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State and Local Tax Alert: New Property Tax Exemption Available for Commercial or Industrial Property Under Development

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On December 8, 2016, the Ohio General Assembly approved Substitute Senate Bill 235 (SB 235), which, among other things, creates an exemption from property taxation for commercial or industrial “newly developable property” or “redevelopment property,” defined herein. Governor Kasich signed SB 235 on December 27, 2016, and it will become effective on March 28, 2017. The procedures and benefits of this new exemption are outlined in this Alert.

Property Qualification

In order to qualify for this exemption, (1) the property under development must not yet have a certificate of occupancy issued for it, and (2) the parcel of real property must have no current commercial, agricultural, or industrial operations being conducted on it. In addition, there must be plans for either (a) the construction of one or more commercial or industrial buildings or structures on the parcel (newly developable property) or (b) the construction or reconstruction of new commercial or industrial buildings or structures on the parcel, so long as there are or were one or more commercial or industrial buildings or structures on the parcel (redevelopment property).

The exemption does not apply if any portion of the “commercial or industrial building or structure” will be used as a dwelling.

Exemption Procedure, Amount, and Duration

To secure the exemption, the owner of the newly developable property or redevelopment property must first submit an application to the proper political subdivision. Once the application is received, the political subdivision may take legislative action to approve the exemption. If approved, any increase in assessed value associated with the parcel beginning with the tax year specified in the legislation is exempt from taxation for a period of up to six years.

The exemption may prematurely cease for a variety of reasons, including: (1) obtaining a certificate of occupancy for a commercial or industrial building or structure on the property, (2) transferring title to the property to another person, (3) a change in zoning regulation that no longer permits the construction of a new commercial or industrial building or structure on the parcel, or (4) the performance of any commercial, agricultural, or industrial operations on the property.

Vorys encourages you to review this Alert and contact your Vorys attorney or advisor with questions about how this new property tax exemption may be put to use for your business or community. Please feel free to contact the following Vorys attorneys: Scott J. Ziance, (614) 464-8287, sjziance@vorys.com; Chris J. Clements, (614) 464-5427, cjclements@vorys.com.