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Office of Research and Drafting

Legislative Budget Office

H.B. 608
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 608's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. D. Thomas and Glassburn

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill extends the partial property tax exemption for subdivided, unimproved residential land from eight to ten years, which would delay the return of full taxable value and potentially reduce local governments' revenues for up to two additional years.
- The bill allows county auditors to redirect excess real estate assessment (REA) fund balances to homeowners instead of local governments. The fiscal effect is permissive and varies by county; larger counties with historically high REA surpluses could experience more significant impacts.
- Several provisions of the bill would increase administrative and operational responsibilities for local taxing authorities, but they are not expected to materially affect overall tax collections.

Detailed Analysis

Residential development land exemption

The bill extends the maximum duration of the partial property tax exemption for subdivided, unimproved residential land from seven to nine tax years. Under continuing law, this exemption shields the increase in value above the parcel's most recent arm's-length sale price until the land is sold, construction begins, or the exemption period expires. The bill applies the extended nine tax year period to both new exemption applications and any existing exemptions without requiring owners to reapply.

Extending the exemption period delays the collection of full taxable value, resulting in a longer period during which local governments do not receive property tax revenue based on the land's current assessed value. The fiscal effect will vary by county depending on the number of qualifying parcels and the difference between sale price and current market value, but the provision generally results in a two-year extension of reduced taxable value for eligible properties.

Property tax payment extension

The bill authorizes county treasurers to enter into a contract with an eligible property owner who has no delinquent taxes outstanding, under which the owner may pay current year taxes in either four or 12 equal installments, due on the 20th day of every third month or each month of the ensuing tax year. An approved application operates as a continuing request so long as the property remains free of delinquent taxes, and taxes paid under such a contract are not treated as delinquent unless the agreement becomes void.

Under current law, property taxes are paid twice a year, either in January or February and in June or July. The bill may delay payment of taxes for a couple of months, depending on the initial date of the agreement, but overall collections should not be affected. The provision may, however, create administrative costs for county auditors related to processing applications, maintaining installment contracts, and providing required notices. These costs are expected to be small.

Additionally, while the timing of cash flow may shift slightly due to installment payments, the total amount collected for the year remains unchanged, and taxes paid under an active contract are not considered delinquent. As a result, the bill does not materially affect delinquency rates or the distribution of tax revenues to local taxing units.

This provision has no direct fiscal effect on local governments over the course of the fiscal year.

Notification of valuation changes

The bill requires that county auditors notify homeowners in both the county’s sexennial reappraisal and triennial update years, and in any other year a change is made to a property’s value. The notification must also provide information on how to contact the auditor for questions, how to contest assessments informally and by formal complaint, and qualifications for tax reductions. This provision could increase administrative and mailing costs for county auditors particularly in years with large numbers of valuation changes and could require additional staffing or temporary support.

Tax bill due date

The bill requires that if a scheduled tax payment due date, after accounting for any extension permitted under current law, would result in the tax bill being mailed or delivered fewer than 30 days before that due date, the payment deadline must be further extended to preserve the statutory 30-day notice period. Current law allows a 20-day period. This provision has no direct fiscal impact on local governments.

Contingent property tax reduction

The bill authorizes local taxing authorities to reduce, terminate, or waive the right to renew an existing property, municipal income, school district income, or sales and use tax levied by the authority, either for a specified period of years or the remaining duration of the tax, if electors approve a new tax levy or the renewal, increase, or extension of an existing tax.

The authorizing legislation must identify the current rate of the affected levy, the tax periods in which any reduction or termination will apply, any reduced rates that will take effect, and whether the reduction or termination will cease if voters later approve a rate reduction in the other levy. The county board of elections must incorporate this information into the ballot language so that the combined question clearly reflects both the new levy and the reduction, termination, or waiver of the existing levy.

The fiscal effect of this provision is uncertain, as any revenue impact would occur only if a taxing authority voluntarily proposes a levy restructuring and voters approve it. The outcome of such a restructuring depends on the effective millage of the existing levy, the structure of the new levy, H.B. 920 of the 111th General Assembly reduction factors, and future changes in property valuation. However, because the bill merely authorizes this process and does not mandate any levy changes or revenue adjustments, the direct fiscal effect is expected to be minimal.

Real estate assessment fund refunds

The bill permits a county auditor to distribute excess balances in the REA fund, above the $5,000 statutory threshold, in equal amounts to all owner-occupied properties in the county rather than returning those funds to the taxing authorities that contributed to the REA fund. This change may reduce the amount of excess REA funds received by local taxing authorities, and the impact will vary by year and by county depending on assessment costs and the size of the REA fund balance. The total fiscal effect of this provision is uncertain because REA fund surpluses differ significantly across counties. For example, in calendar year 2025, Cuyahoga County returned approximately $35 million in excess REA funds to its local governments. Under this provision, and only if the county auditor elects to do so, those excess funds could instead be distributed directly to homeowners. This possibility could increase administrative cost for taxing authorities if they choose to reimburse homeowners.

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