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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

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Office

**H.B. 501**  
**134<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for H.B. 501's Bill Analysis](#)

**Version:** As Reported by House Ways and Means

**Primary Sponsor:** Rep. Hall

**Local Impact Statement Procedure Required:** Yes

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### **Highlights**

- School districts and local governments may lose revenue because of new tax increment financing (TIF) property tax exemptions that the bill would allow townships to create.
- Townships, county auditors, and schools may incur costs for tax incentive review council scrutiny of these property tax exemptions.

### **Detailed Analysis**

#### **Tax increment financing enhancement**

The bill extends to townships provisions of municipal tax increment financing (TIF) law. It allows a township engaged in redevelopment to declare any increase in value of real property subsequent to adoption of a resolution to be a public purpose. To qualify, the parcel must previously have been owned by the township, and must be leased or sold by the township to another person. Residential property in the township may qualify if it is in a blighted area.

The township may require annual service payments in lieu of taxes (PILOTs). TIF PILOTs generally are used for public infrastructure improvements, though they may also be used for payments to school districts and for housing renovations and certain exemptions. Payments are charged and collected in the same manner and amount as the real property taxes that would have been charged and payable if not for the tax exemption. PILOTs cannot be required after the date on which the township has been paid back in full for the public infrastructure improvements.

Generally, not more than 75% of the increase in property value may be tax-exempted, for up to ten years. Up to 100% of the value increase, for up to 30 years, may be exempted with board of education approval. Also, if the resolution creating the exemption provides for PILOTs to be paid to the school district where the parcel is located, in the amount of the taxes that would have been payable to the district but for the tax exemption, the percentage of the value increase

that may be exempted from taxation may exceed 75%, for up to 30 years. These restrictions match those in current law governing TIFs created by municipalities.

Current law provides for a township public improvement tax increment equivalent fund, into which TIF PILOTs are to be deposited. The bill allows a township to create a redevelopment tax increment equivalent fund for PILOTs from the new provisions that the bill would enact. Money in this new fund could be used for purposes authorized in the resolution establishing the fund. The bill does not limit such purposes to public infrastructure improvements.

Creation of this new property tax exemption by the bill may result in revenue losses for school districts and local governments. The revenue losses would be discretionary for townships enacting them, but not for other affected government entities except school districts if they approve the exemptions. The amount of any such losses is uncertain.

### **Tax incentive review council**

Current law provides for tax incentive review councils for counties, townships, and municipal corporations that grant exemptions from certain taxes, including exemptions under TIF law. The bill extends the requirement for such a body to townships that exempt property from taxation under the provisions that the bill would enact. For a township, membership in the tax incentive review council includes the board of township trustees, the county auditor or the auditor's designee, and representatives of affected school districts. Townships, county auditors, and schools may incur costs for the required reviews.

### **Township governance**

The bill also provides a streamlined process for a township to donate unneeded property to nonprofits. This provision does not appear to have any fiscal effect.