

OHIO FARM REAL ESTATE TAXES
AND
TAX VALUATIONS

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Some information on farm real estate taxation is particularly opportune at the present time because real estate is due to be revalued for tax purposes in 1943. The present Ohio law requires a general reappraisal every six years. The size of the farm real estate tax bill may be altered somewhat by this reappraisal. In view of the above circumstances this report has been prepared to assemble information pertinent to the present status of farm real estate taxes and valuations in the State and in the various counties.

Changes in the tax system since 1930 have lessened the farm property tax burden sufficiently that general interest in property taxes is by no means as intense as it was a few years ago. None-the-less, property taxes still represent an important item of expense incidental to the ownership of farm real estate, being equal to approximately one-fourth of the average net income on the investment in land and improvements.

Have We Passed a Long-Time Low in a Real Estate Tax Cycle?.- The average Ohio farm real estate tax per acre in 1941 was 69 cents, which is one-half more than in 1910 but only a little more than one-half as much as in 1930. The low in the average tax per acre came in 1936. But the rate of change has been relatively unimportant since 1933. The one per cent (ten mill) tax rate limitation took effect in 1933 and since then a substantial portion of state taxes has been allocated to the support of local government.

The tax per \$100 of value has ranged from 64 cents in 1910 to \$2.00 in 1932 and then down to 91 cents in 1941. The following points are worth noting: (1) The tax per acre averages relatively low at present because farm real estate tax valuations are conservative and the Ohio tax rate limitation has held rates down. (2) The tax per \$100 of value is low from the same reasons plus the fact that the market value of farm real estate has been rising for the past several years. The tax per \$100 of value is mentioned here because it represents the true tax rate that is imposed on the capital value of farm real estate.

Due to the current rise in the market price of farm real estate, the tax per \$100 of value is still maintaining a downward trend. But the question arises as to whether farm real estate taxes will remain near the present level or move upward in response to the recent increases in farm real estate values, increases in some governmental costs and the probable reduction in revenues from some other sources. In other words, to what extent will circumstances created by the war cause the past history of real estate taxation to be repeated? Farm real estate tax trends are portrayed in the following chart.

