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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 437  
133<sup>rd</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 437's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. Green and Rogers

**Local Impact Statement Procedure Required:** No

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### Highlights

Fund	FY 2021	FY 2022	Future Years
<b>State General Revenue Fund</b>			
Expenditures	\$3.3 million increase	\$6.6 million increase	\$6.6 million increase per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Extending an enhanced homestead exemption to Ohio homeowners who are surviving spouses of members of the armed forces killed in the line of duty might cost an estimated \$6.6 million yearly, for approximately 10,100 beneficiaries.
- Property tax revenue reductions would start in 2021 and would be reimbursed to local governments by the state GRF.

### Detailed Analysis

The bill would allow an enhanced homestead exemption for surviving spouses of honorable discharged members of the uniformed services who died in the line of duty, or whose death has been recognized as a service-connected death by the United States Department of Veterans Affairs, another federal agency, or a branch of the armed forces. The enhanced homestead exemption would exempt from tax up to \$50,000 of market value of the spouse's primary residence until that spouse dies or remarries. The uniformed services, as defined by the bill, include reserve components of the armed forces and the national guard of any state.

## **Value of the enhanced homestead exemption**

Exempting up to \$50,000 of market value of a primary residence would on average statewide reduce real property taxes by about an estimated \$1,000 for surviving spouses who are homeowners and who do not already qualify for the homestead exemption. The amount of the reduction would vary considerably from place to place, depending on effective tax rates in different locales, and would be less for surviving spouses who own primary residences with market values lower than \$50,000. For those who already receive a homestead exemption based on age or disability, qualifying for a homestead exemption as a surviving spouse of a soldier killed in the line of duty would increase the maximum amount of property value exempted from \$25,000 to \$50,000, and would increase tax savings on average from about \$500 to \$1,000, or less for market values under \$50,000. Surviving spouses who already receive a homestead exemption as totally disabled veterans would not benefit from the bill, as their homestead exemption is already figured on up to \$50,000 of true value of the property.

## **The national dependency and indemnity compensation program**

The Veterans Benefits Administration publishes national data on dependency and indemnity compensation, a federal program that provides tax-free monetary benefits to eligible survivors of military service members who died in the line of duty or whose deaths resulted from service-related injuries or diseases. To qualify for these benefits, the surviving spouse must have:

- Married the veteran or service member before January 1, 1957; or
- Married the veteran or service member within 15 years of his or her discharge from the period of military service during which the qualifying illness or injury started or got worse; or
- Been married to the veteran or service member for at least one year; or
- Had a child with the veteran or service member, not be currently remarried, and either lived with the veteran or service member without a break until the person's death or, if separated, not have been at fault for the separation.

A surviving spouse who remarried on or after December 16, 2003, and was 57 years of age or older at the time of remarriage, can still continue to receive compensation.<sup>1</sup>

## **Ohio estimates**

Data on dependency and indemnity compensation shown in Table 1 are for Ohio as of May 12, 2020, provided on request by the Veterans Administration. The data indicate that 12,960 Ohio surviving spouses received dependency and indemnity compensation as of that date. These surviving spouses are here assumed to be those who would qualify for the enhanced homestead exemption in H.B. 437.

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<sup>1</sup> [https://www.benefits.va.gov/compensation/types-dependency\\_and\\_indemnity.asp](https://www.benefits.va.gov/compensation/types-dependency_and_indemnity.asp).

