

Before the House Ways and Means Committee
House Bill 263 – Authorize a Property Tax Freeze for Certain Owner-Occupied Homes
Proponent Testimony by David P. Johnson
Tuesday, November 14th, 2023

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and Members of the House Ways and Means Committee. I appreciate the opportunity to provide Proponent testimony on behalf of House Bill 263. This legislation would freeze property taxes for eligible seniors.

'Aging in Place' strategies, such as the property tax freeze proposed by House Bill 263, are necessary in order to allow seniors to remain in their homes without being forced to move because they cannot afford to pay their property taxes. Or worse yet, lose their property rights when the government forecloses on their property due to failure to pay their property taxes.

As a Proponent of House Bill 263, I agree, to a point, with the previous testimony provided by House Bill 263 sponsors, Representative Thomas Hall and Dani Isaacsohn.

Before this proposed bill proceeds out of Committee, I believe it is important that you hear from someone for whom this bill is intended for such as myself, a retired senior home owner living on a fairly fixed income in an environment of spiraling property taxes. However, in its current bill form, I will not qualify for a property tax freeze.

My goal today is to convince the members of this Committee to modify House Bill 263 such that more seniors will qualify for the property tax freeze thereby improving their ability to comfortably 'age in place'.

My spouse and I are in our late 60's and co-owner-occupiers of our home for the last seven and one half years. Our fixed income consists of a single pension and our Social Security benefits. In addition we do have retirement assets (IRAs) from which we can draw on for additional income if necessary. Our home is currently appraised by the county auditor for \$330,000.

These revealing facts will become more relevant as I discuss my proposed requirement modifications that I believe are necessary in order to allow more seniors the opportunity to qualify for a property tax freeze.

The following will provide a picture of the current property tax environment in our area.

We reside in North Ridgeville, Ohio in an age 55+ community with approximately 580 homes and 1,000 senior residents.

While North Ridgeville's population may be considered small (approximately 35,000 according to the 2020 US Census), it is the fastest-growing city in northern Ohio. In the last decade alone, our population has increased by 20% (5,800 people).

More importantly, older adults age 65 and over are the fastest-growing age segment in North Ridgeville comprising approximately 19% of the population. This trend is also reflected in metro and state population statistics.

In addition, single family homes, such as ours, comprise 88% of the housing types in North Ridgeville of which 31% of those households are comprised of older adults age 65 and over.

While any person can own a home; maintaining a home, especially an aging home requiring maintenance, can be a financial challenge for many seniors who simply want to 'age in place'.

The financial strain on senior budgets due to property taxation is not a myth but is a fact due to the one-two punch of ever-increasing revenue needs in the form of property tax levies by local, county, and school district entities in conjunction with rising property valuations.

In addition to the potential financial burden of property taxes, it is now estimated a 65 year old retiree will spend an average of \$157,500 in healthcare and medical expenses throughout retirement. For a married couple, double that amount to \$315,000.

However, unlike our state's income tax or sales tax, the tax on a person's property is not predicated on their ability to pay this so called wealth tax. This creates a moral dilemma for senior's on a fixed income when property tax levies appear on the ballot. While the need for a property tax levy is usually warranted, at what point does a person, especially a senior on a fixed income, say "I'm being taxed out of my home. Enough is enough"?

Property tax levies are a necessity in order to address the growing needs of City services and infrastructure, such as police, fire, EMS, water, sewer, roads, and bridges.

Residing in Lorain County, many county-specific services also rely on property taxes to partially or fully fund their source of revenue.

Lastly, property tax levies are also required in order to fund the majority of revenue for our local K-12 public education school district.

Residing in North Ridgeville and Lorain County, numerous property tax levy and bond issues have appeared on the ballot in recent years for these various entities.

In North Ridgeville, our school district has experienced an enrollment boom of almost 900 students since 2010 (a 21% increase). Additionally, enrollment is expected to increase in future years based on future new housing projections. In our school district for the year 2022, local property taxes comprised 55.7% of total revenue and state assistance only comprised 22.7% of total revenue. Under the Fair School Funding Plan, these funding percentages are not expected to change much in the future. In fact, under the Fair School Funding Plan, if our school district was to lose its 'qualified status' designation, the state share of revenue funding would substantially decrease thus requiring even higher local property taxes in order to make up the revenue loss.

Additionally, due to a combination of over-crowding and physically deteriorating school buildings, North Ridgeville voters just approved a \$143 million dollar bond issue to construct a new high school, auditorium, gymnasium, and school bus garage/maintenance facility. This bond issue was approved after three previous failure attempts dating back to 2019.

In this November election alone, due to a combination of our local school district bond issue and several county tax issue levies, I estimate my property taxes will go up by an additional \$750 dollars a year thereby raising my next year's property tax bill by an additional 11%.

The need still exists for a new elementary school in our school district which also has the same over-crowding and physically deteriorating building conditions. This need will only be addressed by a future multi-million dollar school bond issue resulting in even higher property taxes in the near future.

