

Real Estate Valuation Statute

Frequently Asked Questions

Sections 5713.03, 5713.031, 5715.01



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I. Background

House Bill 33 (135th General Assembly) made three significant changes to the Ohio Revised Code that impact how affordable housing developments are valued for property tax purposes:

1. Removed the option for a county auditor to choose the valuation method (**ORC Section 5713.03**). Previously, the county auditor could choose to use the market-data approach, the income approach, or the cost approach.
2. Created a new reporting requirement for owners of “federally subsidized residential rental property” (**ORC Section 5713.031 → Admin. Code Section B → FAQ Section III**).
3. Created a new methodology that the county auditors must use to determine the value of “federally subsidized residential rental property” (**ORC Section 5715.01 → Admin. Code Section C → FAQ Section IV**).

While the statute provided a strong framework for this new reporting requirement and valuation methodology, many of the details were left to the Ohio Department of Taxation to provide through an administrative rule. The Ohio Department of Taxation has indicated that this rule—Ohio Admin. Code 5703-25-20—will go into effect on January 1, 2026.

This fact sheet reflects the Ohio Housing Council’s understanding of the statute and rule and is not intended to be legal advice. The Ohio Department of Taxation may issue additional guidance that clarifies or modifies how these requirements will be implemented in practice. If you have any questions, please consult with a licensed attorney.

II. Timeline in a Reappraisal or Update Year

- **March 1** – property owner’s deadline for filing required information (**DO NOT MISS THIS FILING DEADLINE**)
- **May 15** – property owner’s deadline to challenge statutory presumptions (Ohio Admin. Code 5703-25-20(B)(7)(b))
- **June 15** – date by which the County Auditor will provide the property owner with an opportunity to meet if the County Auditor determines the evidence provided by the property owner to support a challenge is insufficient (Ohio Admin. Code 5703-25-20(B)(8))
- **August 15** – property owner’s deadline to provide additional information in support of their challenge of presumptive amounts (Ohio Admin. Code 5703-25-20(B)(6)(a))

III. Reporting Requirements

Note: This section addresses filing requirements under ORC Section 5713.031 and paragraph (B) of the administrative rule. For information about how property will be valued using the information a property owner files, see [Section IV](#).

A. Who is required to report under this statute?

ORC Section 5713.031(B)

Owners of federally subsidized residential rental property.

B. What is federally subsidized residential rental property?

ORC Section 5713.031(A)

Property where any of the following apply:

- Part of a qualified Low-Income Housing Tax Credit (LIHTC) project, through its compliance and extended use period
- Receives HUD Section 202 assistance
- Receives HUD Section 811 assistance
- Receives HUD Section 8 project-based assistance
- Receives HUD Section 515 assistance
- Receives USDA Rural Development Section 538 assistance
- Receives USDA Rural Development Section 521 assistance

C. Where do owners of federally subsidized residential rental property file?

ORC Section 5713.031(B)

With the county auditor of the county in which the property is located.

D. What are owners of federally subsidized residential rental property required to file?

ORC Section 5713.031(B) & ORC Section 5713.031(C)(1)

Property owners must file **audited** information (see [Section III.D.1](#) for information about what “audited” means):

- for up to three (3) preceding calendar years, or
- for the period of time the property has been in operation, if this is less than three (3) years

The audited information must cover:

- Operating Income (see [Section III.D.2](#) for information on what is included in Operating Income when reporting to the County Auditor),
- Operating Expenses (see [Section III.D.4](#) for information on what is included in Operating Expenses and [Section III.D.5](#) for information on what is **not** included in Operating Expenses when reporting to the County Auditor), and
- Annual amount of contribution to replacement reserves or accounts related to the property

1. What does “audited” mean?

Ohio Admin. Code 5703-25-20(A)(2) & Ohio Admin. Code 5703-25-20(B)(5)(a)

The term “audited” is defined in the Rule as “examined to check the accuracy of records or financial accounts.” The requirement that the information be audited can be met in two ways:

1. The information is included in an audit of the property’s finances, or
2. The information is not included in an audit of the property’s finances, but is certified by an independent public accountant or auditor or a certified public accountant that the information has been examined to check the accuracy of records or financial accounts

2. What is included in “Operating Income” when reporting to the County Auditor?

ORC Section 5713.031(B)(1)

- Gross potential rent,
- Any forgiveness of or allowance received for losses due to vacancy or unpaid rent, and
- Any income derived from other sources (see [Section III.D.3](#) for information about what is included in income derived from other sources)

3. What is included in “income derived from other sources” when reporting to the County Auditor?

Ohio Admin. Code 5703-25-20(A)(11)

“Other income” or “income derived from other sources” includes **only** the following income, **so long as the income is attributable to the operations of the property**:

