



Ohio Legislative Service Commission

Philip A. Cummins

Fiscal Note & Local Impact Statement

Bill: H.B. 13 of the 131st G.A.

Date: April 14, 2015

Status: As Introduced

Sponsor: Reps. Butler and Burkley

Local Impact Statement Procedure Required: Yes

Contents: Requires reimbursement of police and fire levy revenue foregone because of creation of a tax increment financing incentive district

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- Municipal corporations, townships, and counties that created tax increment financing (TIF) incentive districts would be required by the bill to reimburse political subdivisions for police, fire, ambulance, and emergency medical service levy revenue foregone because of the districts. The amount of these payments is uncertain.
- Combined levies of townships for fire, police, emergency medical, and ambulance services under R.C. 5705.19(JJ) would not be subject to service payment reimbursement.

Detailed Fiscal Analysis

H.B. 13 would require a political subdivision – a municipal corporation, township, or county – receiving service payments in lieu of taxes from a tax increment financing (TIF) incentive district to reimburse police and fire levy revenue foregone because of the TIF district. In current law, such reimbursement is required for various enumerated services. The reimbursements are to be paid from the revenue generated by the service payments. The bill would extend reimbursement to police and fire protection, as well as emergency medical and ambulance services, that are funded by taxes levied under R.C. 505.39 or divisions (I) or (J) of R.C. 5705.19. More precisely, this reimbursement is required for the increase in the rate levied, for renewal or replacement levies for the specified services approved on or after January 1, 2006, in TIF districts created on or after that date. However, a combined levy of a township for fire, police, emergency medical, and ambulance services under R.C. 5705.19(JJ) would not be subject to service payment reimbursement, in current law or the bill.

Owners of property in a TIF district make service payments in lieu of, and equal in amount to, taxes that would otherwise be due on a portion of the value of improvements to that property for a specified period of years. The service payments are used to finance public infrastructure improvements in the district by the local government that granted the tax exemption. The taxes due on the portion of the value not exempted from taxation, and distributed to the various units of local government that levy taxes in the tax district where the parcel is located, are unaffected by the TIF.

Current law provides for two types of TIFs, parcel or project TIFs and TIF districts. The parcel or project TIFs include specified parcels. The TIF districts include all parcels within a specified area. The changes made by the bill would apply only to TIF districts.

Imposing an additional reimbursement requirement on subdivisions for TIF agreements already in existence may require them to pay the reimbursements out of funds needed for other purposes. For example, subdivisions issue bonds to pay for improvements, and use service payment revenue to cover debt service and retire the bonds. Subdivisions considering creation of new TIFs could take account of the required additional reimbursement, if the bill becomes law.

Levies for police, fire, ambulance, and emergency medical services (EMS) accounted for around 5.3% of total property tax revenues in tax year 2013, of which the largest share was fire levies, in some cases including EMS. This percentage might provide an indication of the portion of payments in lieu of taxes attributable to these types of levies. However, the amount of payments in lieu of taxes in the aggregate for TIF districts, or of the reimbursements for police and fire levies that would be required by the bill, appears uncertain. The amount statewide could be sizable. In some cases the

police or fire levies would be imposed by the same political subdivision that created the TIF district.

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