OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

S.B. 42
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 42's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Reynolds and Craig

Local Impact Statement Procedure Required: Yes

Francis Bediako, Economist

Highlights

- Local taxing authorities may lose property tax revenue from the establishment of residential stability zones (RSZs). A qualified homeowner in an RSZ may apply for a partial property tax exemption equal to a percentage of the increase in value of the homestead since they immediately precede the partial exemption's commencement.
- Since establishment of RSZs is at the discretion of limited home rule townships, counties, and municipal corporations, the fiscal effect of the bill is unknown.

Detailed Analysis

Bill overview

The bill authorizes limited home rule townships, counties, and municipal corporations to establish residential stability zones (RSZs) where qualified homeowners may apply for a partial property tax exemption equal to a percentage of the increase in the assessed value of the homestead. RSZs can only be established via a resolution passed by the legislative authority of the political subdivision. The RSZs apply to all homesteads, including manufactured or mobile homes and units in a housing cooperative. RSZs can be established for up to ten years and can be renewed for up to another ten years at a time.

An RSZ resolution must establish eligibility guidelines for the property tax exemption, and those eligibility guidelines, at minimum, must include the following limitations:

- An applicant's household income cannot exceed 80% of the area median income relative to the metropolitan statistical area (MSA) that the zone is located in, or relative to the county containing the zone if no part of the zone is within an MSA. The resolution may specify a lower percentage.

- An applicant must have owned or occupied the homestead for at least one year. The resolution may require a longer ownership or occupancy threshold.
- An asset ownership limitation for the household, which takes into consideration assets such as bank accounts, trusts, equity in rental property or other capital investments, and other instruments including retirement accounts and pension funds.

Homeowners who meet the qualifications in the RSZ resolution for the area in which they reside may apply to the zone's designated housing officer for an exemption. The partial property tax exemption in an RSZ is equal to the percentage specified in the enacting resolution. For a homeowner aged 60 or over, the exemption continues until the owner no longer owns the home, even if the zone expires. For homeowners under 60 years of age, the term of the exemption is six years, regardless of the zone's expiration date.

Fiscal effect

Since the establishment of RSZs is entirely under the discretion of limited home rule townships, counties, and municipal corporations, the fiscal effect of the bill is unknown. LBO cannot predict how many RSZs will be established in the future, nor the specific guidelines or exemption percentages in RSZ resolutions. To the extent that RSZs are established and used by homeowners, they will reduce property tax collections. A home rule township, county, and municipal corporation may incur additional administrative costs if the locality chooses to establish and administer RSZs.

Statewide, about 63% of residential property taxes are paid to school districts and joint vocational school districts, with the rest paid to counties (17%), townships (7%), cities and villages (6%), and parks and other special districts (6%).[1] Revenue losses would be discretionary for the taxing district establishing the RSZ but not for schools or other taxing authorities.

FNSB0042IN-136/lb

[1] Shares based on tax year 2022 data. Percentages do not sum to 100% because of rounding up.