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Bill Analysis

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SUMMARY

- Authorizes a property tax circuit breaker for eligible homeowners and renters whose property taxes, or portion of rent attributable to property taxes, exceeds 5% of their income.
- Allows individuals to claim the circuit breaker benefit either as a refundable income tax credit or as a direct rebate.
- Limits the credit or rebate to individuals whose household income does not exceed $60,000, with that limit subject to inflation adjustments in later years.
- Further limits the credit or rebate to homes whose value does not exceed a certain median home value ($438,300 for 2022) and rental units with a monthly rent under a specified median monthly rent ($1,370 for 2022).
- Caps the credit or rebate at $1,000 per year, with that limit subject to inflation adjustments in later years.

DETAILED ANALYSIS

Property tax circuit breaker

The bill authorizes payments for homeowners and renters whose property tax burden exceeds 5% of their income. The program, known as a "property tax circuit breaker," is available as a refundable income tax credit, for individuals who file a state income tax return, or as a direct rebate, for individuals who do not.

Qualifying homeowners and renters

To qualify for the circuit breaker, an individual must meet occupancy and income requirements. In addition, the value of the individual's home, or the individual's monthly rent, cannot exceed a certain threshold.

First, the individual must have occupied the homestead for which the benefit is claimed for at least six months. A homestead is any dwelling occupied as a primary residence, including mobile or manufactured homes and units in multi-family buildings. Only one person can claim the benefit per homestead.

Second, for homeowners, the value of the individual's home cannot exceed the median home value in the Ohio county with the highest median home value according to the most recent census data. For 2022, that threshold was $438,300.[1] Similarly, for renters, the individual's monthly rent cannot exceed the median rent in the Ohio county with the highest median rent. For 2022, that amount was $1,370. The Tax Commissioner will publish updated limits each year based on the most recent census data.

Third, an individual's "total household resources" must fall below a specific threshold. For the first year the bill applies, that limit is $60,000. In each following year, the Tax Commissioner will increase that limit for inflation, i.e., the increase in the federal Gross Domestic Product Deflator.[2]

Total household resources

The household income limit generally applies to the total income received by an individual and the individual's spouse for the claim year, with some adjustments.[3] The household's total resources equals the individual's and spouse's federal adjustment gross income (FAGI), plus any income that is specifically excluded or exempt from FAGI, and further increased by any deduction from federal gross income for (1) business net operating losses (NOLs), (2) net rental or royalty losses, or (3) NOL carrybacks or carryforwards.

From that total income, the household may subtract income from the following sources:

Subtractions from gross household resources		
Up to $300 of gifts from nongovernmental sources	Up to $300 of lottery, casino, or sports gaming winnings	State or municipal tax refunds or tax credits
Government payments made to a third party on the individual's behalf	Supplemental Nutrition Assistance Program (SNAP) benefits	Government grants that must be used for home rehabilitation

[1] In both cases, for 2022, the county with the highest values was Delaware County. Data sets for both values can be accessed at data.census.gov. Enter keyword search "median home value" or "median gross rent (dollars)," respectively, and filter the results for "Ohio" and "All counties in Ohio."

[2] R.C. 5747.08, 5747.86, and 5747.98.

[3] R.C. 5747.86(A)(6) and (9).

Subtractions from gross household resources		
Stipends paid to participants in the foster grandparent or senior companion programs	Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums	Contributions by an employer to life, accident, or health insurance plans
Energy assistance payments for low-income customers	Loan proceeds	Inheritance or life insurance benefits from a spouse
Accident or health insurance plan premiums paid by an employer	Payments from a long-term care policy made to a nursing home	Compensation for wrongful imprisonment

Benefit amount

In general, the benefit available to an individual equals the amount by which the individual's property tax burden exceeds 5% of the individual's household resources, up to a specified benefit limit. For the first year the bill applies, that limit is $1,000. In each later year, the limit will increase for inflation.[4]

Benefit calculation for homeowners

For homeowners, the benefit equals the amount by which the homeowner's property taxes for the most recent tax year, excluding delinquent taxes, penalties, interest, and special assessments, exceeds 5% of their total household resources.

Example: Bill has total household resources of $50,000 and a property tax liability of $3,000. Five percent of Bill's income would be $2,500. So, his benefit would equal $500 ($3,000 minus $2,500).

Benefit calculation for renters

For renters, the benefit equals the amount by which the portion of the individual's rent that is attributable to property taxes exceeds 5% of the individual's total household resources. Under the bill, it assumed that 15% of an individual's gross rent is attributable to property taxes. The bill refers to this amount as the "rent-equivalent tax." An individual's "gross rent" is the total rent paid pursuant to an arm's length transaction with a landlord.

Example: Bonnie has total household resources of $50,000 and pays rent of $1,500 per month, or $18,000 per year. The portion of that rent attributable to taxes equals $2,700 (15% of $18,000). Subtracting 5% of Bonnie's income, or $2,500, results in a benefit of $200.

[4] R.C. 5747.86(B) and (C).

Claim procedure

If an individual files an Ohio income tax return, the individual must claim the benefit as a tax credit on the return. If the amount of the tax credit exceeds the individual's tax liability, the individual will receive a refund equal to the difference.[5]

The Department of Taxation must create a separate application for individuals who are not required to file an income tax return. These applications are generally due on the same date as the standard filing deadline for income tax returns (typically April 15), although an individual may request an extension in a similar manner as income tax return extensions, i.e., typically to October 15.[6]

The benefit is based on the property taxes or rent-equivalent tax payable in the year in which the tax return or application is filed. For example, an individual will file an Ohio income tax return for their 2023 taxable year between January and April of 2024. On that return, the individual's circuit breaker credit will be based on property taxes charged for tax year 2023, which – since property taxes are paid one year in arrears – are payable in 2024. A renter's 2024 benefit is based on the rent-equivalent tax paid by the renter in 2023.

Adjustment due to change in tax liability

If the amount of property taxes ultimately paid for a tax year differs from the property tax amount used to calculate a credit or rebate allowed under the bill, the recipient must report the difference on the following year's income tax return or rebate application. The recipient must adjust the recipient's credit or rebate for the following year to account for the difference. Alternatively, if the individual no longer qualifies for a credit or rebate in that year, the individual must pay or request a refund of the difference.[7]

Application

The bill applies to the first tax year ending on or after the bill's 90-day effective date. For example, if the bill takes effect in 2024, individuals could claim the payment in 2025 based on their tax year 2024 taxes.[8]

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[5] R.C. 5747.86(D).

[6] R.C. 5747.86(E).

[7] R.C. 5747.86(H).

[8] Section 3.

HISTORY

Action	Date
Introduced	05-15-24

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