OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 335
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 335's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Hoagland and Lang

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	$0	$0	$0
Expenditures	Increase between $65 million and $143 million	Increase between $130 million and $286 million	Annual increase between $130 million and $286 million

Note: The fiscal year for the state, school districts, and certain other local governments 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 expands the existing homestead exemption for disabled veterans by increasing the class of disabled veterans that qualify for the exemption and adjusting how the exemption amount is calculated. Given the alignment of tax years and state fiscal years, only 50% of the anticipated annual GRF cost will occur in FY 2024, the first fiscal year this policy is in effect. Continuing law requires the GRF to fully reimburse local governments for property tax losses attributable to the homestead exemption.
- The property tax is locally administered, and county auditors will continue to process homestead exemption applications. They may incur costs to amend their existing procedures to accommodate the modified version of the exemption described in the bill.

Detailed Analysis

The bill expands an existing property tax reduction for disabled veterans. Under continuing law, qualifying veterans may receive an enhanced homestead exemption equal to $50,000 of the true value of their home. The bill expands eligibility to include any honorably discharged veteran if they have one or more (rated) service-connected disabilities, regardless of the disability rating. The bill also modifies how the homestead exemption is calculated for veterans. Instead of exempting the first $50,000 of a home's true (i.e., market) value, the bill sets the homestead exemption equal to the value of property taxes payable (i.e., after the application of the tax reduction factors and property tax rollbacks) multiplied by the veteran's disability rating, as determined by the U.S. Department of Veterans Affairs for the purposes of disability compensation.

The bill would first apply to homestead application submitted for tax year (TY) 2023 valuations, which are collected in calendar year (CY) 2024.[1] The GRF reimburses local jurisdictions for all expenses related to the homestead exemption. The first payments would occur on behalf of "first half" settlements in February 2024 and the "second half" reimbursements would begin on or after August 2024.

As seen in the following chart, in CY 2019 Ohio had 152,216 veterans with a service-connected disability rating. Of that total, 20,446 veterans with a 100% disability compensation rating benefitted from the $50,000[2] homestead exemption, whereas the remaining 131,770 veterans received no homestead exemption based on their disability. However, they potentially benefitted from the $25,000 homestead exemption based upon their age, as this general exemption applies to homeowners with qualifying circumstances (e.g., generally, senior citizens with Ohio adjusted gross income equal to or less than $34,600).

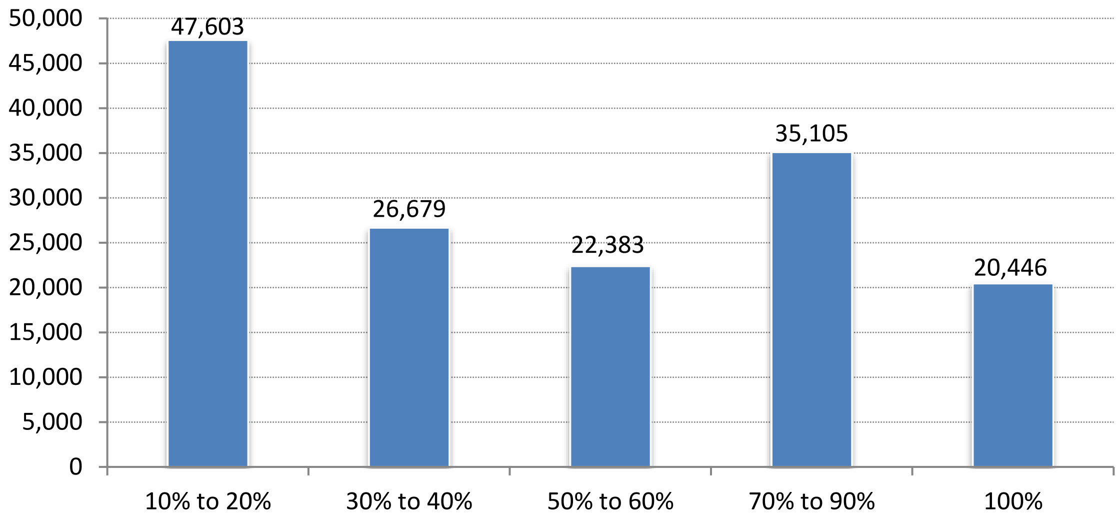
Based on summary statistics and statewide averages, the typical Ohio homeowner pays $4,736 in annual property taxes, before the application of the existing homestead exemption. However, an inclusive range covering most homeowners would be between $3,728 and $5,376. Among Ohio veterans with a service-connected disability, the (weighted) average disability rating is 51%, and given the breadth of the categories, a range between 45% and 56% is appropriate. Finally, this analysis assumes the homeownership rate among disabled veterans varies between 55% and 65%. Under these data parameters and assumptions, the bill would increase GRF expenditures between $130 million and $286 million per year. The midpoint of this estimate, $208 million, represents the likeliest outcome, but the broad range is appropriate until additional information about these veterans can be compiled. Home values and property tax rates vary widely across Ohio, so additional data inputs would enhance this estimate. Veterans with a

[1] This is a reference to residential real property, but the bill also applies to manufactured homes. This latter type of property pays property tax on a current-year basis rather than in arrears. The bill language creates parity between the two different types of property, so disabled veterans in both types of homes will simultaneously receive tax savings after the bill's effective date.

[2] LBO staff estimates this saved applicable veterans approximately $973 in the recently completed year. This savings is approximately double the amount saved by other homeowners benefitting from the general homestead exemption.

service-connected disability are about 1.3% of Ohio's population, and they may not be best represented by statewide averages employed in this analysis.

Number of Ohio Veterans with Disability Compensation, Sorted by Service-connected Disability Rating



Source: LBO tabulations; Department of Veterans Affairs, Office of Enterprise Integration, United States Veterans Eligibility Trends & Statistics (USVETS) 2019. Prepared by National Center for Veterans Analysis & Statistics, January 2021, va.gov/vetdata

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