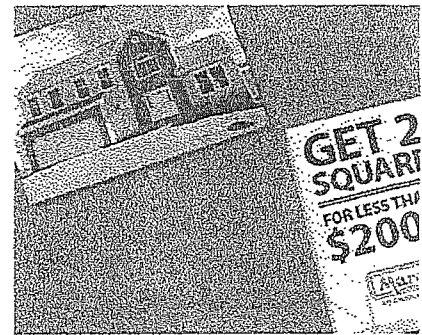
Over 30 years ago, the state legislature passed House Bill 920 to prevent tax increases from occurring during property reappraisal. Reduction factors are applied to levies approved by the voters and reduce the tax rate if the district's value increases during the state required reappraisals and updates conducted by the county auditor.

This "outside millage," as it is called, representing about 85 percent of the tax rate, is reduced so that in a strong market the schools etc. receive no more money than the voters approved through their levies. New building construction is an exception to this rule, and in most cases creates new revenue for them. Beyond that if they want more of your money they have to ask your permission on the ballot.

Note: That same Ohio law which protects homeowners by decreasing the tax rate when property values rise during reappraisal works in *reverse* if values fall, by forcing the tax rate up to maintain the income of the schools and social service agencies!

Here is an example: In the city of Columbus/Columbus Schools the average residential home value is currently \$111,700. If a reappraisal increased the district's residential value 10 percent, that home's value would go up to \$122,870 and the tax bill would increase by 1.8 percent or \$31.20 per

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year.

Likewise though, if reappraisal *decreased* that value 10 percent to \$100,530, the tax bill would only be reduced by the same amount, 1.8 percent or \$31.20 per year.

Using that last example, you would have lost \$11,170 of your home's value (equity) and only "saved" \$31.20 per year in a reduced tax bill. If nothing changed, it would take you 358 years to recover that loss through the slightly reduced tax bills.

Fortunately, most Franklin County homeowners' values still appear to be secure. There are a few small pockets of decline or increase due to sales, but most neighborhoods have held their value.

We will be completing the 2008 state mandated update and mailing out our tentative value figures this summer. You will also receive the schedule of informal review sessions for property owners to meet with our appraisers.

Determining fair market value is the county auditor's goal.

We neither sugarcoat nor trash the real estate market. We only reflect the decisions made by you, the buyers and sellers of homes.

While parts of the U.S. saw huge increases in property values and now watch their bubbles burst, we here in Franklin County never did.

Although we certainly have had better years for the housing market than now, ours beats the roller coaster ride some parts of the country have experienced hands down. All real estate really is local, after all.

Joe Testa has served as Franklin County Auditor since 1992. E-mail him at joe_testa@franklincountyohio.gov.

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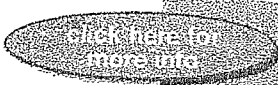
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