



What Really Happened?:

*Evaluating The Common Misperceptions about
Hamilton County's Property Tax Increases*

June 2024





Introduction

In January, homeowners in Cincinnati's Bond Hill neighborhood opened up their 2024 property tax bills to an unwelcome surprise. On average, their tax bills had increased by over 50 percent and one in five residents saw their tax bill more than double.

They were not alone. Residents in Cincinnati's Roselawn, Kennedy Heights, and North Avondale neighborhoods also saw dramatic increases in their property taxes.

In fact, across the entire county, the average resident experienced a 30 percent increase in their property tax bill. Yet, this was not a uniform experience. One in four county residents saw a decrease in their property taxes.

The magnitude and uneven distribution of these changes has created confusion, concern, and frustration among county residents. In this report, we outline and correct ten common misperceptions about the recent changes in Hamilton County's property tax bills.

With a better understanding of the procedures and policies that have led to the recent uneven tax bill changes, our hope is that residents, community advocates, and elected officials can work together towards a more equitable and predictable local taxation system.



Misperceptions Regarding Tax Increases

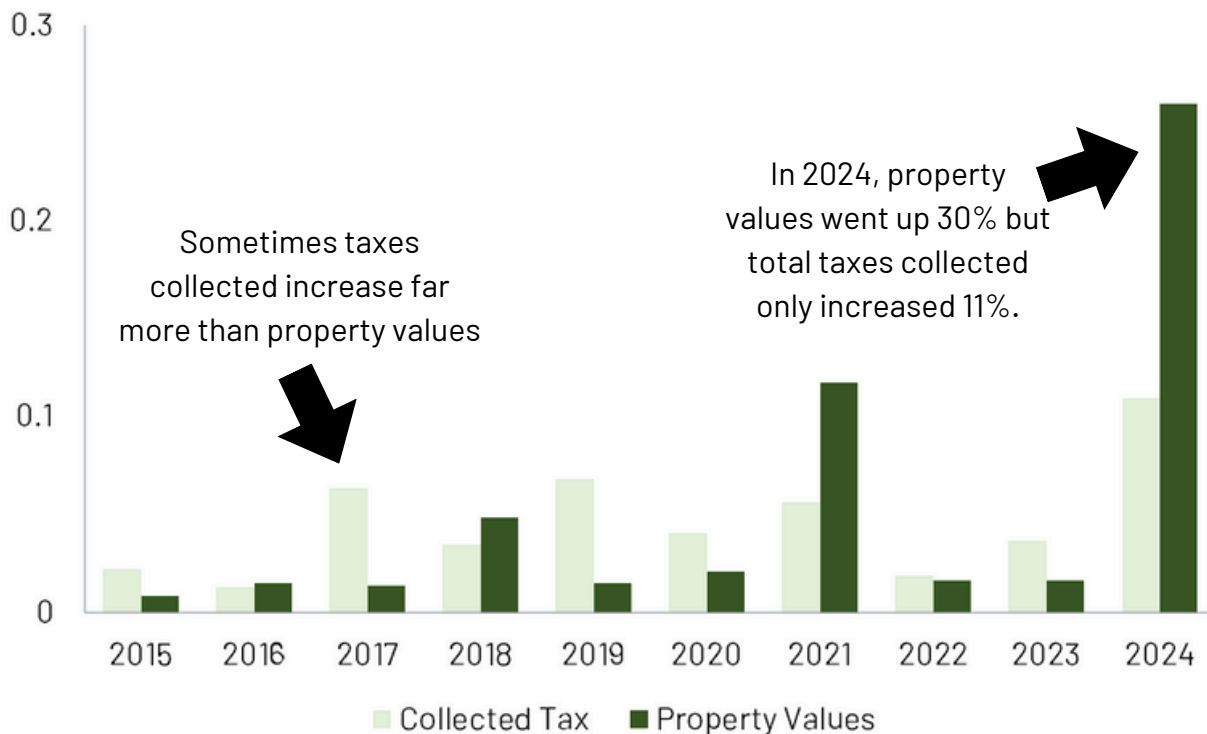
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Misperception

Government revenue increases as property values go up.

In fact... Property value increases do not necessitate increases in tax revenue.

Figure 1. Proportional Increase in Total Property Tax Revenue and Assessed Property Value



How can this be?

Ohio Revised Code Chapter 319 prohibits local governments from collecting more taxes just because property values increased. Instead, tax jurisdictions must pass new levies or renew a levy during a reassessment year. In November 2023, voters passed new or renewed tax levies for libraries, the zoo, and municipal emergency services. These levies increased the total tax collected in the county by 11 percent.

