OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 60
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 60's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Troy

Local Impact Statement Procedure Required: No

Philip A. Cummins, Senior Economist

Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Expenditures	Increase of $116 million	Increase of $236 million	Increasing amounts

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.

- Homestead exemption changes in the bill would reduce property tax revenues to local governments by an estimated $232 million for tax year (TY) 2023, $240 million for TY 2024, and generally increasing amounts in years thereafter.
- Local revenue losses from the homestead exemption are reimbursed from the GRF.
- The changes would apply first to TY 2023, so estimated GRF costs would amount to about $116 million in FY 2024 for a half year's cost (due to timing), and grow to $236 million in FY 2025, $244 million in FY 2026, and continue growing at a rate that may be comparable in subsequent years, but would depend on future inflation rates and numbers of homeowners continuing to qualify for the exemption.

Detailed Analysis

The bill makes the following changes to property tax law: it increases the income threshold for eligibility for the homestead exemption, increases the property value exempted, and indexes the latter for inflation.

The income threshold for eligibility for the homestead exemption increases under the bill from $30,000 to $45,000. Current law provides for indexation of this threshold for inflation; the original $30,000 income limit had adjusted upward to $34,600 as of 2022. Homeowners who qualified for the homestead exemption in tax year (TY) 2013 (for manufactured homes, TY 2014) are not subject to an income test. Under the bill, the homestead tax exemption would exempt the first $40,000 in a property's market value from tax, increased from $25,000 currently. The bill would adjust this new exemption amount for inflation. It would apply to the market value exempted for homeowners who are totally and permanently disabled, 65 years of age or older, or surviving spouses of such persons and age 59 or older. These provisions would apply starting with TY 2023 real property taxes, and TY 2024 manufactured home taxes, both generally due in the first half of calendar year 2024. A $50,000 exemption for totally disabled veterans, their surviving spouses, and the surviving spouses of public service officers killed in the line of duty is unchanged by the bill.

These changes have a compounding effect, with the income increase allowing more homeowners to qualify for the exemption, and the higher value exempted increasing the value of the exemption to these newly qualified additional homeowners as well as to homeowners who previously qualified and continue to do so. The bill would reduce property tax revenues to local governments by an estimated $232 million for TY 2023, $240 million for TY 2024, and $248 million for TY 2025. The state GRF would reimburse these losses.

The total amount of the exemption has been declining for years, as persons who qualified a decade ago when eligibility was not subject to an income test have increasingly ceased to be homeowners. State reimbursements in 2021 for the homestead exemption totaled about $364 million. The decline was especially steep in that year, possibly due at least in part to effects of the COVID-19 pandemic on home ownership by the elderly. By 2024, state reimbursement for the homestead exemption is projected to decline to $325 million, based on recent rates of decline.

Most homeowners claiming the homestead exemption are able to exempt the full $25,000, but those homeowners whose residences have market values of less than $25,000 may only claim an exemption equal to that property value. For these homeowners, the homestead exemption eliminates property taxes due. Under the bill, increasing market value exempted from $25,000 to $40,000 would increase the average value of the exemption by 58%. This average is calculated taking account of estimated increased numbers of homeowners who would owe no property tax if the market value exempted is raised to $40,000 because their properties have market values less than this.[1] Raising qualifying income to $45,000 would allow an estimated additional 75,000 homeowners to qualify, about a 10% increase.

Because of time lags in GRF reimbursement, half of the first-year increase in the exemption would be reimbursed in FY 2024, and half in FY 2025. In FY 2024, the estimated reimbursement would rise by $116 million under the bill. It would increase by $236 million in FY 2025, and by $244 million in FY 2026. The cost of the bill to the GRF would generally rise further in subsequent years, depending both on the rate of inflation and on whether the decline in numbers of homeowners eligible for the exemption resumes under the bill's provisions.

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[1] The 58% average increase is estimated using an American Community Survey sample of property values of Ohio homeowners.