<b>Table 1. Ohio Surviving Spouse Dependency and Indemnity Compensation, May 12, 2020</b>		
<b>Age</b>	<b>Number of Surviving Spouses</b>	<b>Estimated Annual Total Payments</b>
35 and under	100	\$2,020,382
36 through 56	679	\$12,151,447
57 through 75	8,119	\$136,812,891
Over 75	4,039	\$70,501,012
Age unidentified	23	\$404,596
<b>Total</b>	<b>12,960</b>	<b>\$221,890,328</b>

Source: Veterans Benefits Administration

Of these 12,960 Ohio surviving spouses, 68% are estimated to be age 65 or older. Homeownership rates are relatively high among older Ohioans. Applying typical Ohio homeownership rates by age group to the numbers of Ohio surviving spouses, perhaps approximately 10,100 are homeowners, including 3,100 under age 65 and 6,900 age 65 or older.<sup>2</sup> At a cost of about \$1,000 on average for the younger surviving spouses, an enhanced homestead exemption for them would cost an estimated \$3.1 million. Some of those age 65 or older would have reached age 65 after 2013, would be subject to means testing, and would not currently qualify for a homestead exemption. For these surviving spouses, the enhanced homestead exemption would also cost an average of around \$1,000 each statewide. Many of the surviving spouses over age 65, however, would currently already be benefitting from the conventional homestead exemption either because of low incomes or because they qualified in 2013 or before on the basis of age or in some cases because of disability. For these surviving spouses, the incremental cost of the enhanced homestead exemption might be about \$500 more than they already receive on average statewide. The cost of the enhanced homestead exemption for the estimated 6,900 surviving spouse homeowners age 65 and older is estimated at approximately \$3.5 million.

In total, for the 10,100 Ohioans estimated to be homeowners and also surviving spouses of members of the armed forces killed in the line of duty, the cost of the enhanced homestead exemption would be an estimated \$6.6 million yearly. The cost would tend to rise over time with the addition of new surviving spouse homeowners, partly offset as current surviving spouse homeowners cease to be homeowners with the passage of time. Because of the various assumptions required to derive these estimates, they should be viewed as only approximations.

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<sup>2</sup> Numbers do not sum to the total because of rounding.

For current homestead exemptions, revenue losses to local governments are offset by reimbursements from the GRF. H.B. 437 extends this treatment to the revenue losses that would otherwise occur for local governments from an enhanced homestead exemption for surviving spouses of members of the armed forces killed in the line of duty. The GRF would bear the cost of these revenue losses, holding the local governments harmless apart from the timing of payments. Revenue losses under the bill would start in tax year (TY) 2020 for real property and in TY 2021 for manufactured homes. Resulting tax revenue reductions would start in 2021 and would be reimbursed, with a lag, starting in FY 2021.

## Additional information

In case the cause of death of service members would be of interest for policy choices, results of a 2018 Congressional Research Service study are included here. The study looked at active duty and mobilized reservist military deaths during the period from 2006 through approximately May 7, 2018.<sup>3</sup> This period included major combat operations in Afghanistan and Iraq. Earlier years were excluded because of data issues. The study divides the service member deaths between those that occurred in Secretary of Defense-designated military operations against opposing military forces, referred to as overseas contingency operations (OCO), and all others. Data are for all U.S. military personnel, not just Ohioans. During the period included, a total of 15,851 active duty personnel and mobilized reservists died while serving, including 4,510 (28%) OCO deaths in more than 25 countries and at sea, and 11,341 (72%) non-OCO deaths in more than 70 countries and at sea. The majority of non-OCO deaths were in the United States. The numbers are summarized in Table 2 below.

Cause of Death	OCO	non-OCO	Total
Accident	471	4,599	5,070
Self-inflicted	282	3,258	3,540
Illness/injury	119	2,650	2,769
Killed in action	2,698	6	2,704
Died of wounds	874	0	874
Homicide	41	458	499
Undetermined	17	248	265
Pending	2	104	106

<sup>3</sup> Christopher T. Mann and Hannah Fischer, "Recent Trends in Active-Duty Military Deaths," Congressional Research Service, June 1, 2018.

<b>Table 2. Active-Duty Military Deaths, 2006-2018</b>			
<b>Cause of Death</b>	<b>OCO</b>	<b>non-OCO</b>	<b>Total</b>
Terrorist	2	18	20
While captured	4	0	4
	4,510	11,341	15,851

Source: Congressional Research Service