2

Misperception

Everyone's property taxes increased.

In fact... One quarter of the county's residential tax bills decreased.

Figure 2. Proportional Change in Property Tax Bills from 2023 to 2024



How can this be?

Every six years, auditors are required to reassess property values. They then recalculate how much each property will pay in taxes based on whether a property's value increased more or less than other properties in the county. In some cases, a property's value increases *but* its taxes decrease because its value increase was less dramatic than other properties. The 2023 reassessment resulted in the largest reshuffling in property taxes in over two decades.

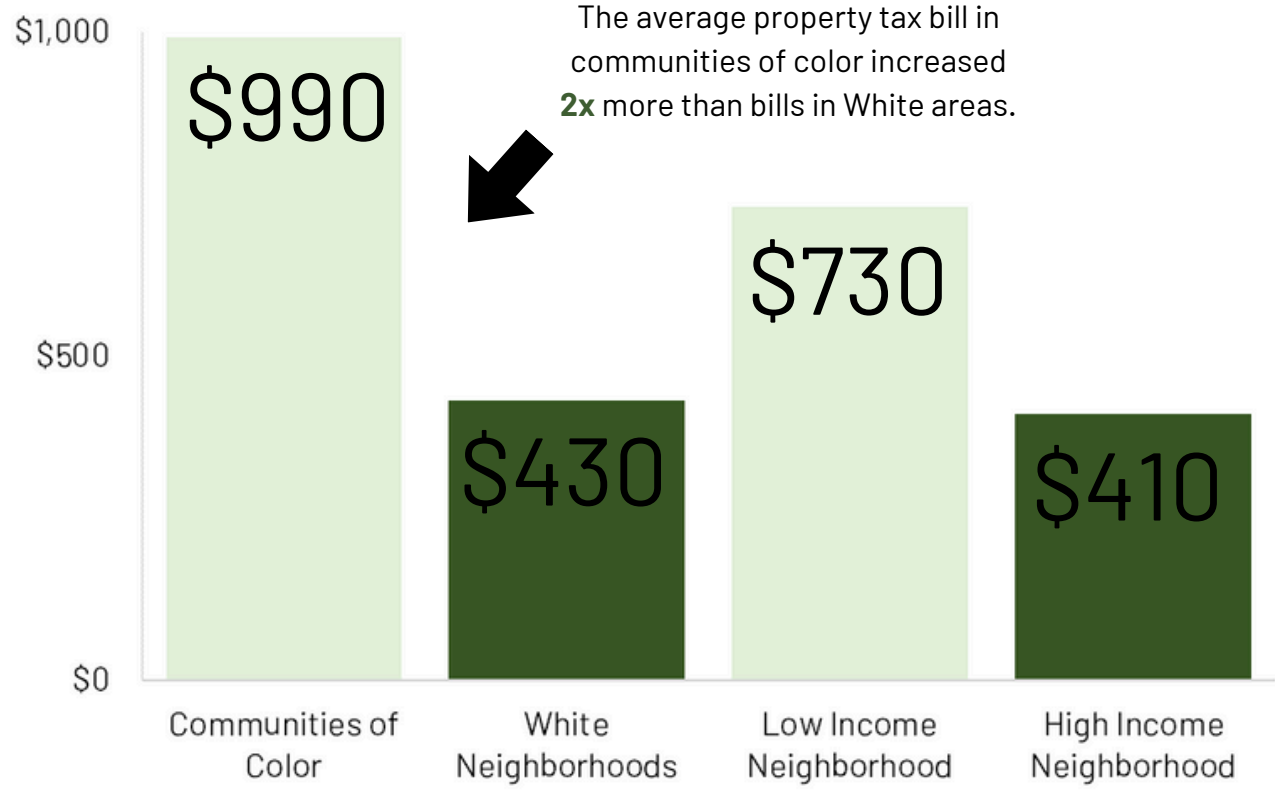
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Misperception