- Rent from commercial tenants
- Interest income from:
 - Operating accounts,
 - Insurance escrow accounts,
 - Real estate tax escrow accounts, and
 - Tenant security deposit escrow accounts
- Laundry and vending income
- Tenant charges
- Non-sufficient fees
- Late fees
- Application fees

4. What is included in “Operating Expenses” when reporting to the County Auditor?

ORC Section 5713.031(B)(2)

All non-capitalized expenses related to:

- Staffing
- Utilities
- Repairs
- Supplies
- Telecommunication
- Management fees
- Audits
- Legal and contract services
- Any other expense a prospective buyer might consider in purchasing the property

ORC Section 5715.01(A)(4)(b)

For calculating the value of Real Estate for property tax purposes, Operating Expenses also include replacement reserve fund or account contributions.

5. What is not included in “Operating Expenses” when reporting to the County Auditor?

ORC Section 5713.031(B)(2)

- Real property taxes
- Depreciation
- Amortization expenses
- Replacement of short-term capitalized assets

E. Who must audit the information that owners of federally subsidized residential rental property must file?

ORC Section 5713.031(C)(2)

- Independent public accountant,
- Independent public auditor, or
- Certified public accountant

F. How does an owner demonstrate the utility charges if they are not separated out in the audited information?

Ohio Admin. Code 5703-25-20(B)(5)(b)

If the income statement in the audited information does not separate out utility charges, the owner may provide additional information, including workpapers, to demonstrate the actual amount of utility charges paid by the property.

G. How does an owner satisfy the requirement to submit audited information if a property has not yet generated financial statements?

Ohio Admin. Code 5703-25-20(B)(5)(c) & ORC Section 5713.031(C)(2)

The statute requires that information be audited prior to filing. However, when a property has not yet generated financial statements to be audited, a property owner may file the original property proforma and initial budget instead.

Once the property generates its first set of financial statements, the property owner must have them audited by an independent public accountant, auditor, or CPA and file the audited information within thirty (30) days of audit completion (see [Section III.I](#)).

H. When must owners of federally subsidized residential rental property file the required information?

ORC Section 5713.031(C)(1)

The statute creates four possible triggers for filing required information:

- Before the property is placed in service, property owners must file the original property proforma and the initial budget (see [Section III.G](#)),
 - See [Section III.H.2](#) for information on when obligation begins for each type of property
- On or before March 1st after the commencement of the property's operations, property owners must file audited information, if available. If audited information is not available, property owners must file the original property proforma and the initial budget
 - See [Section III.H.3](#) for information about the deadline for reporting in this situation
 - See [Section III.D](#) for information about filing audited information
 - See [Section III.G](#) for information about filing if audited information is not available
 - See [Section III.I](#) for information about filing if an audit is in progress but not yet completed
- On or before March 1st in a year in which sexennial reappraisal is completed (i.e., reappraisal year) (see [Section V.D](#) for a link to the Sexennial Reappraisal and Triennial Update Schedule), and
- On or before March 1st in the third calendar year following the year in which a sexennial reappraisal is completed (i.e., update year) (see [Section V.D](#) for a link to the Sexennial Reappraisal and Triennial Update Schedule).

1. How is a year defined (e.g., fiscal, calendar)?

The statute does not explicitly define "year," but the text references "preceding calendar year" (ORC Section 5713.031(B)) and the administrative rule uses "calendar year" throughout. If your fiscal year is different than the calendar year, you should confirm with the county auditor what "year" is acceptable.

2. Before the property is placed in service, when does the obligation to file begin?

Ohio Admin. Code 5703-25-20(B)(2)(a)

The obligation to report depends on the source of the federal subsidy:

- For properties that are funded with the Low Income Housing Tax Credit, the obligation to report begins upon the closing of the partnership
- For properties that are subject to a regulatory agreement and rental contract or schedule, the obligation to report begins within thirty (30) days of issuance of the regulatory agreement and rental contract or schedule
- For all other property, the obligation to report begins within thirty (30) days of the issuance of a certificate of occupancy

3. When must the initial filing be made after a property commences operations?

ORC Section 5713.031(C)(1)

While neither the statute nor the rule explicitly states a deadline for filing after a property commences operations, absent further guidance from the Ohio Department of Taxation, property owners are advised to file no later than the March 1st following the commencement of operations.

I. What must an owner of federally subsidized residential rental property do if an audit of the required information is not completed by March 1st?

ORC Section 5713.031(C)(2)

Property owners must file information by March 1st even if the property's information is not yet audited (see [Section III.G.](#) for properties without financial statements yet).

- If the property has financial statements that are being audited, file the unaudited financial statements by March 1st
- Once the information has been audited, file the audited information within thirty (30) days of completion

J. What happens if an owner of federally subsidized residential rental property misses a deadline for filing required information?

