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H.B. 596
135th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Robinson

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SUMMARY

- Requires a municipal corporation to obtain the approval of an affected school district before designating a tax increment financing (TIF) property tax exemption that applies throughout an incentive district, regardless of the amount or term of the TIF.

DETAILED ANALYSIS

Municipal incentive district TIF

TIF background

Continuing law allows municipalities, townships, and counties to create tax increment financing (TIF) arrangements to finance public infrastructure improvements. Through a TIF, a political subdivision grants a property tax exemption for the increase in the assessed value of designated parcels resulting from later improvements to the parcels. The exemption may apply to specific parcels or to entire areas, which are called “incentive districts.” In TIF arrangements, the affected property owners make payments in lieu of taxes to the subdivision equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements. TIFs thereby create a flow of revenue back to the subdivision, which can use those payments to pay the public infrastructure costs necessitated by the development project, but reduce tax revenue that would have gone to other purposes.

School district approval

The bill expands the circumstances under which a school board must approve an incentive district TIF proposed by a municipal corporation. In essence, the bill requires school board approval in all instances, no matter the specific terms and attributes of the TIF. The bill does not affect incentive district TIFs designated by townships or counties or single parcel TIFs.

Under continuing law, a municipal incentive district TIF may exempt up to 100% of the value of new improvements constructed within the district for up to 30 years. However, under current law, a municipal corporation may only designate an incentive district TIF that exempts

over 75% of the value of new improvements or that would last more than ten years if it first obtains the permission of the local, city, or exempted village school district with territory in the proposed incentive district. School district permission is not required if the municipality agrees to compensate the school district for its full revenue losses or if the school board adopts a resolution waiving its approval rights.

The bill requires school district approval for every municipal incentive district TIF, regardless of its exemption percentage or term, unless either the municipality fully compensates the school district or the school board waives its approval rights. The notice requirements, timeline, and procedures of obtaining permission are the same as required under current law for incentive district TIFs that exempt more than 75% of increased value or last more than ten years. For example, the municipality must give the school district notice at least 45 business days before designating the incentive district, the school board may approve or disapprove of the TIF or negotiate a compensation agreement, and a joint vocational school district that covers the incentive district must be compensated at the same rate and under the same terms of any such agreement.¹

The bill’s expanded school district permission requirements apply to TIF ordinances adopted by a municipality 45 or more days after the bill’s 90-day effective date.²

HISTORY

Action	Date
Introduced	05-15-24

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¹ R.C. 5709.40(C) and (D).

² Section 3.