



# Common Sense Initiative

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## Business Impact Analysis

Agency, Board, or Commission Name: Ohio Department of Taxation

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Regulation/Package Title (a general description of the rules' substantive content):

Procedure for valuation of federally subsidized residential rental property.

Rule Number(s): 5703-25-20

Date of Submission for CSI Review: 6/4/2024

Public Comment Period End Date: 6/21/2024

Rule Type/Number of Rules:

New/ 1 rules

No Change/      rules (FYR?     )

Amended/      rules (FYR?     )

Rescinded/      rules (FYR?     )

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

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### **Reason for Submission**

1. **R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rule for CSI review.**

**Which adverse impact(s) to businesses has the agency determined the rule(s) create?**

**The rule(s):**

- a. ☐ **Requires a license, permit, or any other prior authorization to engage in or operate a line of business.**
- b. ☐ **Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.**
- c. ☒ **Requires specific expenditures or the report of information as a condition of compliance.**
- d. ☐ **Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.**

### **Regulatory Intent**

2. **Please briefly describe the draft regulation in plain language.**

*R.C. 5715.01(A)(4) requires the tax commissioner to prescribe rules regarding the valuation of federally subsidized low income property. This proposed rule satisfies that requirement and prescribes the methodology to be used in the valuation of federally subsidized low income property using the information owners of such property are required to file annually with the county auditor under R.C. 5713.031.*

3. **Please list the Ohio statute(s) that authorize the agency, board or commission to adopt the rule(s) and the statute(s) that amplify that authority. *R.C. 5713.031 and R.C. 5715.01***

4. **Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?**

*No.*

5. **If the regulation implements a federal requirement, but includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.**

*No.*

6. **What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?**

*R.C. 5715.01(A)(4) requires the tax commissioner to prescribe this rule.*

7. **How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?**

*Feedback from both the auditors and a group representing the owners of such properties.*

8. **Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931?**

*No.*

### **Development of the Regulation**

9. **Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.**

*Representatives from the County Auditors Association of Ohio and the Department of Taxation met several times over the last year.*

*9/21/23: Multiple County Auditors and representatives from the CAAO.*

*12/4/23: Representatives of the Ohio Housing Council*

*2/12/24: Representatives of the Ohio Housing Council*

*2/13/24: Multiple County Auditors and Representatives from the CAAO*

*2/28/24: Representatives from Franklin County Auditor's office*

10. **What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?**

*The primary stakeholders are the owners of property valued under the draft rule and the county auditors who must value the property under the rule. The Department of Taxation met with both stakeholder groups during the drafting of the rule and both before and after the rule was posted for comment on the Department's website and afterward. To the extent comments were offered, the rule was revised to address the points raised to the extent possible.*

11. **What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?**

*Not applicable*

12. **What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives? Not applicable—the proposed regulation is required by statute.**

13. **What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation? Not applicable—the proposed regulation is required by statute.**

14. **Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community. An information release will be provided to all county auditors as**

well as the industry representatives who participated in the preliminary discussions and who provided comments.

### **Adverse Impact to Business**

**15. Provide a summary of the estimated cost of compliance with the rule(s). Specifically, please do the following:**

- a. Identify the scope of the impacted business community, and**
- b. Quantify and identify the nature of all adverse impact (e.g., fees, fines, employer time for compliance, etc.).**

*The business community impacted consists of owners of several types of federally subsidized residential rental properties that wish to be valued under the provisions of R.C. 5713.01(A)(4), using information provided to the county auditor under R.C. 5713.031.*

*The adverse impact consists of filing additional financial information regarding the income and expense for properties valued under the proposed rule. The additional burden however is anticipated to result in a more predictable valuation process that takes into account the restrictions placed on owners of such properties.*

**16. Are there any proposed changes to the rules that will reduce a regulatory burden imposed on the business community? Please identify. (*Reductions in regulatory burden may include streamlining reporting processes, simplifying rules to improve readability, eliminating requirements, reducing compliance time or fees, or other related factors*).**

*Owners of federally subsidized rental property eligible to be valued under this rule may choose not to file the information required under R.C. 5713.031 and instead to be valued under the more general methodology employed by the county auditor for similar, non-federally subsidized properties.*

**17. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?** *Not applicable—required by statute*

### **Regulatory Flexibility**

**Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.** *Owners of federally subsidized rental property eligible to be valued under this rule may choose not to file the information required under R.C. 5713.031 and instead to be valued under the more general methodology employed by the county auditor for similar, non-federally subsidized properties.*

**18. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?** *Not applicable*

**19. What resources are available to assist small businesses with compliance of the regulation?** *Information release from the Ohio Department of Taxation.*