One must also account for the impact of rising property values. When housing values rise significantly, then the value of a home owner's property will generally rise as will their property tax bill. However, and this is important to note, this rise in the wealth value of the property does not provide the home owner with any added realized income.

While Ohio does provide several property tax credit programs, such as the 10% Non-Business Credit and the 2.5% Owner-Occupancy Credit, these credits only apply to renewal levies and inside millage. These tax credits do not apply to new, additional, or replacement levies which are now common strategies for local taxing authorities to raise revenue. Thus, property taxpayers, in these cases, pay more of their property tax bill than they did under the previous system prior to 2014.

At this point, I will state that our home does not qualify for the Homestead Exemption property tax credit because our household income exceeds the means-tested income limit imposed by legislative changes in the 2013 time frame.

I will acknowledge the existence of the mechanism known as 'tax reduction factors' enacted in 1976 by House Bill 920. The intention of House Bill 920 was to ensure that taxing districts do not reap tax benefits or losses due to changes in the value of existing property tax values resulting from the county auditor's sexennial reappraisal or the triennial update. While the tax reduction factor eliminates the impact of any change in the value of all real property in the taxing district on total tax collections, it does not guarantee that individual tax bills will not change. In 2024, Lorain County property owners will undergo the sexennial reappraisal process resulting in significant increases in county appraised home values.

So it is safe to conclude that property taxes will likely continue to increase in the future in order to meet the ever-increasing revenue needs of our city, county, and public school district while further placing a financial strain on a senior's fixed income budget.

At this point, I would like to discuss the four requirements proposed in House Bill 263 in order to qualify for the property tax freeze.

I have read the accompanying Bill Analysis and Fiscal Note & Local Impact Statement introduced by the Ohio Legislative Service Commission (OLSC) for proposed House Bill 63.

These documents do not provide a bases for any of the four requirements that have to be met in order to qualify for the property tax freeze.

Therefore, I must self-reflect and arrive at my own bases and conclusions in order to proceed with the remainder of my testimony.

While still a proponent of House Bill 263, in my opinion, three of the four requirements are overly-restrictive and will impact many senior home owners who will be unable to qualify for the property tax freeze.

I will state each requirement, provide my discussion points, and then propose my modification for consideration by this Committee. Remember, my goal is to enable more seniors to qualify for the property tax freeze and thereby improve their ability to comfortably 'age in place'.

Requirement #1 – the homeowner must be at least 70 years old.

While the Bill Analysis does not provide a written bases for this minimum age, the Fiscal Note & Local Impact Statement does estimate that 455,000 homeowners, based on this age requirement, will benefit from this bill in its first year.

In addition, the table titled 'Additional GRF Expenditures for Each Selected Tax Year' estimates additional GRF reimbursement expenditures to local taxing authorities will cost \$42.2M dollars, \$86.5M dollars, and \$132.2M dollars respectively in Tax Years 2024, 2025, and 2026 due to the direct loss of tax revenue resulting from the property tax freeze. Over the course of these three tax years, the total GRF reimbursement expenditure will add up to \$261.1M dollars.

I must emphasize again, over the course of these three tax years, the estimated total GRF reimbursement expenditures will add up to \$261.1M dollars.

This sum of money for a three year period may seem to be excessive. However, I would like to offer a different perspective. I would like the Committee to consider the fact that House Bill 33 (Fiscal Year 2024-25 Appropriations) implemented income tax cuts and tax breaks that will permanently eliminate approximately \$900M dollars a year of income tax revenue going forward that would have gone into the General Revenue Fund. These income tax reductions mainly benefited the wealthiest 20% of working Ohioans and minimal benefit for that segment of the population who are retired and no longer work. These are only the most recent income tax cuts. Many articles have been written that document Ohio's 'Great Tax Shift' over the last 15 years and the resultant billions and billions of dollars that will no longer flow into the General Revenue Fund.

To be eligible for the Senior Tax Credit on the Ohio IT 1040 Individual Income Tax form, a person must be 65 years or older (in addition to several other requirements). When this tax credit was passed into law, previous legislators must have agreed that an age of 65 and older was a reasonable age to qualify for this senior-specific tax credit.

So from my perspective, the State can afford to spend more than \$261.1M dollars over the course of the next 3 years in order to expand the property tax freeze to a larger percentage of senior home owners.

According to articles I have read online, workers in Ohio generally retire at an average age of 63 and Ohio's average life expectancy, among the worst in the nation, is only 76.9 years. In addition, a 2022 article cited older Americans have the highest home ownership rate, as seniors 75 and older average 78.7%. These two factors should be given a high priority when deciding the appropriate minimum age requirement.

With no written bases for a minimum age limit of 70 years old, then I have to assume it is based on the amount of money state legislators are willing to commit from the General Revenue Fund in order to reimburse the local taxing authorities.

Recommendation - Lower the age limit to 65 years old in order to expand the base of senior home owners eligible to qualify for the property tax freeze.

Requirement #2 – the homeowner must have continuously lived in their homestead or manufactured home for at least 10 years.

The Bill Analysis does not provide a bases for the 10 year continuous living requirement.

