

Legal Connections



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LEGAL EXPERTISE FOR THE BUSINESS COMMUNITY

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LEGISLATION TO WATCH: CORPORATE TRANSPARENCY ACT

There is a major change on the horizon that will impact filing requirements for the vast majority of small to mid-size businesses (SMBs). In January 2021, Congress passed the Corporate Transparency Act (CTA) to crackdown on the use of shell companies to commit financial crimes.



MARITZA NELSON

The CTA will require "reporting companies" to provide information about the beneficial owners of the company as well as its "company applicants" to FinCEN. The definition of "reporting company" includes nearly every SMB in the U.S., with exceptions for:

- Publicly traded companies

- Companies with more than 20 full-time U.S. employees, operating from a physical office in the U.S., and more than \$5 million in gross revenue on its last federal tax return

- Certain inactive companies
- Businesses in certain heavily regulated industries

- Tax-exempt organizations

All other businesses will have to report information about their "beneficial owners": any individual who directly or indirectly exercises "substantial control" over the reporting company OR holds or controls at least a 25% ownership interest in the company. The goal is to identify the individuals who are behind each company

and have the ability to direct its actions. Reporting companies will also have to identify their "company applicants," i.e., the person who created the entity with the Secretary of State's office.

The CTA defines "ownership interest" as broadly as possible, including any interest in the business entity, no matter how defined, as well as ownership interests held by another entity that you control. Thus, indirectly holding your ownership interest in a business through other business entities or a trust will not allow you to hide your identity or interest in the business. Nor will you be able to divide up your ownership interest into multiple different forms to get below the 25% threshold.

The CTA goes into effect on January 1,

2024. Existing reporting companies will have until January 1, 2025 to file their initial reports. New reporting companies that are created on or after January 1, 2024 will have 30 days to file their initial reports (subject to a proposal to allow companies created in 2024 90 days to file). Reporting companies will also have 30 days to submit any changes or corrections to previously reported information.

With these new changes, it is a good time to make sure company operating agreements or other corporate documents accurately reflect the ownership interests in the business and to consider whether those documents need legal review and/or updating. ■

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WHAT PROPERTY TAX REAPPRAISALS MEAN TO YOU?

In the world of real estate, change is inevitable, and every three years, it arrives in the form of county-wide reappraisals of property values. If you're a homeowner or property owner in one of the many counties currently undergoing this reevaluation process in 2023, you're likely to have noticed a significant surge in real estate values. If you are paying attention, you know real estate values have increased considerably. For instance, property values in Franklin County, Ohio, have surged by a whopping 36%, with similar trends in neighboring counties – Knox County, Ohio, 40%; Licking County, 36%; Delaware County, Ohio, 33%. Each county noted (plus a few more) are going through a reassessment of real estate values for 2023. Whether you're a residential or commercial property owner, this will impact your taxes.

In Franklin County, where many of our clients have homes or own property, the auditor has created a process to discuss and negotiate a lower adjustment where the facts support a change from the "tentative value" assigned by the appraisers the auditor has utilized. Other counties will have different procedures, but if you are a Franklin County homeowner or property owner, we urge you to visit the Franklin County Auditor site to check out resources and learn more about the countywide reappraisal process.

4 Things You Need to Know About Tax Valuations



BY: JOSEPH PATCHEN

1. A 36% increase in property values will not equal a 36% increase in property taxes.

State law requires a "tax reduction factor" to be applied after a new property value has been determined. A 36% increase in value may, in fact, quite commonly result, depending on the tax rate and the relevant school district in your area. But such an increase in value likely only results in a 4% to 5% increase in your actual real estate property taxes. Said another way: Don't panic.

2. Contesting your tax valuation will require proof, which may cost you money.

The process to contest your property value (other than a voluntary agreement procedure that your county may have in effect, as is the case in Franklin County) will require filing an action with your Board of Revision. These procedures can be complicated. If you own property in your name, you can conduct this hearing yourself, but you will still need evidence that an appraiser can provide you. If your property is not owned in your name or is instead a corporation, trust, or limited liability company, you will need counsel to appear on behalf of your entity. Unfortunately, not knowing whether or not it is worth your while to file such an action may cause you to incur appraisal fees during the decision-making process. Don't start the process until you're ready and sure it's worth your time and investment.

3. Your county may have a voluntary procedure for residential and sometimes commercial property.

The Franklin County Auditor has a process this month, September 2023, which allows a property owner to meet with their representatives to review and discuss the "tentative value" the appraisers have determined for the property. You may visit the Franklin County Auditor's website, which will show the tentative value of your Franklin County property. The tentative value will become the new value if not contested by March 31, 2024. The Franklin County Auditor's website also describes this entire voluntary process and gives good guidance on the evidence you will need to proceed. Though this process does not usually require a lawyer, it is prudent for you to obtain some solid evidence to support the different valuation shown. We will be happy to help you assess useful evidence for this process. Other counties are developing similar procedures, including the Delaware County Auditor's office. Keep an eye on your local auditor's office for useful tools.

4. We can help.

Carlile Patchen & Murphy, LLP can help you in this process, but we don't want you to incur unnecessary expenses. Most of the seemingly enormous revisions of value that our clients will be seeing for their residences will not result in enormous tax increases. It will be a rare case where you will want to file a Board of Revision complaint with your county before the March 31, 2024 deadline, but

we will gladly help you make that assessment and represent you through that process.

The economics may differ for commercial property, where often the values are higher and, quite frankly, it is much easier to differentiate one property from another for purposes of contesting valuation. We regularly help clients contest the valuation of business property and will be happy to assist you.

If it looks like you need some professional assistance in assessing what to do and seeing that process through, don't hesitate to contact our experienced Real Estate and Tax Law group members. We may have some suggestions for you relative to appraisers or other evidence useful in your particular circumstance.

About Joseph M. Patchen

Joseph M. Patchen is a Partner at Carlile Patchen & Murphy LLP, where he practices business and real estate law. He represents businesses, owners and professionals in business and real estate matters. His business law practice emphasizes corporation and limited liability company formation, planning, succession and asset protection. His commercial real estate representation focuses on finance, construction, leasing and acquisition. Joe joined CPM in June 1987. He serves as Chair of CPM's Real Estate Practice Group. ■

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