



HOUSE BILL 1  
OPPONENT TESTIMONY  
March 14, 2023

Chairman Roemer, Vice Chair Merrin, Ranking Member Troy, and members of the committee, I am Bethany Sanders, Director of Policy & Strategic Initiatives for Franklin County Auditor Michael Stinziano, I thank you for the opportunity to testify today in opposition to H.B. 1. We understand the challenge that can come with crafting major legislation as Auditor Stinziano served as a representative during three general assemblies and budget cycles and I was a policy advisor and legal counsel to the Senate Democratic Caucus for 7 years including three budgets. While some of the intent behind the bill is important its current mechanics and overall approach threaten stability of our communities, residents, and businesses.

Since taking office four years ago, Auditor Stinziano and our team have been guided by the combined goals of having the most transparent and equitable appraisal process while emphasizing the critical need to not have residents especially older residents taxed out of their homes. We have shared this concern with the Department of Taxation and advocated for legislative change to support this need. In the 133<sup>rd</sup> and 134<sup>th</sup> General Assembly we worked with Senator Craig on legislation to protect all Ohioans from unaffordable property tax increases and supported modernization of the homestead exemption which is sorely needed.

We are in many ways facing a perfect storm of property value pressures here in Franklin County. As a county on cycle for 2023 reappraisal this year we will see residential property value increase between 30% and 40% county wide with some areas trending even higher. These are historic increases and reflect a perfect storm of conditions in our property and housing market. Many factors go into creating this moment: an incredibly hot real estate market, investor and corporate property owners, stiff competition for more affordable homes, population growth, housing construction limitations, and economic development.

We do not believe our existing property tax structure was designed for this moment, yet any reforms must recognize the foundational agreement between the state, local communities, businesses, and residents to provide essential services and allow us all to thrive. The drastic across the board cuts to property tax and income tax in this bill will not protect low to moderate income residents and those on a fixed income from increases for essential government services and will undermine the stability and attractiveness of our communities.

**Property tax is an important and stable way to fund essential services and Ohio should follow best practices on how to mitigate undue burdens.**

There are as many ways of structuring property taxes as there are states and each must be tuned to the specific needs of their communities. There are best practices that recognize the importance of stable property tax charges and revenues while addressing the burden to taxpayers. Ohio follows



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several of these practices, but has room for improvement on key support of taxpayers. The Lincoln Institute of Land Policy has provided a comprehensive report on the role of property tax and best practices for residential property tax relief.<sup>1</sup>

Property taxes are a critical source of revenue, more stable than the income tax and less regressive than a sales tax. In 2019 46% of local government revenue nationwide was property tax. In 2021 33.2% of Franklin County revenue was from property taxes.<sup>2</sup> It also can be equitable when designed to accommodate those that are house rich and cash poor.

Ohio has four primary means to reduce the burden for some homeowners: the owner-occupied credit, the non-business credit, the homestead exemption, and the equalization of tax rates. All of these programs are affected by H.B. 1. In total as proposed these changes will shift the burden of funding from the state collectively to residential taxpayers.

These changes exacerbate the primary risks of property tax as a funding stream. “A frequent criticism of the property tax is that poorer communities with low property tax values cannot supply adequate public services at affordable tax rates.” “State aid is the only way to address these disparities and ensure that all localities have sufficient resources, especially with regard to public education.”<sup>3</sup>

### **Ohio’s property tax structure lacks key mechanisms to target relief to avoid undue burden while maintaining revenue needs:**

- Thirty-three states, including Ohio, have homestead exemptions and credits.
- Seventeen states have property tax deferral programs.
- Sixteen feature circuit breakers which limit how much of a person’s income they can be required to pay in property taxes.
- Fifteen states have income-based homestead credits, 6 of whom provide relief to all age groups.<sup>4</sup>

This bill is a good first step towards modernizing the homestead exemption which is critically needed. We appreciate the focus on this in other introduced legislation in recent years including H.B. 99 (Cera, Rogers) from the 133<sup>rd</sup> General Assembly along with H.B. 207 (Troy) and H.B. 357 (Stephens) from the 134<sup>th</sup> General Assembly. Under current law despite an aging population the number of recipients of the homestead exemption is dropping by on average 2,400 households per year in Franklin County. Increased property values and dropping tax rates due to equalization have also lowered the cash value of the exemption. In 2020, after the triennial update, when the average value increase was 20% the cash value of the exemption in the largest taxing district in the county went from \$531 to \$455.