Of the four requirements, this is perhaps the most confusing requirement because I don't comprehend the significance of a person, specifically a senior, living in the same home for 10 continuous years.

From a stand alone point, does a 10 year period infer a senior potentially has a higher level of commitment or probability to 'age in place' compared to the same senior who has only lived in the same house for 5 years?

Does the definition of 'continuous' imply a senior can own only a single home? What if a person spends six months a year in a secondary home in Florida while their primary home in Ohio home is unoccupied for those six months? I know many seniors who split time between their two residences.

Once a senior retires regardless of their age, at some point I believe they have to ask them self the following question – do I stay in my current home which I have owned for x number of years for the rest of my life or do I purchase my ideal retirement home now such that I can comfortably 'age in place' for the rest of my life?

Having retired in 2015, we asked ourselves this exact question early on rather than deferring the question to later in retirement. As a result, we decided to purchase our ideal retirement home in 2016 with the intent this would be the last house we ever owned.

So with no written bases for a 10 year continuous living requirement, then I have to assume it is based on the amount of money state legislators are willing to commit from the General Revenue Fund in order to reimburse the local taxing authorities.

Recommendation – Lower the continuous living requirement to 5 years in order to expand the base of senior home owners eligible to qualify for the property tax freeze.

Requirement #3 – the homeowner’s total income must be less than or equal to \$70,000 per year.

The Bill Analysis does not provide a bases for this maximum income limit of \$70,000 dollars per year nor does it define what is ‘total income’.

Is ‘total income’ the same as your Ohio ‘modified adjusted gross income’? Is it your Ohio ‘modified adjusted gross income less exemptions’?

As a point of reference, to be eligible for the Senior Tax Credit (\$50 max) or the Retirement Tax Credit (\$200 max) on the Ohio IT 1040 Individual Income Tax form, your ‘modified adjusted gross income less exemptions’ has to be less than \$100,000. When these tax credits were passed into law, previous legislators must have agreed that a ‘modified adjusted gross income less exemptions’ of \$100,000 a year was a reasonable dollar amount in order to qualify for these two senior-related tax credits.

The same article that stated workers in Ohio generally retire at an average age of 63 also estimated that a total retirement savings of approximately \$880,000 would be needed for those years between retirement age and 80 in order to attain a comfortable retirement. With the effects of inflation the last several years, I have to believe this figure will be even higher.

Many seniors, such as myself, also saved for their retirement with tax qualified savings plans such as a 401K or IRA and now may also be taking withdrawals in order to replace income when they previously worked. These withdrawals are reportable income and are taxed at ordinary income tax rates. So on one hand, when these withdrawals are necessary to be able to comfortably ‘age in place’, these withdrawals may ultimately cause a senior to be ineligible for the property tax freeze credit.

Recommendation – Raise the total income limit to \$100,000 in order to be consistent with other state income tax credit requirements and to expand the base of senior home owners eligible to qualify for the property tax freeze.

Requirement #4 – the county auditor’s appraised value of the home owner’s home must be less than \$1 million dollars.

The Bill Analysis does not provide a bases for the \$1 million dollar appraised home value by the county auditor.

Of the four requirements, this appears to be the least restrictive requirement, but none the less, is confusing.

According to 2020 US Census Bureau data, only 1% of all homes in Ohio were valued at \$1 million dollars or greater and 7% of all homes were valued between \$500,000 and \$999,999 dollars.

In my community of approximately 580 homes, I am not aware of a single home that is valued at \$500,000 by our county auditor.

Why establish a cap on a home’s value at \$1 million dollars? Why not \$2 million dollars? Why not \$500,000 dollars?

Has a study been performed that concludes any senior who owns a home valued at \$1 million dollars or more does not need a property tax freeze regardless of their income level?

In the case of those few senior home owners who would qualify for a property tax freeze based on all four requirements, does it really come down to indirectly setting a maximum property tax freeze dollar amount a senior could expect to receive in any given tax year?

If you take into account only the first three requirements, then it seems the only matter that counts is can the senior continue to pay the full amount of their property taxes on a year to year bases regardless of the value of their home?

Frankly, I am perplexed when I think about a scenario in which a senior age 70 or older, living in a home valued at \$999,999 dollars and continuously lived in for 10 years, can afford to comfortably ‘age in place’ on a maximum income of \$70,000 a year. If such a senior exists, then I commend that person and hope they are indeed comfortably ‘aging in place’.

In conclusion, I can present no argument for raising or lowering the threshold value of one’s home in order to potentially qualify for a property tax freeze.

Recommendation – none.

In conclusion, to quote the Sponsor testimony of Representative Isaacsohn, "Like with all other spending, it's a question of priorities". While seniors will continue to pay their fair share of Ohio's many other forms of taxation, my recommendations to modify the various requirements in order to qualify for a property tax freeze will expand the base of eligible seniors allowing more to comfortably 'age in place' in their home they have, and want to continue to live in, for the remainder of their retirement lifetime.

To that end, I would like to thank all of the members of the House Ways and Means Committee for the opportunity to testify as a proponent of House Bill 263.

Respectively,

David Johnson
North Ridgeville, Ohio