



Ohio AG affirms “direct pays” to resolve property tax valuation disputes

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The Ohio Attorney General recently issued an opinion affirming the rights of school districts and property owners to settle property tax valuation appeals using an arrangement commonly known as a “direct pay.” Direct pays are frequently used by school districts and property owners to resolve property tax valuation disputes to their mutual satisfaction. The opinion, which confirms the legality of direct pay settlements, is favorable to both school districts and property owners and affirms their ability to continue a practice that many already utilize.

Direct pay settlements take several forms and can be used in a few different ways. When a school district initiates a property tax valuation complaint with a county board of revision (BOR) seeking a higher property value, the affected property owner may offer the school district a direct payment in exchange for withdrawal of the district’s complaint. This type of direct pay can also be used when a property owner has initiated a complaint to pursue a lower property value and the affected school district has filed a counter-complaint. In this scenario, the property owner would offer to make a direct payment in exchange for withdrawal of the district’s counter-complaint. The Attorney General held that in either of these situations, the BOR may not condition the dismissal of a district’s complaint or counter-complaint on the disclosure, or the BOR’s approval, of a direct pay settlement.

A school district and property owner may also resolve property tax valuation disputes by jointly stipulating to a property’s value that differs from the county auditor’s original value. In certain cases, the property owner may also agree to make a direct payment to the school district. The Attorney General noted that while a BOR must always approve any jointly stipulated valuation before it may go into effect, the BOR may not condition its decision to accept or reject a proposed stipulation upon the presence

or absence of a direct pay settlement.

The Attorney General observed that because any settlement agreement entered into by a public entity is a public record, a direct pay settlement entered into between a school district and a property owner constitutes a public record.

In sum, the Attorney General affirmed the popular practice of utilizing direct pay settlements to resolve property tax valuation disputes and preserved the ability of school districts and property owners to achieve mutually beneficial outcomes in these types of cases.

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