Ohio Administrative Code

Rule 5703-25-12 Valuation of buildings, structures, fixtures and improvements to land.

Effective: October 3, 2016

(A) General - The true value of improvements may be determined by either the market data, income or cost approach. Regardless of the approach used the total of the depreciated value of the improvements to land and the "true value" of the land should be the "true value" of the property as a whole, as defined in rule 5703-25-05 of the Administrative Code. While the cost approach will generally be used one of the other approaches should be used as a check on whether the determination of depreciation or obsolescence is correct.

In arriving at the value of the depreciated improvements by the market data approach the value of the entire property is estimated by the use of comparable sales after allowing for variations. The land value determined according to rule 5703-25-11 of the Administrative Code is then subtracted to arrive at the value of the improvements in their present or depreciated condition.

The building residual technique is used to estimate improvement values by the income approach. After land value is arrived at the value of the improvements is estimated by capitalizing the net income remaining after deduction for all expenses including interest on the land value.

In the use of the cost approach to estimate improvement value the replacement cost new is first estimated. From the cost new deductions are made for depreciation including physical deterioration, functional and economic obsolescence to arrive at the value of the improvements in their present condition.

(B) When a general sexennial reappraisal is being made by the county auditor under the provisions of section 5713.01 of the Revised Code, all prices used in determining the replacement cost of buildings, structures, fixtures and improvements to land shall be prices prevailing during the year immediately preceding the tax lien date of the year the reappraisal is to be effective for tax purposes.

The county auditor is directed and ordered to prepare, or have prepared under the auditor's supervision, schedules of all building costs that will be used in appraising buildings, structures, fixtures and improvements to land in the county. The auditor shall prepare separate schedules for residential, commercial, industrial and farm buildings. Building cost schedules shall be based on the prices of labor, materials, architects' or engineers' fees, plus contractors' overhead and profit, and other charges for the class, type or grade of building in the area to be appraised prevailing during the period specified by the preceding paragraph

Residential building cost schedules shall include at least six grades of construction, ranging from very cheap to very expensive; namely, very cheap, cheap, ordinary or average, good, extra good or expensive, very expensive. Each grade shall be identified by number or letter. Additional grading may be obtained by adding or deducting a percentage for each grade by using a plus or minus sign, followed by the per cent used.

Farm building cost schedules shall include all farm buildings (exclusive of the farm dwelling which shall be priced according to the residential schedule) including general and special type barns, milk houses, machinery sheds, grainaries, corn cribs, silos, hog houses, and other miscellaneous farm buildings.

The various schedules are to be used in estimating the replacement cost of each building, fixture or improvement to land thereto. In the third calendar year following the sexennial reappraisal each value shall be updated, either by percentage or otherwise so that it accurately reflects current market value in the county as of January of the current tax year. The selection of the method of updating values will depend on the manner in which the triennial update or equalization of true and taxable values required by rule 5703-25-06 of the Administrative Code is performed. The method selected should be one that will insure that the taxable values of new buildings, etc. will equal thirty-five per cent of the current true value in the same uniform manner as all other real property.

One set of all building schedules of every class, type and grade shall be kept on file in the county auditor's office and open for public inspection during the regular office hours

(C) Building inspection - Each building shall be measured to determine the number of square or cubic feet it contains, and a sketch shall be drawn on the property record card. Major buildings such as dwellings and barns shall be sketched on the property record card with other minor buildings to be numbered, the number encircled to appear in the space for the sketch of buildings in its proper relation to the dwelling and barn, etc.

The exterior, and if possible, the interior of each building shall be inspected with notations being made on the record card of construction features, physical conditions, and other factors that would affect value. Each building shall be graded according to quality of construction.

Each county auditor shall describe in detail on the record card or sheet, and shall itemize, the precise industrial and commercial property that the auditor is valuing as "real property" as distinguished from "personal property." In questions of the classification of property as real or personal the county auditor shall be guided by rule 5703-3-01 of the Administrative Code.

(D) Estimation of depreciation and obsolescence - When the cost approach is used in appraising the buildings an estimate shall be made of depreciation including all types of obsolescence that must be deducted from replacement cost new of the improvements so that the total value of depreciated improvements and the land shall be equal to the true value of the entire property as defined in rule 5703-25-05 of the Administrative Code.

(1) In arriving at the true value, among other factors, the utility of the improvements to the land shall be considered. In the appraisal of commercial or investment type property the county auditor is directed to consider the terms of all outstanding leases and the amount, quality, and durability of income that the property would produce under normal management and the actual amounts being currently returned on similar investments, and to reflect these factors in the final determination of true value in money in any uniform logical way that the auditor may see fit.

(2) Depreciation and obsolescence shall depend upon the following three factors:

(a) Physical depreciation is a loss in value resulting from physical deterioration due to age, wear and tear, disintegration, and the action of the elements. The amount deducted for physical depreciation shall reflect loss in value due to general deterioration and the need for rehabilitation.

(b) Functional obsolescence is a loss in value resulting from poor planning, overcapacity or undercapacity, due to age, size, style, technological improvements or other causes within the property. There are two types of functional obsolescence:

(i) Curable functional obsolescence which may be estimated at the amount it would cost to modernize the improvements.

(ii) Incurable functional obsolescence which may be estimated by considering the amount it would cost to replace the improvements with a modern structure suitable for the same purpose, or by the capitalization of the loss of income due to the degree of in-utility or extraordinary operating costs related to the structure.

(c) Economic obsolescence is a loss due to external economic forces, such as changes in the use of land, location, zoning or legislative enactments that might restrict or change property rights and values and other similar factors.

(3) In arriving at the rate of depreciation and obsolescence to be applied to buildings, structures, fixtures, and improvements to land, the auditor shall consider, among other things, the following:

(a) The rental income and sale prices in the current market for properties of similar type and condition.

(b) Type of construction.

(c) Type and extent of replacements, restorations, or modernizations

(d) Type and extent of replacements, restorations, or modernizations.

(e) Age.

(f) Actual use compared to use for which constructed.

(g) Location.

(h) Rapidly changing technological improvements in construction methods.

(i) Rapidly changing technological changes in manufacturing processes.

(j) Changes in consumer demand and other external economic forces.

(k) Any other recognized factor which may have a particular applicability in a given case.