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Bill Analysis

Version: As Introduced

Primary Sponsors: Sen. Hoagland

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SUMMARY

- Authorizes a new homestead exemption for disabled veterans that, relative to an existing exemption for disabled veterans, expands the class of disabled veterans that qualify for the exemption and bases the exemption amount on the veteran's disability rating.
- Caps the new exemption at $150,000 of a homestead's value.
- Allows a veteran to apply for the new or existing exemption by furnishing disability documentation obtained from a county veterans service commission.

DETAILED ANALYSIS

Homestead exemption for disabled veterans

The bill creates a new property tax reduction for disabled veterans. Under continuing law, qualifying veterans may receive an enhanced homestead exemption. For 2022, the exemption equaled $50,000 of the true value of the veteran's home; this amount will increase for inflation beginning in 2023. The bill's new exemption is similar, except it expands the class of disabled veterans may qualify for the exemption and calculates the exemption amount based on the veteran's disability rating.

Homestead exemption: background

Continuing law provides a property tax credit for the primary residence, or "homestead," of certain qualifying individuals. The standard "homestead exemption" essentially exempts a portion of the value of a home owned by an individual who is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. For 2022, the exemption equaled $25,000 of the fair market value of a qualifying homestead. Beginning in tax year 2023, that amount will increase for inflation each year. The exemption is means-tested, so only homeowners with household income below a certain threshold ($36,100 for tax year 2023) may qualify.

Enhanced exemption for disabled veterans

Under continuing law, a special "enhanced" exemption is available for homes of certain disabled veterans. For 2022, the exemption equaled $50,000, but as with the standard exemption, that amount will increase for inflation each year beginning in 2023. To qualify, the veteran must have been honorably discharged and have one or more service-connected disabilities that have received either (1) a total disability rating (i.e., a disability rating of 100%) or (2) a total disability rating for compensation based on individual employability. Under the latter scenario, the U.S. Department of Veterans Affairs (VA) determines that a veteran is treated as if he or she has a 100% rated disability if (1) the veteran has at least one service-connected disability rated at 60% or higher, or two or more service-connected disabilities with at least one rated at 40% or higher and a combined rating of 70% or more and (2) the veteran cannot hold steady employment. If a veteran qualifies under either of these scenarios, the veteran receives the enhanced exemption.

The bill creates a new enhanced exemption for disabled veterans. Under the bill's exemption, any honorably discharged veteran would qualify if they have one or more rated service-connected disabilities, regardless of the disability rating, as long as they either (1) are at least 60 years old or (2) served at least 20 years in the armed forces or National Guard.[1]

The bill also changes, compared to the existing exemption, how the new exemption is calculated for disabled veterans who meet either of these two requirements. For disabled veterans who do not currently qualify for the existing enhanced exemption, the reduction will be based on the veteran's percentage disability rating, multiplied by his or her current tax liability.[2] However, the exemption cannot reduce the value of the disabled veteran's home by more than $150,000. Disabled veterans who already qualify for the existing exemption (i.e., are 100% disabled), and who are either at least 60 years old or served for at least 20 years, may choose between the existing exemption amount ($50,000 for 2022) or the reduction based on the veteran's percentage disability rating (100%), subject to the $150,000 value limitation. If a veteran already qualifies for the existing enhanced exemption, but does not meet either of the two additional age or service requirements, the veteran may continue to claim the existing exemption.

Example

The following examples illustrate how the bill's changes would affect the amount of, and a veteran's eligibility for, an enhanced homestead exemption. The examples use the $50,000 exemption amount available in 2022, since the 2023 inflation increase has yet to be calculated.

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[1] R.C. 323.151(F).

[2] R.C. 323.152(A)(2) and 4503.065(B).

First, consider a veteran who is 65, has a 100% disability rating, owns a home with a fair market value of $200,000, and has an annual tax liability is $3,000. Under current law, the veteran would receive a $50,000 exemption, so that the veteran is only taxed on $150,000 of the value of the veteran's home. Under the bill, the veteran could alternatively calculate a tax reduction equal to 100% (their disability rating) multiplied their tax liability ($3,000). However, since the reduction can only apply to up to $150,000 of the home's value, the veteran could not claim the full $3,000 reduction and would still need to pay taxes on $50,000 of the value of their home ($1,250, or one-quarter of $3,000).

If the veteran in the above example had a 50% disability rating, the veteran would not receive any exemption under current law but, under the bill, would receive a tax reduction equal to $1,500 (50% of $3,000).

Surviving spouses, means test, and manufactured homes

As under the current enhanced exemption, the bill's enhanced exemption for disabled veterans extends to the surviving spouse of the veteran, until the spouse dies or remarries. Also similar to the existing exemption, the bill does not require the veteran to meet an income test. And, as with all current homestead exemptions, the bill's enhanced disabled veteran exemption applies to manufactured and mobile homes regardless of whether they are taxed as real property or subject to the manufactured home tax.

Application requirements

Under continuing law, a veteran must apply to the county auditor for the homestead exemption. The veteran must include documentation with this initial application that shows their discharge status and disability rating. The bill adds that, if a veteran qualifies for the exemption based on length of service, the veteran must also provide documentation proving that service. After this initial application, no further application is needed, but the auditor must be notified if the homestead no longer qualifies for exemption.

Under current law, the required documentation must come from the U.S. Department of Veterans Affairs. The bill alternatively authorizes the disability documentation to come from a county veterans service commission. To obtain these records, a veteran must make a request to a county veterans service officer of the county in which the veteran resides.[3]

Special assessments

Under current law, the homestead exemption does not apply to special assessments – i.e., special charges imposed by a local government on specific properties to pay for improvements benefitting those properties. (An example is a special assessment imposed by a municipality on properties in a certain neighborhood to pay for a new water line in that neighborhood.)

[3] R.C. 323.153(A)(1), 4503.066(A)(1), and 5901.07.

The bill's enhanced exemption for disabled veterans applies to reduce special assessments as well as property taxes.[4]

Reimbursement of local taxing units

As with all current homestead exemptions, local taxing units are reimbursed by the state for the reduction in property tax revenue that results from the bill's disabled veterans homestead exemption. The reimbursement is paid from the GRF semiannually or annually.[5]

Application

The bill's disabled veteran homestead exemption applies to tax years ending on or after the bill's 90-day effective date or, in the case of homes that are subject to the manufactured home tax, tax years beginning on or after that date. The difference in application is accounted for by the fact that manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears.[6]

HISTORY

Action	Date
Introduced	07-18-23

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[4] R.C. 323.152(C).

[5] R.C. 323.156 and 4503.068, not in the bill.

[6] Section 3.