



**Department of
Taxation**

Tax Equalization
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Equal Opportunity Employer

TO: All County Auditors and Treasurers

Through: Matthew T. Hollis, Legal Counsel for the Tax Equalization Division

FROM: Shelley Wilson, Executive Administrator for Tax Equalization

RE: Calculation of Penalties and Interest

DATE: April 20, 2020

At the request of our local partners, the Ohio Department of Taxation has prepared the following memo to provide a brief explanation of how penalties and interest are calculated on unpaid real property and manufactured and mobile home taxes.

State law requires the county treasurer to mail or deliver a tax bill to each person charged with paying Ohio real property and manufactured and mobile home taxes.ⁱ Taxpayers have the option to pay the full amount of taxes due, or they may elect to pay the taxes in two equal installments.ⁱⁱ When the taxes are paid in installments, the county treasurer must mail or deliver a second tax bill showing the amount due at the time of the second tax collection.

If real property or manufactured and mobile home taxes are unpaid when due, state law provides for penalties and interest charges.ⁱⁱⁱ

Late payment penalties^{iv}

A ten percent penalty will be assessed if the first half of current taxes together with the full amount of any delinquent taxes are not paid on or before the first-half deadline. If the full amount of taxes due is paid within ten days after such time, the penalty is reduced to five percent. The penalty is charged against the unpaid balance of such half of the current taxes.

Another ten percent penalty will be assessed if the total amount of all the taxes is not paid on or before the second-half deadline. If the full amount of taxes due is paid within ten days after such time, the penalty is reduced to five percent. The penalty is charged against the entire balance of the unpaid current taxes, which includes the first half-penalty.

The following example shows how a county treasurer calculates late payment penalties after the second-half deadline:

Example 1: Calculation of late penalties

	Unpaid current taxes	Penalties charged	Total amount due
First-half taxes (unpaid)	\$100		\$100
First-half Penalty (10% of unpaid current taxes)		\$10	\$10
Total (unpaid)			
Second-half taxes (unpaid)	\$100		\$100
Unpaid first-half tax (unpaid)	\$100		
Unpaid first-half penalty (unpaid)	\$10		
Subtotal	\$210		
Second-half penalty (10% of unpaid current taxes incl. first-half penalty)		\$21	\$21
Total (delinquent taxes)			\$231.00

Unpaid current taxes become delinquent taxes if they remain unpaid after the second-half deadline. Delinquent taxes are not subject to further late payment penalties.

Interest charges on delinquent taxes

On the first day of December, the county treasurer is required to compute and charge interest on all delinquent taxes. Delinquent taxes are any taxes charged against an entry on the tax list that were charged against an entry on such list for a prior tax year and any penalties and interest charged against such taxes and any current taxes charged on the tax list that remain unpaid after the second-half deadline and any penalties and interest charged against such taxes.

The charge is for interest that accrued during the period that began on the first day of the month following the second-half deadline in the current year and ended on the preceding last day of November.

On the first day of the month following the second-half deadline, the county treasurer is required to compute and charge interest on all delinquent taxes, other than unpaid current taxes that became delinquent taxes at the close of the second-half deadline. The charge is for interest that accrued during the period that began on the preceding first day of December and ended on the last day of the month that included the second-half deadline.

The interest is computed at the rate per annum determined by the tax commissioner in October of each year and applied during the following calendar year^v, or in accordance with the written order of the county treasurer issued pursuant to R.C. 323.121(B)(2).

Example 2: Calculation of interest on the first day of December*

Delinquent taxes (total)	\$231.00	
Interest charged	\$3.85	(\$231 x 5% x 122 days ÷ 366 days)
Delinquent taxes (total as of Dec. 1, 2020)	<u>\$234.85</u>	

This example assumes a second-half deadline of July 20 and an interest rate of 5 percent.

Alternatively, the county's tax accounting system may calculate interest using a monthly accrual logic, but the results are the same as you can see below. All three calculations are shown for comparison purposes.

Based on the number of days transpired:

$$122 \text{ days} / 366 \text{ days per year} \times 5\% \times \$231 = \$3.85$$

Based on the number of months transpired:

$$4 \text{ months} / 12 \text{ months per year} \times 5\% \times \$231 = \$3.85$$

Based on the monthly accrual rate available from the Department of Taxation's website:

$$4 \text{ months} \times .42\% \times \$231 = \$3.88$$

Opportunities for late payment penalty remission

State law provides some opportunities for late payment penalty remission.^{vi}

A taxpayer may complete and file a form DTE 23A "Application for the Remission of Real Property and Manufactured Home Late-Payment Penalties (R.C. 5715.39)" with the county treasurer of the county in which the property is located, requesting the remission of late payment penalties if any of the following apply:

- (1) The taxpayer could not make timely payment of the tax because of the negligence or error of the county auditor or county treasurer in the performance of a statutory duty relating to the levy or collection of such tax.
- (2) In cases other than those described in (1), and except as provided in (5), the taxpayer failed to receive a tax bill or a correct tax bill, and the taxpayer made a good faith effort to obtain such bill within thirty days after the last day for payment of the tax.
- (3) The tax was not timely paid because of the death or serious injury of the taxpayer, or the taxpayer's confinement in a hospital within sixty days preceding the last day for payment of the tax if, in any case, the tax was subsequently paid within sixty days after the last day for payment of such tax.

(4) The taxpayer demonstrates that the full payment was properly deposited in the mail in sufficient time for the envelope to be postmarked by the United States postal service on or before the last day for payment of such tax. A private meter postmark on an envelope is not a valid postmark for purposes of establishing the date of payment of such tax.

(5) With respect to the first payment due after a taxpayer fully satisfies a mortgage against a parcel of real property, the mortgagee failed to notify the treasurer of the satisfaction of the mortgage, and the tax bill was not sent to the taxpayer.

(6) The taxpayer's failure to make timely payment of the tax is due to reasonable cause and not willful neglect.

After receipt of an application from the county treasurer, the county auditor is required by state law to remit a late payment penalty when any of the first five reasons apply. The county auditor does not have any discretion to remit penalties for any reasons other than the first five reasons.

The county auditor then must present the application to the county board of revision if the auditor determines that the county auditor is not required to remit the late payment penalty. The board of revision reviews the auditor's determination. The board of revision must remit a late payment penalty if it concludes any of the first five reasons apply or if it determines that the taxpayer's failure to make timely payment of the tax is due to reasonable cause and not willful neglect.

If you have any questions regarding these instructions, please contact me or Matt Hollis by email at shelley.wilson@tax.state.oh.us or matthew.hollis@tax.state.oh.us.

ⁱ R.C. § 323.13.

ⁱⁱ R.C. § 323.12.

ⁱⁱⁱ R.C. § § 323.01, 323.121.

^{iv} After a valid tax delinquency contract has been entered into with the treasurer for unpaid first half taxes, no ten percent penalty is charged against such taxes after the second-half collection period while the delinquent tax contract remains in effect. A person who owns agricultural real property or owns and occupies residential real property or a manufactured or mobile home that does not have an outstanding tax lien certificate or judgment of foreclosure against it, and a person who is a vendee of such property under a purchase agreement or land contract and who occupies the property, shall have at least one opportunity to pay any delinquent or unpaid current taxes, or both, charged against the property by entering into a written delinquent tax contract with the county treasurer in a form prescribed or approved by the tax commissioner. Subsequent opportunities to enter into a delinquent tax contract shall be at the county treasurer's sole discretion. R.C. 323.31.

^v https://www.tax.ohio.gov/ohio_individual/individual/interest_rates.aspx

^{vi} R.C. 5715.39.