

Senator Blessing, Representative Roemer, and committee members.

Thank you for studying changes to Ohio's property tax system.

I am not able to attend and testify in person so I am submitting my written comments.

The huge increase in residential property values in recent years have clearly identified that there are significant equity issues with our property tax system as implemented in Ohio.

Essentially it is a wealth tax on unrealized capital gains. There have been discussions of policy changes in Congress to implement a wealth tax on the highest income individuals but a major objection is that it requires valuation of assets and then taxes asset gains that are not realized.

Ohio's property tax system does exactly that. Property owners are taxed on the increase in value of their property even though they have not realized that gain. And in Ohio this does not apply to just the wealthiest individuals but to every single property owner in Ohio regardless of their wealth or ability to pay.

This is especially a hardship on senior citizens living on a fixed income and anyone who has a lower income, becomes physically impaired, or becomes unemployed. The property taxes imposed are totally unrelated to the owners ability to pay.

As you know, in Ohio property taxes are imposed upon the appraised value of a property. That is an inexact and often unfair process. That is exactly one of the objections to a federal wealth tax - determining the value of the assets.

There are many problems with the property tax system in Ohio:

- In many cases, perhaps most, this appraised value is actually less than the actual value of the property when the asset is sold
- The appraised value increases can be quite large and are dependent upon other properties in the area.
- Property owners may own their property over several decades. During that time, their income and ability to pay the property taxes can change significantly. At the time of initial purchase of a property, their income may be perfectly adequate to pay the imposed taxes. Over the decades of ownership many changes to their income may affect their ability to pay increased taxes levied against the unrealized gain in value of their property. These changes can include but are not limited to retirement, family status, health, changes in employment. If their income does not increase commensurate with the property tax increases, they may be forced from their homes.
- For most Ohioans and Americans, a home is their largest investment. The gain from the eventual sale of their home is needed to fund their continued existence and eventual retirement. This continual wealth tax robs them of the full gain of their investment.
- The disconnect between property values and taxes are a major contributor to the unconstitutional "phantom revenue" issues in school funding as noted in the DeRolph decision.
- There are a hodgepodge of rules governing the application of property taxes which make it confusing for taxpayers and taxing entities including but not limited to the following:
 - Inside and outside millage
 - HB920 restrictions on growth
 - Many different types of property tax levies: new, permanent, renewal, replacement, etc

Schools and local governments are very dependent upon property taxes to fund their operation so any changes to this system which reduces local revenue must be replaced with another system.

I would like you to consider the following changes to Ohio property tax law:

- Property values for existing residential property owners be frozen at their current levels as a new system is implemented
- Property values change only when a property is sold and thus an increase in the value of the asset is actually realized. The taxable value of a property would become the actual sale price for a new owner.
- Property values could also change if there are significant additions or improvements to the property which increase its value or catastrophic loss which may decrease its value. Typically significant improvements require a building permit and disclosure of the cost of the improvements. Of course the cost of improvements do not necessarily result in the same direct increase in value so some appraisal method would be required for this scenario
- Property taxes would increase only when new property tax levies are approved by voters. Approval by voters should become easier with a simpler, more transparent system of property taxation.
- Utilize the income tax as a more equitable tax at both the state and local level. This more fairly aligns the ability to pay tax increases with the tax increases.
- Since it may take many years for property ownership to change and during which some enacted taxes may expire, an equitable plan will be needed to allow schools and local governments to continue to realize the revenue increases required to operate their entities. At least part of this, and potentially most of it, should come from the state.

This proposal addresses residential property taxes only and not commercial taxes. Commercial entities have much more flexibility and ability to absorb tax increases.

Thank you for your consideration.

Sincerely,

John Gray