



County of Hamilton

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DAVID NURRE, our Assistant Director of Finance, recently wrote an excellent explanation of property tax levy reduction factors and the different classes of property. It is offered to help you understand another complicated aspect of property taxation.

Ohio Revised Code Section 319.301 outlines the calculation of reduction factors. Up until the early-1980s, there was only one class of property which included all four classes of real property – residential, agricultural, commercial and industrial. One reduction factor (and the resulting effective rate) was applied to all four classes.

Because the change in value of residential property rapidly surpassed the value of commercial and industrial classes due to inflation in the 1970s and early 1980s, commercial and industrial properties were paying lower taxes at the expense of residential property owners even though the district was receiving the same revenue from a given levy. (The reduction factors are calculated on the average change in values due to the reappraisal value that is applied each year in a district. When calculating the average for all four classes together, the residential and agricultural properties were generally on the high end of the average.)

The law was changed to recognize the inequity, and two classes of property were created. Class I property consisted of residential and agricultural properties. Class II was comprised of commercial and industrial. Reduction factors were re-calculated based on the reappraisal values that had occurred back to 1976, the first year for reduction factors. The new factors for each class were then applied prospectively. There was no adjustment for prior years.

Sometime in the late 1990's the formula was tweaked again because of the changes in value that were occurring based on Board of Revision (BOR) and Board of Tax Appeals (BTA) decisions. In particular, certain commercial properties might see a significant increase after a reappraisal, only to have the BOR reduce the values the next year. This resulted in a lower effective rate the year after a reappraisal. When the BOR or BTA lowered values the next year, the effective rate stayed the same, but there was a direct and permanent loss of revenue to a district.

As a result, the calculation of reduction factors recognized the change in value from both the reappraisal and the BOR & BTA decisions. These changes are reported on the Abstract of Real Property that is filed each year with the tax commissioner.

Those having questions concerning the reduction factors should refer to our 2000 Citizen's Report. It gives a general outline of the tax levies and effective rates, and how they work. The explanation begins on page four of the report. It is at the following address on our website.
http://www.hcauditor.org/retax_menu.asp

In general, the effective tax rate for the residential class is lower than the commercial/industrial rate because the percentage of change in value from the reappraisals on residential and agricultural property have exceeded the change in value in the commercial/industrial class. In addition, the industrial class historically does not see the increases that the other three have received.

The Mariemont School District is a good example. There is a significant gap between the two effective rates in the Village of Mariemont. The district is comprised of stable and increasing residential and commercial values (consisting primarily of apartment buildings in the Village of Mariemont) in the district, but the industrial base in the Village of Fairfax has remained flat or decreased at times with each reappraisal.

David Nurre, Assistant Director of Finance