SENATE BILL 271
PROPONENT TESTIMONY
June 25, 2024

Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and members of the committee, I am Auditor Michael Stinziano and I thank you for the opportunity to provide this testimony in support of S.B. 271. This important proposal to create an income tax-based circuit breaker for property taxes would go a long way to reducing burdensome property tax costs that under current law threaten to destabilize our homeowners and our neighborhoods.

Over the last two years, record setting property value increases and the related tax increases have spotlighted gaps in Ohio law, resulting in few options for homeowners who found themselves suddenly burdened. In 2023 in Franklin County, a 41% increase in property values led to only a 6% increase in property taxes on average, but that average included a wide range of experiences for individual homeowners. For those whose homes increased more than the average —a symptom of market pressures on traditionally more affordable areas —the tax increase was severe. Due to the reappraisal alone, more than 30,000 homeowners in Franklin County experienced at least a $1,000 increase in their annual tax bill, with another 77,000 seeing at least an additional $500 come due.

Circuit breakers are a tried-and-true mechanism to provide targeted and proportional property tax relief and can be a critical component of the menu of options needed to reform our property tax system.

Circuit breakers are considered a best practice for equitable property tax systems and are successful in many states.

As of 2018, 16 states had circuit breaker programs, with an additional 15 providing income-based homestead credits. A 2021 report from the Lincoln Institute of Land Policy considers circuit breakers to be a best practice, since they "target relief to households paying the highest share of their income in property taxes."[1]

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[1] Lincoln Institute of Land Policy, "Property Tax Relief for Homeowners", Langley, Adam H. and Youngman, Joan. November 2021, pg. 39, 58. https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners

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Minnesota offers one of the largest circuit breaker programs, which establishes a direct state-paid refund to individuals who qualify according to their annual household income. The Minnesotan program also includes renters as eligible for the program's benefits, citing correctly that upwards of 15% of rent paid is used toward property taxes. This is an extremely popular program, with over 500,000 Minnesotans applying for and receiving refunds annually.[2]

West Virginia implements a similar program for their senior citizens with income requirements following federal poverty guidelines. West Virginia caps property tax liability for qualified senior citizens at 4% of annual income.[3]

By bringing income tax administered circuit breakers to Ohio, this proposal brings known success to this complicated but vital issue.

The current proposal provides relief to homeowners, predictability for the state, and stability for local governments.

Since this program would be entirely funded through income tax credits and rebates, it would not impact the administration of property taxes or the funding of levies. In addition to LSC's fiscal analysis, we support the conclusions and recommendation of Policy Matters Ohio on this issue.[4]

The bill is measured in that the credit will be given to residents at or below $60,000 in annual income indexed with inflation, paying rent or owning a home at or below the median county with the highest median rent and home values. This means that the program will be automatically responsive to changing markets throughout the state and changing income of residents both individually and collectively over time. I also applaud the inclusion of renters in this proposal, as we have been hearing both from tenants seeing major increases after the most recent reappraisal and landlords who are reluctant to raise rent at the same rate as their costs.

The $1,000 cap per household also gives the state predictability on cost and will prevent the existence of the circuit breaker encouraging someone to stay in a home that is no longer the right fit for their circumstances. For most homeowners and renters, this level of support will provide all the difference, especially if this proposal is followed by other changes like modernizing the homestead exemption and local control options.

This is a strong proposal, but some additional considerations could be warranted.

If this proposal became law tomorrow exactly as is, it would do tremendous good. But I would recommend to the committee some additional considerations for the legislative process:
- Increase or eliminate the cap on the benefit for those 65 or older or those for whom property tax exceeds 10% of their income.
- Consider adding a smaller benefit, perhaps up to $500, for those at slightly higher income levels or with home values or rents up to 120% of the median.

[2] https://www.house.mn.gov/hrd/pubs/ss/sshptrp.pdf
[3] https://tax.wv.gov/Individuals/SeniorCitizens/Pages/SeniorCitizensTaxCredit.aspx
[4] https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/ohio-needs-a- property-tax-circuit-breaker#:~:text=Circuit%20breaker%20covers%20Ohio%20residents,is%20over%205%25%20of%20income

- o This secondary tier would prevent a benefits cliff for those who see an income increase in their household or whose housing value or costs are increasing faster than the statewide average.

Conclusion

I thank the bill sponsors and the committee for their attention to this critical issue and I am eager to be a partner in pursuing these reforms. The work of the general assembly this session on understanding and pursuing critical property tax reforms is incredibly valuable, and hopefully will result in circuit breakers and the menu of options Ohioans need to maintain stable housing and strong communities.