

CITY OF FRANKLIN, OHIO
RESOLUTION 2022-18

ADOPTING THE CITY OF FRANKLIN, OHIO INCOME TAX POLICY
REGARDING DOCUMENTATION OF REAL PROPERTY OCCUPIED UNDER LAND CONTRACT
AND TAXATION OF LAND CONTRACT PROFITS

WHEREAS, Article XVIII, Section 3 of the Ohio Constitution authorizes municipalities to exercise all powers of local self-government, and to enact and enforce local police, sanitary and other regulations that are not in conflict with the general laws of the State;

WHEREAS, the Ohio Revised Code specifically authorizes municipalities to levy a tax on earned income in accordance with the rules and requirements set forth in R.C. Chapter 718;

WHEREAS, Article II of the City of Franklin Charter empowers the City to exercise all powers granted to municipalities under the Constitution and laws of the State of Ohio;

WHEREAS, in accordance with Ohio law and the City's Charter, the City levies a tax on earned income pursuant to rules and regulations set forth in Chapters 751 and 753 of the City of Franklin's Codified Ordinances;

WHEREAS, Chapter 5313 of the Ohio Revised Code defines a "land installment contract" or a "land contract" as an agreement to buy and sell real estate, wherein the buyer agrees to pay the purchase price to the seller in installment payments, while the seller retains legal title to the property until the purchase price is paid in full;

WHEREAS, where a City of Franklin resident owns real property occupied under land contract, the City has historically treated installment payments the resident receives under the contract to be earned income subject to income taxation by the City;

WHEREAS, where real property within the City limits is occupied under land contract, the City has historically required both resident and non-resident owners of the property to provide the City with certain information, on a routine basis, identifying occupants of the property; and

WHEREAS, City Council desires to formally commit to writing and adopt the City's historical policy with respect to documentation of real property occupied under land contract, and occupants of the same, and taxation of land contract profits.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Franklin, Ohio, a majority of members present concurring, that:

Section 1. City Council hereby approves and adopts the policy titled "Income Tax Policy – Land Contracts" in the form attached as an exhibit to this Resolution (the "Policy").

Section 2. The City Finance Department, Income Tax Division shall promulgate and enforce the Policy, under the direction and supervision of the Tax Administrator.

Section 3. It is found that all formal actions of this Council concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council that

resulted in this formal action occurred in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code, and the Rules of Council.

Section 4. This Resolution shall become effective immediately upon its passage.

ADOPTED: February 7, 2022

ATTEST: Khristi Dunn
Khristi Dunn, Clerk of Council

APPROVED: Brent W. Centers
Brent Centers, Mayor

CERTIFICATE

I, the undersigned Clerk of Council for the Franklin City Council, do hereby certify that the foregoing is a true and correct copy of a resolution passed by that body on February 7, 2022.

Khristi Dunn
Khristi Dunn, Clerk of Council



CITY OF FRANKLIN

FINANCIAL POLICY

INCOME TAX POLICY – LAND CONTRACTS

A “land installment contract” or a “land contract” under Ohio law, and for the purposes of this Policy, is an agreement between an owner and a purchaser of real estate under which the owner agrees to convey title to the real estate to the purchaser in exchange for payment of a purchase price paid out in routine installment payments (rather than in one lump sum). The purchaser typically occupies the property while the contract is in place, and the property owner retains legal title to the real estate until the purchase price is fully paid. When the balance of the purchase price is finally paid, the contract terminates and the owner executes a deed conveying legal title to the real estate to the purchaser.

All residents of the City of Franklin are subject to the City’s income taxation ordinances set forth in Chapters 751 and 753 of the City of Franklin’s Codified Ordinances. The City considers installment payments collected under a land contract to be taxable income. Therefore, where a Franklin resident owns real estate subject to a land contract, the payments the resident collects under the contract are considered taxable income and must be claimed as earned income on the resident’s annual income tax return filed with the City. The following information shall be filed along with the tax return: (i) the address of the real estate in the City occupied under land contract; (ii) the name of all occupant(s) of the real estate as of the applicable tax year; and (iii) the property owner’s address of primary residence. For the purposes of this Policy, an “occupant” of real estate shall mean any natural person over eighteen (18) years of age, corporation and/or business occupying the real estate.

If the owner of real estate occupied under land contract in the City is not a resident of the City of Franklin (*i.e.* the owner’s primary residence is located outside of the City limits), payments collected by the owner under the contract shall not be subject to income taxation by the City. However, the owner shall still be required to file an annual income tax return with the City setting forth the following information: (i) the address of the real estate in the City occupied under land contract; (ii) the name of all occupant(s) of the real estate as of the applicable tax year; and (ii) the property owner’s address of primary residence.

The City considers any occupant of real estate under land contract to be a “tenant” of the property for the purposes of Ordinance 751.16. Thus, owners of real estate within the City occupied under land contract must submit documentation to the City Income Tax Administrator identifying the occupant(s) of the real estate in accordance with the following requirements set forth in Ordinance 751.16:

- Within thirty (30) days after a tenant occupies the property, the owner shall file with the Administrator a written report identifying each occupant of the property by name and address, and the date on which his/her tenancy began.
- Within thirty (30) days after a tenant vacates the property, the owner shall file with the Administrator a written report identifying each former occupant of the property by name and address, and the date on which his/her tenancy concluded.