



TESTIMONY

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Testimony to the Senate Ways & Means Committee on Senate Bill 271, creating a property tax circuit breaker

Chair Blessing, Ranking Member Smith and members of the committee: My name is Bailey Williams and I am the tax policy researcher at Policy Matters Ohio, a nonpartisan, nonprofit research institute with the mission of creating a more vibrant, equitable, inclusive, and sustainable Ohio. We urge you to approve Senate Bill 271, which would provide targeted property-tax relief to homeowners and renters who need it.

Sharp rises in home assessment values have made property-tax relief a pressing issue. Senate Bill 271 provides the best answer to the property tax squeeze being felt by some Ohioans. It's a policy that has been embraced by states across the country: A property tax circuit breaker. As the name implies, much like an electrical circuit breaker prevents electric current overloads, it would reduce the load if property taxes are too high a share of income.

Property tax reductions must be aimed specifically and only at those who truly need them. That's exactly what a circuit breaker does, targeting those who are paying an outsized share of their income in property taxes.

The typical circuit breaker mechanism works like this: A qualifying household pays property taxes up to a threshold percentage of income. If the household's property tax bill exceeds this limit, the state picks up all or a portion of the tax payments made above it (up to a cap in many places). Crucially, as with Ohio's existing homestead exemption, the state pays the cost, protecting schools, counties, and other taxing entities. This state support is standard across the country. Senate Bill 271 adopts the best style of circuit breaker: It would cover any household, regardless of the age of the homeowner or renter, and cover renters, who pay for property tax through their rent.

Policy Matters Ohio issued a [report](#) earlier this year outlining two possible circuit breakers, one of which is featured in SB 271. The Institute on Taxation and Economic Policy (ITEP), a Washington, D.C. nonprofit with a sophisticated model of state and local tax systems, modeled them for us. We will focus here on the SB 271 circuit breaker, which would kick in when property tax exceeds 5% of income. It would be worth up to \$1,000 a year for homeowners and renters with income under \$60,000. The proposal is based on renters paying an estimated 15% of their rent in property tax. It includes a cap on the home value or rent of those eligible for the credit. These are set based on the median home value and monthly rent in the county where those are highest. Most recently, that has been Delaware County, and as of now, the caps would be home value of \$438,300 and monthly rent of \$1,370.

According to the ITEP analysis, SB 271 would benefit about one in six Ohio taxpayers. More than 40% of low-income Ohioans, earning under \$22,000, would receive an average tax cut of \$698. Almost a quarter of those with earnings between \$22,000 and \$45,000 would get an average benefit of \$620. Overall, ITEP estimates this would cost \$768 million a year. An LSC analysis showed a somewhat higher figure, though

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.



in part that may be because the bill at that time did not contain the caps on home value and rent in the bill now.

The new circuit breaker program in Ohio proposed in SB 271 would be provided as an income-tax credit and as a standalone rebate to those who don't pay income tax. Utilizing an income tax credit allows lawmakers to provide tax relief while avoiding unintended consequences that may come with property tax reform. Specifically, a circuit breaker would not violate Article XII, Section 2 of the Ohio Constitution requiring property taxation to be uniform according to value. The circuit breaker does not change the assessment process while its credit value is based on income and property taxes paid. Further, as an income-based credit, the circuit breaker would not interfere with the fair school funding plan. The state could pay for such a program by rolling back special-interest tax breaks like the business income deduction, the sales-tax deduction for data centers and the Commercial Activity Tax exemption for suppliers to big pharmaceutical warehouses.

This is the most targeted form of property tax relief: It goes to those who most need it because property tax takes a hefty share of their income. One can set the parameters differently, of course, as well as what limits to place on it. The state would also need to do outreach to make people aware of this; experience in other states has shown that not everyone applies. Homeowners would still pay their full property-tax bills and get income-tax refunds or rebates afterward.

While homestead exemptions for the elderly are helpful and expanding Ohio's existing such exemption would provide limited aid to some, a circuit breaker of this kind can provide significant tax relief and cover other homeowners who are affected just as elderly homeowners are. This includes those who live in gentrifying neighborhoods and those who may face a loss of income from unemployment or divorce. It is structured to help renters, who are also affected by rising property values. At the same time, there are long-time elderly homeowners who are able to afford their taxes and don't need state support. Ohio already provides insulation against tax hikes for many, and it's important that any additional property-tax relief be carefully tailored.

Seventeen states, including Michigan and West Virginia, offer circuit breakers with one or more income thresholds as in SB 271. Another dozen states have similar income-based programs but ones that provide a flat dollar amount or a percentage of property tax; among them is Pennsylvania, which recently expanded its program. Such programs vary considerably, but they are offered in a wide variety of states, from Oklahoma to Vermont. ITEP found in a report last year that of the states that have these programs, 21 extend their program to at least some renters, while 13 make them available to non-seniors. Michigan, for instance, does both. Ohio can establish its own parameters.

The Ohio General Assembly should create a circuit breaker, the most targeted form of property tax relief. We urge you to approve Senate Bill 271. Thank you for the opportunity to testify.