

Senator Matt Dolan  
Chair, Senate Finance Committee  
Ohio Senate  
1 Capitol Square, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

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June 2, 2021

The Honorable Chair Dolan,

The OBL is the foremost trade association for the Ohio banking industry – and is Ohio’s only organization focused on meeting the needs of *all banks and thrifts* in the Buckeye State. The non-profit association is comprised of more than 170 FDIC-insured financial institutions including commercial banks, savings banks, and savings and loan associations ranging in size from just over \$13 million in assets to more than \$3 trillion and employing over 60,000 Ohioans.

On behalf of OBL members, I write to you regarding two amendments included in the Senate’s substitute version of House Bill 110.

#### **Banks Fund Amendment—COMCD35**

All banks pay assessments to cover the costs of oversight and examinations by State or Federal regulators. For state-chartered institutions, these funds are paid into the Banks fund at the Ohio Department of Commerce Division of Financial Institutions (DFI). The Banks fund covers the cost of operations of DFI as well as a proportionate share of the administrative costs at the Ohio Department of Commerce. In the past, at the end of a fiscal year to fill budget holes, previous administrations have done a proverbial pass-the-hat among agencies to gather money to fill the holes. This has essentially led to the raiding of the Banks fund over the years to the tune of about \$10 million. This money is not made up of tax dollars or general revenue funds but is instead paid in by state-chartered banks regardless of whether the institution was profitable and is in addition to the bank’s financial institutions tax liability. This has set up a system whereby state-chartered banks may be required to pay higher assessments to adequately set reserves in case they are needed and removes these dollars from being reinvested in the communities these banks serve. Amendment **COMCD35** remedies this issue by converting the Banks fund from a state treasury fund to a custodial fund with the Treasurer of State. The Treasurer would be able to disburse funds upon request of the Superintendent of Financial Institutions to defray the administrative costs of DFI. ***OBL supports this change.***

#### **Affordable Housing Taxation—TAXCD65**

An amendment was added to the budget, TAXCD65, that would threaten the viability of Low-Income Housing Tax Credit (LIHTC) projects by changing how these projects are valued for tax purposes. Though the valuation of LIHTC projects by county auditors is complex, a series of Supreme Court of Ohio cases over the past decade have recognized the unique situation these projects present for taxing. Through these cases, LIHTC projects have been valued taking into the economic realities

imposed on the properties. Generally speaking, these properties can only be rented to a small subset of the population and are only able to generate limited rental income due to restrictive covenants imposed by the government. Thus, the true value a buyer would be willing to pay for the property is less than one would pay for an unencumbered, non-LIHTC, property.

TAXCD65 changes how LIHTC properties are valued by requiring auditors to value the property using market rate rather than considering the very real, legal government restrictions on the rent that can be charged. Essentially, the properties would be valued based on a rental value that the property could never actually charge. Some estimates predict that this could put as much as thirty-five percent of current LIHTC projects under extreme financial duress. This would increase the number of potential defaults and place the banks who hold the mortgages on, or invest in, these properties at great risk of financial loss. Banks and lenders could see significant financial losses for the existing affordable housing stock as well as put any future affordable housing developments at risk as they would become economically impracticable. Consequently, inclusion of this amendment would be extremely detrimental to Ohio's banking industry and economy. Affordable housing stock in Ohio is already facing a severe shortage. This amendment would create a disincentive for investing in affordable housing, at the exact time we need more investment. ***Therefore, OBL opposes this change.***

We appreciate the hard work that goes into crafting the budget and respectfully request that COMCD35 be included in the Senate's final version of the budget and that TAXCD65 be removed. Please feel free to contact me if you have any questions regarding our position at [dboyd@ohiobankersleague.com](mailto:dboyd@ohiobankersleague.com) or (614) 340-7608.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Boyd", written in a cursive style.

Don Boyd  
VP, State Government Relations & General Counsel