



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Sam Benham

H.B. 488

132nd General Assembly
(As Introduced)

Reps. Hood and Becker, Wiggam, Romanchuk, Ginter, Patmon, Brinkman, Seitz, DeVitis, Roegner, Henne, Butler, Merrin, Retherford, Keller, Zeltwanger, Young, Lipps, Brenner, Dean, LaTourette, Schaffer, Koehler, Riedel, Sprague, Faber, Vitale, Lang, Thompson

BILL SUMMARY

- Requires property tax levy election notices and ballot language to convey the following information:
 - The levy's rate in dollars for each \$100,000 of fair market value instead of in dollars for each \$100 of taxable value.
 - If the levy is a replacement or renewal levy, the effect, if any, of the tax reduction factor on collections for the replacement or renewal levy in relation to the existing levy.
 - Requires county auditors to furnish this information upon the request of a subdivision, or upon the filing of a petition by voters to reduce certain property or school district income taxes.
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CONTENT AND OPERATION

Overview

The bill changes the content of election notices and ballot language for property tax levies. Specifically, the bill modifies how rate information is displayed and requires additional information to be displayed on how replacement and certain renewal levies are affected by the "H.B. 920" tax reduction factor. Continuing law, in conformance with the Ohio Constitution, generally requires property taxes that would cause the total tax levied in an area to exceed ten mills per dollar of taxable value to be approved by

voters.¹ Continuing law prescribes procedures for submitting these levies for voter approval. In general, a subdivision is required to adopt a resolution certifying certain information describing the property tax to the board of elections, which then places a notice describing the proposed levy in newspapers generally two weeks before the election and prepares ballot language describing the levy.²

Rate information

Under current law, election notices and ballot language for most property tax questions may vary slightly, but generally are required to display the rate of the tax being levied, renewed, replaced, decreased, or increased in both mills (0.1¢) for each \$1 of taxable value and dollars for each \$100 or \$1000 of taxable value. (For real property, taxable value is 35% of so-called "fair market value" – the full value as appraised or affixed by county auditors or the Tax Commissioner.)

The bill continues to require election notices and ballot language to display the millage rate per \$1 of taxable value for each type of property tax levy but standardizes terminology by employing the standard term "taxable value." Currently, the ballot language that is prescribed for some levies uses other terms such as "valuation" or "tax valuation," while the language for others does not specify what value the millage rate is based on.

In the case of a new levy or a renewal levy not affected by the tax reduction factor (discussed below), the bill also requires the rate to be expressed in dollars for each \$100,000 of *fair market value* instead of for each \$100 of taxable value. This change alters the rate information conveyed in election notices and ballot language for those levies. For example, under current law, the election notice and ballot language for a 12-mill levy would convey to voters that the rate equals 12 mills for each \$1 of taxable value and \$1.20 for each \$100 of taxable value. Under the bill, the notice and language would continue to convey the 12-mill rate for each \$1 of taxable value but, instead of the \$1.20 per \$100 of taxable value rate, would state that the millage rate translates to \$420 for each \$100,000 of fair market value.

Regarding rate information for replacement levies and renewal levies affected by the tax reduction factor law, the bill likewise substitutes the existing "dollars for each \$100 of taxable value" rate information with a dollars per \$100,000 of fair market value rate. But the presentation of that rate accounts for the effect of the tax reduction factor on those levies, as described below. For all levies, whether affected by the tax reduction

¹ R.C. 5705.02, not in the bill; see also Article XII, Section 2, Ohio Constitution.

² See, e.g., R.C. 5705.25.



factor or not, the bill employs the standard term "fair market value" to describe the dollars-per-\$100,000 rate.³

Tax reduction factor rate information

For replacement and certain renewal levies, the bill requires election notices and ballot language to include information on how such levies are affected by the H.B. 920 tax reduction factor (so called because the real property tax limitation law was enacted by H.B. 920 of the 111th General Assembly (1976)). The tax reduction factor is designed to prevent appreciation in real property values from causing proportionate increases in real property taxes, effectively eliminating any change in revenue from voted levies that would otherwise occur when existing real property in a taxing district is reappraised or updated. Generally, the law ensures that, unless new taxes have been approved by voters, the total amount of taxes raised in one year in a taxing district is not greater than the total amount of taxes levied on the same property in the preceding year. The revenue limits apply to total revenue from a levy, not to each parcel's tax bill. The law does allow tax increases resulting from the addition of new property to the tax lists (e.g., new buildings and additions to existing buildings) or from reclassified property (see below).

Though the tax reduction factor law may reduce collections from voted levies compared to what would otherwise be collected in its absence, the reduction factor does not lower the voted rate of those levies.⁴ Confusion may arise because, when actual collections are divided by the taxable value of property in the taxing district, the resulting percentage typically will be less than the voted rate. The bill refers to this calculated percentage as the "effective rate" of a levy subject to the tax reduction factor.⁵

Each year, the Department of Taxation calculates a reduction factor for each applicable voted levy except for bond levies and fixed-sum levies such as school district emergency levies. (A fixed-sum levy raises a particular amount of revenue, unlike most other levies, which impose a tax at a fixed rate.)

For each levy subject to the reduction factor law, there are two separate tax reductions: one for residential and agricultural real property ("Class I property") and

³ R.C. 133.18, 345.01, 345.03, 345.04, 505.481, 511.27, 511.28, 511.34, 1545.041, 1545.21, 3318.01, 3318.06, 3318.061, 3318.062, 3318.063, 3318.361, 3318.45, 4582.024, 4582.26, 5705.01, 5705.03, 5705.192, 5705.195, 5705.196, 5705.197, 5705.199, 5705.21, 5705.213, 5705.218, 5705.219, 5705.233, 5705.25, 5705.251, 5705.261, 5705.55, 5748.01, 5748.02, 5748.03, 5748.04, 5748.08, and 5748.09.

