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S.B. 118
135th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schuring

Andrew Little, Attorney

SUMMARY

- Creates the Home Ownership Potential Energized (HOPE) program in the Department of Development, authorizing a nonrefundable income tax credit for the creation of certain owner-occupied single family housing in municipalities in which a majority of the housing stock is rented.
- Allows such municipalities to exclude parts of their territory from credit eligibility.
- Limits credits to the lesser of \$50,000 or 50% of the cost to prepare a rental home for sale to an owner occupant or to construct a new home for owner-occupancy, with a \$100 million per fiscal year credit cap.
- Allows unused portions of the credit to be carried forward for five years, or to be transferred, in whole or in part.

DETAILED ANALYSIS

The bill creates the Home Ownership Potential Energized (HOPE) program under the Department of Development (DEV). The program authorizes nonrefundable tax credits against the income tax for the creation of owner-occupied housing in eligible areas of the state, either through the conversion of rental housing or the construction of new housing.¹

Eligible areas

Under the bill, the HOPE program and its tax credits are limited to municipal corporations in which more than 50% of all housing units are renter occupied, according to any

¹ R.C. 122.631(B).

American Community Survey published after the bill's 90-day effective date. The American Community Survey is published by the U.S. Census Bureau annually.

A municipal corporation that meets that threshold may, by ordinance, further limit eligible areas by excluding particular parts of its territory.²

Tax credit eligibility and amount

The bill allows a person who owns a rental home or a newly constructed home, i.e., a single-family home that has never been occupied, in an eligible area to apply for a tax credit if that person sells the home to an individual who occupies it as their primary residence. The credit is not available for the sale of condominium units.

A credit equals the lesser of \$50,000 or 50% of the seller's cost to renovate the rental home in preparation for sale or to construct the newly constructed home. The total amount of all credits issued by DEV in a fiscal year may not exceed \$100 million.³

Applying for, claiming, and transferring credits

An individual eligible for a HOPE credit may apply to the Director of DEV on a form prescribed by the Director. The application must include the following information:

- The address of the home for which the credit is requested;
- For a former rental home, documentation demonstrating that it was not occupied as a home by the seller before its sale;
- For a newly constructed home, documentation showing that the home was not occupied before its sale;
- The seller's cost to renovate the rental home or construct the newly constructed home;
- Documentation showing that the single family home for which the credit is sought is owned, after its sale, by an individual who occupies it as their primary residence.

The Director is required to review applications in the order they are received, and subject to the fiscal year limit on tax credits, issue tax credit certificates to each eligible applicant within 60 days after receiving the application.

Credits may be claimed against the income tax for the taxable year in which the certificate is issued or in the ensuing taxable year. They are nonrefundable, but any unused credit may be carried forward for the following five taxable years. If a certificate is issued to a pass-through entity, a taxpayer that is a direct or indirect investor in the entity on the last day of its taxable year may claim the taxpayer's proportionate or distributive share of the credit against the income tax.

² R.C. 122.631(A)(1) and (2) and (G).

³ R.C. 122.631(A)(3), (4), and (6), (C), and (D)(2).

The credits authorized by the bill are transferable, in whole or in part, with written notice to the Tax Commissioner. A person that receives a certificate but that does not owe income tax may not claim the credit, but may transfer the certificate and the right to claim the credit.⁴

HISTORY

Action	Date
Introduced	05-04-23

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⁴ R.C. 122.631(C), (D), and (F).