

Written Testimony – Homestead Exemption Program –
Senate Finance Committee Hearing – June 6th, 2025

Summary: While the homestead exemption can be very lucrative, the variety of eligibility limitations makes participation in the program exceedingly selective and, could be argued, discriminatory to certain age 65 and over home owners.

Proper reform of the Homestead Exemption Program should either:

- **Eliminate the current income means test for all age 65 and over homeowners,**
or
- **Eliminate the grand father clause included in 2013 House Bill 59. Elimination of the grand father clause would subject all current age 65 and over home owners to the income means test and thereby eliminate the current discriminatory nature of the program, and restore the program back to its original design purpose when first approved by Ohio voters back in 1970.**

In 1970, Ohio voters, by a margin of 3 to 1, approved a constitutional amendment permitting a homestead exemption program, with the goal to grant property tax relief to elderly taxpayers and to taxpayers who are disabled and to surviving spouses.

This amendment that created the original homestead exemption program specifically allowed an exception to the uniform rule of taxation clause of Article XII, Section 2 of the Constitution.

In 1971 the Homestead Exemption Program starts for homeowners age 65 and over based on a means test (income).

What is the means test? Answer: Initially, the maximum Ohio Adjusted Gross Income (OAGI) of the applicant and the applicant's spouse was limited to \$30,000. This maximum was to be indexed for inflation each year. OAGI could be found on line 3 of the Ohio Individual Income tax form. With indexing, the 2024 income threshold is \$38,600 and the 2023 income threshold is \$36,100. The 2022 income threshold was \$34,600, the 2021 income threshold was \$34,200, the 2020 income threshold was \$33,600, the 2019 threshold was \$32,800, the 2018 threshold was \$32,200, the 2017 income threshold was \$31,800, the 2016 income threshold was \$31,500, the 2015 income threshold was \$31,000 and the 2014 income threshold was \$30,500.

Newly effective for tax year 2020 for real property and tax year 2021 for manufactured homes, a law change revised the definition of "income" from OAGI to now "Modified Adjusted Gross Income" (MAGI). Currently, Modified Adjusted Gross Income (MAGI) is your Ohio adjusted gross income (Ohio IT 1040, line 3) plus your business income deduction (Ohio Schedule of Adjustments, line 12). If you did not take a business income deduction, your MAGI matches your Ohio Adjusted Gross Income. This business income must now be included in the income calculation used to qualify for the homestead exemption. Previously, certain eligible property owners were able to deduct up to \$250,000 of business income from their OAGI, dropping them below the income threshold and allowing them to claim the homestead exemption. This previous practice is no longer allowed.

A 1975 Amendment was passed which allowed the homestead exemption program to also apply to permanently and totally disabled Ohioans.

A 1990 Amendment was passed which allowed the homestead exemption program to also apply to surviving spouses of homestead exemption recipients.

In 2007, House Bill 119 expanded the homestead exemption to all senior citizens, qualifying disabled homeowners, and surviving spouses of previously qualified homeowners, regardless of income. The bill eliminated the tiered benefits and instead allowed all eligible participants to exempt \$25,000 of the true value of their homestead from taxation. With the elimination of income limits, over four times as many Ohioans qualified for the homestead exemption in 2011 as qualified in 2006 (Table 1). Likewise, the dollar amount of property tax savings, and reimbursements to taxing authorities, increased from \$70 to \$400 million, an increase of over 470%.

Table 1 – Elimination of Income Limits for the Homestead Exemption Program

| Tax Year | Number of Homestead Exemptions | Dollar Savings/Reimbursements to Local Governments (in millions) |
|------------------------------|---------------------------------------|---|
| 2006 | 216,810 | \$70.1 |
| 2007 (See Note 1) | 776,154 | \$318.0 |
| 2008 | 813,848 | \$344.6 |
| 2009 | 835,224 | \$364.3 |
| 2010 | 854,251 | \$378.7 |
| 2011 | 870,568 | \$400.1 |
| 2012 and later | Table data not updated | |
| | | |

*Reference: Ohio County Commissioners Handbook, Chapter 14 Local Property Taxes, October 2014, Note – this is the latest Handbook revision.

Note 1: In 2007, House Bill 119 eliminated the means test (income).

In 2014, House Bill 59 (Main Operating Budget for Fiscal Years 2014 and 2015) re-implemented a means test (income) for the availability of the homestead exemption for homeowners not receiving the exemption in tax year 2013. Program participants who became eligible and who received the homestead exemption between 2007-2013 retained the exemption, regardless of income (grand father clause). The means test is to be adjusted annually for inflation. The means-tested homestead exemption started with persons who turned 65 in 2014. The means-tested homestead exemption began with real property tax bills payable in 2015.

