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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

S.B. 19
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 19's Bill Analysis](#)

Version: As Reported by Senate Ways & Means

Primary Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: Yes

Phil Cummins, Senior Economist

Highlights

Fund	FY 2022	FY 2023	Future Years
School districts and other units of local government			
Revenues	Possible loss	Possible loss	Possible loss

Note: The state or school district fiscal year 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 creates a new property tax exemption for wetlands or water quality improvement projects, which may result in revenue losses for local governments.
- The extent of tax revenue losses under the bill appears uncertain.

Detailed Analysis

The bill creates a new property tax exemption for land classified as wetlands or for water quality improvement projects. In Ohio law, wetlands are areas inundated or saturated by water that support vegetation typically adapted for life in such soil conditions, and include swamps, marshes, bogs, and similar areas.¹ Under the bill, only property held by 501(c)(3) charitable organizations qualifies for the exemption. Such entities must be organized for the purpose of conservation of natural resources or improving water quality. In addition, the property must be

¹ R.C. 6111.02(P), unchanged by the bill.

either subject to an environmental response project, or subject to a nature water project funded from the H2Ohio Fund (Fund 6H20).

The environmental response project must be a plan or work performed for environmental remediation of real property or for protection of ecological features associated with real property, and conducted in response to a mitigation requirement under Ohio's section 401 water quality certification program or isolated wetland program.² The Ohio Environmental Protection Agency administers the state's water quality certification program under the federal Clean Water Act's section 401, pertaining to discharge of dredged or fill material into streams, lakes, and wetlands.

A nature water project involves a natural water system, and will improve water quality by reducing levels of phosphorus, nitrogen, or sediment in the water. The project may involve research, technology, design, construction, best management practices, conservation, or maintenance, including creation, maintenance, or restoration of wetlands, flood plains, flood control systems, and buffers.

Under current law, nature preserves are tax exempt.³ A number of nature preserves are wetlands or include wetlands. Qualification for this exemption depends on the use of the land, not whether its owner is a charitable organization. In addition, the land must be dedicated to the state as specified in R.C. 1517.05, generally requiring that the dedication contain terms restricting the use of the land that adequately provide for its preservation and protection against modification or encroachment resulting from occupation, development, or other use that would destroy its natural or aesthetic conditions. The acceptability of the terms of each dedication in protecting the land is evaluated by the Director of Natural Resources, whose approval must be obtained for the land to be tax exempt.

S.B. 19 may allow some wetlands to qualify for tax exemption that are not dedicated to the state as required under R.C. 1517.05. The extent of real property that is or may become taxable under current law, but that would be tax exempted under the bill, appears uncertain. Revenue losses to some political subdivisions could begin as early as FY 2022. Alternatively, the bill may allow landowners to gain tax exemption on wetlands without the restrictions on future use that would be imposed under a dedication conforming to the requirements in R.C. 1517.05.

The bill may also allow tax exemption for some nature water projects the costs of which are paid from Fund 6H20. This fund is used by the Department of Agriculture, the Ohio Environmental Protection Agency, and the Department of Natural Resources to fund improvement and protection of state waterways. The fund was created by H.B. 166 of the 133rd General Assembly.

The changes would apply to tax years ending on or after the effective date of the bill, so could go into effect in tax year 2021. Real property taxes are paid a year in arrears.

² Laws governing Ohio's isolated wetland program are specified in R.C. Chapter 6111.

³ Under R.C. 5709.09 and 1517.05.