In a partnership with Age Friendly Columbus & Franklin County we reviewed the needs and opportunities specifically related to Older Adults and Property Taxes. They recommended adjustments to the homestead exemption including increases and indexing the value of the adjustments to \$31,200 and increasing the income eligibility threshold to \$50,000 per year.<sup>5</sup>

Instead of drastic across the board cuts the legislature should be looking at programs for property tax relief that are need based, cover renters and homeowners, and include state support to avoid punishing low-property value jurisdictions. Such protections would add stability for property owners

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<sup>1</sup> Lincoln Institute of Land Policy, “[Property Tax Relief for Homeowners](#)”, Langley, Adam H. and Youngman, Joan. November 2021.

<sup>2</sup> See page 12 of the [2021 Comprehensive Annual Financial Report for Franklin County](#)

<sup>3</sup> Lincoln Institute of Land Policy, “[Property Tax Relief for Homeowners](#)”, Langley, Adam H. and Youngman, Joan. November 2021, pg. 57.

<sup>4</sup> Lincoln Institute of Land Policy, “[Property Tax Relief for Homeowners](#)”, Langley, Adam H. and Youngman, Joan. November 2021, pg. 35, 43, 44.

<sup>5</sup> [Older Adults and Property Taxes: Findings and Recommendations in Franklin County](#)

and local governments alike and allow the maintenance and growth of communities where all can thrive.

### **Central Ohio is thriving and growing as we invest in our communities.**

Major investments of Intel, Honda, and others in central Ohio highlight the overall attractiveness of our communities for residents and businesses alike. The population is expected to reach more than 3 million people by 2050.<sup>6</sup> In many ways jobs and economic development is leading this demand, but that must go hand in hand with housing and infrastructure development to keep our communities livable.

Economic opportunities are not alone in making an area attractive. Many of the services provided by local governments are important for the economic and overall well being of our communities. The National Association of Realtors recommends homebuyers ask about infrastructure when deciding where to buy. These factors impact not only health, safety, and comfort for current residents, but can have a major impact on a home's resale value.<sup>7</sup> 83% of Americans favor increasing infrastructure funding.<sup>8</sup>

In previous committee hearings, the possible risk to safety services has been highlighted, but parks, water and sewers, and schools are just as critical to livable communities. Close to 75% of U.S. adults say that access to a nearby park, playground, open space, or recreation center is an important factor in deciding where they want to live.<sup>9</sup> More than 43,000 Ohioans were employed by local parks and recreation facilities, and Ohio's parks and recreation facilities generated \$7,047,862,139.00 in overall economic activity in 2019.<sup>10</sup>

Ohio is already struggling to meet the inflow of population that we currently have, and without that it will be impossible to maintain the appeal of our communities.<sup>11</sup> Currently local governments are taking the lead on housing and infrastructure challenges. Columbus has pursued more than \$200 million in affordable housing bond funding and Worthington is considering a similar program scaled to their population.<sup>12</sup> These efforts and similar regional planning are essential to meet the demands of the moment and the tax cuts only approach of H.B. 1 will not change the local need.

### **Collaboration and care are needed to avoid toppling the foundational agreements between residents, businesses, local government, and the state built over decades.**

Property taxes are constructed layer by layer, vote by vote, to be reflective of local decisions but this also means small moves are necessary when considering change. Franklin County has more than 450,000 parcels, more than 500 voted levies, 150 taxing districts, and 82 political subdivisions that receive property tax. Yes, this is complex, but that complexity is what allows for local input and tax burdens reflecting decisions of the community. I appreciate that the currently pending legislation will not be the final product but still want to provide examples for how this type of change might play out in Franklin County.

