OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 99
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 99's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Cera and Rogers

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2020	FY 2021	Future Years
State General Revenue Fund			
Revenues	-$0-	-$0-	-$0-
Expenditures	Increase by $101 million	Increase by $204 million	Annual increase up to $210 million

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.

- The bill would increase GRF expenditures to reimburse political subdivisions for an expanded homestead exemption beginning with tax year (TY) 2019. TY 2019 property tax payments are due in calendar year 2020, and a time lag in paying reimbursements means that only half of the TY 2019 reimbursement will be paid during FY 2020. FY 2021 will be the first full year this bill draft impacts GRF spending.
- Political subdivisions are held harmless from the expanded homestead exemption, apart from a time lag, due to the payments from the state GRF.

Detailed Analysis

H.B. 99 expands both the eligibility for and value of the homestead exemption, thereby requiring an increase in GRF expenditures. Specifically, the bill raises the income threshold of the homestead exemption for qualifying property owners from $32,800[1] in TY 2019 to $60,000 while simultaneously increasing the tax benefit from $25,000 of a property's true value to $30,000.

In tandem, the two changes in the bill increase the cost of the TY 2019 homestead exemption by an estimated $199.8 million, and this annual amount would grow modestly in future years. Local governments will be held harmless for these losses because the GRF reimburses school districts and local governments for the homestead exemption.

Under existing law, the homestead exemption allows low-income senior citizens and permanently and totally disabled Ohioans to reduce their property tax bills by shielding some of the true value (i.e., market value) of their homes from taxation.

Since the enactment of H.B. 59 of the 130th General Assembly, the homestead exemption is only granted to those persons whose Ohio adjusted gross income does not exceed $30,000. Continuing law requires this amount to be adjusted for inflation, so the $30,000 threshold enacted for TY 2014 will have been gradually raised to $32,800 for TY 2019. The $60,000 threshold proposed by the bill draft will also be adjusted for inflation by the Tax Commissioner in subsequent years.

Under current law, the total number of homestead exemption recipients will likely decline between 2% and 4% per year. This declining trend is due to new cohorts of senior citizens being means-tested once they turn 65. In each passing year, as more senior citizens' eligibility is subject to an income test and with natural attrition in homeownership, the number of statewide homestead recipients will shrink. Tax Department statistics show that 842,691 homestead exemptions were granted for TY 2016, the most current year for which data are available. LBO economists project that this statewide total will decline to approximately 750,000 by TY 2019 under current law. The bill would reverse this trend, and LBO projects TY 2019 applications would increase by about 215,000 to a statewide total of approximately 965,000, if H.B. 99 were enacted. The substantial majority of those receiving the proposed homestead exemption will benefit from the bill draft's larger property exemption. By increasing the amount from $25,000 of market value to $30,000, the typical taxpayer will save $597 per year rather than $498, as they would under current law.

The Tax Commissioner must pay a 3% administrative fee to counties for administering the homestead exemption per R.C. 323.156 and R.C. 319.54.[2] Both the property tax reimbursement and the county officials' administrative fee would be paid from GRF line items 200903, Property Tax Reimbursement – Education, and 110908, Property Tax Reimbursement – Local Government. Increased expenditures from these two GRF items stemming from the policy change in this bill will commence in the latter half of FY 2020. Homestead reimbursements for a given tax year are split into two settlement periods, of which one begins by February of the successive tax year and the other follows in August. Thus, the first settlement period for TY 2019 would occur in FY 2020 while the second would occur in FY 2021.

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[1] https://www.tax.ohio.gov/real_property/faqs/homestead_exemption_faqs.aspx.

[2] This 3% fee was already factored into the estimated GRF costs presented in this Fiscal Note.

This fiscal estimate was formulated from American Community Survey public use microdata for calendar year 2017. The microdata is a representative sample of all owner-occupied houses in Ohio, and the corresponding query was provided to LBO by the Development Services Agency.

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