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H.B. 187
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate Ways and Means

Primary Sponsors: Reps. Hall and Bird

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill's enhanced homestead exemption would reduce property taxes for seniors, the disabled, and surviving spouses by an estimated \$97 million for taxes paid in 2024, \$107 million for 2025, and \$115 million for 2026.
- Local government revenue losses would be fully reimbursed from the state GRF. School districts would be reimbursed for half of their revenue losses, resulting in an estimated revenue loss to schools of \$97 million over the full three years of the enhanced exemption.
- The enhanced homestead exemption would expire for taxes paid in 2027 and thereafter. GRF costs are estimated to increase by \$34 million in FY 2024, \$71 million in FY 2025, and additional amounts in the next two years, to reimburse all revenue losses to local governments and half of revenue losses to schools.
- In tax year (TY) 2024 and thereafter, county auditors would make determinations whether real property is valued uniformly for tax purposes. The Tax Commissioner has this authority now and can direct auditors to change values. Under the bill, the Commissioner could recommend value adjustments and could appeal to the Board of Tax Appeals (BTA) an auditor's disregard of recommendations. Fiscal effects, if any, appear uncertain.
- The bill would tighten limits on property tax appeals by school districts and other political subdivisions, likely resulting in a revenue loss to these entities of uncertain magnitude.

Detailed Analysis

Homestead exemption changes

The bill would temporarily expand and enhance the homestead exemption, for TY 2023, TY 2024, and TY 2025 for real property (TY 2024, TY 2025, and TY 2026 for manufactured homes). The true or market value of the current exemption is \$26,200 for TY 2023.¹ The bill increases that amount to \$30,000 in TY 2023 and further increases it for inflation in TY 2024 and TY 2025. The enhanced exemption for disabled veterans and surviving spouses of public safety officers killed in the line of duty would similarly increase, from \$52,300 to \$60,000 in TY 2023, with further increases in the next two years.

The amendment also temporarily expands the exemption to include elderly or disabled homeowners with a household income of \$75,000 or less. The current income limit is \$36,100, except that homeowners who qualified for the exemption in 2013 (2014 for manufactured homes) are exempt from this means test, as are disabled veterans and surviving spouses of public safety officers killed in the line of duty. Household income is measured as modified adjusted gross income (MAGI), which is Ohio adjusted gross income plus any business income that was deducted in calculating income taxes due. Real property taxes are paid a year in arrears; taxes on manufactured homes are paid concurrently.

Homeowners subject to the means test who make more than the current income limit but not more than \$75,000 would receive an exemption of less than \$30,000 for taxes payable in 2024, with each homeowner's exemption amount based on income as shown in the following table. Exemption amounts for future years, as well as the current income limit, rise with inflation.

Exemption Amounts for Elderly or Disabled Homeowners Subject to Means Testing, for Taxes Payable in 2024	
MAGI	Market Value of Exemption
\$36,100 or less	\$30,000
\$36,101-\$49,000	\$22,500
\$49,001-\$62,000	\$15,000
\$62,001-\$75,000	\$7,500
More than \$75,000	\$0

Cost estimates and reimbursements

Under current law, the state GRF reimburses the revenue losses of school districts and local governments arising from the homestead exemption, for homeowners who qualify for that exemption. The local taxing authorities are held harmless by the state reimbursements, and

¹ Equal to \$9,170 taxable value at the state's 35% assessment rate for real property.

property owners pay lower taxes than otherwise, with the state paying the difference with reimbursements from the GRF.

The bill's increased exemption amounts and higher income limit for beneficiaries is estimated to increase the taxpayer savings from the homestead exemption by \$97 million for taxes payable in 2024, \$107 million for 2025, and \$115 million for 2026, after which the bill's enhanced homestead exemption would end. Unlike current law, which provides full reimbursement for homestead exemption losses from the GRF, the bill would reimburse school districts for only 50% of the increased cost of the exemption resulting from the bill's changes. For purposes of the bill, "school district" means a city, local, or exempted village school district. Local governments and other educational entities including joint vocational school districts would be fully reimbursed.

Additional GRF expenditures are estimated at \$34 million in FY 2024, \$71 million in FY 2025, \$77 million in FY 2026, and \$40 million in FY 2027. Unreimbursed property tax revenue losses for school districts total an estimated \$97 million over the same period.

