OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

S.B. 186

135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 186's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Blessing and Ingram

Local Impact Statement Procedure Required: No

Philip A. Cummins, Senior Economist

Highlights

- The bill's requirement that property taxes be paid when real estate is transferred or subdivided would usually speed up receipt of payments. County auditor costs could increase to provide an estimate of taxes due.
- A prohibition on tax-delinquent property owners buying tax-foreclosed property may reduce demand for such property, reducing revenue from such sales, but possibly increasing future property tax revenue if the properties are instead bought by parties that pay taxes when due.

Detailed Analysis

The bill requires that when real estate is transferred or subdivided, the property taxes owed are to be paid. This requirement would generally accelerate receipt of taxes due. Statutory due dates for annual property tax payments are December 31 of the tax year and June 20 of the following year, based on valuations as of January 1 of the tax year, but these due dates are often extended into January or February, and July or August, depending on the county. The bill would accelerate payment to the date of closing on a transfer, such as a sale, or to the date of the subdivision of the property. Only if the date of transfer or subdivision coincides with the date when payment is due would receipt of the property taxes not be accelerated. The county auditor is to provide an estimate of taxes not determined, assessed, and levied, which may increase auditor costs.

The bill generally prohibits tax-delinquent property owners from purchasing tax-foreclosed property. This requirement, that buyers be current in paying taxes due on other properties, could inhibit sales of tax-foreclosed property, by eliminating one source of demand for such property, so it could result in revenue loss. LSC surveyed a small sample of county treasurers to get an indication how frequently tax-delinquent property owners buy tax-foreclosed property. One survey respondent reported that 22% of parcels sold at auction after a tax foreclosure in the past two years were to bidders with tax delinquencies on other parcels in the county. Another survey respondent offered a very rough guess that 20% of bidders on tax-foreclosed property are delinquent in payment of taxes on other properties. A third office noted a lack of data on which to base a response to this question, which may be the case as well for other counties. These responses suggest the possibility of significant revenue losses. On the other hand, prohibiting sales of tax-foreclosed property to persons with a record of not paying their property taxes would plausibly – in at least some cases – result instead in the sale of the properties to persons who would pay their future taxes when due, so the provision could tend to enhance future revenues.

FNSB0186IN-135/zg