



OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 24 of the 132nd G.A.

Status: As Reported by House Ways and Means

Sponsor: Rep. Ginter

Local Impact Statement Procedure Required: No

Subject: Expands the current property tax exemption for veterans' organizations

State & Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2018	FY 2019	FUTURE YEARS
Counties, Municipalities, Townships, School Districts, and Other Local Governments			
Revenues	Loss up to \$18,000	Loss up to \$18,000	Loss up to \$18,000 per year
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill expands the current property tax exemption for veterans' organizations to include certain social welfare organizations that are exempt from the federal income tax under section 501(c)(4) of the Internal Revenue Code. Newly eligible 501(c)(4) properties must be used primarily for meetings and administration of the veterans' organization or for providing nonprofit programs and supportive services to veterans or current members of the U.S. Armed Forces or their families.
- LSC identified 14 chapters of the Disabled American Veterans (DAV) organization that would benefit from this exemption. Enacting the bill would reduce local property tax receipts by up to \$18,000 per year for these organizations. Actual losses to affected local governments could be lower depending on the types of property tax levies in applicable taxing jurisdictions; in some cases, the revenue losses incurred by the bill would be mitigated by shifting the tax liability to other property taxpayers.

Detailed Fiscal Analysis

H.B. 24 modifies an existing tax exemption for property held or occupied by a veterans' organization by extending eligibility for the exemption to the property of qualifying veterans' organizations that are exempt from the federal income tax under section 501(c)(4) of the Internal Revenue Code (IRC).

The expanded exemption requires that qualifying property of a 501(c)(4) social welfare organization meet the IRC criteria as a 501(c)(19) veterans' organization. A veterans' organization qualifies for federal income tax exemption under section 501(c)(19) if it is organized and operated as a nonprofit, at least 75% of its members are

veterans and current members of the U.S. Armed Forces, and substantially all the other members of the organization are cadets, spouses, ancestors, or lineal descendants of veterans or current members of the U.S. Armed Forces.

H.B. 24 limits the scope of the expanded exemption by requiring property to be used primarily for meetings and administration of the veterans' organization or for providing nonprofit programs and supportive services to veterans or current members of the U.S. Armed Forces or their families.

Under current law, a veterans' organization's property is tax exempt if the organization qualifies for exemption from federal income tax under section 501(c)(19) or 501(c)(23) of the Internal Revenue Code and the property generates less than \$36,000 in gross rental income for the tax year.

LSC staff identified 14 chapters of the Disabled American Veterans (DAV) organization that would benefit from this exemption, and consider this list likely to be complete, though it is possible there are other eligible organizations and properties. As seen in the table below, enacting the bill would reduce local property tax receipts by up to \$18,000 per year. Actual losses could be lower depending on the types of property tax levies in applicable taxing jurisdictions. In some cases, the revenue losses incurred by the bill would be mitigated by shifting the tax liability to other property taxpayers.

Properties of 501(c)(4) Organizations Assumed to be Eligible Under H.B. 24					
County	City	DAV Chapter	Federal EIN	Parcel Number	Annual Tax
Athens	Athens	37	316077780	A027380002203	\$4,024.76
Belmont	Bellaire	117	346596142	29-03486.000	\$1,795.80
Champaign	Urbana	31	344473360	K48-25-00-03-19-079-00	\$295.02
Clark	Springfield	13	316077783	2400300019403020	\$5,910.06
Columbiana	East Liverpool	47	346596121	37-09586.000	\$0
Fairfield	Lancaster	40	316077973	0546284900	\$1,828.24
Hancock	Findlay	43	344461862	600000314590	\$1,743.38
Jackson	Jackson	45	311090234	H140100023600	\$0
Lorain	Lorain	20	346596601	0202026105003	\$0
Muskingum	Zanesville	12	352458988	81-01-04-01-000	\$941.02
Scioto	Wheelersburg	134	237332553	17-0863.000	\$0
Stark	Alliance	50	237329551	2808113	\$651.92
Trumbull	Youngstown	11	237329528	38-121560	\$0
Washington	Whipple	52	465552996	140053540000	\$0
TOTAL					\$17,190.20