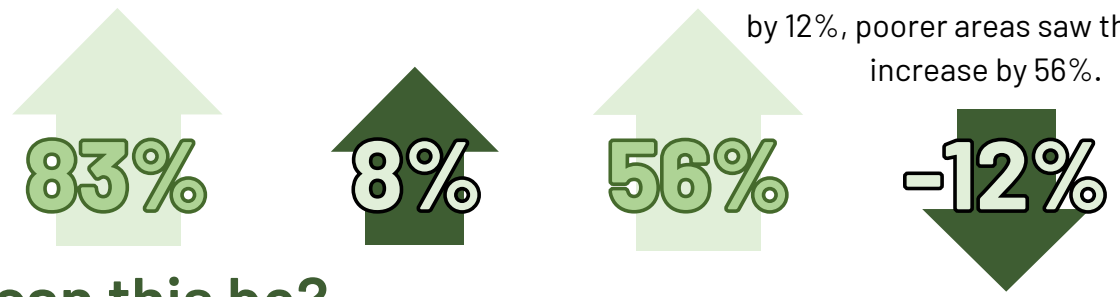
All communities saw similar tax increases.

In fact... Communities of color and lower income neighborhoods taxes increased more.

Figure 3. Change in Property Tax Bills from 2023 to 2024 by Neighborhood Demographics



2024 Tax Bills Relative to 2023 Tax Bills



While wealthy communities bills decreased by 12%, poorer areas saw their bills increase by 56%.

How can this be?

The new computer program that generated property values produced much larger increases in communities of color and lower income neighborhoods compared to Whiter and higher income areas. Consequently, these areas saw much larger absolute and relative tax bill increases.

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Misperception

Property tax changes reflect housing market trends.

In fact... Property tax changes do not reflect changes in the real estate market.

Figure 4. Increases in Property Tax Bills vs Changes in Sale Prices

Above Average Tax Increase & Below Average Sale Price Increase

Above Average Tax Increase & Above Average Sale Price Increase



How can this be?

Neighborhoods with the highest increases in property taxes were not necessarily the ones with increases in sale prices. The new model used to estimate property values increased values more in communities of color and less in White areas, irrespective of recent real estate trends.

Misperceptions Regarding Tax Equity

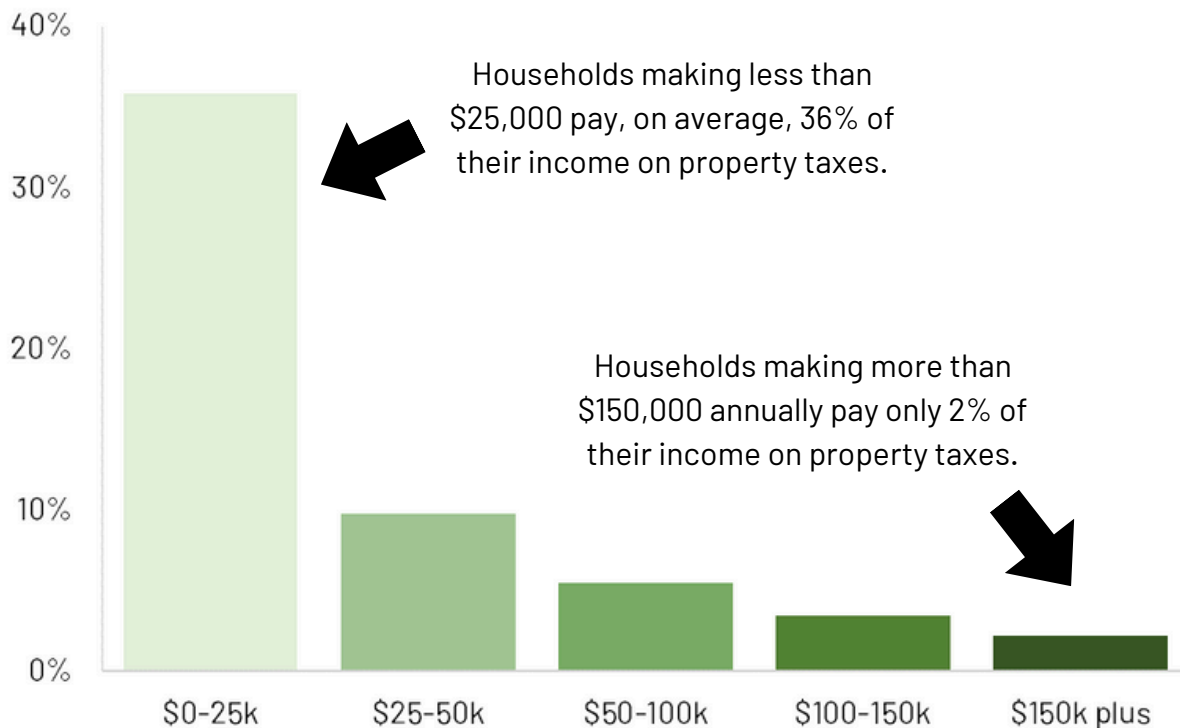
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Misperception

Affluent residents pay higher property taxes.

