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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 38
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 38's Bill Analysis](#)

Version: As Reported by Senate Insurance & Financial Institutions

Primary Sponsor: Rep. Hillyer

Local Impact Statement Procedure Required: No

Shannon Pleiman, Budget Analyst, and other LBO staff

Highlights

- **Pandemic-related property value reductions.** The bill requires property values to reflect impairment by the COVID-19 pandemic or related state-ordered shutdowns or limits on business operations. These changes may result in loss of property tax revenue to school districts and other local governments.
- **County boards of revision and Board of Tax Appeals.** Costs of county boards of revision (BORs) and possibly also the Board of Tax Appeals (BTA) may increase and delays in determining cases may lengthen as a result of the pandemic-related property value reductions described above. BTA expenditures are funded by the GRF.
- **Ohio Residential Mortgage Lending Act.** The bill may minimally increase the number of mortgage lenders, servicers, or brokers registered under the Ohio Residential Mortgage Lending Act overseen by the Department of Commerce. The annual registration fee is \$500 per office location and deposited into the Consumer Finance Fund (Fund 5530).
- **GrowNOW.** The bill removes specific interest rate requirements under the Treasurer of State's existing business linked deposit program, or GrowNOW. Each linked deposit marginally reduces GRF revenue by the difference between investment earnings at the linked deposit rate and counterfactual investment earnings at the market interest rate.

Detailed Analysis

The bill makes several changes to various laws including the Ohio Residential Mortgage Lending Act, business linked deposit program, credit service organizations, and commercial credit reporting. Additionally, the bill temporarily authorizes a county board of revision, pursuant to a valuation complaint filed for tax year 2020, 2021, or 2022 to make an adjustment to account for a reduction in the property's value due to circumstances related to the COVID-19

pandemic or state COVID-19 orders. The fiscal effects of these provisions are discussed below. For more detail on all of the bill's provisions, please consult the LSC bill analysis.

Pandemic-related property value reductions

The bill authorizes a county board of revision, pursuant to a valuation complaint filed for tax year 2020, 2021, or 2022 to make an adjustment to account for a reduction in the property's value due to circumstances related to the COVID-19 pandemic or state COVID-19 orders that occur within the tax year for which the complaint was filed. Under current law, a county board of revision cannot make such adjustments until the following tax year since such circumstances occur after the tax lien date (i.e., the date used to establish a property's valuation for tax purposes).

The bill temporarily permits a person authorized under continuing law to file a property tax complaint to file such a COVID-19-related complaint, even if that person already filed a complaint for the same property during the same triennial period (i.e., the three-year period between a reappraisal or revaluation update), as long as the COVID-19-related circumstances arose after the period for which that prior complaint was filed. Under current law, a person is generally prohibited from filing more than one complaint for the same property during the same triennial period.

These provisions may reduce property values by amounts that appear uncertain.

When valuations of some real properties decline, effective tax rates would be adjusted upward so that levies on carryover property raise the same amount of tax revenue as in the prior year. Carryover property is property taxed in the same classification in the current year and the previous year. Similarly, rates on taxes enacted to raise specified amounts of money, such as levies to service bond debt, are adjusted for valuation changes. Taxes due from all property taxpayers would generally be affected by these tax rate adjustments, not just those of persons whose property has declined in value. However, taxes due from persons who are not parties to property valuation cases taken to boards of revision (BORs) subsequent to the dates when tax obligations are determined for the year are not adjusted retroactively for changes made in such cases. The bill could result in loss of tax revenue to school districts and other units of local government.

Half of real property taxes due for tax year 2020 will generally be paid in January 2021, and the other half in June 2021. Depending upon the timing of enactment, reductions in taxes due for tax year 2020 resulting from BOR decisions to lower property values as permitted by the bill may not occur until after the first of these payments is due.

Effects on boards of revision and the Board of Tax Appeals

The changes described above plausibly would result in additional filings with BORs around the state. These increased filings might in turn lead to an increase in appeals to the Board of Tax Appeals (BTA). Such increases in complaints would tend to increase costs of BORs and BTA, to lengthen delays and backlogs in considering complaints, or both. The magnitude of cost increases or delays appears uncertain. BTA expenditures are funded by the GRF.

Ohio Residential Mortgage Lending Act

The bill makes several changes to the Ohio Residential Mortgage Lending Act (ORMLA) overseen by the Department of Commerce. One of the changes eliminates the existing

requirements that a mortgage lender, servicer, or broker maintain an office location in the state and instead requires that the office be located in any U.S. state. As a result, the Department anticipates that the number of individuals registered by Ohio as mortgage lenders, servicers, or brokers may increase by a minimal amount. The annual registration fee is \$500 per office location. These fees are deposited into the Consumer Finance Fund (Fund 5530). In FY 2020, there were over 14,000 registrants.

Another change revises the conditions under which a person may sell manufactured homes, mobile homes, and industrialized units at retail without compliance with the ORMLA. Specifically, the bill includes manufactured home operators under certain conditions as persons engaged in the retail sale of manufactured homes, mobile homes, or industrialized units and therefore exempt from mortgage loan originator license requirements. As a result, it could potentially decrease the number of mortgage loan originator licensees by an unknown amount. The annual license fee is \$150 and deposited into Fund 5530.

The other changes the bill makes to the ORMLA do not appear to have a fiscal effect on the Department. Among these changes include (1) eliminating the temporary mortgage loan originator license and (2) exempting entities making fewer than five residential mortgage loans annually from the ORMLA. According to the Department, one temporary license was issued in FY 2020 and currently there are no such active licenses.

GrowNOW

The bill modifies statutes governing the Treasurer of State's (TOS) existing business linked deposit program, or GrowNOW. In concept, a linked deposit program encourages a financial institution to issue reduced-interest loans to targeted groups by agreeing to commit the deposit of state funds into the financial institution at a below market interest rate.

The GrowNOW Program reduces interest rates paid by participating small businesses on loans under \$400,000 in value. Under existing law, the interest rate reduction is set at either 2.1% or 3.0%, depending on the loan's current market interest rate; under the bill, the interest rate reduction offered on these loans would be placed under the discretion of the TOS. Each linked deposit marginally reduces GRF revenue by the difference between investment earnings at the linked deposit rate and counterfactual investment earnings at the market interest rate. The portfolio value of the GrowNOW Program was \$23.8 million as of November 2020.

Credit services organizations

The bill's provisions regarding the allowable amount of time for performance of certain credit services organization contracts will not have a direct fiscal effect on the state or any of its political subdivisions. The bill increases the allowable amount of time for performance of certain credit services organization contracts to 12 months, from the 60-day cap under current law, so long as the bill's new requirements are met (consult the LSC bill analysis for the requirements). Credit services organizations are licensed by the Department of Commerce's Division of Financial Institutions. Currently, there are 24 credit services organizations licensed in the state.

Commercial credit reports

The bill's provisions regarding commercial credit reports will have no direct fiscal effect on the state or any of its political subdivisions. The bill explicitly states that any violation of its

provisions regarding commercial credit reports does not provide a private right of action, including a class action. Therefore, the bill does not appear to provide any enforcement mechanism for these provisions.

The bill requires a commercial credit reporting agency to provide a credit report to a business that is the subject of the report, when requested by a representative, at no greater cost than what is charged to third parties, and establishes a procedure through which such a business may dispute a statement on the report.