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Committees:

Energy, Ranking
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Chair King, Vice Chair Kishman, Ranking Member Sims, and members of the House Local Government Committee. Thank you for the opportunity to testify in support of House Bill 154. Rep. Thomas and my legislation will address one key driver of the property tax problem that is causing pain throughout our state. Thank you to Rep. Thomas for drafting this bill and allowing me to join him in this effort.

Madame Chair, the income taxes we pay tracks the amount of money we make. Sales taxes track the amount of money we spend. Both taxes are charged at a relatively constant rate over our lifetimes.

Property taxes are different. Only property taxes persistently go up over time, even when you retire and your income flattens or goes down. As state policy makers, we must take extra care to ensure that property taxes are charged fairly and that overall tax system makes sense.

HB 154 addresses a problematic loophole in our existing property tax policy. Currently, local governments such as cities and townships exclusively are the decision makers on awarding tax abatements for new housing. However, the overwhelming majority of the tax money they abate is typically not city or township money, but that of our schools. In fact, school district levies make up as much as 80% of our property tax bills. This misalignment skews incentives for entities awarding the abatements and causes problems for schools and taxpayers alike.

It is important to note that this loophole does not universally exist for all property types. For abatements on industrial and commercial property, school districts must be consulted if more than 75% of the property tax bill is being given away. HB 154 seeks to apply the same standard to residential.

Aside from the systemic issue described above, our current residential property tax policy has unintended consequences. First, unlike a commercial or industrial deal where the city or township experiences the increased service costs, with a new housing project there are new school costs. New residents usually means new children to educate. This creates a scenario where current taxpayers pay the bill to educate the new kids- a new higher tax bill without a new vote of the people.

This leads to a second problem. If new residents pay little or no property taxes, their incentives on voting for levies are different than for long-time residents. It is perfectly rational for a new resident with a 100% tax abatement to vote yes on any levy- of any value- when they don't have to pay the bill. We must ensure that state law contemplates this problem and addresses it systemically.

With that, I thank you and I now yield to Representative Thomas for further details.