



OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 694
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. Patton

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Expenditures	Possible increase up to \$22 million or more	Possible increase up to \$44 million or more	Possible yearly increase up to \$44 million or more

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.

- Full exemption from property taxes for 100% disabled veterans could cost an estimated \$44 million or more per year.
- This amount is in addition to the cost of the current exemption. The full cost would be borne by the state GRF.
- Although the bill specifies that it first applies to taxes that would generally, under current law, be paid in the first half of calendar year 2023, in the table above it is instead assumed to first apply a year later than this, and in every year thereafter.

Detailed Analysis

The bill would replace the current homestead exemption on up to \$50,000 market value of a disabled veteran's primary residence with an enhanced homestead exemption equal to all taxes imposed on the homestead. Schools and local governments would be reimbursed from the state GRF for the resulting loss of tax revenue in the same manner as with other homestead exemptions.

The current homestead exemption for disabled veterans

The homestead exemption entitles a disabled veteran to tax exemption on up to \$50,000 of the market value of the person's primary residence. For this purpose, a disabled veteran is a veteran of the U.S. armed forces, including reserves, or of the National Guard, honorably discharged, who has received a total disability rating or a total disability rating for compensation based on individual unemployability for a service-connected disability or combination of service-connected disabilities (R.C. 323.151(F)). Disabled veteran homeowners qualify for the homestead exemption whatever their ages or incomes. Revenue losses to local governments from the homestead exemption are reimbursed from the state GRF.

About 11,313 homeowners qualified for the homestead exemption as disabled veterans in 2021, based on Department of Taxation data.¹ This number of persons is somewhat lower than the numbers estimated below, perhaps indicating that some homeowners do not apply for the homestead exemption even though they qualify based on veteran disability status. Tax savings for the veterans claiming the homestead exemption on this basis totaled about an estimated \$11 million in 2021.

Estimated cost of expanded exemption

Data from the American Community Survey (ACS), conducted by the United States Census Bureau, were used to estimate real property taxes paid by disabled veteran homeowners. The ACS data on disabled veterans include as a single category those with at least a 70% disability rating. Separately, data on Veterans Affairs disability compensation recipients in federal fiscal year (FFY) 2019 indicate that 37% of Ohio recipients with disability ratings of 70% to 100% had ratings of 100% (20,446 of 55,551 persons).² These figures include both veterans who are homeowners and those with other residence arrangements. This percentage is applied to the ACS results for 70% to 100% disabled veterans in owner-occupied housing to approximate numbers for veterans with 100% disability ratings and their real property taxes.

The ACS data on taxes paid are here assumed to reflect any tax reduction received as a result of benefitting from the current homestead exemption. In other words, ACS respondents to the survey question about taxes paid are assumed to report only taxes remaining due after taking account of all reductions including those from the homestead exemption if claimed. On this assumption, the remaining taxes reported owed would be those that would no longer be owed by persons qualifying for a 100% exemption.

¹ Reports to the Department from county auditors of 86 Ohio counties (85 counties for manufactured homes) show numbers of homestead exemptions for disabled veterans in tax year (TY) 2020, payable in 2021, for real property and in TY 2021, payable in 2021, for manufactured homes. For counties that did not submit current data, the previous year's numbers are used.

² FY 2019 VA Disability Compensation Recipients by County, Department of Veterans Affairs, Office of Enterprise Integration, United States Veterans Eligibility Trends & Statistics (USVETS) 2019, prepared by the National Center for Veterans Analysis & Statistics, January 2021, va.gov/vetdata.

In 2020, an estimated 14,790 veterans with 100% disability ratings resided in owner-occupied housing units in Ohio. Of these, 9,746 (66%) were the persons responding to the ACS survey. The Census Bureau indicates that in most cases the survey respondent, for an owner-occupied housing unit, is the person or one of the persons in whose name the housing unit is owned. These persons paid an estimated \$32 million in real property taxes.

An additional estimated 3,558 persons (24%) were 100% disabled veterans who were the spouses of the survey respondents. The ACS does not tell how many of these spouses were also owners of their residences. Hypothetically, if all of these spouses were co-owners of their residences, up to an additional estimated \$11 million in real property taxes were paid on residences of homeowners with a 100% disability rating. More likely, though, some of these spouses' residences were owned by the survey respondents but not by those spouses.

A third group of Ohio veterans with 100% disability ratings, estimated at 1,486 (10%), resided in owner-occupied housing but were neither the survey respondent nor the spouse. This group includes children, parents, other relatives, and nonrelatives. A few of these may have been co-owners with the survey respondents of their primary residences but most probably were not. To the extent that these 100% disabled veterans were co-owners of their primary residences, the real property taxes they paid in 2020 would represent an additional cost of a 100% property tax exemption for 100% disabled veterans.

A fourth group of 100% disabled Ohio veterans, estimated at 3,656, resided in rental housing or group quarters such as nursing homes, mental hospitals, or correctional facilities. These persons would be unaffected by any 100% property tax exemption. Including this estimated number plus those in the three groups (survey respondents, spouses, and others) living in owner-occupied housing, an estimated 18,446 Ohio veterans had a 100% disability rating in 2020, based on 37% of the ACS results. This total is 90% of the number reported by the Veterans Administration for the earlier period, FFY 2019.

Estimates based on numbers of Ohio homeowners with a Veterans Administration 100% disability rating understate the numbers of persons who could qualify for the enhanced homestead exemption, as Ohio law defines "disabled veteran" (R.C. 323.151, not part of the bill). Current eligibility for the homestead exemption for disabled veterans includes not only those with a total disability rating but also those with a total disability rating for compensation based on individual unemployability for a service-connected disability or combination of service-connected disabilities. Ohio's original enhanced homestead exemption for disabled veterans was expanded to include veterans without a disability rating of 100% who are found by the Veterans Administration to be unemployable because of their service-connected disability (S.B. 10, 131st General Assembly). Data for 2013 from the Department of Veterans Services indicate that Ohio had 7,338 veterans (1) with an individual unemployability rating and (2) without a 100% service-connected disability rating. Efforts by LSC to obtain updated figures on numbers of veterans in this group have been unsuccessful as of this writing. On the assumption that homeownership and real property taxes paid by members of this group approximate the mix of those identified by the ACS query, the additional cost of a 100% tax exemption for them could range to at least \$13 million and possibly several million dollars more, depending on how many of these veterans are homeowners.

In total, the cost of a 100% property tax exemption for disabled veterans, if it had been enacted for 2020, is estimated to total at least \$44 million, and possibly upwards of \$50 million

or more. The Veterans Administration, in a 2020 projection, forecast declining numbers of Ohio veterans in subsequent years, by 4.7% from 2020 to 2022, and by about 2.0% per year from 2022 to 2025. However, taxes on individual properties tend to go up over time, which could offset, more or less, any cost reductions from fewer qualifying properties.

Under the bill, the cost of tax exemption for these properties would be borne by the state GRF. The bill specifies that it applies starting in TY 2022 for real property and in TY 2023 for manufactured homes, both of which would generally be paid in the first half of calendar year 2023. However, the bill's provisions are instead here assumed to go into effect a year later. GRF reimbursements lag tax payments, so that with this assumed timing, payments from the GRF of reimbursements for tax revenue losses in first half real property tax payments would be made in FY 2024 and those for losses in second half real property tax payments would be made in FY 2025. This assumed timing is reflected in the "**Highlights**" table above.