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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

S.B. 134
135th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 134's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Sen. Hoagland

Local Impact Statement Procedure Required: No

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Revised¹

Highlights

- Annual taxpayer savings from the bill's enhanced homestead exemption benefit for disabled veterans are estimated to be between \$40.9 million and \$51.5 million.
- GRF expenditures would increase by a commensurate amount, as continuing law requires the GRF to reimburse schools and local governments for revenue losses incurred by the homestead exemption.
- County auditor and Department of Taxation administrative costs would likely increase.

Detailed Analysis

The bill expands an existing property tax reduction for disabled veterans. Under continuing law, qualifying veterans are veterans of the United States armed forces including reserves, or of the national guard, discharged or released from active duty under honorable conditions. They may receive an enhanced homestead exemption, owing no property tax on \$50,000 of the market value of their homes (or all of the home's value if lower than this). To qualify currently, a veteran must have received a total disability rating or a total disability rating for compensation based on individual unemployability. Eligibility does not depend on the disabled veteran's age or income. Revenue losses to schools and local governments from the homestead exemption, inclusive of the disabled veteran benefit, are reimbursed from the state GRF.

The bill expands eligibility to include any honorably discharged veteran homeowner with one or more service-connected disabilities, who is either at least age 59 (age 60 for owners of manufactured homes) or has at least 20 years of service in the armed forces including reserves

¹ Revised based on receipt of corrected data.

or in the national guard. A disabled veteran homeowner who currently receives the homestead exemption may continue to do so, with the value of the exemption figured as it is now. Alternatively, a disabled veteran homeowner may receive an exemption from property taxes equal to the product of property taxes payable (net of tax reduction factors and property tax rollbacks) multiplied by the veteran's percentage disability rating, as determined by the U.S. Department of Veterans Affairs for purposes of disability compensation. The bill sets an upper limit on this tax exemption equal to the tax that would be due on \$150,000 of market value.

In 2021, a veteran age 59 or older was either the homeowner or spouse in about 341,000 owner-occupied Ohio households. The data are from the U.S. Census Bureau's American Community Survey (ACS). Most (82%) of these veterans in owner-occupied households had no service-connected disability rating. ACS estimates for those with service-connected disability ratings are summarized in the following table. The population estimate column displays the number of owner-occupied households in which the owner or spouse had the disability rating shown in the first column. Percentages in the average rating column are simply the average of the percentages in the leftmost column, except for households with a rating not reported, which is assumed to be 50% (i.e., the midpoint of the 0% to 100% range). The two right-hand columns are based on property values and taxes reported by survey respondents, with market valuation qualifying for the exemption capped at \$150,000.

S.B. 134 Enhanced Homestead Exemption Estimated Value to Disabled Veteran Homeowners Age 59 or Older				
Disability Rating of Veteran	Population Estimate	Average Disability Rating	Estimated Average Tax Savings per Household	Estimated Value of Exemption
0%	3,050	0%	\$0	\$0
10% or 20%	22,131	15%	\$291	\$6,433,106
30% or 40%	7,762	35%	\$708	\$5,495,386
50% or 60%	7,388	55%	\$1,105	\$8,163,055
70% or Higher	16,634	85%	\$1,498	\$24,920,182
Not Reported	2,964	50%	\$691	\$2,048,084
Total	59,929	N/A	\$785	\$47,059,813

Information in the table is incomplete as an evaluation of the bill's costs, because the ACS survey does not include years of service for veterans. Adding an allowance for this omission increases the estimated cost. On the other hand, the table does not discount the cost of the new tax policy for the continuing costs associated with the existing homestead exemption. For example, a disabled veteran homeowner qualifying for the new exemption, who currently benefits from a smaller homestead exemption (i.e., either on up to \$50,000 market value of their home as a disabled veteran, or up to \$25,000 under other existing homestead exemption

programs), would incur a smaller marginal cost than illustrated in the table. Therefore, the cost of the bill would be overstated if the value of exemptions no longer claimed, replaced by the bill's new exemption, is not subtracted from the cost estimate.

The additional costs of the bill associated with veterans under age 59 who have 20 or more years of service are estimated as follows.² Veterans Administration data for federal fiscal year 2019 show 152,216 veterans in Ohio who received disability compensation.³ Of these, 37,102 were ages 17-44 and 46,786 were ages 45-64. Based on these figures, an estimated approximately 70,000 Ohio veterans would have been ages 17 to 58 and receiving disability compensation, and an estimated 46,000 of these would have owned their homes.⁴

The portion of these veterans with 20 or more years of service is estimated from data in the U.S. Veterans Benefits Administration Annual Benefits Report for FY 2022. The data are for participants in the Veteran Readiness and Employment Program only. About 12% of participants in this program have 20 or more years of service. Multiplying the estimated 46,000 disabled Ohio veteran homeowners by the estimated 12% with 20 or more years of service implies an estimated about 5,700 households with all of these characteristics. Further assuming that the average tax benefit to each of these households is the same as shown above in the table, \$785, implies the additional value of the bill's exemption for disabled veterans under age 59 with 20 or more years of service is about an estimated \$4.5 million.

This additional benefit implies a total estimated benefit of about \$51.5 million, minus the value of current homestead exemption benefits to disabled veterans who instead utilize greater benefits offered by the bill. Current benefits to disabled veterans were valued at an estimated \$10.6 million in 2021, based on Department of Taxation data. If all current disabled veteran homestead exemption benefit recipients were able to switch to a plan offering greater benefits with the bill, the net increment to benefits received would be about \$40.9 million, but more likely some current disabled veterans would not qualify for the bill's alternative benefits and would continue to receive their current benefits.

The bill could first apply to homestead applications submitted for tax year (TY) 2023, reducing taxes collected in calendar year (CY) 2024.⁵ The first GRF reimbursement payments, for "first half" real property settlements, would be distributed to school districts and local governments in FY 2024, and the "second half" reimbursements would be paid in state FY 2025.

² Counting those age 59 and over would double-count them since they are included in the estimates shown in the table above.

³ FY 2019 VA Disability Compensation Recipients by County, prepared by the National Center for Veterans Analysis & Statistics, January 2021, va.gov/vetdata.

⁴ In the 2023 second quarter about 66% of occupied residences nationwide were owner occupied. This percentage is assumed to be applicable to the estimated number of veterans in this age group receiving disability benefits.

⁵ The timing of the bill's initial effects is tied to its effective date. The description in the paragraph above applies to residential real property, but the bill also applies to manufactured homes. Property taxes on this latter type of property are paid on a current-year basis rather than a year in arrears. For both types of housing, the bill's cash benefits to homeowners and associated costs to local governments would begin in the same year.

County auditors and the Department of Taxation would likely incur increased costs to administer the bill's expanded homestead exemption. Additional costs to the Department could be paid from GRF line item 110321, Operating Expenses, or from Fund 5V80 line item 110623, Property Tax Administration.