OHIO TOWNSHIP ASSOCIATION
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April 13, 2016

The Honorable Bob Peterson, Chair
Ways & Means Committee
Ohio Senate
1 Capital Square, Ground Floor
Columbus, OH 43215

Re: SB 235 Property Tax Exemptions

Dear Chairman Peterson:

On behalf of the Ohio Township Association (OTA), I am writing to share our serious concerns with SB 235 (-5 version), which would exempt from taxation the increased value of property on which industrial or commercial development is planned until the completion of commercial or industrial facilities at the property.

First, I would like to thank the sponsors of the legislation for their willingness to talk with us about the proposed legislation and our concerns. We have had numerous conversations with Senators Coley and Beagle and we appreciate their continued willingness to work with us on our concerns.

Our main concern with any legislation that speaks to property tax exemption is that townships are primarily funded through property taxes levied on real property within the township. We do not collect sales tax like counties, or income tax like municipalities. Statewide, townships only collect approximately 6% of the property taxes levied. Any reduction in taxes or, in this case, tax valuation, will impact township revenue. Below is a summary of our concerns.

Removal of Local Governments in the Exemption Process
Incentivizing land use has traditionally been a local action granted by a township, municipality or county. Current law provides townships the following economic development tools to help incentivize business: tax abatements, enterprise zones and tax increment financing (TIFs). Some version of these tools are facilitated and approved at the township level. Furthermore, the exemptions are by parcel or by a set area. The proposed legislation extends this tax exemption to ***any*** parcel within an entire zoning classification and provides no role for townships in the process.

Impact on Tax Increment Financing Projects
As mentioned above, townships have the ability to create TIFs for the purpose of facilitating economic development by using the increased valuation to fund development. The OTA is concerned that the proposed tax exemption in SB 235 (-5 version) will diminish the effectiveness and usefulness of TIFS, as the increased valuation will be eliminated on parcels that are granted the proposed tax exemption. Furthermore, townships will not be able to forecast the amount of revenue that will be generated by a TIF.

The OTA recommends that an interested party meeting be held at which economic development experts can discuss the unintended consequences the legislation will have on enterprise zones and TIFs.

Length of Time for Proposed Exemption
All current economic development tools granted to local governments have a set duration period. For example, tax abatements may be granted by townships for up to 10 years. The proposed legislation does not include a time limit for said exemption. The OTA recommends that a limit be placed on the length of time for which such an exemption would be granted.

Process for Applying for Exemption
The OTA has concerns with the process that is laid out in the bill for requesting the tax exemption. Pursuant to language in lines 48-49, a property owner must file a written declaration with the county auditor attesting that the property is newly developable or redevelopment property and that the property is in an area zoned for commercial or industrial use. In lines 103-107, the bill states that a property owner must file for a tax exemption under R.C. §5715.27, which lays out the process by which tax exemptions, such as those created by SB 235, would be filed with the state tax commissioner for his determination on the exemption.

Additionally, the bill proposes to apply the tax exemption to the previous tax year in which a declaration of intent is filed with a county auditor, as opposed to the year in which the tax exemption was actually granted. A property owner could file the declaration in July 2016 but not be granted the actual exemption until February 2017, yet the exemption would be applied to the tax year 2015.

In addition to the concerns above, the OTA would suggest that this tax exemption be considered in a limited capacity, such as a pilot program. A pilot would allow local governments, economic development experts, Development Services Agency (DSA) and the Department of Taxation (Tax) to evaluate the benefits and detriments of this proposed exemption. Furthermore, we recommend that data be reported to DSA and Tax as to the number of exemptions filed in each county and the amount of taxes that would have been collected had the exemption not been granted.

Mr. Chairman, thank you for the opportunity to share our concerns with SB 235 (-5 version). We look forward to working with you, the sponsors and members of the Ways & Means Committee on this legislation. Should you have any questions or concerns about our position, please do not hesitate to contact me or OTA Director of Governmental Affairs Heidi Fought at (614) 863-0045.

Sincerely,

Matthew J. DeTemple
Executive Director

MJD:hf