The bill includes supplemental appropriations from State Revenue Distributions (RDF) line items 110908 and 200903 totaling \$25 million for FY 2024 and \$50 million for FY 2025. In addition, it provides that these appropriations are subject to all applicable provisions of H.B. 33, the main operating budget of the 135th General Assembly. For all RDF appropriations, the budget act specifies that if additional appropriations are determined to be necessary, those amounts are appropriated.

The bill declares an emergency so these provisions would go into effect promptly on enactment.

Change in authority for real property tax equalization

Starting in TY 2024, the bill gives county auditors rather than the Tax Commissioner authority regarding equalization of a county's real property, the determination whether all property in the county is taxed according to a uniform 35% of its true or current agricultural use value. Current law requires the Commissioner to make this determination and requires auditors to adjust their property values in accordance with the Commissioner's determination. This provision of the bill requires instead that the Commissioner make recommendations regarding the equalization of a county's property values, and requires the county auditor to consider those recommendations in finalizing property values. The bill would allow the Commissioner to appeal to BTA an auditor's decision to disregard the Commissioner's recommendations. Under current law, auditors may appeal the Commissioner's equalization determination to BTA.

The fiscal effect, if any, of this change appears uncertain. The provision could tend to result in more variability in initial valuation determinations, since multiple county auditors rather than a single entity, the Department of Taxation, would be making these determinations. Greater variability might give rise to more appeals. Consequently BTA's workload, funded by the GRF, could increase if more valuation challenges are made by the Department than by county auditors under current law. However, county auditors would be subject to the same constitutional and statutory constraints as the Department is now. The auditors' resulting determinations might not differ substantially from those that the Department would make under current law.

State and local administrative costs

The bill's requirements will increase costs for the Department of Taxation and county auditors. Added costs to the Department may be paid from appropriation item 110623, Property Tax Administration (Fund 5V80) or from GRF appropriation item 110321, Operating Expenses.

Property tax appeal limits

The bill provides that a political subdivision can file a property tax complaint with respect to property the subdivision does not own only if the complaint is based on a sale evidenced by a conveyance fee statement filed 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.

A school district would be prohibited by the bill from filing a property tax counter-complaint unless the original complaint was filed by the owner or lessee of the property. Under current law, school districts may file a counter-complaint with respect to any complaint, so long as the complaint seeks at least a \$50,000 change in the property's fair market value.

The bill expands existing law that prohibits political subdivisions from appealing board of revision (BOR) decisions to include appeals under an alternative statute that, since existing law no longer allows appeals to the Board of Tax Appeals (BTA), subdivisions have relied on as a basis for filing an appeal from BOR decisions to a court of common pleas. This expanded prohibition applies to cases pending on the effective date of these bill provisions.

A further specification of the bill is that these appeal limitations apply to third parties who do not own the property subject to the complaint. The bill expressly prohibits a subdivision from appealing a BOR decision on a complaint filed by such a third party.

These bill provisions limiting property tax appeals extend restrictions enacted in H.B. 126 of the 134th General Assembly. They are likely to reduce revenue to school districts and other political subdivisions. The magnitude of such revenue losses appears uncertain.

Property tax exemption and abatement for Trotwood

The bill permits a municipality or community improvement corporation (CIC) to apply to the Tax Commissioner, within 12 months of the bill's 90-day effective date, for a property tax exemption and abatement of delinquent taxes on certain property owned by the municipality or CIC without regard to the regular time and payment limitations imposed by current law.² These limitations include a restriction that abatements may not generally be sought for more than three years of delinquent taxes and that abatements are unavailable for delinquent taxes accrued by previous owners. This provision of the bill restricts eligible properties to those for which the deed was recorded between specified dates. The restrictions appear to be narrowly drawn, which may limit the fiscal effects to properties owned by a single municipality or CIC.

Testimony in House Ways & Means Committee indicated that the sole property eligible for this tax exemption is government-owned real property, which is the site of a city service center in Trotwood, Ohio. Due to an administrative oversight, paperwork for its tax exemption

² A CIC is either an economic development corporation or a county land reutilization corporation (R.C. 1724.01).

was not timely filed. The provision of the bill would allow application for tax exemption to be made to the Tax Commissioner. Tax is currently owed on the property. Exemption from tax would be discretionary for Trotwood, a CIC, or both, but perhaps not for all other affected local taxing authorities.