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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 187\*  
135<sup>th</sup> General Assembly

## Bill Analysis

[Click here for H.B. 187's Fiscal Note](#)

**Version:** As Reported by Senate Ways and Means

**Primary Sponsors:** Reps. Hall and Bird

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### SUMMARY

- Temporarily increases the amount of all property tax homestead exemptions.
- Temporarily expands eligibility for the homestead exemption for the elderly and disabled.
- Reimburses school districts from the GRF for 50% of the tax losses from the bill's homestead exemption expansions and other taxing authorities for 100% of their losses.
- Makes an appropriation to fund those reimbursements.
- Removes the authority of the Department of Taxation (TAX) to order adjustments to county auditors' proposed property tax values.
- Allows TAX, instead, to recommend adjustments to an auditor's values and to file an appeal with the Board of Tax Appeals if an auditor does not follow its recommendations.
- Modifies the requirements governing when political subdivisions can file property tax complaints and counter-complaints.
- Expands a prohibition on political subdivisions appealing property tax complaint decisions to include appeals under an alternative statute.
- Provides a temporary period for a municipality or community improvement corporation to apply for an exemption from property taxation and abatement of unpaid taxes, penalties, and interest on certain property.
- Declares an emergency.

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\* This analysis was prepared before the report of the Senate Ways and Means Committee appeared in the Senate Journal. Note that the legislative history may be incomplete.

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## DETAILED ANALYSIS

### Temporary expansion of homestead exemption

The bill temporarily increases homestead exemptions amounts and expands eligibility for the “standard” property tax homestead exemption for the elderly and disabled. Under the bill, individuals who already qualify for a homestead exemption will receive an increased benefit, and some individuals who do not currently qualify for the standard exemption will receive the exemption at a lesser benefit amount. The increase and expansion applies for only three years, beginning in tax year 2023 for real property and tax year 2024 for homeowners who pay the manufactured home tax.

#### Background

Under continuing law, the standard homestead exemption is a property tax credit for the primary residence, or “homestead,” of qualifying individuals. The credit essentially exempts a portion of the value of an eligible individual’s homestead from taxation. Currently, the exemption amount for tax year 2023 is \$26,200. This exemption amount is increased each year for inflation.

The exemption is available to individuals who are (a) at least 65 years of age or older, (b) permanently and totally disabled, or (c) at least 59 years old and the surviving spouse of a person who previously received the exemption. In addition, homeowners must have an Ohio modified adjusted gross income of \$36,100 or less for tax year 2023. This income limit also increases each year for inflation. Homeowners who received the exemption before 2014 are not subject to the income limit.

Also under continuing law, an “enhanced” exemption is available for homes of military veterans who are totally disabled and their surviving spouses and for surviving spouses of peace officers, firefighters, or other emergency responders who die in the line of duty or by an injury or illness sustained in the line of duty. No income limit applies to either enhanced exemption. For 2023, the enhanced exemption equals \$52,300. Like the standard exemption, the enhanced exemption amount also increases for inflation each year.<sup>1</sup>

#### Temporary expansion

The bill temporarily increases both the standard and enhanced exemptions. For individuals who already qualify for the standard exemption, the exemption will increase to \$30,000 in 2023, from \$26,200. For individuals who receive the enhanced exemption, the benefit will increase from \$52,300 to \$60,000. Each of these amounts will further increase for inflation in the second two years of the three-year expansion period.

In addition, the bill extends the standard homestead exemption to individuals with a household income of up to \$75,000 who would otherwise qualify for the existing exemption,

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<sup>1</sup> R.C. 323.152 and 4503.065.

were it not for the income limit. These homeowners will receive a lesser benefit based on their income tier. For the 2023 tax year, the tiers are as follows:

Income	Exemption amount
\$36,101-\$49,000	\$22,500
\$49,001-\$62,000	\$15,000
\$62,001-\$75,000	\$7,500

As with the other exemption amounts, under both current law and the bill, these exemption amounts will increase for inflation in each of the two later years of the temporary expansion period. However, the income amounts, aside from the \$36,101 threshold, will not increase for inflation during the latter two years.<sup>2</sup>

### **Local government reimbursement**

Under continuing law, the state fully reimburses local governments for their property tax revenue loss resulting from the homestead exemption. The bill modifies this reimbursement scheme by only reimbursing local, city, and exempted village school districts for 50% of their revenue loss from the bill's expansion. All other local governments, including other schools like joint vocational and cooperative education school districts, will be fully reimbursed for their revenue loss. All local governments, including all school districts, will continue to be fully reimbursed for their revenue loss from the existing homestead exemptions.<sup>3</sup>

The bill appropriates \$25 million in FY 2024 and \$50 million in FY 2025 for the purpose of making the additional reimbursements.<sup>4</sup>

### **Temporary period and application procedures**

The bill applies to tax years 2023, 2024, and 2025 in the case of real property, and tax years 2024, 2025, and 2026 in the case of homes subject to the manufactured home tax. The difference in application is a result of the fact that the manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears.

