Louis W. Blessing III

State Senator
8th Senate District
1 Capitol Square
Columbus, Ohio 43215
(614) 466-8068

Committees

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Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and members of the Senate Ways and Means Committee, we're pleased to present SB 271 for your consideration today. This legislation is a "property tax circuit breaker," modeled after current law in Michigan, though it exists in one form or another in other states. Conceptually, the bill is simple: once your property taxes hit a certain threshold of your income – in the bill, this is 5% – increases to the property owner or renter stop, and the difference is paid for by state-funded property tax credits, or refundable income tax credits in the case of renters, of up to $1000 per household per year.

There are, of course, guardrails that target those most in need. They are:

- Home valuations up to $438,000
- Rents of up to $1,370
- Household incomes up to $60,000

The underlying theory with rents is that 15% of rent is composed of property taxes that are passed on to the tenant.

This bill does not suffer from many of the problems associated with other property tax relief measures: it doesn't shift local property taxes around, cap them, or generally do things that would raise questions of Constitutionality. Since it's all state-funded, local governments are kept whole. Moreover, since it's means-tested, it will not suffer from a major concern of ours: inflation. If you do a broad-based property tax cut for everyone, including the very wealthy, in a time of housing supply issues, it will actually operate similarly to an interest rate cut, and the recent interest rate increases were meant to counter significant asset inflation, with housing being the most notable example. In other words, a broad-based cut would make inflation worse while being wildly more expensive.

The legislation also ensures that it's not just seniors who benefit but low and middle-income families, as well as younger generations. Moreover, real estate investors would see some benefit as this applies to renters. Given the rent eligibility threshold, we suspect a number of landlords may actually lower rent in order to capture tenants who would be eligible for the subsidy.

That said, we do recognize that there will be critics. The overall price tag for this legislation is expected to be around $900M. This could be easily made revenue neutral by paring back the tax expenditure list, an idea that has been pitched by think tanks on the left and right, most notably organizations like Policy Matters Ohio and the Buckeye Institute. By way of example, simply requiring material participation in the business and having at least one employee would save the state $600M on what it spends on the business income deduction and the corresponding flat 3% rate beyond that. We constantly talk of justifying this or that in its ability to create jobs, so simply requiring the BID be tied to job creation is a no-brainer. Beyond that, there are things like sales tax exemptions for data center equipment. This expenditure is north of $100M and is even used to subsidize Bitcoin mining operations. Are we saying that it's okay to use state money to subsidize something like Bitcoin mining, which is very energy intensive, thus pushing electricity costs even higher in the face of greater demand from businesses like Intel and serious issues with grid reliability? That's another easy one to trim.

Given that cutting incomes taxes is something that has been done every budget cycle at least as long as we've been in the legislature, another option is to forego a more generous income tax cut in favor of doing something like SB 271, revenue permitting. We can't speak for everyone of course, but we've heard far more people asking for property tax cuts than income tax cuts.

We also recognize that fixing housing is the true long term solution and that this measure is a short term solution to offer relief. Should housing be fixed, this legislation actually becomes cheaper over time: if housing costs stagnate or go down while wages go up then fewer are eligible for this. That would be just fine as the implication is that the housing cost to wage ratio went down and people need less subsidy.

The last concern we'll mention is the potential for this being difficult to administer. That could be the case, but again it's not as if Ohio is the first state to do something like this: 15 states or so have some sort of threshold circuit breaker, and they span the political and population spectrum. Surely we can get something online having learned from their experiences.

Thank you for indulging us, and we are happy to answer any questions.