Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 409 of the 131st G.A.

Date: February 16, 2016

Status: As Introduced

Sponsor: Rep. Green

Local Impact Statement Procedure Required: Yes

Contents: Exempts from property tax any qualifying retail store operated by a nonprofit housing organization

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2016	FY 2017	FUTURE YEARS
School Districts			
Revenues	- 0 -	$94,000 loss	$94,000 loss/year
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	$47,000 loss	$47,000 loss/year
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill would exempt Habitat for Humanity ReStores and possibly other similar entities from property taxes.
- To qualify for the exemption, the organization must own the real property where the store is located.
- Fourteen store locations were identified in Ohio that appear to qualify for the exemption and are not already tax exempt.
- Of approximately $164,000 in annual property taxes on these locations, roughly 14% or $23,000 is assumed to be fixed-sum levies, for which tax exemption for ReStores would result in higher taxes on other taxpayers.
- School district net revenue losses are estimated at $94,000 per year and losses of other units of local government are estimated at $47,000 per year.

Detailed Fiscal Analysis

The bill would exempt from property taxation any retail store operated by a nonprofit housing organization that sells donated items suitable for use in residential housing, and uses the proceeds solely for charitable purposes of a qualifying organization. Generally, qualifying organizations are 501(c)(3) organizations that construct or rehabilitate residences for sale or lease to low-income families. Entities expected to benefit from the exemption from real property taxes, if the bill is enacted, include ReStores operated by local Habitat for Humanity affiliates. These stores accept donations and sell building materials, furniture, and appliances at reduced prices. Other retail stores might also be organized and operated in such a way as to qualify for the exemption.

Habitat for Humanity of Ohio, on its website, identified 38 store locations as of December 28. Of these, 37 are actually in Ohio and one, in the greater Cincinnati area, is in Kentucky. Of the 37 in the state, real property taxes were paid on 32 of the locations, and five were tax exempt or located on property that was tax exempt or appeared not to be subject to tax.

For a retail store to be tax exempt under the bill, the qualifying organization must own the building and land where the store is located. Of the ReStores in Ohio, 16 are located on property owned by Habitat for Humanity affiliates. Annual real property taxes on 14 of these properties totaled about $164,000. The other two properties are tax exempt.

To the extent that the taxes involved include levies to raise specific amounts of revenue, a portion of the $164,000 loss of revenue that would otherwise occur would be offset by increased taxes on other taxpayers. If we assume, based on statewide averages, that approximately 14% of levy millage is to raise fixed sums, mostly bond and emergency levies of schools, then approximately $23,000 of this revenue loss would be offset by higher taxes on other taxpayers. The net loss to school districts would be about $94,000 and that to other units of local government would be about $47,000, on the assumption that about two-thirds of local property taxes are levied by schools and one-third by other local governments. These are only approximations, and actual amounts could differ depending on taxes levied in the specific locations where the stores that would become tax exempt under the bill are located. The cost could range considerably higher if other stores qualify or if otherwise qualifying organizations that currently lease sought over time to own their store locations in order to gain the benefit of the tax exemption.

Real property that is currently taxed as commercial property, and that would become tax exempt under the bill, is not subject to rollbacks, thus the state would not be affected by the bill.

The bill specifies that the change applies to tax year 2015 and thereafter. However, the first payment of 2015 real property taxes in early 2016 has in most cases already been paid. LSC assumes therefore that the bill would first affect revenues of school districts and other units of local government from tax year 2016 taxes, payable in FY 2017.

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