Since the bill may take effect after the standard deadline for receiving the homestead exemption in tax year 2023 or, in the case of manufactured homes, tax year 2024, the bill specifies that individuals can apply for the expanded exemption any time before the late application deadline for those tax years – December 31, 2024. Any amount that an individual overpaid before their application is approved will be credited against the individual's future

<sup>2</sup> R.C. 323.152(F), 323.153, 4503.065(F), and 4503.066.

<sup>3</sup> R.C. 323.156 and 4503.068.

<sup>4</sup> Sections 6 to 8.

property taxes or refunded, in the same manner authorized in continuing homestead exemption law.

The bill specifies that, if a person already qualifies for the homestead exemption under existing law, that person is not required to submit a new application or update their existing status solely in order to receive the bill's increased benefit.<sup>5</sup>

## **State involvement in real property valuation**

The bill modifies the role of the Department of Taxation (TAX) in reviewing county auditors' proposed property values. Currently, TAX reviews those values and mandates adjustments to ensure that they meet constitutional, statutory, and administrative valuation requirements. The bill removes this authority and, instead, allows TAX to issue only nonbinding recommendations.

### **Background**

The Ohio Constitution requires that “[l]and improvements thereon shall be taxed by uniform rule according to value. . .”<sup>6</sup> Courts have consistently interpreted this provision to require (1) uniformity in the mode of property taxation and (2) that the value at which real property is taxed be based on the fair market value of the property, i.e., the price the property would sell for in an arm's length sale between a willing buyer and seller.<sup>7</sup> Traditionally, courts have recognized the importance of the role of a state agency in determining whether county auditors' property tax valuations are set according to these uniform constitutional and statutory standards.<sup>8</sup> Indeed, continuing law charges the Department of Taxation (TAX) with prescribing administrative rules setting forth the modes, methods, and formulas of valuing real property, which county auditors are required to follow in the tax equalization process.<sup>9</sup>

To ensure that real property is valued at its fair market value, in accordance with the constitutional requirements described above, county auditors reappraise or update the value of all property every three years. Once every six years, each county undergoes a “sexennial appraisal,” in which the county auditor reappraises all property based on an examination of each parcel. At the midpoint of this six-year reappraisal cycle, auditors review and adjust these values to reflect market conditions since the reappraisal. This reassessment phase is known as the “triennial update.” During the triennial update, in lieu of examining each parcel, auditors make valuation adjustments on a statistical basis, using the overall percentage change in the aggregate value of each class of property.

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<sup>5</sup> R.C. 323.152 and 4503.065; Section 4(A).

<sup>6</sup> Ohio Constitution, Article XII, Section 2.

<sup>7</sup> See, e.g., *Exchange Bank of Columbus v. Hines*, 3 Ohio St. 1 (1853); *State, ex rel. Park Investment Co. v. Board of Tax Appeals*, 175 Ohio St. 410 (1964); *Terraza 8, L.L.C. v. Franklin County Bd. of Revision*, 150 Ohio St.3d 527 (2017).

<sup>8</sup> *State, ex rel. Park Investment Co.*, 175 Ohio St. 410, 414.

<sup>9</sup> R.C. 5713.03; R.C. 5715.01, not in the bill.

## **Current role of TAX**

Under continuing law, TAX reviews county auditors' valuations during both the sexennial reappraisal and triennial update. Under current law, if TAX determines that the taxable value of any class of property in any taxing district does not reflect true market values, TAX will order the auditor to increase or decrease the aggregate value of that class of property so that it is correctly valued. TAX sends notice of any such correction to the auditor, who must then adjust the property tax abstract within 90 days.<sup>10</sup>

If a county auditor disagrees with a correction order from TAX, the auditor may appeal it to the BTA within 30 days. The BTA may confirm TAX's order, reverse it, or modify the corrections, depending upon whether the BTA determines that TAX's corrections are reasonable and lawful. The party that does not prevail before the BTA may appeal its decision to the court of appeals of the auditor's county or to the Ohio Supreme Court.<sup>11</sup>

## **The bill**

Beginning with the 2024 tax year, the bill removes TAX's authority to order adjustments to property tax values. Instead, under the bill, TAX would continue to review county auditors' valuations but, instead of mandating a correction, TAX could only issue recommendations regarding an increase or decrease in values. The county auditor may make further adjustments based upon a recommendation, but is not required to do so.

