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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

S.B. 57  
134<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for S.B. 57's Bill Analysis](#)

**Version:** As Reported by Senate Ways & Means

**Primary Sponsors:** Sens. Hackett and Antonio

**Local Impact Statement Procedure Required:** Yes

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### Highlights

- Exemption from property tax of qualifying housing for individuals with mental illness or substance use disorder would codify historical practice, according to witness testimony, but is contrary to a recent Board of Tax Appeals decision that a residential property with these characteristics is taxable under current law.
- The bill would reduce revenue to political subdivisions by an uncertain amount that might range up to \$15 million to \$32 million annually based in part on testimony by bill proponents.

### Detailed Analysis

The bill would exempt from property tax housing for persons with mental illness or substance use disorder and their families residing with them, if the property meets certain requirements. It must be owned by an institution that is either qualified for federal income tax exemption as an IRC section 501(c)(3) organization with a primary purpose to provide supportive housing to such persons, or is owned or controlled by one or more such organizations. In addition, one or more of these tax-exempt organizations must receive at least some funding to provide such housing from the Department of Mental Health and Addiction Services, one or more county boards of alcohol, drug addiction, and mental health services, or a local continuum of care program.

As discussed in the bill analysis, a recent Board of Tax Appeals decision ruled that such housing is not tax exempt under current law. For nonprofit residential property to be tax-exempt, it must generally be specifically exempted in the Revised Code.<sup>1</sup>

LSC does not have independent knowledge of the number of properties in Ohio that meet the qualifications for tax-exemption in the bill. The analysis that follows is based on testimony in a hearing on the bill before the Senate Ways and Means Committee on February 17, 2021. One witness in that hearing said that approximately 6,000 housing units statewide would be affected. Another witness said there are more than 13,000 such housing units statewide.

Housing permit data provide a basis for valuing such units. In 2020, permits for 9,241 housing units in buildings with five or more units were obtained in Ohio, valued at \$873 million. The implied average unit value was about \$94,000, or a taxable value of about \$33,000 per unit at Ohio's 35% assessment rate. This provides an estimate of the statewide average replacement cost of such units, which may somewhat overstate the values that county auditors would place on such property. At \$33,000 per unit, 6,000 such units would have a taxable value of nearly \$200 million; 13,000 units would have taxable value near \$430 million. If we assume an average statewide effective tax rate for class II real property of about 75 mills, taxes per year would range from \$15 million to \$32 million.

Witness testimony on S.B. 57 indicates that such property has generally been tax-exempt in the state. In the absence of the change made by the bill, how quickly cases would be brought to implement the Board of Tax Appeals position regarding the taxability of such properties, and how widespread such action might be, appears uncertain. The fiscal effect of the bill is evaluated in this fiscal note assuming that similar properties in the state would be widely deemed to be taxable under current law.

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<sup>1</sup> BTA No. 2018-649, <https://ohio-bta.modria.com/casedetails/512991>.