Under the language as proposed, **we estimate that of the 82 taxing authorities in Franklin County, 73 will see some revenue loss from these changes to property tax alone.** In general, the reduction in taxes charged will come more from class 2 commercial property than class 1 residential and agricultural property because those rates have equalized down less than residential

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<sup>6</sup> [MORPC discussion of population growth](#). (WOSU)

<sup>7</sup> [What Exactly is Infrastructure and Why is it Important to Homeowners?](#) (National Association of Realtors)

<sup>8</sup> [View on the Infrastructure Bill](#) (AP-NORC Center)

<sup>9</sup> [2022 Engagement with Parks Report](#) (National Recreation and Park Association)

<sup>10</sup> [Economic Impact of Local Parks Report](#) (National Recreation and Park Association and Center for Regional Analysis at George Mason University)

<sup>11</sup> [Emerging Trends in Real Estate 2023](#) (Urban Land Institute, PWC)

<sup>12</sup> Worthington affordable housing bond as Columbus has details [here](#).

rates. In addition, the combination of cutting taxable value and the H.B. 920 equalization process means that in general jurisdictions with newer levies or those that have had less value increases are more likely to lose revenue.

A couple levy examples highlight how woven into our system the overall equalization process is. A 1976 permanent levy for Pickerington Local School District has full rate of 24 mills, but after almost fifty years of equalization the residential rate is 2.28 and the commercial 3.59, more than 90% and 85% reduced respectively. In contrast a recent Gahanna City Schools Levy, passed in 2020 for 4.26 mills still collects on about 85% of it's value for residential and more than 90% for commercial property meaning this levy would lose revenue under the H.B. 1 changes despite being so recently approved by voters.

When looking at individual levies, it is important to recognize that taxing authorities and voters made decisions based on existing policies. What levies are needed if they should be fixed-sum or fixed-rate. If they should be renewals, replacements, or new with or without increases are all weighed by our local jurisdictions and ultimately by voters asked to approve them. Changes like those proposed in H.B. 1 need to be carefully considered because they do not only affect future levies, but the series of decisions made by political subdivisions and voters over years.

The balance between what funds are collected at the state level and then distributed out and what are directly collected and spent at the local level is central to property tax and related policies. The rollback, initially instituted to give relief for the new income tax has now been standard for almost fifty-years. Interplay between income, commercial activity, property, and sales tax is inevitable and all streams of funding must be woven together to see the overall financial health for provision of essential government services.<sup>13</sup> Having a balance of revenue options prevents any one tax or sector from being disproportionately burdened and makes sure no community is unable to provide what it needs.

## **Conclusion**

Making sure that our residents can make housing decisions that work for their families and older adults can age in the right place have long been priorities for Auditor Stinziano and remain a focus of the Franklin County Auditor's Office. The lack of housing, population growth, and overall intensity of our market mean we are facing a particularly challenging property value increase this year and very much appreciate the legislature's recognition of how property taxes can be a burden.

Nonetheless, H.B. 1 in its current form fails to address these concerns as it will increase property taxes for homeowners while failing to target those who are disproportionately burdened as values increase. At the same time, the further shift away from state support for essential government services puts local governments in an impossible position—needing to maintain essential and community decided service levels—while lacking the tools and flexibility to protect all residents. For these reasons, I ask the committee to reject H.B. 1 and seek policies that follow best practices so that all those who live and work in our Ohio communities can thrive.

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<sup>13</sup> The National Association of Realtors (NAR) supports the equitable collection of tax revenues from a variety of sources and encourages taxing jurisdictions to consider the negative impact to the local economy associated with any potential increase in property tax rates. NAR supports the principle and concept of maintaining a balanced budget in all political jurisdictions. NAR believes that real estate should not be burdened with an excessive share of the constantly increasing cost of state and local government. [NAR State and Local Issues Policies](#) (National Association of Realtors)