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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**H.B. 614**  
**134<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for H.B. 614's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Rep. Fowler Arthur

**Local Impact Statement Procedure Required:** No

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### **Highlights**

Fund	FY 2024	FY 2025	Future Years
<b>State General Revenue Fund</b>			
Expenditures	Increase of \$50,000 to \$175,000	Increase of \$100,000 to \$350,000	Increase of \$100,000 to \$350,000
<b>Local governments</b>			
Revenues	Possible loss	Possible loss	Possible loss

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill would let property used for commercial timber production receive the 10% nonbusiness property tax rollback.
- Most owners of woodland property choose to be taxed under the current agricultural use valuation (CAUV) provisions. Taxes under CAUV are subject to the 10% rollback, and unaffected by the bill.
- Only about 2% of Ohio privately owned forest land is taxed under Ohio Forest Tax Law (OFTL). Tax savings with the bill are estimated at approximately \$100,000 to \$350,000 per year, which would be reimbursed to local governments from the GRF.
- Local governments might incur revenue losses, if timber growers on the margin between being taxed under CAUV or OFTL respond to changed incentives with the bill by switching from the former to the latter. Such revenue losses would likely be limited in amount.

## Detailed Analysis

The bill widens the scope of agricultural lands on which real property taxes are eligible for a 10% rollback to include timber.<sup>1</sup> Under current law, taxes due on residential and agricultural real property are reduced 10%, except that lands used for commercial production of timber and associated improvements are specifically precluded from that rollback. Revenue losses to schools and local governments from the rollback are reimbursed from the GRF. Though taxes on such forest land are not rolled back by 10% in current law, the tax rate on land devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate. Ohio Forest Tax Law (OFTL) tax treatment must be approved by the Division of Forestry in the Department of Natural Resources (DNR). Owners of timber-producing land are allowed to choose between current agricultural use valuation (CAUV) and OFTL tax treatment.

### Estimation of the cost of the bill

Neither DNR nor the Department of Taxation collects data on taxation under OFTL. But DNR notes that more woodland properties and acres are enrolled in CAUV than in OFTL because CAUV generally provides a greater tax break. DNR indicated on May 17, 2022, that 129,014 acres of forestland were in OFTL. This acreage is 2% of about 6.8 million acres of forestland in the state under private ownership.<sup>2</sup> In this fiscal note, most of the rest is assumed to be taxed under CAUV.

Taxes on the 129,014 acres of forestland in OFTL are here estimated in two ways. A DNR publication, *Ohio's Forest Property Tax Laws*, shows an illustrative forestland property tax calculation with OFTL. Tax is calculated at 25 mills (versus 50 mills for the accompanying CAUV illustration) on property with a market value of \$800 per acre. Because taxable value of real property is 35% of the \$800 market value, a tax of 25 mills results in \$7.00 tax per acre.<sup>3</sup> Applying that tax rate to 129,014 acres implies taxes of about \$900,000 and a 10% rollback of about \$90,000. These values appear too low to be representative currently, however, as the publication from which they are taken is about ten years old (published February 15, 2012). In what follows, this lower bound on the cost to the GRF is assumed to be \$100,000 per year.

An alternative calculation is based on the value of Ohio pasture, so may be too high. *Land Values 2021 Summary*, from the U.S. Department of Agriculture's National Agricultural Statistics Service, published August 2021, shows the average value of Ohio pasture in that year was \$3,440 per acre. Again assuming taxes as if this was forestland at 25 mills implies taxes at \$30.10 per acre, or \$3.9 million in taxes on 129,014 acres and a 10% rollback of about \$390,000. Based on

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<sup>1</sup> Specifically, current law (R.C. 319.302) extends the rollback to farming not including land and associated improvements used for commercial production of timber. Farming is not further defined in this section or by cross-reference to any other section. The bill extends the rollback instead to agriculture as defined in R.C. 1.61 (not part of the bill), which includes timber, numerous other types of production, and "any additions or modifications . . . by the Director of Agriculture by rule." Thus the Revised Code is not altogether explicit regarding all of the types of land use that entitle a property owner to the rollback. The estimates in this fiscal note assume that the extension is only to land used for commercial timber.

<sup>2</sup> DNR publication *Forest Management Plan for State Forests: 2021-2031*, October 20, 2021, indicates that 85% of about 8.0 million acres of forest land in the state is privately owned.

<sup>3</sup> The calculation is  $\$7.00 = \$800 \times 35\% \times 2.5\%$ .

surveys showing the relationship between pastureland and timberland values in other states, this upper bound on the annual cost to the GRF is assumed in this fiscal note to be \$350,000 per year.

The bill applies to tax years beginning on and after its effective date, thus would first go into effect no sooner than tax year 2023. Real property taxes for tax year 2023 would be payable in the first half of calendar year 2024. The GRF reimburses local government revenue losses from the 10% rollback with a time lag. Half of tax year 2023 losses would be reimbursed in FY 2024 and half in FY 2025.

## How the bill could reduce local revenues

The possibility that local governments might incur revenue losses, for timber growers who respond to the bill by switching from taxation under CAUV to OFTL, is illustrated in the simplified hypothetical example shown below. In the example, annual property taxes are \$105 with CAUV and \$100 with OFTL. The forestland owner's taxes with CAUV are rolled back to \$94.50, and the owner would owe less tax under current law than with OFTL, which with no rollback would cost \$100 in taxes. With the bill, taxes under OFTL would also be rolled back, by \$10, reducing them to \$90. The forestland owner would have an incentive to switch from CAUV to OFTL, saving \$4.50. Revenues to local governments, including both taxes paid by the forestland owner and the GRF reimbursement, would fall from \$105 to \$100, a loss of \$5. The GRF would pay a smaller rollback, saving the state 50¢.

Hypothetical Example of Choice Between OFTL and CAUV			
	CAUV	OFTL	
		Current law	With H.B. 614
Tax	\$105.00	\$100.00	\$100.00
10% rollback	\$10.50	\$0.00	\$10.00
Net due from forestland owner	\$94.50	\$100.00	\$90.00

Any such revenue losses would likely be limited in amount. The number of woodland property owners whose tax situations are on the boundary between CAUV and OFTL, such that they would have financial incentive to switch from the former to the latter if the bill is enacted, is plausibly a fraction, possibly a small fraction, of all woodland property owners.