In fact... The poorest residents pay higher proportions of their income on property tax.

Figure 5. Percent of Household Income Spent on Property Tax Bills by Income Category



How can this be?

Residents in more expensive homes do pay higher property taxes. However, on average, these residents' incomes are much higher than the cost of their homes. For example, upper-class households live in homes that are valued, on average, two times more than their annual income while lower-class households live in homes valued at six times their annual income. This results in the poorer households paying a higher amount of their income on property tax.

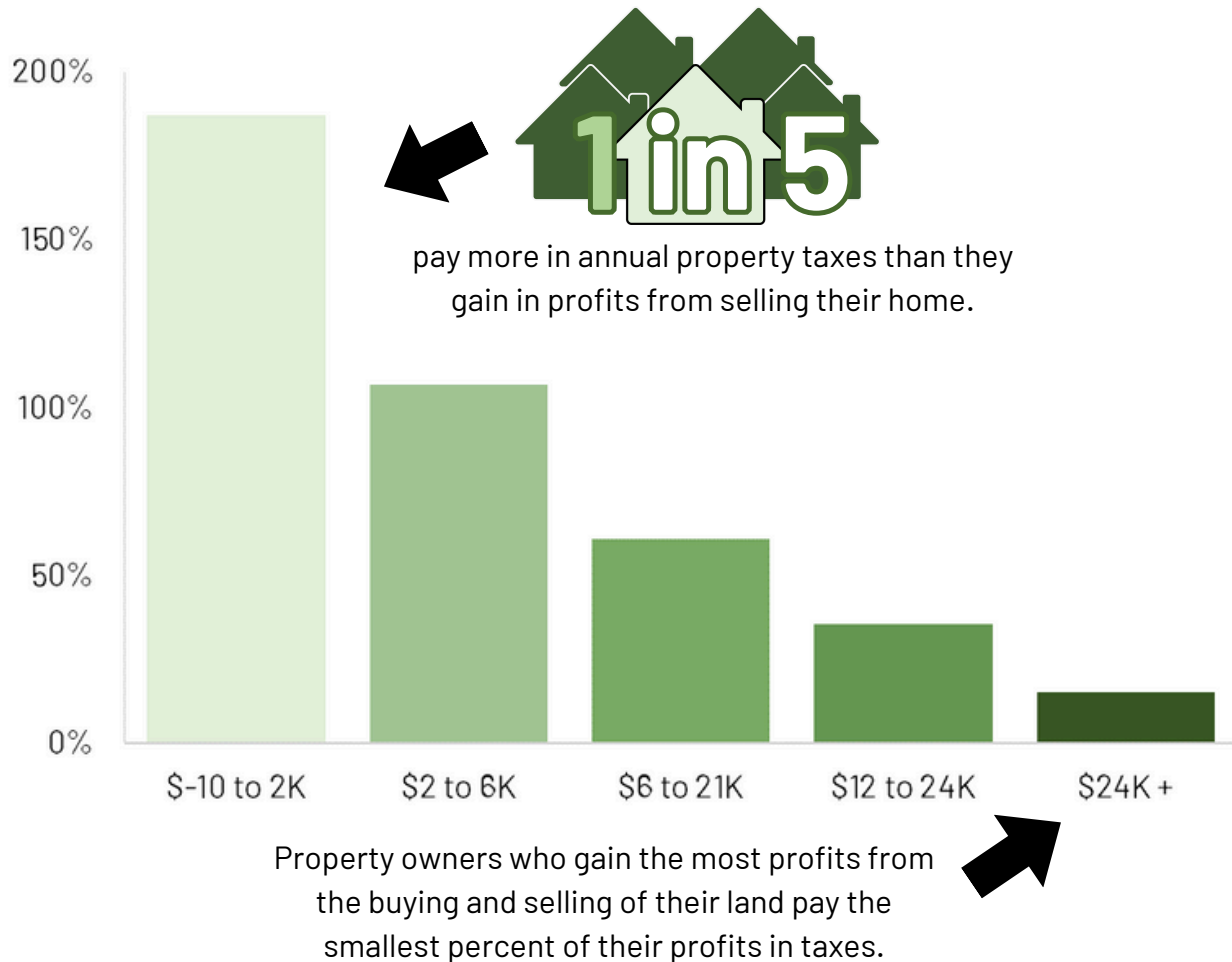
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Misperception

Property tax is a wealth tax based on home appreciation.

