



**H.B. 107\***

127th General Assembly  
(As Introduced)

Reps. Patton, R. McGregor, Evans, Yuko, J. McGregor, Healy, Hughes,  
Koziura, Lundy, Fende, Chandler

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**BILL SUMMARY**

- Grants a property tax reduction for homeowners aged 65 or older whose incomes do not exceed certain limits that has the effect of preventing future increases in the homeowner's property taxes.
- Requires homeowners eligible for the Homestead Exemption and the reduction in the bill to elect which one to utilize.
- Provides state reimbursement for the tax reduction to school districts and other local governments.
- Affects taxes payable in 2007 and thereafter.

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**CONTENT AND OPERATION**

**Residential tax reduction that "freezes" taxes for elderly homeowners meeting certain income qualifications**

(R.C. 323.152(C), 4503.064(I), (J), and (K), and 4503.065(B))

The bill grants an additional property tax reduction for primary residences owned and occupied by a person who is at least 65 years of age and who together with the person's spouse, has income that does not exceed the "qualifying total income." The reduction is to be computed so that the amount of taxes charged against the residence each year ("current taxes") equals the amount charged in the

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\* This bill was drafted prior to the amendment of Ohio's Homestead Exemption Laws by Am. Sub. H.B. 119 of the 127th General Assembly. Those amendments may impact the scheme proposed by the bill.

year before the homeowner becomes eligible and receives a certificate of reduction ("original taxes"). Therefore, taxes do not increase after that point.

If a homeowner becomes ineligible to receive the reduction provided for under the bill after previously receiving it and then in a later tax year becomes eligible again and receives a certificate of reduction, original taxes will be computed based on the year preceding the year the homeowner receives a certificate of reduction again and not the year in which the homeowner originally received the certificate of reduction. As an example, suppose homeowner A qualifies for the reduction in 2008 by turning 65 and the homeowner and his spouse do not exceed the qualifying total income limitation. In 2010 the homeowner and spouse move to an apartment and rent their house out or they exceed the income limitation. At that point, they would no longer be eligible for the reduction. If, in 2013, the homeowner moves back into the home or the homeowner and the spouse's income meets the income limitations, the homeowner will again be eligible and original taxes will be determined as of 2012 instead of 2008.

Under the bill, "qualifying total income" is equal to the maximum income that was permitted in order for a homeowner to receive the homestead exemption as that exemption existed under former law. That maximum under former law was \$27,000.

In computing the amount of original taxes for a residence, any penalties, interest, special assessments, or previously outstanding or omitted taxes are not included. This means that if a homeowner owed any of these additional charges in the year for which original taxes are determined, the current taxes are reduced down to the amount of property taxes owed that year, ignoring the fact that those additional charges made that year's tax bill temporarily higher. Also, original taxes are computed on the basis of a homeowner's net tax bill after reductions are made for the H.B. 920 credit, the 10% and 2½% residential tax reductions, and the homestead exemption (if the homeowner is eligible for the exemption).

The bill's tax reduction also applies to manufactured homes whether they are taxed as real property or taxed under the manufactured home tax.

**State reimburses local governments for tax reduction**

(R.C. 323.156--not in the bill)

School districts and other taxing authorities are to be reimbursed for the revenue that is denied them because of the bill's tax reduction, just as they are reimbursed for the homestead exemption and the 10% and 2½% residential tax reductions under existing law. The state must defray the county's administrative

costs, by paying an additional 2% of the total amount by which taxes are reduced under the bill, as is done currently for the homestead exemption and 2½% residential tax reduction. The 2% administrative cost reimbursement must be paid to the county's general fund as "payment . . . to the county auditor and treasurer for the costs of administering" the tax reduction.

**Eligibility; application; administration**

(R.C. 323.152(C), 323.153(A)(3), 323.154, 4503.064(I) and (J), 4503.065(B), 4503.066(A)(2), and 4503.067)

To be eligible for the tax reduction, a person must (1) turn 65 years of age at some time during the year for which the tax reduction is first made, and (2) not have income, when calculated with spousal income, that exceeds \$27,000 for the year for which the tax reduction is first made. The person also must own and occupy the residence, and the residence must be the primary residence.

Eligible homeowners must apply for the tax reduction in substantially the same way they would apply for the homestead exemption. Eligible homeowners, however, may not take both the homestead exemption and the reduction provided for in the bill. Homeowners are required to choose one or the other when making application for either.

Homeowners need to apply for the tax reduction under the bill only once, and do not have to reapply unless they move to another home. Homeowners must notify the county auditor, however, in any year that the homeowner does not qualify for the reduction under the bill. They also are subject to the same penalties for falsifying their eligibility claims as are recipients of the homestead exemption; in the case of the bill's tax reduction, this involves falsifying either the claim that the person owns and occupies the home, or the claim that the person did not acquire the home from a relative solely for the purpose of obtaining the tax reduction. These are both grounds for penalties under the existing homestead exemption and 2½% residential tax reduction laws. Homeowners are also subject to the same penalties imposed for knowingly failing to notify the county auditor regarding changes that have the effect of maintaining or securing the homestead exemption or the 2½% residential tax reduction. This involves changes to ownership and occupation of the home as well as income levels.

In all respects, the tax reduction is to be administered in the same manner as the homestead exemption, except with regard to the income requirement, which no longer exists under the Homestead Exemption Laws.

**Acknowledgment of tax reduction when selling home**

(R.C. 319.202(A)(1) and (2))

As is the case with the homestead exemption, homeowners who receive the bill's tax reduction must, when selling a home, indicate whether the buyer has been informed that the taxes have been reduced in the year of the sale, and, if they have been, indicate that the buyer and seller have agreed how the tax reduction will be divided between them.

**Effective date**

(Sections 3 and 4)

The bill applies to taxes charged for 2007 (i.e., taxes payable beginning in early 2008) and thereafter in the case of homes that are real property or manufactured homes that are taxed as real property. In the case of manufactured homes that are subject to the manufactured home tax, the bill's tax reduction applies to taxes payable in 2008 and thereafter.

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**HISTORY**

ACTION	DATE
Introduced	03-21-07

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