In House Bill 59, concern was expressed that the annual cost of the three property tax credit programs (10% and 2.5% tax credits and the homestead exemption tax credit) had increased to \$1.7 billion. As a result of these budgets concerns, last minute changes were made to the state budget bill that not only reduced reimbursements for the 10% and 2.5% property tax credit programs but also modified the homestead exemption program (implemented means testing (income)).

Table 2 – General Revenue Fund (GRF) Appropriations for Property Tax Reimbursements

| Fiscal Years | House Bill | Total Appropriations for Property Tax Reimbursements for the 10%, 2.5%, and Homestead Exemption Tax Credits |
|--------------|------------------|--|
| 2014-2015 | 59 See Note 1 | \$1,138,800,000 / \$1,156,402,000 |
| 2016-2017 | 64 | \$1,181,760,000 / \$1,201,340,000 |
| 2018-2019 | 49 | \$1,180,084,800 / \$1,199,315,000 |
| 2020-2021 | 166 | \$1,197,715,000 / \$1,207,908,150 |
| 2022-2023 | 110 | \$1,183,000,000 / \$1,195,600,000 |
| 2024-2025 | 33 | \$1,214,756,000 / \$1,238,032,000 |

*Reference: Ohio Department of Education, LSC Greenbook, Analysis of the Enacted Budget 2014-2015, 2016-2017, 2018-2019, 2020-2021, 2022-2023, 2024-2025, Budget Line Item 200901 (Property Tax Allocation – Education).

Note 1: House Bill 59 implemented new restrictions on the 10% and 2.5% property tax credits and also modified the homestead exemption program (implemented means testing (income)).

In 2014, House Bill 85 also increased the homestead exemption available to veterans who are permanently and totally disabled due to a service-related disability from a value of \$25,000 to \$50,000. The bill also exempted such veterans from the income threshold to be eligible for the homestead exemption.

In 2016, Senate Bill 122 would have eliminated means testing (income) but was never passed. The cost to the state would be an estimated \$41 million in FY 2017 for tax year (TY) 2016, \$98 million in FY 2018, and increasing amounts in subsequent years. The bill received one hearing in the Senate Ways and Means Committee.

In 2021, House Bill 17 extended the homestead exemption to surviving spouses of public safety personnel killed in the line of duty, taxable value up to \$50,000 is exempt from real property tax, and qualifying taxpayers are not subject to the means test.

In 2023, House Bill 33 indexed the homestead exemption reduction amounts to inflation.

However, in summary, while the homestead exemption can be very lucrative, the variety of eligibility limitations makes participation in the programs exceedingly selective.

Table 3 – Real Property Homestead Exemptions (HE) Granted

| Tax Year | HE Granted | Average Reduction | Total Reduction |
|------------------------------|-------------------|--------------------------|------------------------|
| 2010 | 854,251 | \$441 | \$378,743,420 |
| 2011 | 870,568 | \$460 | \$400,098,650 |
| 2012 | 886,975 | \$481 | \$426,948,906 |
| 2013 | 902,352 | \$497 | \$448,920,136 |
| 2014 (See Note 3) | 892,393 | \$494 | \$440,944,460 |
| 2015 | 868,123 | \$495 | \$429,544,617 |
| 2016 | 842,691 | \$502 | \$423,408,607 |
| 2017 | 813,497 | \$502 | \$408,252,640 |
| 2018 | 788,932 | \$499 | \$393,417,130 |
| 2019 | 764,393 | \$504 | \$385,017,995 |
| 2020 | 738,891 | \$493 | \$364,359,578 |
| 2021 | 720,521 | \$478 | \$334,435,261 |
| 2022 | 728,155 | \$455 | \$331,637,776 |
| 2023 (See Note 1) | 682,669 | \$462 | \$315,336.403 |

*Reference: Ohio Department of Taxation Annual Reports 2010 - 2023, Tax Data Series, Property, Table HE-1.

Note 1: Data only available through tax year 2023.

Note 2: Data pertains only to Real Property (i.e., homes). Similar data pertaining to Manufactured Homes is tracked separately by Table HE-2.

Note 3: Effective Tax Year 2014, House Bill 59 implemented new restrictions on the 10% and 2.5% property tax credits and also modified the homestead exemption program (implemented means testing (income)).

