



OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

Fiscal Note & Local Impact Statement

Bill: H.B. 500 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Carfagna

Local Impact Statement Procedure Required: No

Subject: Makes various changes to the township law

Fiscal Highlights

- The bill allows a township to include levies for police, fire, EMS, and ambulance service to the list of levies that must be reimbursed from payments in lieu of taxes from properties that are tax exempt under tax increment financing (TIF) arrangements.
- The bill allows the costs of maintaining capital improvements funded by certain TIFs to be paid from TIF revenue. Townships that use TIF revenue for maintenance costs may reduce expenditures from funds otherwise used to pay those costs.
- The bill authorizes townships to levy an admissions tax of up to 5% of the cost of admission to certain events occurring within the township.
- The bill authorizes townships to expend up to \$50,000 to erect memorials to veterans that died in service to the United States or to Ohio. Current law allows townships to expend up to \$5,000 for these memorials.
- The bill increases the amount of debt that a board of township trustees may authorize an officer or employee to incur on behalf of the township from \$2,500 to \$10,000.

Detailed Fiscal Analysis

The bill makes various changes to the township law which may have fiscal effects for townships. These changes include: (1) allowing certain police, fire, and EMS levies to be added to the list of levies that must be reimbursed under a tax increment financing (TIF) arrangement, (2) allowing TIF revenue to be used for maintenance costs of certain TIF-financed capital improvements, (3) authorization to impose an admissions tax on the price of admission to certain events occurring within a township; (4) increasing the amounts that may be expended on deceased veterans memorials; and (5) increasing the amount of debt that may be incurred by a township officer or employee on behalf of the township. Because these changes are permissive, it is difficult to determine the extent to which revenues and expenditures of townships would be

affected. Any fiscal changes would depend on the application of the provisions authorized by the bill, and the specific circumstances of the township that is applying those provisions.

Tax increment financing

Under continuing law, TIF is a mechanism available to municipalities, townships, and counties to finance public infrastructure improvements and, in certain circumstances, residential rehabilitation. TIFs operate by authorizing a county, municipal corporation, or township to grant a real property tax exemption with respect to the incremental increase in assessed valuation of designated parcels after the designation. Owners of the property make payments in lieu of taxes to the political subdivision that created the TIF equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements ("service payments"). TIFs thereby create a flow of revenue back to the political subdivision that granted the tax exemption equal to the amount of property tax that otherwise would have been paid on the increased property value to finance infrastructure or residential rehabilitation projects.

A TIF may be comprised of specific parcels or may be what is called an "incentive district." An incentive district TIF is an aggregation of individual parcels in an area of not more than 300 acres that is enclosed by a continuous boundary and that satisfies certain criteria of economic distress or inadequate infrastructure.

The revenue from certain special-purpose tax levies may not be diverted by an incentive district TIF. Some portion of the service payments must be paid to the taxing authorities levying the special-purpose taxes to reimburse them for revenue foregone due to the tax exemption. The levies are not actually imposed on the exempted portion of the TIF property – that portion is legally tax-exempt – but the TIF service payments are paid to the taxing authority as if the levy were imposed instead of being diverted to the TIF fund. The current special-purpose levy reimbursement payments are required only under certain conditions. Generally, the TIF must be an incentive district TIF created on or after January 1, 2006, and the reimbursed levy must be approved at an election held on or after that date. If the levy is a renewal or replacement of a levy originally imposed before that date, only an increase in effective millage is reimbursed.

Police, fire, and EMS levy reimbursement

The bill permits a township to elect to add township levies for police, fire, EMS, and ambulance services to the list of special-purpose levies that must be reimbursed when a township incentive district TIF arrangement is created. Townships that elect to have those levies reimbursed would be held harmless regarding property tax revenue supporting those services that would otherwise be foregone under the tax abatement provided by the TIF.

Use of township TIF revenue for maintenance costs

Under current law, TIF revenue may be used for costs of maintaining infrastructure funded by the TIF so long as the project is a road or water or sewer line. The bill allows TIF revenue to be used for the maintenance of any type of infrastructure so long as the TIF was created by July 21, 1994, and so long as the township has a hold-harmless agreement with an affected school district whereby the school district is reimbursed for property tax revenue it would forego under the TIF. Although overall maintenance costs of TIF funded capital improvements are unaffected by this change, permitting TIF revenue from eligible TIFs to be used for maintenance costs of additional improvements may reduce expenditures from other township funds used to maintain those improvements.

Admission tax

The bill authorizes a township to levy an admission tax of up to 5% and allows the proceeds to be used for general operations and capital improvements within the township. The tax could be applied on (1) the cost of admission to any place located in the township including parking lots, (2) any ticket surcharge to a theater, opera, or other place of amusement located in the township when the tickets are sold at a place other than the venue box office, and (3) service or cover charges for public performances at entertainment venues located in the township. Under the bill, the tax cannot be applied to admission fees for county fairgrounds, events sponsored by the state or a political subdivision unless the sponsor agrees to the tax, or events sponsored by nonprofit federally tax-exempt charitable or other 501(c)(3) organizations, if all proceeds from the event are used solely by the organization.

Deceased veterans monuments

Continuing law allows a board of township trustees to erect a monument to commemorate members of the armed forces who died in service to the United States or to Ohio. The bill increases the amount the board may expend for the monument from \$5,000 to \$50,000.

Officers' and employees' authority to incur debt

Under current law, a board of township trustees may authorize township officers and employees to incur obligations of up to \$2,500 on behalf of the township. Alternatively, the board may authorize, by resolution, the township administrator to authorize officers and employees to incur those obligations on behalf of the township. The bill increases the amount of debt that may be incurred on behalf of the township under these authorizations to \$10,000.

Removal of firefighters

The bill allows a board of township trustees or a board of fire district trustees to designate a legal counsel, rather than a private citizen as under current law, to investigate conduct under a removal proceeding for a member of a fire department of a township or joint fire district. Continuing law also allows a fire chief to conduct the

investigation. Boards of township trustees or boards of fire district trustees that designate a legal counsel to conduct the investigation may incur new costs to pay fees charged by the legal counsel.

Fee to file zoning appeal

The bill authorizes a board of township trustees to impose, upon a person who appeals a zoning decision to the board of zoning appeals, a fee to defray the cost of advertising, mailing, and other expenses related to the appeal.

Property tax for a combination of capital expenses

The bill authorizes townships to levy a single property tax for up to 10 years for any combination of the following capital expenses: (1) acquiring, constructing, or maintaining buildings and equipment for police, fire, and emergency medical services, (2) constructing or repairing roads and bridges, and (3) general infrastructure improvements. Current law allows a township to levy property taxes for each of these purposes; however, any taxes levied must be limited to one such purpose, and not levied generally as allowed under the bill. The bill requires townships that levy a single property tax for capital expenses to establish a "general capital and infrastructure fund" to receive the revenue from the levy. Under the bill, money deposited in the fund is prohibited from being used to pay salaries or other compensation of township officers or employees.

Provisions with no apparent fiscal effect

The bill also makes a number of changes to the township law that appear to have little or no fiscal effect. These include certain changes to procedures for electing a chairperson for a board of township trustees, requirements for filing annual township inventory with the county engineer, and changes regarding petitions to change the name of a township road. A thorough discussion of these and other changes with little or no apparent fiscal effect is provided in the LSC Bill Analysis.