ORC Section 5713.031(C)(3) & Ohio Admin. Code 5703-25-20(C)(3)

The County Auditor has the discretion to use the new methodology but is not required to do so and, if the auditor chooses not to use it, **the likely result is a higher valuation of the property and higher property taxes.**

K. How does an owner submit the required information in a timely manner?

Ohio Admin. Code 5703-25-20(B)(1)(a) and (B)(1)(b)

An owner may submit the required information by:

- Mail or courier: must be postmarked or otherwise time-stamped that the information was provided to the postal service or courier no later than 11:59 pm EST on March 1

Pro Tip: Needs to be a post office postmark, **not** a private meter postmark

- Email: must be **received by** the County Auditor no later than 11:59 pm EST on March 1

Pro Tip: Obtain the proper email address from the County Auditor

- Hand delivery: must be delivered in person to the County Auditor by the end of the business day on or before March 1
 - The county auditor is required to provide the owner or the owner's representative with confirmation of having received the information
- Any other method: must be agreed to by the county auditor

Pro Tip: Property owners should retain proof of timely filing (post office postmarks, email delivery confirmations, hand-delivery receipts) as documentation of compliance with deadlines.

IV. Calculation of Real Estate Valuation

Note: This section addresses valuation methodology under ORC Section 5715.01 and paragraph (C) of the administrative rule. For information about what a property owner must file, see [Section III](#).

ORC Section 5715.01(A)(4)

The statute requires the Ohio Department of Taxation to develop a formula that uses:

- Operating Income (see [Section IV.C](#) for information on what is included in “Operating Income” for the purpose of calculating the Appraised Value),
- Operating Expenses, and
- A market-appropriate, uniform capitalization rate plus a tax additur that accounts for the property tax expense

A. What is the formula for determining the total taxable value of federally subsidized residential rental property?

ORC Section 5715.01(A)(4) and Ohio Admin. Code 5703-25-20(C)(1) & (2)

The Total Value is the greater of:

- The Appraised Value
- \$5,000 multiplied by the number of units comprising the property
- 150% of the property’s unimproved land value

Note: The statute uses the term “Total Value” to mean the final taxable value of the property. This can be confusing because “Total Value” is actually determined by comparing three different values:

1. The Appraised Value (see [Section IV.A.1](#) for information on how Appraised Value is calculated and [Section IV.A.2](#), [Section IV.C](#), [Section IV.D](#), and [Section IV.E](#) for more information about what is included in each input to the formula)
2. Multiply \$5,000 times the number of units comprising the property
3. Multiply the property’s unimproved land value by 150%

The greater of these three amounts is the Total Value.

1. How is the Appraised Value calculated?

Ohio Admin. Code 5703-25-20(C)

While the formula is determined by the statute—Operating Income minus the Operating Expenses, the result of which is divided by the adjusted capitalization rate—there are some nuances depending on what phase of development the project is in.

a) *How are the Operating Income and Operating Expenses calculated when the property is in the Construction-Only Phase?*

Ohio Admin. Code 5703-25-20(C)(2)

For the purpose of calculating the Appraised Value, when a project is in the construction-only phase, the Total Value is automatically the higher of the step 2 and step 3 calculations above because there is no Operating Income or Operating Expenses—which means the Appraised Value that is in step 1 above is \$0.

2. How are the Operating Income and Operating Expenses demonstrated in each phase?

a) *When property is generating income but is not yet stabilized*

Ohio Admin. Code 5703-25-20(C)(3)

For the purpose of calculating the Appraised Value, when a project has begun generating income but is not yet stabilized, **interim financial statements** are used to demonstrate Operating Income and Operating Expenses

b) *When property is stabilized*

Ohio Admin. Code 5703-25-20(C)(4)

For the purpose of calculating the Appraised Value, when a project is stabilized, **audited information** is used to demonstrate Operating Income and Operating Expenses

B. How are the three years of financial information used in the calculation of the appraised value?

Neither the statute nor the rule specifies how the three years of financial information will be used. According to the Ohio Department of Taxation, they have given the County Auditors guidance in other valuation circumstances that they are to use the most recent year.

C. How is Operating Income calculated in the formula?

ORC Section 5715.01(A)(4)(a)

For the purpose of calculating the Appraised Value, Operating Income includes gross potential rent and any income derived from other sources. This also includes an allowance for vacancy losses and unpaid rent losses.

1. How are vacancy losses demonstrated?

ORC Section 5715.01(A)(4)(a)

For the purpose of calculating the Appraised Value, there is a presumption that vacancy losses are **four (4) percent** of gross potential rent.

If the actual vacancy losses are higher than four percent, the owner can provide evidence demonstrating the actual vacancy losses of the property.

2. How are unpaid rent losses demonstrated?

ORC Section 5715.01(A)(4)(a)

For the purpose of calculating the Appraised Value, there is a presumption that unpaid rent losses are **three (3) percent** of gross potential rent.

