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Memorandum

R-132-4002

To: The Honorable Ron Young
Ohio House of Representatives

From: Philip A. Cummins, Senior Economist *PAC*

Date: August 28, 2018

Subject: CAUV effects in Lake County

This memorandum is in response to a request for analysis of how recent changes in current agricultural use valuation (CAUV) law will affect residential property owners in Lake County.

The short answer is, very little. In 2017, Lake County had 17,693 acres enrolled in CAUV, 0.1% of total statewide CAUV acreage. Only Cuyahoga County, among Ohio's 88 counties, had fewer acres in the program. Taxable value of Lake County land enrolled in CAUV was about \$9 million, 0.2% of Class I (residential and agricultural) taxable value in Lake County totaling about \$4,347 million. If CAUV value was reduced to zero for tax purposes, far more than the actual reduction, property taxes of residential and other agricultural property taxpayers would rise only an estimated 0.2% on average. The actual reduction in the value of CAUV land in Lake County resulting from the changes made to the CAUV formula is likely to be closer to \$2 million, less than 0.1% of Class I taxable value. Residential property owners in any jurisdictions in the county with concentrations of CAUV land would be more affected, while those in taxing districts with little CAUV land would be little affected. All homeowners will see some effect through county-wide property taxes.

The change in CAUV law was made by Am. Sub. H.B. 49 of the 132nd General Assembly and alters the formula for computing the CAUV values. Calculations are complex, with some CAUV land valued at minimums and not subject to further reduction. Statewide, land in the program was estimated to decline in value by up to about 21% due to the changes in the act, with half of the change at each county's next

property value reappraisal or update during tax years 2017 through 2019, and the rest in 2020 through 2022. These effects will occur in Lake County in tax years 2018 and 2021, the years of property value reappraisal and update in that county. Under the prior CAUV formula average statewide land values would have continued a decline from a peak in 2014, so a portion of any declines observed over the next six years would have resulted even in the absence of the H.B. 49 changes to the formula. In the 41 counties with reappraisals or updates in tax year 2017, values of CAUV land fell 26% on average, generally from the values set three years earlier.

If you have questions or want more information on the above topics, please contact me at (614) 387-1687 or Phil.Cummins@lsc.ohio.gov.