In fact... Owners whose properties' appreciate the most pay the lowest tax rates.

Figure 6. Percent of Annual Home Appreciation Spent on Annual Property Taxes



How can this be?

Annual property taxes are based on an estimate of a property's value compared to other properties in the county. For some properties, high tax bills accurately reflect that the property can be sold for a profit. Yet, in other cases, high tax bills do not accurately reflect how much wealth a homeowner accumulates when they sell their property. Currently, 40% of county residential property owners pay more in taxes than their property appreciates in value. Put another way, annual property tax does not accurately tax the wealth owners gain from owning property.

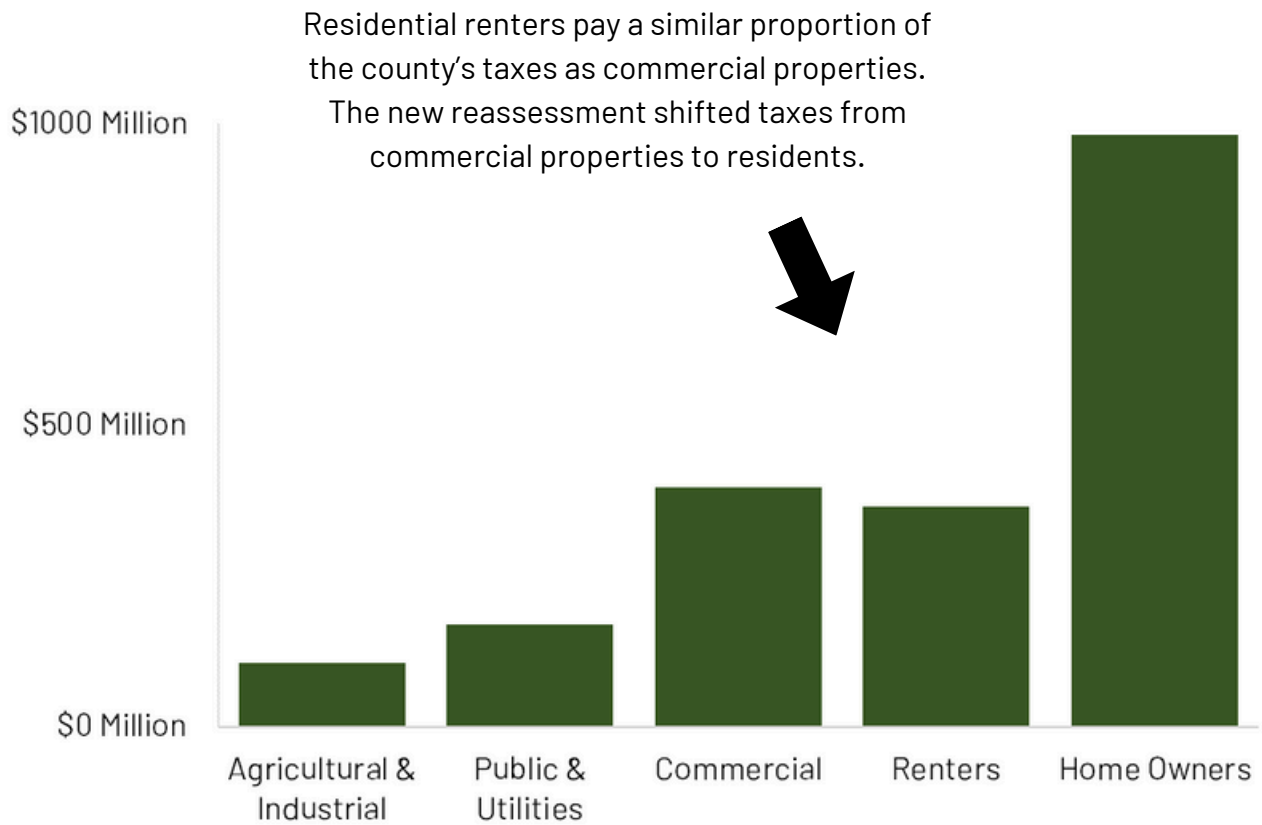
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Misperception

Renters don't pay property taxes.

In fact... Tenants pay property tax as part of their monthly rent payments.

Figure 7. Total Tax Revenue Collected by Hamilton County by Tax Payer Category



How can this be?

