

## **New Tax Law a Step in the Wrong Direction**

Legislation signed by Governor Taft that provides a means for schools to raise more revenue is not the answer to Ohio's school funding problem. The new law permits school districts to place levies on the ballot that will increase taxes as property values increase. This will raise more money for schools, but it is another step in the wrong direction.

Advocates for this legislation have long sought to reverse the effect of a long-standing state law known as House Bill 920. Approved by the state legislature in 1976, HB 920 fixes tax levies at property values in effect at the time of passage. Schools have argued that this provision prevents revenues from keeping up with inflationary costs and growth in their districts. Additionally, HB 920 negatively impacts schools due to the manner in which the state's school foundation formula is computed.

If school districts are able to convince voters to approve these new types of levies, they will indeed realize additional revenues as property values in the district increase, and I understand that this would be a welcome benefit. However, a further examination of the impact of this legislation indicates that overall this is bad tax policy. That is why I joined other county auditors from across the state in opposing this new law. The County Auditors Association of Ohio asked Governor Taft to veto this legislation to no avail.

The legislation to permit this new type of tax levy seems to encourage schools to continue their reliance on the property tax as their primary source of funding. This action comes at a time when the over-reliance on property taxes to fund public education in Ohio is almost universally considered to be inappropriate. In fact, the Ohio Supreme Court twice has ruled the state's property tax unconstitutional as a means of funding local schools. Levies passed under this new law will increase this over-reliance on property taxes and further the inequities in school funding.

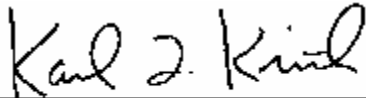
Last year, the Ohio General Assembly voted to eliminate the 10% property tax rollback for commercial properties, which had the effect of increasing real estate taxes for these property owners in Montgomery County by over \$15 million per year. This latest action by the legislature would allow property taxes to become even more of a burden for all property owners, and that is not the direction we should be going.

House Bill 920 has been in effect for thirty years and has worked well to protect property owners from higher taxes as a result of higher market values. By fixing property tax levies at the property values in effect at the time of passage, it has helped to mediate some of the inherent unfairness in a system that taxes citizens on what amounts to an unrealized asset.

Additionally, with all the different types of levies and all the rollbacks, credits, reduction factors, abatements and number of taxing districts, understanding local property taxes is not an easy task. Passage of these new types of levies will add to taxpayer confusion and

make the administration of local property taxes more difficult. Other levies will be fixed at prior property values while these new levies would not, and how that gets translated into a tax rate the public can understand at this point remains a mystery.

Frederick Stocker, a well known tax economist, once observed that the property tax “resembles a structure designed by a mad architect, erected on a shaky foundation by an incompetent builder, and made worse by the well-intentioned repair work of hordes of amateur tinkers.” This latest action out of Columbus, while perhaps well-intentioned, clearly demonstrates that the “amateur tinkers” are still at work.

A handwritten signature in black ink that reads "Karl L. Keith". The signature is written in a cursive style with a horizontal line underneath the name.

Karl L. Keith, Montgomery County Auditor