Ohio Farm Real Estate Taxes Per Acre
and Per \$100 of Value, 1910-1941

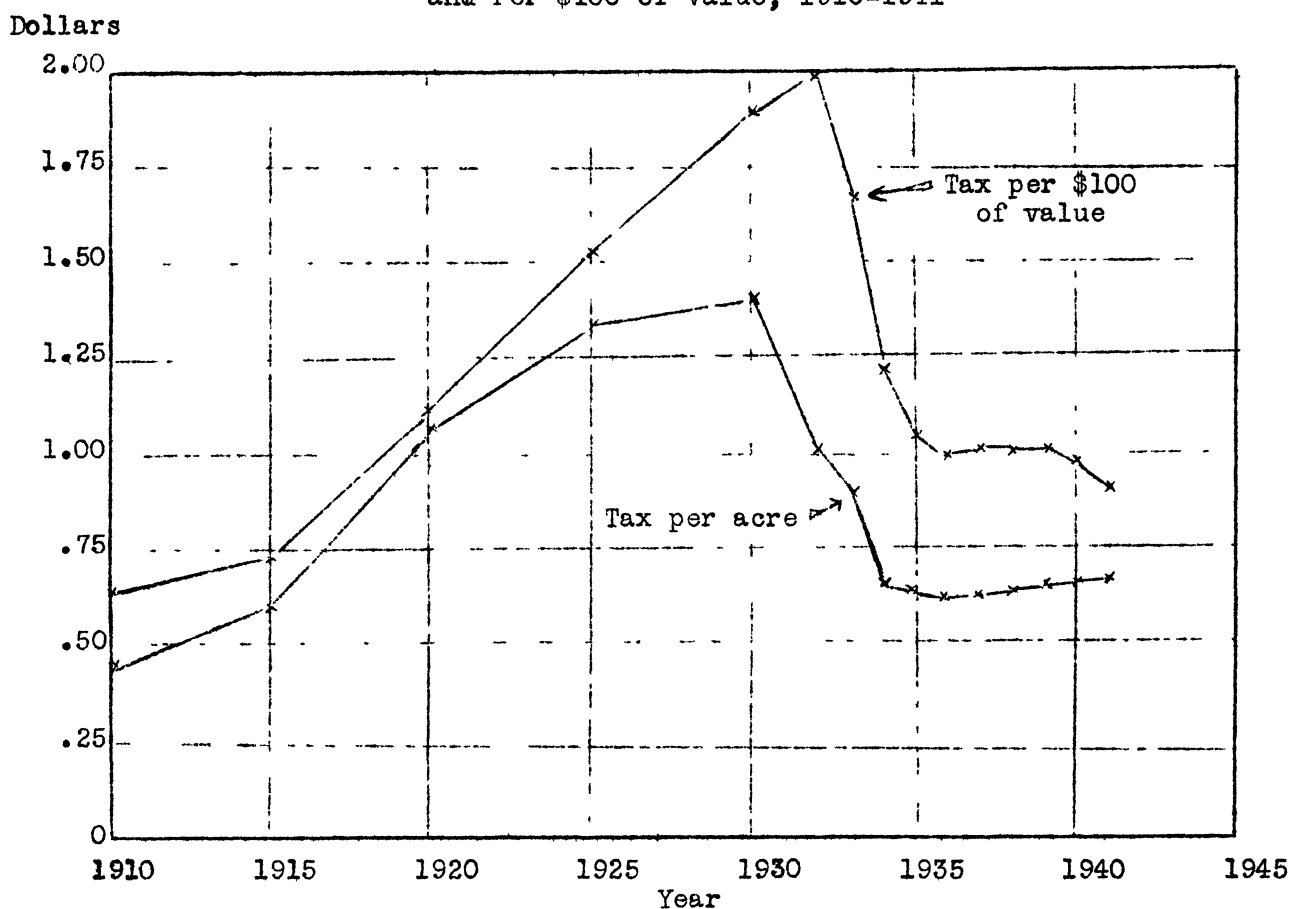


Table 1.- Average Tax Per Acre and Per \$100 of Value,
Ohio Farm Real Estate, Selected Years, 1910-1941

Year	Tax per acre (Dollars)	Tax per \$100 of value (Dollars)
1910	.45	.64
1915	.60	.74
1920	1.07	1.11
1925	1.31	1.53
1930	1.36	1.90
1932	1.02	2.00
1933	.91	1.68
1934	.68	1.22
1935	.65	1.07
1936	.64	1.00
1937	.65	1.03
1938	.66	1.02
1939	.68	1.03
1940	.68	.99
1941	.69	.91

Source: From data assembled by the Bureau of Agricultural Economics.

County Average Real Estate Tax Per Farm and Per Acre.- Counties differ in the value of land and other taxable property and also in local policies in respect to taxation and governmental services. All these influences result in a wide variation in the tax per farm and per acre. The average tax per farm in 1940 ranged from a low of less than \$25 in some of the southeastern Ohio counties to a high of approximately \$125 in some of the western and northern Ohio counties and in some urban counties the figure was still higher. The tax per acre followed a somewhat similar pattern; low in southern and southeastern Ohio, higher in western and northern Ohio. This is in general about what could be expected. However, a somewhat different pattern is presented when the average tax per each \$100 of value is determined for individual counties.

Taxes per \$100 of Real Estate Value, By Counties.- As measured in terms of the values reported by farmers for census purposes the tax ranged from less than 80 cents to more than \$1.60 per each \$100 of value in the various counties. The pressure of demand for public service creates a tendency for counties with low land values and also some of the more urbanized counties to have relatively high tax rates. But the exceptions to this rule are sufficiently frequent to emphasize the fact that each county, within limits, has adopted policies and local peculiarities of administration which may have a very decided influence on the amount of tax as measured in terms of value of property. The above mentioned differences between counties in the average tax per farm, per acre and per \$100 of value can be noted from the figures in columns one, two and three of Table 2.

The Tax Valuation - True Value Ratio, By Counties.- According to Ohio law, real estate is to be assessed for taxation according to its value in money. The usual measure of this standard is the market price of real estate when sold by a willing seller to a willing buyer. Experience in establishing tax valuations indicates that some deviation from this standard is to be expected because of differences in human judgment when applied to the appraisal of individual tracts of real estate. Experience has indicated that when appraisers attempt to establish tax valuations at 100 per cent of the sales value a considerable proportion of the individual properties will be valued so high that the owners appeal for a reduction, adding a serious burden to the duties of the county auditor. The 1925-26 reappraisal established an average tax valuation for all farm real estate in Ohio of approximately 83 per cent of the market price and the two subsequent appraisals in 1931 and 1937 did not materially alter this state average. However, a considerable amount of deviation from the state average prevails in individual counties. The figures in the last column of Table 2 have been prepared to show, as accurately as is possible from available data, the level of tax valuations of farm real estate in the various counties in 1940, as compared with census values which as a rule are a good index of average market prices of farm real estate.

The advance in real estate prices since 1940 would tend to create more spread at the present time between tax valuations and market (or census) value than indicated in the following table.