Property owners are responsible for writing the check to pay for property taxes. Yet, IRS publication 527 allows landlords to pass the cost of property taxes on to their renters. Landlords can deduct annual property tax as a business expense. Contrary to common perceptions, only income taxes impact a landlord's earnings while property taxes get passed onto their tenants. Moreover, tenants pay higher taxes per unit because they do not qualify for the county's homeowner tax credits.



Misperceptions Regarding Solutions

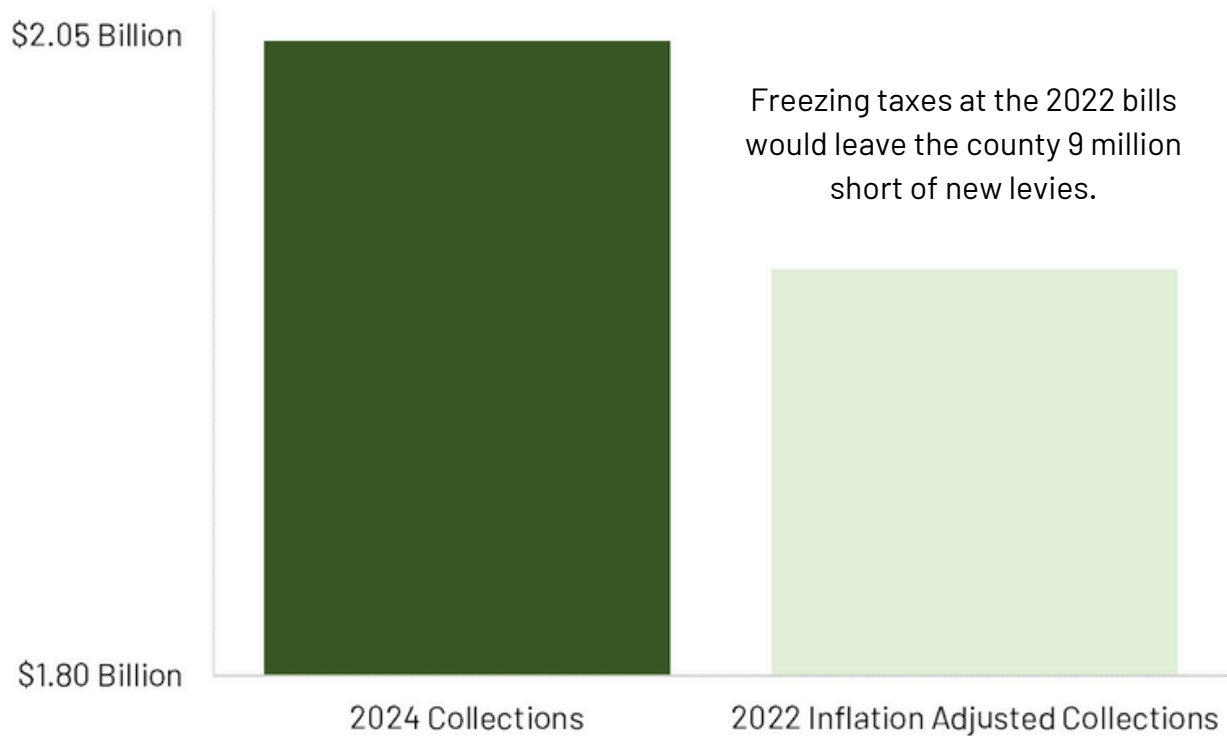
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Misperception

Freezing property tax bills will address inequities.

In fact... Freezing the 2024 unequal taxes will keep rather than address inequality.

Figure 8. Total Tax Collected in Hamilton County, Current and Proposed 2022 Freeze



How can this be?

In the 1970s, county governments introduced new assessment models that shifted more tax onto residential property. Frustrated homeowners advocated for tax freezes. In response, California froze reassessments until properties were sold while Ohio required the passage of new tax levies for increased revenue. Over time, Ohio's approach proved to be more equitable.

