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## Substitute Bill Comparative Synopsis

### Sub. H.B. 3

### 135<sup>th</sup> General Assembly

House Ways & Means

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This table summarizes how the latest substitute version of the bill differs from the immediately preceding version. It addresses only the topics on which the two versions differ substantively. It does not list topics on which the two bills are substantively the same.

Previous Version (I_135_0648-2)	Latest Version (I_135_0648-4)
<b>Subsidized housing valuation formula</b>	
<p>Requires the Tax Commissioner to adopt a formula for appraising federally subsidized residential rental property using the following factors:</p> <ul style="list-style-type: none"> <li>▪ <b>Operating income:</b> One or two years of operating income including gross potential rent and any other owner reported income (<i>R.C. 5715.01(A)(4)(a)</i>).</li> <li>▪ <b>Operating expenses:</b> The property's operating expenses as reported by the owner with presumptions as a percentage of operating income for vacancy (4%) and unpaid rent losses (3%)</li> </ul>	<p>Modifies each corresponding component of the formula as follows:</p> <ul style="list-style-type: none"> <li>▪ <b>Operating income:</b> Allows the use of up to three years of operating income data, including gross potential rent and any other recurring sources. Adds an allowance for vacancy and unpaid rent losses, which are presumed to be 4% and 3% of gross potential rent, respectively. Presumptive amounts may be exceeded with evidence. (<i>R.C. 5715.01(A)(4)(a)</i>).</li> <li>▪ <b>Operating expenses:</b> Presumes that operating expenses shall be 50% of operating income plus utility expenses as reported</li> </ul>

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<p>and for repair or replacement reserve fund contributions (5%). Presumptive amounts may be exceeded with evidence. (R.C. 5715.01(A)(4)(b)).</p> <ul style="list-style-type: none"> <li>▪ <b>Excluded expenses:</b> Excludes real property taxes, depreciation, and amortization expenses from operating expenses (R.C. 5715.01(A)(4)(b)).</li> <li>▪ <b>Capitalization rate:</b> A market-appropriate, uniform capitalization rate plus a tax additur for real property taxes at the property's location (R.C. 5715.01(A)(4)(c)).</li> </ul>	<p>by the owner as well as contributions to replacement reserve funds or accounts (presumed to be 5% of gross potential rent). Presumptive amounts may be exceeded. Omits inclusion of vacancy and unpaid rent losses allowances. (R.C. 5715.01(A)(4)(b)).</p> <ul style="list-style-type: none"> <li>▪ <b>Excluded expenses:</b> Also excludes the replacement of short-term capitalized assets from operating expenses (R.C. 5715.01(A)(4)(b)).</li> <li>▪ <b>Capitalization rate:</b> Requires that the uniform capitalization rate be reduced by one percentage point for federal low-income housing tax credit (LIHTC) property (R.C. 5715.01(A)(4)(c)).</li> </ul>
<b>Formula applicability to LIHTC property</b>	
<p>Applies the valuation formula to federal LIHTC properties during such a property's 15-year federal compliance period (R.C. 5713.031(A)(1)).</p>	<p>Also applies the formula to LIHTC properties during the additional federal 15-year extended use period and other similarly restricted periods, rather than just the initial 15-year compliance period (R.C. 5713.031(A)(1)).</p>
<b>Minimum value</b>	
<p>Sets a minimum value for federally subsidized residential rental property subject to the valuation formula at 150% of the property's unimproved land value (R.C. 5715.01(A)(4)).</p>	<p>Sets the minimum value at the greater of 150% of the unimproved land value or \$5,000 for each dwelling unit (R.C. 5715.01(A)(4)).</p>

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<b>Formula data reporting</b>	
<p>Requires the owner of federally subsidized housing to report to the county auditor the following information for the preceding year:</p> <ul style="list-style-type: none"> <li>▪ <b>Operating income:</b> The property’s operating income, including gross potential rent and any income from other sources <i>(R.C. 5713.031(B)(1))</i>.</li> <li>▪ <b>Operating expenses:</b> The property’s operating expenses, including losses due to vacancy or unpaid rent <i>(R.C. 5713.031(B)(2))</i>.</li> <li>▪ <b>Reserve funds:</b> The amount of contribution to repair or replacement reserve funds <i>(R.C. 5713.031(B)(3))</i>.</li> </ul>	<p>Requires the owner to report that information, modified as follows, for the up to three preceding years, as applicable to when the report is filed:</p> <ul style="list-style-type: none"> <li>▪ <b>Operating income:</b> Includes as operating income forgiveness of or allowance received for vacancy or unpaid rent losses, in addition to gross potential rent. Limits the reporting of income from other sources to only recurring income sources. <i>(R.C. 5713.031(B)(1))</i>.</li> <li>▪ <b>Operating expenses:</b> Includes as operating expenses all noncapitalized expenses related to staffing, utilities, repairs, supplies, telecommunication, management fees, audits, legal and contract services, and any other expense a prospective buyer might consider. Excludes reporting of vacancy or unpaid rent losses. <i>(R.C. 5713.031(B)(2))</i>.</li> <li>▪ <b>Reserve fund:</b> Removes reporting requirement for contributions to only repair funds <i>(R.C. 5713.031(B)(3))</i>.</li> </ul>
<b>Reporting deadlines</b>	
<p>Requires the owner of federally subsidized housing to report the above information to the county auditor by January 31: (1) before the property is placed in service, (2) after the commencement of operations, and (3) each following year <i>(R.C. 5713.031(C))</i>.</p>	<p>Extends the reporting deadline to April 1; requires the owner to make the report described in (1) to be based on pro forma figures; requires the report described in (2) be made after the property reaches 90% occupancy, rather than after commencing operations; and requires the report described in (3) to be filed only in a reappraisal or update year <i>(R.C. 5713.031(C)(1))</i>.</p>

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No provision.	Allows a county auditor to not apply the valuation formula to a property if the owner has not timely reported the information discussed above <i>(R.C. 5713.031(C)(3))</i> .
<b>Information audit and disclosure</b>	
No provision.	Requires reporting information submitted as described in (2) and (3), in the preceding entry, to first be audited by an independent or certified public accountant or auditor. If such an audit is not completed by the April 1 reporting deadline, requires updated records be filed within 30 days after such an audit occurs. <i>(R.C. 5713.031(C)(2))</i> .
Provides that valuation formula information reported to the county auditor is not a public record <i>(R.C. 5713.031(E))</i> .	Same, but also prohibits that submitted information from being disclosed except as necessary to administer the formula <i>(R.C. 5713.031(E))</i> .
<b>LIHTC tax credit records</b>	
No provision.	Establishes that records provided to the Tax Commissioner and the Ohio Housing Finance Agency (OHFA) to administer the bill's state LIHTC are not public records subject to the state's Public Records Law <i>(R.C. 175.12)</i> .
No provision.	Allows the Tax Commissioner to request records necessary to administer the LIHTC from the OHFA and requires the OHFA to respond with the requested records <i>(R.C. 175.16(J))</i> .