Accordingly, the bill also reverses the appeal process. Instead of a county auditor appealing TAX's correction order, TAX may appeal an auditor's decision not to accept its recommendations. The appeal would still be taken to the BTA, which could order modifications if it finds the auditor's valuations to be unreasonable or unlawful.<sup>12</sup>

## **Withholding local funds**

Under current law, if a county auditor does not make the corrections specified in a TAX order, TAX must withhold 50% of Local Government Fund (LGF) distributions to that county and instruct the Department of Education to withhold 50% of state revenue distributions to school districts in that county. Since TAX may no longer require the auditor to make corrections, the bill removes this provision.<sup>13</sup>

## **Limitations on property tax challenges**

The bill modifies a recent law that imposed limits on the filing of property tax complaints by parties other than property owners. Among other changes, H.B. 126 of the

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<sup>10</sup> R.C. 5715.24, 5715.25, and 5715.26.

<sup>11</sup> R.C. 5715.251; R.C. 5717.04, not in the bill.

<sup>12</sup> R.C. 5713.01, 5713.03, 5715.012, 5715.24, 5715.25, and 5715.251; Section 4(B).

<sup>13</sup> R.C. 5715.26(A)(3).

134<sup>th</sup> General Assembly limited the situations in which political subdivisions can file property tax complaints or appeal the decisions of a board of revision (BOR) regarding those complaints.

### **Filing of property tax complaints**

Under current law, as enacted in H.B. 126, political subdivisions may only file a property tax complaint with respect to property the subdivision does not own if (a) the property was sold in an arm's length transaction before the tax year for which the complaint is filed and (b) that sale price was at least 10% and \$500,000 more than the auditor's current valuation. The \$500,000 threshold increases each year for inflation, beginning in tax year 2023. These limits also apply to third party property owners in the county who do not own or lease the property in question ("third party complainants").

The bill further narrows this sale requirement, by specifying that a conveyance fee statement for the sale must have been filed with the county auditor within the two years preceding the year for which the complaint is filed. Current law requires that the property was sold before that year, but does not expressly include any limit on when that sale occurred.<sup>14</sup>

For political subdivisions, this new limit applies to complaints filed for tax year 2022 and after. For third party complainants, the new limit applies to complaints filed for tax year 2023 and after.<sup>15</sup>

### **Counter-complaints**

Under continuing law, if a property tax complaint alleges a change in value of at least \$50,000 in fair market value (\$17,500 in taxable value), a school district may join the case by filing a counter-complaint. The bill provides that a school district may only file such a counter-complaint if the original complaint was filed by the owner or lessee of the property. Essentially, the bill prohibits school districts from filing counter-complaints when the original complaint is filed by another political subdivision or by a third party complainant. This change applies to counter-complaints filed with respect to tax year 2022 and after.<sup>16</sup>

### **Appeals of BOR decisions**

The bill expands an existing law, also enacted in H.B. 126, that prohibits political subdivisions from appealing BOR decisions on property they do not own to the Board of Tax Appeals (BTA). Under the bill, appeals will also be prohibited under an alternative statute that, since existing law no longer allows appeals to the BTA, subdivisions have relied on as a basis for filing an appeal from BOR decisions to a court of common pleas. This prohibition would apply to any case that concerns the valuation of property for tax year 2021 or after.<sup>17</sup>

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<sup>14</sup> R.C. 5715.19(A).

<sup>15</sup> Section 5(B).

<sup>16</sup> R.C. 5715.19(B); Section 5(B).

<sup>17</sup> R.C. 2506.01; Section 5(A).

The bill also extends these appeal limitations to third party complainants, and expressly prohibits a subdivision from appealing a BOR decision regarding a complaint filed by a third party complainant. This latter prohibition applies to appeals of BOR decisions issued on or after July 21, 2022 (H.B. 126's effective date). The limit on third party complainants applies to appeals of BOR decisions issued after this provision's effective date.<sup>18</sup>

## Tax abatement

The bill establishes a temporary procedure by which a municipal corporation or community improvement corporation (CIC) that acquired property during certain periods may apply for a tax exemption for the property and abatement of any unpaid taxes, penalties, and interest attributable to the property from before the municipality or CIC acquired it.

There are two types of properties covered by the bill. First are those acquired by the municipality or CIC between certain dates in February 2000, January 2006, January 2008, and April 2013. Second are parcels that were created by subdividing, between certain dates in August 2004 and January 2008, an existing parcel that was previously acquired by a municipality between certain dates in December 1999, March 2002, and January 2008.

The application for exemption and abatement must be filed with the Tax Commissioner within 12 months after the bill's 90-day effective date.

Continuing law generally only allows a tax exemption if the property in question is exempt from taxation on the tax lien date, which is January 1 each year, and all taxes, penalties, and interest have been paid in full before the property was acquired by the exempt user.<sup>19</sup>

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## HISTORY

Action	Date
Introduced	05-24-23
Reported, H. Ways & Means	09-20-23
Passed House (58-26)	10-11-23
Reported, S. Ways & Means	---

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<sup>18</sup> R.C. 5717.01; Section 5(C).

<sup>19</sup> Section 3; R.C. 5713.08, not in the bill.