If the actual unpaid rent losses are higher than three percent, the owner can provide evidence demonstrating the actual unpaid rent losses of the property.

D. How are Operating Expenses calculated in the formula?

ORC Section 5715.01(A)(4)(a)

For the purpose of calculating the Appraised Value, there is a presumption that Operating Expenses are **forty-eight (48) percent** of Operating Income, plus utility expenses as reported by the owner.

Operating Expenses also include replacement reserve fund or account contributions, which are presumed to be **five (5) percent** of gross potential rent.

If actual expenses are greater than either of these presumptions, the owner can provide evidence demonstrating the actual expenses of the property.

1. What is not included in the “Operating Expenses” for the purpose of calculating the Appraised Value?

ORC Section 5715.01(A)(4)(b)

For the purpose of calculating the Appraised Value, the following are **not** included in “Operating Expenses”:

- Real property taxes
- Depreciation
- Amortization expenses
- Replacement of short-term capitalized assets

2. How are replacement reserve fund or account contributions demonstrated?

ORC Section 5715.01(A)(4)(b)

For the purpose of calculating the Appraised Value, there is a presumption that replacement reserve fund or account contributions are **five (5) percent** of gross potential rent.

If actual replacement reserve or account contributions are greater than five (5) percent of gross potential rent, the owner can provide evidence demonstrating the actual Operating Expenses of the property.

E. What is the capitalization rate?

Ohio Admin. Code 5703-25-20(A)(4)

The Tax Commissioner will set the capitalization rate and publish it; she has not yet published a rate for 2024 or 2025.

1. When is the capitalization rate published each year?

There is no date by which the Tax Commissioner is required to publish the capitalization rate, but the Ohio Department of Taxation (“ODOT”) has

indicated that they anticipate publishing a capitalization rate for 2026 on or about January 1, 2026.

ODOT has also indicated that they anticipate releasing an unofficial rate for 2025.

2. What is the definition of “market”?

This is not defined in the statute or administrative rules, so the default assumption is that the market is the entire state of Ohio and ODOT has indicated that they intend to issue a single capitalization rate for the entire state.

F. How is evidence submitted to overcome the presumptions in the statute?

Ohio Admin. Code 5703-25-20(B)(3)(a)(vi) & Ohio Admin. Code 5703-25-20(B)(7)

If a property owner knows at the time of filing the required information that the owner wants to challenge the statutory presumptions, the owner may indicate that when filing the required information.

Ohio Admin. Code 5703-25-20(B)(4)

If the property owner desires to challenge the presumptions after filing the required information, the owner may submit additional information that is relevant to the valuation of the property.

G. When must evidence to overcome the presumptions in the statute be submitted?

Ohio Admin. Code 5703-25-20(B)(7)(b)

The deadline for challenging the presumptive amounts is May 15.

H. What happens if the County Auditor determines the evidence provided to overcome the presumptions is insufficient

Ohio Admin. Code 5703-25-20(B)(8)

If the County Auditor, after considering additional information, program requirements, and financial considerations, determines that the evidence provided by the owner is insufficient to support a challenge to the presumptive amounts, the County Auditor has to provide the owner with a reasonable opportunity to meet before June 15.

V. More Information

A. Affordable Housing Calculator

OCCH has developed an online Valuation Calculator that property owners can use to calculate a property's value according to the formula in statute:

<https://ohvaluation.occh.org/>

B. Affordable Housing Training Academy (AHTA) Webinar

OCCH conducted a webinar on the online Valuation Calculator which can be found on the Affordable Housing Training Academy's website:

<https://training.ahata.online/contentdetails?id=84A55330195F44DCA0D6DB62B3594C8A>

C. Federally Subsidized Residential Rental Property List

The Ohio Housing Finance Agency (OHFA) is required to maintain and annually update a list of all Ohio federally subsidized residential rental properties. OHFA provides this list to the Tax Commissioner who then distributes it to each of the county auditors. It can be found here: <https://ohiohome.org/news/publications.aspx>

D. Transmittal Page

The Ohio Department of Taxation has indicated that they intend to publish a transmittal page by the end of 2025. In the meantime, National Church Residences has shared the transmittal page they have been using which can be found on the Ohio Housing Council's website:

<https://ohiohousingcouncil.growthzoneapp.com/ap/CloudFile/Download/P2NO9l6P>

E. Ohio Property Value Reappraisal and Update Schedule

The Ohio Department of Taxation's *Year of Sexennial Reappraisal and Triennial Update for Ohio's 88 Counties (2025-2030)* can be found here:

https://dam.assets.ohio.gov/image/upload/tax.ohio.gov/real_estate/yearofsexennialreappraisalandupdate-2025-2030.pdf