OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

H.B. 57
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 57's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Hall and Demetriou

Local Impact Statement Procedure Required: No

Philip A. Cummins, Senior Economist

Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Expenditures	$11 million increase	$28 million increase	Increasing amounts

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 index for inflation the portion of a primary residence's value not subject to property tax because of the homestead exemption, applying to both the $25,000 market value exempted for specified homeowners who are totally and permanently disabled, 65 years of age or older, or surviving spouses of such persons and age 59 or older and the up to $50,000 market value exempted for homeowners who are disabled veterans or the surviving spouses of public service officers killed in the line of duty.
- The state reimburses from the GRF tax revenue losses of school districts and local governments resulting from the homestead exemption.
- Indexing would apply first to tax year (TY) 2023, so estimated GRF costs would amount to about $11 million in FY 2024 for a half year's cost (due to timing), and grow to $28 million in FY 2025, $36 million in FY 2026, and continue growing at a rate that may be comparable in subsequent years, but would depend on future inflation rates and numbers of homeowners continuing to qualify for the exemption.

Detailed Analysis

The bill indexes for inflation the true (or market) value of property excluded from taxation by the homestead exemption. The cost of the bill would depend on rates of inflation, which were especially high in 2022. Future rates of inflation are uncertain. In current law, the value of property excluded from taxation is $25,000 of the true (or market) value of the property, which is multiplied by the assessment rate and the effective tax rate to determine the amount of the tax exemption.[1] For disabled veterans and survivors of first responders killed in the line of duty, the value of property excluded from taxation is $50,000 of true value. The bill adjusts both of these amounts for inflation.

Homeowners who qualified for the homestead exemption in tax year (TY) 2013 (for manufactured homes, TY 2014) are not subject to an income test. Other homeowners' modified adjusted gross incomes must be less than a limit, originally $30,000, that is indexed for inflation.[2] The inflation measure used for this indexation, the gross domestic product deflator, is the same index that would be used under the bill for adjusting the exempted property value. The bill's provisions would go into effect in TY 2023 for real property, and in TY 2024 for manufactured homes, both of which would generally be paid in calendar year 2024.

The total amount of the exemption has been declining for years, as persons who qualified a decade ago when eligibility was not subject to an income test have ceased to be homeowners. State reimbursements in 2021 for the homestead exemption totaled about $364 million.[3] The decline was especially steep in that year, possibly due at least in part to effects of the COVID-19 pandemic on home ownership by the elderly. By 2024, the amount is projected to decline to $325 million, based on recent rates of decline.

Under the bill, real property amounts exempted for that tax year would rise by an estimated 7.0%, based on currently published figures. The estimated additional amount to be reimbursed from the GRF for TY 2023 would be $23 million. Half of the GRF reimbursement would take place in FY 2024, and half in FY 2025. For TY 2024, the estimated reimbursement would rise to $34 million. The cost of the bill to the GRF would rise further in subsequent years. Given the timing of these reimbursements, GRF expenditures would increase by an estimated $11 million in FY 2024, $28 million in FY 2025, $36 million in FY 2026, and increasing amounts in future years that would depend both on the rate of inflation and the rate of decline in numbers of homeowners eligible for the exemption.

FNHB0057IN-135/lb

[1] A further adjustment is also made to take account of the rollbacks.

[2] Modified adjusted gross income is Ohio adjusted gross income with any business income deduction added back. The original $30,000 income limit had adjusted upward to $34,600 for 2022.

[3] Department of Taxation Table PD-1 for calendar year 2021, issued March 9, 2022.