OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 274
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 274's Bill Analysis

Version: As Reported by House Ways and Means

Primary Sponsors: Reps. Mathews and Dell'Aquila

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2026	FY 2027	Future Years
State General Revenue Fund			
Expenditures	Increase of $95 million	Increase of $190 million	Increase of $190 million per year

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 establishes an enhanced homestead exemption of $50,000, indexed for inflation, for lower income long-term homeowners who currently qualify for the $25,000 homestead exemption.
- The state reimburses local taxing authorities from the GRF, with a several month lag, for the homestead exemption. The bill would be effective in tax year (TY) 2025 for real property and TY 2026 for manufactured homes, both payable in 2026.

Detailed Analysis

The bill expands the homestead exemption for certain qualifying individuals. Under current law, the homestead exemption tax reduction equals the amount that would be charged on up to $25,000, indexed for inflation, of the fair market value of a home owned by a person who is (1) 65 years of age or older, (2) permanently and totally disabled, or (3) at least 59 years old and the surviving spouse of an individual who previously received the exemption. There is in addition an enhanced homestead exemption of $50,000, also inflation indexed, for homesteads of military veterans who are totally disabled and their surviving spouses as well as for surviving spouses of peace officers, firefighters, or other emergency responders who die in the line of duty or by an injury or illness sustained in the line of duty.

The bill establishes a third category of the homestead exemption valued at $50,000 for long-term homeowners. In order to qualify, a person must satisfy the criteria for the $25,000 homestead exemption, have a lower income ($38,600 in income tax year 2023, indexed for inflation), and also have continuously owned and occupied the homestead for 20 or more consecutive years. This enhanced exemption also extends to the homeowner's surviving spouse until the spouse remarries, provided the spouse meets the income limit for the $25,000 homestead exemption in continuing law.

The $50,000 exemption authorized by the bill would be indexed to increase with inflation. Annual inflation adjustment of exempted property value was enacted in the main operating budget, H.B. 33 of the 135th General Assembly. The inflation adjustment first applied to property taxes generally paid during calendar year 2024.

As with all current homestead exemptions, the losses to local government property tax collections as a result of the bill would be reimbursed from the GRF, thus local government revenues would not be adversely affected. GRF reimbursement is made with a several month lag, accounting for the smaller expenditure shown in the table above for FY 2026.

Fiscal effect

The number of homestead exemption recipients has been declining for years, despite inflation indexation of the qualifying income for those subject to a means test. Inflation indexing of this income, by allowing homeowners with higher incomes to qualify, tends to increase the number of those who qualify. Nevertheless, the number of homesteads exempted has persistently declined, as homeowners exempt from means testing because they qualified for the homestead exemption in 2013 cease to be homeowners, partly offset by increases in numbers of lower income homeowners newly qualified and of homeowners qualifying as disabled veterans and surviving spouses of first responders.

Excluding the latter two categories, and considering just those qualifying for the $25,000 exemption, now indexed for inflation, the number of homesteads exempted declined about 1.6% per year on average in the most recent three years. Inflation indexation of the exemption amount, by increasing the average tax savings from the homestead exemption, will tend to offset the effect of the decline in numbers of homestead exemptions on the total GRF cost of this exemption. The extent of the offset will depend on future changes in the rate of inflation. In the estimates that follow, the yearly total cost of the homestead exemption is assumed to be about unchanged, with increases in the average tax savings of homeowners about offsetting the decrease in the number of qualifying homesteads.

Doubling the property value exempted from $25,000 to $50,000 would double the average amount of tax savings per homestead, except that homes with market value less than $50,000 would not receive the full amount of the doubling. The tax exemption cannot exceed taxes due. For taxes payable in 2023, the average statewide tax savings on properties with $25,000 exempted was about $440. Taking account of properties with market valuations less than $50,000, increasing the exemption from $25,000 to $50,000 would increase the estimated average tax savings from the homestead exemption to $858 (compared with $880 from a doubling). These calculations were carried out using the U.S. Census Bureau's 2023 American

Community Survey (ACS). Annual tax savings to homeowners, and the annual cost to the GRF, would be about $190 million. As noted above, this cost is projected to continue at about this level in the near future, and would be dependent on the magnitude of inflation adjustment of the market value exempted.

The bill's provisions would be effective for real property in TY 2025 and for manufactured homes in TY 2026, both generally payable in the first half of calendar year 2026. In that year, GRF reimbursement of first half real property tax payments will be due in FY 2026 and reimbursement of second half payments will be due after the start of FY 2027.

FNHB0274RH-135/lb