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S.B. 136

135th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Craig

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SUMMARY

- Authorizes a property tax reduction that effectively caps annual property tax increases for qualifying residential property at 5%.
- Allows the reduction to homeowners that own and occupy their home and whose income is at or below the median income of the county in which the property is located.

DETAILED ANALYSIS

Cap on property tax increases for owner-occupied homes

The bill effectively caps annual property tax increases for qualifying owner-occupied homes at 5%. If taxes increase by more than 5% in any year, taxes would be reduced on the property by the amount that the actual increase in taxes exceeds 5% of the previous year's taxes.

Eligibility

The reduction is available to homeowners that own and occupy their home and whose income is at or below the median income of the county in which the property is located.[1] The income threshold takes into account the annual income of both the homeowner and their spouse.

To receive the reduction, the property must qualify for the existing 2.5% property tax rollback for owner-occupied homes. This includes manufactured or mobile homes that are

[1] The Department of Development already calculates each county's median income each year for purposes of determining who qualifies for housing assistance through the Ohio Housing Trust Fund. R.C. 174.04.

taxed in the same manner as real property and two- and three-unit buildings, such as duplex or three-unit townhouse-type residences, as long as at least one of the units is owner-occupied.[2]

The homeowner does not have to qualify for the traditional "homestead exemption" that is available to lower-income elderly or disabled homeowners, but the new reduction would apply to those people's homesteads, too, so long as their income is below the county median income threshold and the home is detached or in a two- or three-unit residential building.

The new reduction would not apply to a home if any of the following applies:

- The home is exempted from taxation in whole or in part, unless it is exempted under a tax increment financing (TIF) arrangement. (Under the TIF law, residential property may be exempted under a TIF arrangement if it is in a TIF "incentive district" or if it is one of 30 "impacted cities.")
- The taxes charged against the home for the year are less than $500 (computed after applying the tax reduction factor and 10% and 2.5% rollbacks).
- The home is sold to a person who is unrelated to the seller. In this case, the reduction does continue to apply until the next sexennial appraisal or triennial update year occurs. At that time, the reduction calculation is "reset" and taxes on the full updated value of the home will be the baseline against which future reductions will be calculated.[3]

Operation

The new reduction caps annual tax increases at 5%. For example, if last year's tax bill for an eligible home was $5,000, this year's tax bill would be capped at $5,250 – a 5% increase over $5,000. If, without the reduction, this year's tax bill would be $5,500 (a 10% increase), the property would receive a reduction equal to $250 (the difference between the actual increase of $500 and 5% of last year's taxes, $250). If the home is subject to a TIF, any payments in lieu of taxes are considered taxes assessed against the home for the purpose of calculating the reduction.[4]

A special rule applies if an improvement was made to the home – for example, a room addition. If an improvement is added to the home that increases the habitable floor area by at least 200 sq. ft. or 10% of the existing habitable floor area, whichever is less, the reduction will not apply that year. In the following year, the reduction will resume, but will be calculated on the basis of the amount of taxes charged on the post-improvement tax bill. This rule also applies if the improvement reduces the "effective age" of the home by at least 20 years;

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[2] For example, if a person owns a duplex and lives in one unit and rents out the other, the whole building is eligible for the new reduction. If the owner does not live in either unit, the building does not qualify. Also, if any of the units is not a residence, the reduction does not apply to the whole building, but it could still apply to an owner-occupied unit.

[3] R.C. 323.152(C)(1), (4), (5), and (6).

[4] R.C. 323.152(C)(2) and (7) and 4503.06(D)(2).

effective age is a concept used in standard appraisal methods to account for how much an improvement extends the useful life of real estate.[5]

Application

Homeowners must apply for the reduction initially in the same manner as they currently do in order to receive the 2.5% rollback. An annual application is not required, but homeowners must file a continuing application with the county auditor in any sexennial appraisal or triennial update year if their income has changed in a way that affects their eligibility.[6] Within 30 days after the bill's 90-day effective date, counties auditors must mail an initial application to every homeowner that currently qualifies for the 2.5% rollback.[7]

State reimbursement

The state GRF would reimburse local taxing units for the property tax revenue loss that would result from the reduction in the same manner as the state reimburses for the 10% and 2.5% rollbacks and the homestead exemption.[8]

Application date

The tax reduction would apply beginning in tax year 2023 for real property and tax year 2024 for manufactured or mobile homes. (The difference accounts for the fact that property taxes are paid one year in arrears, while manufactured and mobile home taxes are paid in the current year.)[9]

HISTORY

Action	Date
Introduced	07-20-23

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[5] R.C. 323.152(C)(3).

[6] R.C. 323.153(A)(2)(b).

[7] Section 3.

[8] R.C. 323.156.

[9] Section 3.