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S.B. 57
134th General Assembly

Bill Analysis

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Version: As Reported by Senate Ways and Means

Primary Sponsors: Sens. Hackett and Antonio

Mackenzie Damon, Attorney

SUMMARY

- Authorizes a property tax exemption for certain housing used by individuals diagnosed with mental illness or substance use disorder.

DETAILED ANALYSIS

Property tax exemption for supportive housing

The bill authorizes a property tax exemption for housing used by individuals diagnosed with mental illness or substance use disorder and their families. To qualify:

1. The owner of the property must be a tax-exempt 501(c)(3) organization, or a pass-through entity whose controlling member either is a 501(c)(3) organization or is owned by one or more 501(c)(3) organizations, for which providing such housing is a primary purpose.
2. At least one of those 501(c)(3) organizations must receive some of its funding from the Department of Mental Health and Addiction Services; a county board of alcohol, drug addiction, and mental health services; or a local continuum of care—a regional or local planning body that coordinates housing and services funding for homeless families and qualifies for federal funding from the U.S. Department of Housing and Urban Development.

In addition, the property owner must either (a) use the property to provide such housing, (b) lease the property to individuals with mental illness or substance use disorder and make supportive service available to such individuals, or (c) lease the property to a charitable institution that uses the property for charitable purposes.¹

¹ R.C. 5709.121(F).

Under continuing law, property owned by a charitable organization and used exclusively for charitable purposes is exempt from taxation. Courts have generally not favored extending the charitable use exemption to residential properties. In fact, in May 2020, the Board of Tax Appeals (BTA) reversed an exemption for a property that would meet the bill's requirements. The BTA found that, based on Supreme Court precedent, the use of the property primarily for private residential purposes could not be considered a charitable use.²

Based on this precedent, nonprofit residential properties must generally be specifically exempted in the Revised Code. Indeed, in 2018, the legislature authorized an exemption similar to that allowed in the bill for nonprofit housing for individuals with developmental disabilities.³

The bill's changes apply to tax year 2021 and thereafter, as well as to exemption applications or appeals pending on the provision's effective date.⁴

HISTORY

Action	Date
Introduced	02-09-21
Reported, S. Ways & Means	02-23-21

S0057-RS-134/ar

² *Columbus City Schools Dis. Bd. of Edn. v. McClain, et al.* (May 28, 2020), BTA No. 2018-649.

³ R.C. 5709.121(E).

⁴ Section 3.