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OHIO REAL ESTATE CONSULTANTS, INC.

JUNE 2013 NEWSLETTER

This letter will update you on our current assignments, the trends we see in the industry, staff accomplishments, community service and other current information.

Current Assignments

- Multifamily Community, Northwest Columbus
- Proposed Multifamily Community, Dayton MSA
- Residential Rental Portfolio, OSU Student Housing
- Multi-Tenant Office, Dublin
- Single-Family Subdivision, Northeast Franklin County
- Utility Easements, Southeast Ohio
- Multi-Tenant Industrial, North Central Columbus
- Commercial Condominiums, Delaware County
- General Office, Delaware County
- Residential Land Portfolio, Columbus MSA
- Conservation Easements, Southwest Ohio
- Veterinary Clinic, Columbus MSA
- Affordable Housing Community, Western Ohio
- Multifamily Property, North Central Columbus
- Multifamily Property, Southeast Franklin County
- Multifamily Property, Polaris Neighborhood
- Multifamily Community, Northeast Columbus

You and/or your clients may benefit from information we have used in our recent assignments, as well as the nearly 2,000 assignments we have completed throughout the state of Ohio within the past 5 years.

HOW LONG BEFORE OHIO CLOSES THE LLC LOOPHOLE?

Limited Liability Corporation (LLC) single-asset transfers are becoming more and more common as a method of transferring real estate assets. Their use is gaining popularity as a way to avoid real estate conveyance tax fees and real estate tax valuation increases. The transfer price of the LLC assets is not recorded, unlike the transfer of real estate assets being disclosed as part of the public record. As a result, the county auditor's office does not have knowledge of the LLC transfer price for use in a property's tax valuation.

This is another case of "caveat emptor". The lower real estate taxes potentially resulting from the use of an LLC transfer will be temporary. Therefore the real estate tax savings should not be capitalized into perpetuity. When the auditor completes the re-appraisal or re-evaluation every three years, it cannot be assumed that the benefits of the lower real estate taxes will continue any longer.

Additionally, there is increased risk that with more and more investors using the LLC loophole, county auditors and the representatives of real estate tax beneficiaries, such as the school boards' attorneys, will be identifying LLC transfers as targets for real estate re-evaluations and real estate valuation complaints. The LLC transfer may even have an inflationary effect on tax values if the LLC transfer price is discovered by the taxing authority and used as the real estate transfer price.

According to the OCC (Office of the Comptroller of the Currency) the use of lower tax valuations to reflect the LLC loophole should not be practiced within a real estate appraisal. According to an undisclosed source, "lenders should not rely upon appraisals that are using tax valuations that are extremely different from the concluded market value". If this method of avoiding equal taxes had any long-term potential, you would see developers of single-family residences, condominium units and all property types using LLC's as the ownership, investment and transfer entities to avoid disclosing the actual sale prices.

Several states have already closed the LLC loophole. If this loophole continues to be used, you can be certain that Ohio will follow.

Company News

Marie Ragias graduated from The Ohio State University with a specialization in real estate and urban analysis. She is now working full-time and will begin training as an appraiser apprentice.

Thomas R. Horner, MAI, completed the Uniform Standards of Professional Appraisal Practice (USPAP) in May online and has met his Ohio continuing education requirements through June of 2014 and the USPAP requirements through June of 2015.

We hope that you found this newsletter informative. If you would like additional information, please visit our website at www.ohiorealestate.org, or call us at 800-536-0038.