Table 4 – Manufactured Homes Homestead Exemptions (HE) Granted

| Year | HE Granted | Average Reduction | Total Reduction |
|-------------|-------------------|--------------------------|------------------------|
| 2022 | 22,486 | \$220 | \$4,943,746 |
| 2023 | 20,549 | \$249 | \$4,702,860 |

*Reference: Ohio Department of Taxation Annual Report 2022 and 2023, Tax Data Series, Property, Table HE-2.

Note 1: Data shown in Table 4 is for comparison with data shown in Table 3 for Tax Years 2022 and 2023. Comparison ratios are similar for tax years before 2022.

Table 5 – Real Property Property Taxes Reimbursements to Local Governments

| Tax Year | 10% Non-Business Credit (\$B) | 2.5% Owner-Occupied Credit (\$M) | Homestead Exemption (\$M) | Total Reimbursement (\$B) |
|------------------------------|--------------------------------------|---|----------------------------------|----------------------------------|
| 2010 | \$1.062 | \$206.7 | \$364.2 | \$1.633 |
| 2011 | \$1.091 | \$211.5 | \$378.7 | \$1.681 |
| 2012 | \$1.101 | \$210.7 | \$400.1 | \$1.711 |
| 2013 | \$1.115 | \$212.8 | \$426.9 | \$1.755 |
| 2014 (See Note 2) | \$1.125 | \$213.2 | \$448.9 | \$1.787 |
| 2015 | \$1.133 | \$211.2 | \$441.0 | \$1.785 |
| 2016 | \$1.138 | \$211.1 | \$429.4 | \$1.779 |
| 2017 | \$1.142 | \$211.1 | \$423.4 | \$1.776 |
| 2018 | \$1.153 | \$214.4 | \$408.2 | \$1.776 |
| 2019 | \$1.165 | \$217.6 | \$393.4 | \$1.776 |
| 2020 | \$1.171 | \$218.7 | \$385.0 | \$1.775 |
| 2021 | \$1.200 | \$225.8 | \$364.4 | \$1.791 |
| 2022 | \$1.222 | \$230.0 | \$344.4 | \$1.796 |
| 2023 | \$1.243 | \$233.8 | \$331.6 | \$1.808 |

*Reference: Ohio Department of Taxation Annual Reports 2010 - 2023, Tax Data Series, Property, Table PD-1.

Note 1: All dollar amounts have been rounded off.

Note 2: Effective Tax Year 2104, House Bill 59 implemented new restrictions on the 10% and 2.5% property tax credits and also modified the homestead exemption program (implemented means testing (income)).

Table 6 – Manufactured Homes Property Taxes Reimbursements to Local Governments

| Tax Year | 10% Non-Business Credit (\$M) | 2.5% Owner-Occupied Credit (\$K) | Homestead Exemption (\$M) | Total Reimbursement (\$M) |
|-----------------|--------------------------------------|---|----------------------------------|----------------------------------|
| 2022 | \$2,944,523 | \$416,828 | \$5,092,059 | \$8,453,409 |
| 2023 | \$3,059,779 | \$418,034 | \$4,843,946 | \$8,321,759 |

*Reference: Ohio Department of Taxation Annual Reports 2022 and 2023, Tax Data Series, Property, Table PD-2.

Note 1: Data shown in Table 6 is for comparison with data shown in Table 5 for Tax Years 2022 and 2023. Comparison ratios are similar for tax years before 2022.

Table 7 – Ohio AGI / MAGI Limits to Qualify for Homestead Exemption

| Fiscal Year | Note | Income Limit |
|--------------------|-------------------|---------------------|
| 2014 | See Note 1 | \$30,500 |
| 2015 | | \$31,000 |
| 2016 | | \$31,500 |
| 2017 | | \$31,800 |
| 2018 | | \$32,200 |
| 2019 | | \$32,800 |
| 2020 | See Note 2 | \$33,600 |
| 2021 | | \$34,200 |
| 2022 | | \$34,600 |
| 2023 | | \$36,100 |
| 2024 | | \$38,600 |
| 2025 | | \$40,000 |

*Reference: Ohio Department of Taxation Annual Reports 2014 – 2023.

Note 1: In 2014, House Bill 59 modified the homestead exemption program (implemented means testing (income)).

Note 2: In 2020, Ohio AGI replaced with MAGI (Modified Adjusted Gross Income) which now includes any business income.

Note 3: 2025 Income Limits do not reflect the potential changes passed by the 136th GA in 2025.