⁴ R.C. 319.301(F), not in the bill.

⁵ R.C. 5705.01(Q).



one for all other real property, consisting of commercial and industrial property and mineral rights ("Class II property"). Thus, the amount of taxes raised by each applicable tax levy against Class I property in one year is limited to the amount raised by the levy from Class I property in the preceding year, plus the amount of taxes raised from the new or reclassified Class I property added to the lists since the preceding year. A similar limitation applies to Class II property.⁶

The bill requires the election notice and ballot language for a replacement or renewal levy subject to tax reduction factors to describe the impact of the replacement or renewal on the existing levy's effective rate. Essentially, the notice and language would convey the change in actual property tax collections if the levy is approved, accounting for the effect that the tax reduction factor has had on the existing levy over time. These changes are described in detail below.

Replacement levies

A replacement levy is a levy type authorized under current law that essentially "resets" the effective rate of an existing property tax levy when the existing levy is reauthorized by voters. In other words, the revenue-limiting effect that the tax reduction factor had on the existing levy – lowering the levy's effective rate – is eliminated and the levy is collected as though it were first enacted in the first year the replacement is levied at the original – i.e., higher – effective rate.⁷

Under continuing law, a replacement levy may replace an existing levy at the same voted rate as the existing levy's rate or at an increased or decreased rate. Moreover, a single replacement levy may replace more than one existing levy. The bill requires the election notice and ballot language for a replacement levy to state whether, for each class of property, the proposed replacement rate is less than, equal to, or greater than the effective rate of the existing levy and the extent of that reduction or increase expressed in dollars for each \$100,000 of fair market value. If the levy proposes to replace more than one existing levy, the ballot language must state such information in relation to the aggregate effective rate of the existing levies.⁸

Renewal levies

Renewal levies subject to the tax reduction factor, unlike replacement levies, do not "reset" the voted millage rate and eliminate tax reduction factor-triggered effective

⁶ R.C. 319.301 and 5713.041, not in the bill.

⁷ R.C. 319.301(D)(1), not in the bill.

⁸ R.C. 5705.192.



rate reductions to the existing levy. Instead, renewal levies continue the revenue limiting effects of the tax reduction factor on the existing levy. For example, renewing a 5-mill levy may result in a levy having an effective millage of 3.5 mills on the current property valuation, raising the same amount of revenue as the existing levy (plus any additions attributable to new construction).

Under continuing law, a taxing authority may propose to renew an existing levy at the same rate as the existing levy, to renew at a lower rate, or to renew with an increase of additional millage. The bill requires the following additional information to be included in the election notice and ballot language of a proposed renewal levy subject to the tax reduction factor:⁹

Type of renewal levy	Additional information included in election notice and ballot language
Renewal with no rate increase or decrease	The effective rate of the renewal levy, for each class of property, during the first year it is imposed in dollars for each \$100,000 of fair market value (referred to in the bill as "estimated effective rate").
Renewal and rate increase	The effective rate of the renewal levy, for each class of property, during the first year it is imposed in dollars for each \$100,000 of fair market value, and separately stating the increase in rate in dollars for each \$100,000 of fair market value.
Renewal and rate decrease	The difference, for each class of property, between the existing levy's effective rate in the last year it is levied minus the effective rate of the reduced-rate renewal levy in the first year it would be levied (referred to in the bill as "reduction in tax"). The voted millage rate before and after the reduction. (Current election notices and ballot language state only the number of mills the levy rate is being reduced.)

Under the bill, the election notices and ballot language for renewal levies that are not subject to the tax reduction factor, e.g., fixed-sum levies, would not contain this additional information.

⁹ R.C. 511.28, 5705.01, 5705.215, 5705.25, 5705.251, 5705.261, 5748.02, and 5748.03.



County auditor certifications

Under continuing law, before submitting a property tax question to voters, a subdivision is required to obtain certain rate information from the county auditor. Upon receiving such information, the subdivision may submit the levy to voters by certifying a resolution to the appropriate county board of elections.¹⁰ The bill adds to the information the county auditor must provide the new information required under the bill, as applicable to the type of levy.¹¹

The bill's changes to election notices and ballot language apply not only to property tax levies submitted by subdivisions, but also to voter-initiated petitions to reduce certain levies. Under continuing law, voters may, after gathering a certain number of signatures, submit a petition to a board of elections to reduce the rate of a voted property tax levy being imposed for a continuing period of time – i.e., a levy with no prescribed end date. The bill requires a board of elections, after verifying the validity of the petition, to request that the county auditor certify the rate information required under the bill, including the millage of the existing tax and the reduced tax for each \$1 of taxable value and the reduction in tax in dollars for each \$100,000 of fair market value.¹²

The bill's changes also apply to a voter-initiated petition to reduce the rate of a school district income tax that had been levied in combination with a property tax reduction and for a continuing period of time. Continuing law authorizes a school district to levy an income tax and, in the same ballot issue, reduce the rate of a property tax levied by the district. Voters may submit a petition to repeal such an income tax and restore the original rate of the reduced property tax.¹³

Application of changes

The bill's changes apply to any resolution adopted by a subdivision to levy, renew, replace, increase, or decrease property taxes after the bill's effective date and to any petition submitted by voters to change the rate of an existing property tax levy after the bill's effective date.¹⁴

¹⁰ R.C. 5705.03.

¹¹ R.C. 5705.03.

¹² R.C. 5705.261.

¹³ R.C. 5748.04.

¹⁴ Section 3.



HISTORY

ACTION

DATE

Introduced

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