Table 2.- Farm Real Estate Taxes, Census Values and Tax Valuations
on Owner Operated Farms, Ohio Counties, 1940

County	Average tax per farm (Dollars)	Average tax per acre (Dollars)	Tax per \$100 of value (Dollars)	Census value per acre 1940 (Dollars)	Tax valuation per acre 1940 (Dollars)	Tax valuation-census value ratio (census value = 100) (Per cent)
Adams	44.22	.39	1.37	28.27	22.54	78
Allen	79.81	.91	1.01	90.48	71.22	79
Ashland	61.12	.59	1.10	54.02	45.36	94
Ashtabula	54.58	.72	1.33	54.13	60.80	112
Athens	34.34	.36	1.25	28.63	21.14	74
Auglaize	73.65	.75	.89	83.84	66.80	80
Belmont	40.55	.51	1.18	42.87	36.41	85
Brown	46.70	.52	1.26	41.12	31.36	76
Butler	75.09	.81	.81	99.80	67.18	67
Carroll	41.93	.39	1.15	33.52	28.07	84
Champaign	83.23	.68	.85	79.84	57.24	72
Clark	87.29	.86	.82	104.74	68.63	66
Clermont	48.88	.65	.96	68.43	39.73	58
Clinton	103.99	.84	1.02	82.28	59.10	72
Columbiana	42.51	.58	1.08	46.07	39.52	86
Coshocton	41.24	.34	.92	37.25	26.60	71
Crawford	89.00	.76	1.13	67.83	61.26	90
Cuyahoga	280.69	8.61	2.03	423.63	434.23	102
Darke	65.86	.84	.84	84.33	67.21	80
Defiance	73.79	.66	.96	68.56	59.67	87
Delaware	58.62	.61	.87	70.14	46.46	66
Erie	74.23	.89	.95	94.24	84.38	90
Fairfield	63.65	.67	.94	71.32	48.49	68
Fayette	112.28	.70	.81	87.18	62.81	72
Franklin	64.24	.88	.59	149.87	62.84	42
Fulton	66.65	.76	.90	85.23	60.06	70
Gallia	24.57	.27	1.05	26.25	21.83	83
Geauga	88.20	1.05	1.18	88.83	77.09	87
Greene	95.96	.87	.93	93.14	68.43	73
Guernsey	37.15	.37	1.50	24.75	24.46	99
Hamilton	125.40	2.64	1.02	259.86	198.78	77
Hancock	95.03	.86	1.07	79.87	77.56	97
Hardin	70.39	.61	.80	76.05	56.57	74
Harrison	33.12	.28	.86	32.07	22.87	71
Henry	100.20	.97	.95	101.83	78.15	77

Table 2 (continued)

County	Average tax per farm	Average tax per acre	Tax per \$100 of value	Census value per acre 1940	Tax valuation per acre 1940	Tax valuation-census value ratio census value = 100
	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Per cent)
Highland	48.97	.44	.91	48.35	30.66	63
Hocking	29.38	.25	1.11	22.74	17.77	78
Holmes	66.12	.61	1.09	56.21	46.16	82
Huron	91.90	.53	.95	56.28	39.56	70
Jackson	25.46	.27	1.03	25.86	21.51	83
Jefferson	42.41	.46	1.03	44.60	32.15	72
Knox	50.38	.47	.99	47.26	36.85	98
Lake	133.77	2.51	1.30	192.79	176.72	92
Lawrence	36.19	.55	1.67	32.79	30.03	92
Licking	54.32	.56	.94	59.01	42.15	71
Logan	70.08	.64	1.02	62.92	48.75	77
Lorain	89.54	1.23	1.24	99.51	92.73	93
Lucas	122.67	2.41	1.51	157.31	165.39	105
Madison	118.72	.64	.78	82.11	53.86	66
Mahoning	69.29	1.01	1.24	81.33	71.29	88
Marion	95.41	.73	1.01	72.42	63.74	88
Modina	73.11	.98	1.17	84.10	65.92	78
Moigs	23.04	.28	1.01	27.30	18.50	68
Mercer	77.61	.78	.97	80.87	67.41	83
Miami	95.82	1.16	1.12	103.86	85.24	82
Monroe	28.74	.33	1.34	24.33	24.99	103
Montgomery	86.86	1.54	1.00	153.58	101.41	66
Morgan	29.73	.27	1.15	23.48	20.51	87
Morrow	61.49	.61	1.19	51.31	48.27	94
Muskingum	29.23	.30	.81	37.52	27.14	72
Noble	36.75	.35	1.36	25.48	18.94	74
Ottawa	95.59	1.17	1.05	111.83	93.08	83
Paulding	106.10	.76	.92	82.10	63.85	78
Perry	34.04	.31	1.00	36.51	22.33	61
Pickaway	124.12	.77	.93	82.50	73.09	89
Pike	34.41	.28	1.24	22.49	17.14	76
Portage	49.71	.67	.96	69.46	45.62	66
Preble	95.38	.95	1.12	85.20	71.50	84
Putnam	80.66	.79	.84	93.61	67.02	72
Richland	53.30	.57	.93	57.96	39.17	68
Ross	60.91	.47	1.11	42.73	36.58	86
Sandusky	102.54	1.04	1.13	91.72	91.05	99
Scioto	29.83	.44	1.45	30.13	22.87	76
Seneca	91.78	.77	1.09	70.91	64.17	90
Shelby	76.65	.70	1.04	67.75	58.47	86