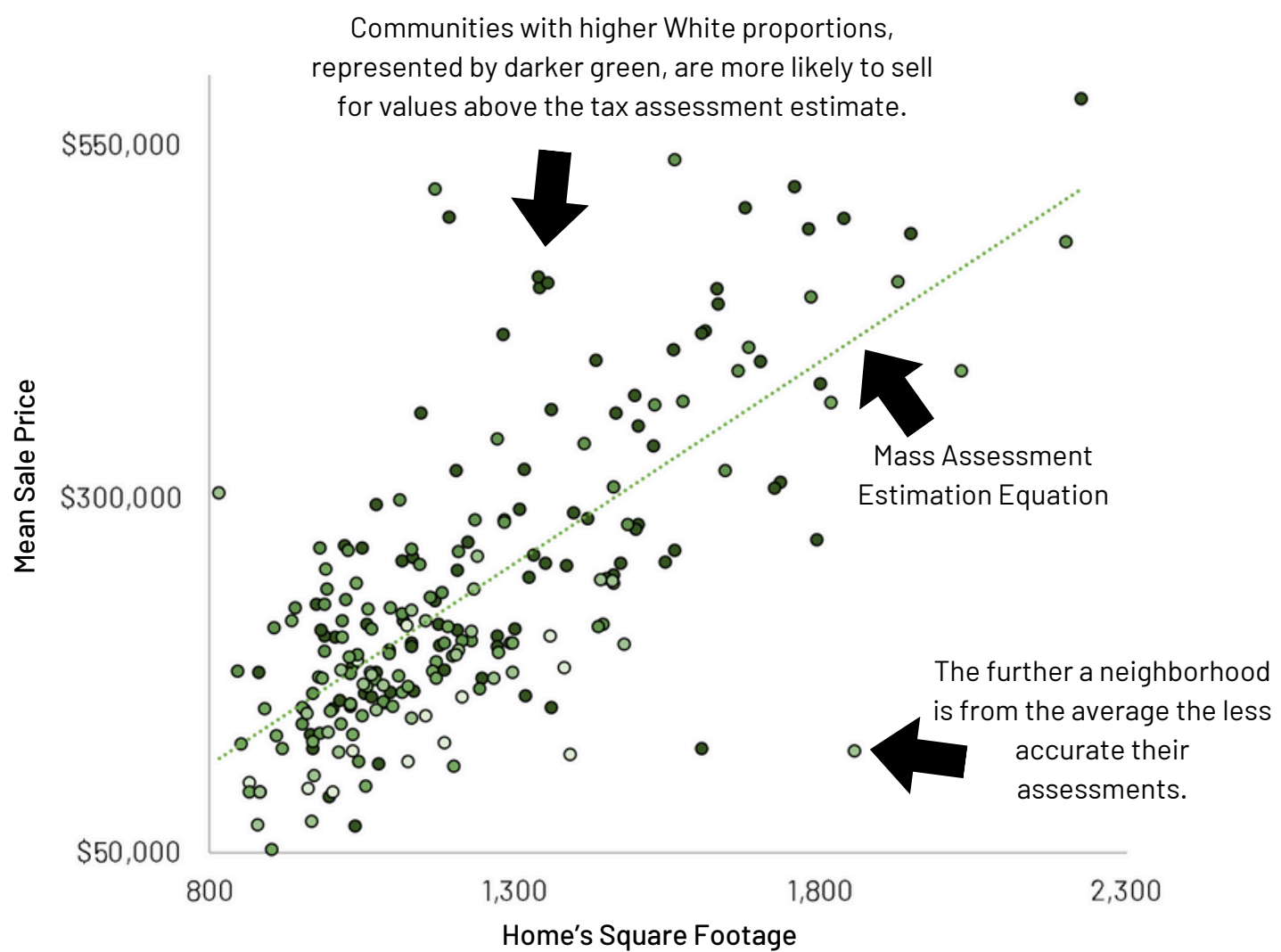
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Misperception

Appeals to the Board of Revision can address inequities.

In fact... Individual appeals cannot rectify neighborhood level inequalities.

Figure 9. Neighborhood Mean Property Sale Prices by Mean Home Square Footage



How can this be?

For some cases, providing comparable sales to the Board of Revisions can correct dramatic over assessments. However, the larger issue is due to a disconnect between how market appraisals are conducted and how the assessment prediction equation was derived. Individual challenges will not change the equation itself—which is what needs to be altered for equity across the county.

