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S.B. 192
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Williams

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SUMMARY

- Caps the amount by which the taxes on homes owned by longtime homeowners can increase from year to year at 10%, with the state reimbursing local taxing units for the cost of the resulting tax reduction.
- Allows counties and municipal corporations to offer an additional reduction or deferral of taxes to longtime homeowners who live in areas where home values are rising significantly due to the rehabilitation of existing homes or the construction of new homes, but provides no state reimbursement.
- Provides that, as a result of such reduction or deferral, a longtime homeowner would not pay taxes on the portion of his or her home's value that has increased above a designated threshold amount, or could defer payment of those taxes.

DETAILED ANALYSIS

Property tax reductions for longtime homeowners

The bill authorizes two property tax benefits for longtime homeowners. They are available for property that the owner, or the owner's spouse, has occupied as a home for at least ten years.¹

The first tax benefit – a 10% year-to-year cap on property value increases – automatically applies to the homes of all longtime homeowners in the state. The second is a local option: counties or municipal corporations may, but are not required to, allow an additional reduction for longtime homeowners affected by rising property values in their area.

¹ R.C. 323.151(L).

Cap on annual property value increases

The bill would cap the amount by which the taxes on a home owned by a longtime homeowner could increase from year to year at 10%. If, in any year, taxes were to increase by more than that amount, a reduction would be applied to limit the increase to 10%. For example:

The taxes due on a longtime homeowner's property in 2022 were \$3,000 and, without the cap, would increase to \$3,600 in 2023 (a 20% increase). Under the bill, a tax reduction of \$300 would be applied to the property, so that the tax due in 2023 would equal \$3,300 (a 10% increase).

There is an exception to this rule when homeowners renovate or make repairs that improve the value of their home. In such cases, any tax increase that is attributable to those renovations or repairs is not included in the cap. Continuing the example above:

In 2022, the homeowner completed an addition to his or her home and the increase in value from the renovation resulted in a tax increase in 2023 of \$150 (5%). Under the bill, the most that taxes could increase on the property in 2023 would be 15% – the sum of the cap (10%) and the increase resulting from the renovation (5%). In the example above, the taxes due would increase from \$3,000 to \$3,450.²

The state would reimburse local taxing units for the tax reductions resulting from the 10% cap in the same manner and to the same extent as the state reimburses them for the existing 2.5% tax reduction for owner-occupied homes and for the homestead exemption.³ The bill's reduction would first be available for tax year 2021, the taxes for which are generally payable in 2022.⁴

Tax reduction for longtime homeowners in certain areas

The bill also allows counties and municipal corporations to offer a second tax benefit to longtime homeowners. The benefit would provide a reduction or deferral of taxes for longtime homeowners who live in areas where home values are rising significantly due to the rehabilitation of existing homes or the construction of new homes. The state would not reimburse local taxing units for this benefit.

The reduction or deferral would operate to reduce a homeowner's taxes to the extent that the taxes are payable on the portion of the home's value that has increased above a designated threshold amount. As an example:

² R.C. 323.152(B)(2) and 323.155.

³ By operation of R.C. 323.156, which is not in the bill.

⁴ Section 3.

In 2022, a city adopts an ordinance authorizing the tax reduction allowed under the bill. The resolution provides that, if the value of property located in a designated 20-block area increases in future years to more than 120% of its current value, the property qualifies for a tax reduction calculated to ensure that the homeowner only pays taxes on 120% of that home's value in 2022.

A longtime homeowner's home was valued at \$200,000 in 2022. In 2024, the value of that home has increased to \$250,000 (a 25% increase). Under the city's ordinance, the homeowner will not pay taxes on the portion of the home's value that exceeds 120% of its value in 2022 (\$240,000). So, the home qualifies for a tax reduction equal to the amount of tax due on \$10,000 of the home's value.⁵

Authorizing local legislation

To provide this tax benefit to residents, a board of county commissioners or municipal governing body must adopt a resolution or ordinance authorizing the benefit, specifying the threshold percentage increase in value to which the benefit will apply, and designating the geographic area in which the benefit will be available, which may be all or only parts of the subdivision. The area must meet all of the following requirements:

1. Residential housing has long existed in the area;
2. The market values of houses in the area are appreciating substantially because of the rehabilitation of existing housing or the construction of new housing;
3. The affordability of existing housing for longtime homeowners is adversely affected because of such appreciation.

A subdivision may, but is not required to, establish additional eligibility requirements for the benefit, which can include an age limit, an income limit, or both.⁶

The subdivision can offer a reduction in taxes or a deferral of taxes (allowing the homeowner to delay the payment of taxes to future years), or can offer both benefits and allow the homeowner to elect a reduction or deferral. Deferred taxes are not considered to be delinquent, and no interest or penalties can accrue on such taxes, until the taxes become payable. Deferred taxes become payable if the home is sold to a person other than the longtime homeowner's spouse, the homeowner no longer occupies the home as his or her primary home, or the homeowner dies and the home does not convey to the surviving spouse.⁷

⁵ R.C. 319.303.

⁶ R.C. 319.303(B).

⁷ R.C. 319.303(G) and (H).

School district opt-out

After adopting a resolution or ordinance, the board or governing body must send a copy to the county auditor, county treasurer, and each school district located in the designated area. A school board can either approve or reject the benefit as it applies to the school district's property taxes. If the school board does not approve the benefit, or later rescinds its prior approval, the reduction or deferral does not apply to taxes charged by the school district.⁸

Homeowner application

A longtime homeowner must apply to the county auditor for a reduction or deferral, as applicable. A homeowner is not eligible for any tax benefit if delinquent taxes are due on the property, unless the homeowner has entered into a delinquent tax payment contract.⁹

HISTORY

| Action | Date |
|------------|----------|
| Introduced | 06-01-21 |

S0192-I-134/ks

⁸ R.C. 319.303(D).

⁹ R.C. 319.303(C) and (E).