SUPREME COURT OF OHIO

Jefferson Industries Corp. v. Madison Cty. Bd. of Revision

Jefferson Industries Corp. v. Madison Cty. Bd. of Revision (Slip Opinion), 2016 Ohio 7089 (Ohio 2016) · No. 2014-1594 · Decided October 4, 2016

SUMMARY

The Supreme Court of Ohio reviewed the valuation of a manufacturing facility for real-property tax year 2011. The court held that the Board of Tax Appeals properly exercised discretion in relying on a cost approach and heavy-manufacturing cost schedules, but failed to address potentially material conflicts concerning the appraisal's cost methodology, depreciation, obsolescence, and comparable sales. The decision was vacated and remanded for further consideration.

CASE DETAILS

COURT	Supreme Court of Ohio
WRITING FOR THE COURT	Per curiam; Maureen O'Connor, Chief Justice; William M. O'Neill, Justice; Paul E. Pfeifer, Justice; Evelyn Lundberg Stratton Lanzinger, Justice; Lynn W. Kennedy, Justice; Judith L. French, Justice; Terrence O'Donnell, Justice
JURISDICTION	Ohio
DECIDED	October 4, 2016
DOCKET	2014-1594
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Jefferson Industries appealed the Board of Tax Appeals' decision affirming a $28,000,000 real-property valuation for tax year 2011.
STANDARD OF REVIEW	The Supreme Court defers to the BTA's broad discretion to determine the probative force of appraisal evidence but reviews whether the BTA's decision is reasonable and lawful and requires the BTA to state findings and the basis for its determination sufficient to permit meaningful appellate review.
PRECEDENTIAL VALUE	Published opinion; binding precedent of the Supreme Court of Ohio.
PARTIES	Jefferson Industries Corporation v. Madison County Board of Revision, Madison County Auditor, West Jefferson Local School District Board of Education

TOPICS

property tax | tax court procedure | judicial review of agency action | appellate procedure | administrative law

PRACTICE AREAS

property taxation | administrative appeals | real-property valuation

QUESTIONS PRESENTED

1. Whether the BTA acted unreasonably or unlawfully by relying on a cost approach in valuing the property.
2. Whether the BTA erred in accepting the appraiser's use of heavy-manufacturing cost schedules and in rejecting challenges concerning personal property.
3. Whether the BTA was required to address potentially material conflicts and specific objections concerning the appraiser's cost approach and sales comparables before adopting that appraisal.

HOLDINGS

1. The BTA acted within its discretion in relying on the cost approach because the appraisal also used a sales-comparison approach and a substantial portion of the facility had been constructed relatively recently.
2. The BTA committed no legal error by accepting the appraiser's use of heavy-manufacturing cost schedules and relying on his judgment concerning the property's physical characteristics.
3. Before adopting an appraiser's opinion of value when the record contains potentially material conflicting evidence, the BTA must explicitly address the conflicts and the specific objections bearing on the appraisal.

KEY QUOTATIONS

> *"Where there is conflicting evidence, the BTA must address potentially material conflicts in the evidence before simply adopting an appraiser's opinion of value."* (¶ 24)

> *"Without the board's having explicitly addressed the evidentiary conflicts in the record, we cannot be sure that the BTA did not simply ignore the conflicting evidence; nor can we meaningfully determine whether the BTA's decision is reasonable and lawful."* (¶ 35)

FACTUAL BACKGROUND

The property consisted of approximately 81 acres and approximately 685,000 square feet of manufacturing, warehouse, and office improvements used to manufacture and stamp car frames for Honda. For tax year 2011, the Auditor valued the property at $34,504,964, the Board of Revision reduced the value to $28,000,000, and Jefferson Industries presented an appraisal valuing it at $10,420,000. The school district presented an appraisal by Robert Hinkle valuing the property at $28,000,000, which the BTA adopted despite objections concerning the cost approach, classification of portions of the facility, depreciation, obsolescence, and the comparability and arm's-length nature of sales comparables.

PROCEDURAL HISTORY

The Madison County Auditor initially valued the property at approximately $34,500,000. The Madison County Board of Revision reduced the valuation to $28,000,000, and the Board of Tax Appeals affirmed that value based primarily on the appraisal of the school district's appraiser. The Supreme Court of Ohio affirmed some valuation-related rulings but vacated the BTA's decision because the BTA failed to address potentially material conflicts in the appraisal evidence, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The BTA must reconsider the evidence in light of the specific objections to Hinkle's appraisal identified in the opinion. If it again adopts Hinkle's appraisal, it must explain why the objections do not warrant a different result; alternatively, it may independently revalue the property under the established law of the case. The BTA's rulings concerning use of the cost approach and reliance on heavy-manufacturing schedules remain law of the case.

CASES CITED

- Jefferson Industries Corp. v. Madison Cty. Bd. of Revision, BTA No. 2005-M-1525, 2007 WL 1946465 (June 22, 2007)
- Rural Health Collaborative of S. Ohio, Inc. v. Testa, 145 Ohio St. 3d 430, 2016-Ohio-508, 50 N.E.3d 486, ¶¶ 39-40
- Gen. Motors Corp. v. Cuyahoga Cty. Bd. of Revision, 67 Ohio St. 3d 310, 617 N.E.2d 1102 (1993)
- Villa Park Ltd. v. Clark Cty. Bd. of Revision, 68 Ohio St. 3d 215, 218, 625 N.E.2d 613 (1994)
- HealthSouth Corp. v. Levin, 121 Ohio St. 3d 282, 2009-Ohio-584, 903 N.E.2d 1179, ¶¶ 31-35
- Sears, Roebuck & Co. v. Franklin Cty. Bd. of Revision, 144 Ohio St. 3d 421, 2015-Ohio-4522, 44 N.E.3d 274, ¶ 18
- Gen. Motors Corp. v. Cuyahoga Cty. Bd. of Revision, 53 Ohio St. 3d 233, 235, 559 N.E.2d 1328 (1990)

Retrieved from lawtools.ai · https://lawtools.ai/cases/state/ohio-supreme-court-of-ohio/2016/jefferson-industries-corp-v-madison-cty-bd-of-revision-pik47n00