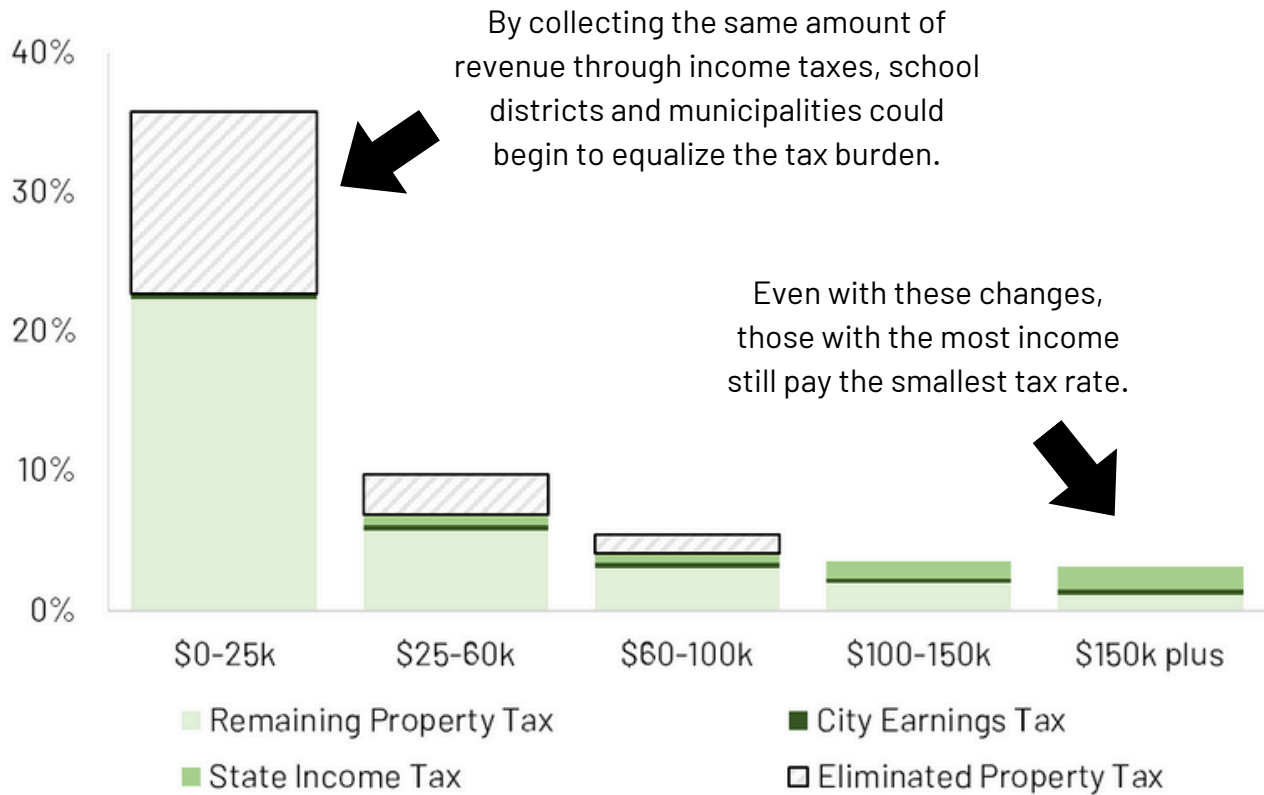
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Misperception

Only state officials can solve property tax inequality.

In fact... Local governments can alter their revenue sources to decrease tax inequality.

Figure 10. Proposed Percent of Household Income Spent on Property Tax Bills by Income



How can this be?

State interventions are required to implement a new assessment approach, to alter the real estate sale taxes to more accurately tax wealth, and to change the requirement for school districts to collect property taxes. Yet, State legislative action is not required for: (1) local municipalities and school districts to reduce the tax burden on lower and middle class households by replacing property tax with earning tax, (2) the County Auditor to partner with other government agencies to ensure all qualified residents receive the Homestead exemption, or (3) the County Treasurer to protect more low-income residents from tax lien sales by increasing the value of protected properties.



Conclusion

In the midst of national inflationary trends, it is easy to assume that this year's unprecedented increases in property tax bills are merely the consequence of larger economic trends influencing all residents. Yet, this is not the case.

Hamilton County's property tax bills did not uniformly increase. Rather, the 2023 reassessment used a computer model that disproportionately increased the property values and thereby the property taxes in communities of color and lower income areas. These changes dramatically reduced property taxes in communities like Fairfield, Mariemont, and Milford while increasing them in Bond Hill, Kennedy Heights, North Avondale, and Roselawn.

Beyond the new assessment algorithm, inequality also increased because property values are no longer a good approximation of residents' income or even their wealth. Residents with less income and property

owners whose homes appreciate the least over time are paying the highest property tax rates.

The good news is that local interventions can begin to reduce these inequalities. Residents, community advocates, and elected officials can work together to make the following changes:



Replace municipal and school district property tax with income tax.



Share data across agencies to increase Homestead Exemption enrollment.



Increase the threshold for low value homes protected from tax lien sales.



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