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H.B. 501
134th General Assembly

Bill Analysis

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Version: As Passed by the House

Primary Sponsor: Rep. Hall

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SUMMARY

- Simplifies the process a township must follow to donate unneeded property.
- References the Auditor of State's fraud-reporting system in a provision allowing employees to report unlawful activity occurring at the workplace.
- Allows townships engaged in redevelopment to create a special tax increment financing (TIF) district with the goal of providing funding for any project delineated by the township.

DETAILED ANALYSIS

Donating unneeded property

The bill modifies the method a township follows to donate unneeded property, including vehicles, road machinery, equipment, and tools. Unchanged by the bill, any property exceeding \$2,500 in value must be sold by public auction or sealed bid to the highest bidder. Property valued at or below \$2,500 may either be sold directly (without a public process) or donated to an eligible nonprofit. The bill modifies the process for donating property.

Currently, the board of trustees follow a longer process to donate the property to an eligible nonprofit (must be located in the state and must be a 501(a) or 501(c)(3) organization). The trustees first must adopt a resolution stating their intent to donate unneeded property, with guidelines and procedures for doing so. The board must post notice in the board of trustees' office, and must publish notice via newspaper, via trade papers, and on the board's website. Nonprofit organizations interested in receiving donated property must submit written notice to the board; the notice must include evidence that the organization is eligible (located in the state and a 501(a) or 501(c)(3) nonprofit), its purpose, what types of property the organization needs, and the name, address, and phone number of the organization's agent. The board maintains a list of all eligible nonprofit organizations that have expressed interest in receiving donated property.

The board also maintains a list of all unneeded property that the board intends to donate, which must be posted continuously in the board of trustees' office and on its website. The board must donate the unneeded property to the eligible nonprofit that first declares its desire to obtain the property, or to whichever nonprofit has priority on the township's list of eligible organizations (trustees must specify the reasons why the organization is given priority).

Under the bill, these requirements are eliminated, except two: (1) the nonprofit organization still is required to be located in the state and still must be a 501(a) or 501(c)(3) organization, and (2) the nonprofit must submit evidence of its eligibility. Therefore, under the bill, a township may donate the property to an eligible nonprofit, which must provide evidence of its eligibility before receiving the property. The bill retains the option to directly sell the property.¹

Auditor of State fraud-reporting system

Continuing law requires the Auditor of State to maintain a fraud-reporting system.² Any Ohio resident or public employee may make an anonymous complaint about fraud by a public official or public office, which the Auditor of State reviews. The bill simply references the Auditor's fraud-reporting system in a provision of law related to employees reporting unlawful activity in the workplace.³ The provision currently lists a number of persons whom the employee may file a complaint with (e.g., the county prosecutor), but the list does not currently include the Auditor of State.

Township redevelopment TIFs

The bill expands the options available to a township that wishes to create a tax increment financing (TIF) arrangement. Currently, townships may establish a TIF with the goal of funding public infrastructure improvements. Under the option authorized in the bill, which is currently only available to municipalities, a township that is engaged in redevelopment activities may create a TIF and use payments in lieu of taxes ("PILOTs") received through the TIF for any project described by the township in the resolution authorizing the use of PILOTs – effectively expanding the types of projects such townships may fund using PILOTs.

TIF background

Under continuing law, townships, municipalities, and counties may create a TIF. Generally, the goal of the TIF is to finance public infrastructure improvements, e.g., roads and bridges, water and sewer lines, other utility projects, and similar improvements. Through a TIF, the subdivision grants a real property tax exemption with respect to the incremental increase in the assessed value of designated parcels that are part of a development project. The owners of

¹ R.C. 505.10.

² R.C. 117.103, not in the bill.

³ R.C. 4113.52. A similar reference appears in a provision specifically regarding civil service employees. See R.C. 124.341, not in the bill.

the parcels make PILOTs to the subdivision equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements. TIFs thereby create a flow of revenue back to the subdivision that created the TIF, which generally uses those PILOTs to pay the public infrastructure costs necessitated by the development project.

In addition, municipal corporations may establish a special type of TIF district, known as a “municipal redevelopment TIF,” in which the municipal corporation, engaging in urban redevelopment, acquires land, leases or conveys it to another person, and exempts from taxation the improvements on the land it declares to be a public purpose. These TIFs can only extend to residential parcels if they are located in certain cities’ blighted areas, i.e., areas in which at least 75% of the properties are a menace to public health and safety due to being vacant, dilapidated, contaminated, or some similar combination of factors.⁴ The PILOTs that the municipality receives can be used for any project described in the municipal TIF ordinance authorizing the use of PILOTs.

Expansion of redevelopment TIFs to townships

The bill allows townships to create this latter type of TIF. The same requirements that apply to municipal redevelopment TIFs apply to townships as well: the township must have acquired the property while engaged in redevelopment, then subsequently have leased or conveyed the property to another person. Similar to the municipal redevelopment TIFs, the township TIFs may include residential improvements, provided that the property is located in a blighted area of the township. And, the township may use PILOTs for any project described in the PILOT resolution.⁵

HISTORY

Action	Date
Introduced	12-07-21
Reported, H. Ways & Means	05-25-22
Passed House (89-2)	06-01-22

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⁴ R.C. 1.08, not in the bill.

⁵ R.C. 5709.41, 5709.74, 5709.75, 5709.78, and 5709.85.