Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 274
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 274's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Mathews and Dell'Aquila

Local Impact Statement Procedure Required: No

Lin Kong, Budget Analyst

Highlights

Fund	FY 2025	FY 2026	Future Years
State General Revenue Fund			
Expenditures	Increase of $84.5 million	Increase of $168.2 million	Projected to decrease from prior year levels until $0 in FY 2051
Local governments and school districts			
Revenues	$0	$0	$0

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill establishes an enhanced homestead exemption of $50,000 for long-term homeowners who currently qualify for the $25,000 homestead exemption. LBO estimates that 461,450 homeowners will qualify for this bill in its first year.
- The GRF will reimburse local taxing authorities for the bill's property tax reduction. Assuming the bill is made effective in tax year (TY) 2024, GRF expenditures would increase in the second half of FY 2025 whereas FY 2026 is the first full year of GRF reimbursements.

Detailed Analysis

The bill expands the homestead exemption for certain qualifying individuals. Under current law, the homestead exemption equals the taxes that would be charged on up to $25,000 of the fair market value of a home owned by a person who is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. There is also an enhanced homestead exemption of $50,000 for homesteads of military veterans who are totally disabled and their surviving spouses and for surviving spouses of peace officers, firefighters, or other emergency responders who die in the line of duty or by an injury or illness sustained in the line of duty.

The bill establishes a third category of the homestead exemption valued at $50,000 for long-term homeowners. In order to qualify, a person must satisfy the criteria for the $25,000 homestead exemption and also have continuously owned and occupied the homestead or manufactured home for 20 or more consecutive years. This enhanced exemption also extends to the homeowner's surviving spouse until the spouse remarries, provided the spouse meets the income limit for the $25,000 homestead exemption in continuing law.

Unlike the existing homestead exemptions, the proposed $50,000 exemption authorized by the bill is not indexed to increase with inflation. The annual inflation adjustment is a recently enacted provision in the main operating budget, H.B. 33 of the 135th General Assembly. The inflation adjustment will first apply to property taxes generally paid during calendar year 2024.

As with all current homestead exemptions, the losses to local government property tax collections as a result of the bill will be reimbursed by the GRF, thus local government revenues will not be adversely affected.

Fiscal effect

The following table details the estimated additional GRF expenditures as a result of the bill for TY 2024 to TY 2026.

Additional GRF Expenditures for Selected Tax Years		
Tax Year	Number of Qualifying Households	Additional GRF Expenditures
TY 2024	461,450	$169.0 million
TY 2025	479,880	$167.5 million
TY 2026	497,200	$167.0 million

Due to current homestead exemption reduction amounts increasing with inflation while the bill's $50,000 reduction remains fixed, LBO expects the initial cost of the bill to decrease in subsequent years as current benefit amounts will eventually match and exceed the bill's static $50,000 value. Separately, the number of qualifying households will increase as more homeowners meet the tenure requirement and certain homeowners' income grows slower than the pace of inflation (and therefore qualify under an income means test that is annually adjusted for inflation). Nevertheless, LBO expects the additional GRF cost associated with an increased number of qualifying households will not fully offset the declining benefit amount mentioned above.

LBO arrived at these figures by first estimating the total amount of qualified homeowners in TY 2024-TY 2026 using data from the 2022 American Community Survey (ACS). This amount was then multiplied by the estimated homestead credit per household in those years, determined by adjusting the marginal reduction amount of the bill with the average statewide effective millage and the owner-occupied rollbacks.

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