Table 2 (continued)

County	Average tax per farm	Average tax per acre	Tax per \$100 of value	Census value per acre 1940	Tax valuation per acre 1940	Tax valuation-census value ratio census value = 100
	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Per cent)
Stark	59.50	.99	.95	104.58	83.79	80
Summit	70.22	1.55	.88	176.53	77.74	44
Trumbull	70.52	.97	1.57	61.99	59.60	96
Tuscarawas	40.43	.41	.92	45.18	31.01	69
Union	60.86	.54	.79	68.66	46.17	67
Van Wert	98.35	.85	.88	97.19	69.35	71
Vinton	23.21	.22	1.27	17.37	15.99	92
Warren	74.15	.77	.87	87.94	61.88	70
Washington	29.04	.33	1.02	32.20	26.72	83
Wayne	60.58	.69	.83	82.73	57.06	69
Williams	72.69	.68	1.01	67.50	57.06	85
Wood	111.89	1.08	.95	113.53	90.76	80
Wyandot	91.61	.74	1.08	69.08	62.00	90
State	64.65	.69	1.06	65.64	49.72	76

1. Average tax per farm and per acre: Each owner-operator was asked by the 1940 farm census enumerator the amount of the farm tax levy of 1939 which in Ohio is the tax due to be paid in 1940.
2. Tax per \$100 of value: This is based on the farm real estate values reported by farm owner-operators; 1940 census.
3. Tax valuation per acre: This was calculated from the average rural tax rate in each county and the average farm real estate tax per acre. The average rural tax rate was computed from the tax valuation of and taxes paid on rural real estate as published in the annual reports of the Ohio Department of Taxation.
4. The tax valuation -- census value ratio: Obtained by dividing the tax valuation per acre by the average census value per acre. This is a close approximation of the tax valuation -- true value ratio, because average census values are approximately the same as the average values indicated by voluntary sales in the same current period. The census values used apply to owner-operated farms reporting taxes in 1940. The average values of real estate in owner-operated farms in most counties are not exactly the same as the average census values of all farm real estate in the same counties.

Summary and Conclusions

Farm real estate taxes are now relatively low and have remained fairly constant for the past ten years. Whether this stability can be maintained much longer will depend on how the impact of a total war situation reacts on our state and local taxes and governmental expenses. The most immediate possibility of change is associated with the revaluation of real estate for tax purposes in 1943, a year in which the real estate market is reflecting considerable strength.

Farm real estate taxes have a substantial variation from county to county. Part of this is due to local autonomy in the voting of tax rates to finance specific services and is justified on the grounds that the people of each taxing unit -- school district, township, and county -- have the authority to establish local policy in respect to local taxation and governmental service.

On the other hand the inequities caused by deviations from a uniform standard of valuation of property for tax purposes are of general concern because approximately one-half of all local government costs are paid out of state collected taxes. The most important case in point is the State school foundation program which is keyed to the property tax system in that a minimum levy of 3 mills is required of each local school district, the state then contributing the balance of the funds needed to bring the current operating budget up to the approved standard. According to this formula, if the real estate in a district is appraised for taxation at only 50 per cent of its true value the contribution from the State for support of the schools will be much greater than if the property is valued and taxed at 100 per cent of its true value. A second reason why state-wide uniformity in the valuation of real estate for tax purposes is desirable is the fact that all property used in the operation of public utilities is valued annually by the State department of taxation according to a uniform standard. It is a possible source of dispute if those companies are valued on a different level than the real estate in the same taxing districts because the same rates of taxation apply to both classes of property. Smoothing out the different levels of valuation which prevail between the various counties is a difficult duty assigned to the State department of taxation.

Inequities in valuation exist between individual properties in the same taxing district, between different districts within the same county and between counties. The information in this report covers only the differences between counties, as illustrated by one type of property, farm real estate. The sexennial appraisal of real estate is intended to correct all these inequities so far as is practicable. The comparisons drawn in Table 2 suggest that valuations in some counties may average as low as 50 per cent of the market price of the real estate and in other counties may be as high as 100 per cent or more of the market price. In a few counties tax valuations and the market price of farm real estate are both influenced by the site values of urban-industrial developments so as to be somewhat higher than land values supported by agriculture alone. It is probable that the general level of valuations will be raised due to the recent strengthening of land values; but at all events, valuations should be adjusted to a uniform level.

