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H.B. 60

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Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Troy

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SUMMARY

- Increases the homestead exemption for elderly or disabled homeowners and certain of their surviving spouses from $25,000 to $40,000 of the home's appraised value or cost.
- Indexes the amount of that homestead exemption so that the exemption and resulting tax savings increase in proportion to the increase in inflation.
- Expands eligibility for that homestead exemption by rising the income threshold one may have to qualify for the exemption, currently $36,100 in modified Ohio adjusted gross income, to $45,000.

DETAILED ANALYSIS

Homestead exemption

The bill increases the amount of the homestead exemption for elderly homeowners or homeowners with a permanent and total disability and certain of their qualifying surviving spouses and indexes that amount to inflation. The bill also expands eligibility for the homestead exemption by raising the income eligibility requirement above which a taxpayer may not claim the exemption.

Homestead exemption: overview

Continuing law provides a property tax credit for the residence, or "homestead," of certain qualifying individuals. To qualify, an individual must be a homeowner 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. Under current law, this "homestead exemption" equals the taxes that would be charged on up to $25,000 of the true value of a home owned by a qualified elderly or disabled homeowner. ("True value" is the appraised fair market value.) In other words, the homestead exemption essentially exempts $25,000 of the value of a homestead from taxation. The amount of the tax savings for a qualifying homestead depends on the local tax rate: the higher the tax rate, the greater the tax reduction. Under continuing law, special "enhanced" exemptions of $50,000 of a homestead's value are available for homes of military veterans who are totally disabled and for the homes of surviving spouses of public service officers killed in the line of duty.

Exemption amount

The bill increases the $25,000 homestead exemption to up to $40,000 of the true value of a home owned by a qualified elderly or disabled homeowner. Under continuing law, the credit applies to manufactured and mobile homes as well, regardless of whether they are taxed as real property or taxed under the manufactured home tax (except that manufactured and mobile homes are assessed at 40% of cost or market value and are depreciated over time).

The bill also indexes the amount of this homestead exemption so that the exemption amounts – and therefore the tax savings – increase according to increases in the prices of all goods and services composing the national gross domestic product (GDP). The bill does **not** index the amount of the special $50,000 enhanced exemptions.

The adjustments are made by multiplying the current year's exemption amount by the percentage increase in the GDP deflator over the preceding year, adding that result to the current exemption amount, and rounding the result to the nearest $100. An adjustment would not be made for any year the GDP deflator does not increase.

The Tax Commissioner must compute the adjustments and certify the resulting amounts to each county auditor by December 1 to be applied the following tax year, or, in the case of the manufactured home tax, the second ensuing tax year. The difference in application is accounted for by the fact that the manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears.[1] Because of this, the bill's adjustment and certification requirements begin to apply in tax year 2023 or, for the manufactured home tax, 2024, which means that the exemption amounts might first increase for taxes payable in 2024.[2]

Income threshold

Under continuing law, homeowners who first receive the $25,000 homestead exemption for tax year 2014 or later (or tax year 2015 for homeowners who pay the manufactured home tax) must have a modified Ohio adjusted gross income of below a certain income threshold, as computed for state income tax purposes (including all business income and excluding Social Security and disability benefits). The threshold was originally $30,000, but it is indexed to inflation and increases annually – the 2023 threshold is $36,100. Homeowners who received the homestead exemption before 2014 are not subject to this income limit, and no income limit applies to the enhanced exemptions. The bill raises the income eligibility requirement to $40,000 or less beginning in tax year 2023, or 2024 for manufactured homes.[3]

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[1] R.C. 323.152(A)(1)(c) and (d) and 4503.065(A)(2)(c), (d), and (e).

[2] Section 3.

[3] R.C. 323.152(A)(1)(b) and 4503.065(A)(2)(b); Section 3.

HISTORY

Action	Date
Introduced	02-21-23

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