Ohio Legislative Service Commission

Bill Analysis

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S.B. 122
131st General Assembly
(As Introduced)

Sens. Gentile, Brown, Cafaro, Schiavoni, Thomas, Williams, Yuko

BILL SUMMARY

- Extends eligibility for the homestead exemption to elderly or disabled homeowners who do not currently qualify because their household income exceeds the exemption's income limit.

CONTENT AND OPERATION

Homestead exemption income limit

The bill eliminates the income limitations associated with the homestead exemption. In effect, the exemption would be extended to elderly or disabled homeowners who first qualified for the exemption after 2013, have an income of more than $31,500 (for 2016), and are not disabled veterans.

Exemption amount

For most taxpayers, the homestead exemption is a property tax credit equal to the taxes that would be charged on up to $25,000 of the true value of the property of qualified homeowners. ("True value" is the appraised fair market value.) An enhanced exemption of up to $50,000 of a property's true value is available for disabled veterans.

The credit essentially exempts $25,000 ($50,000 for disable veterans) of the value of a homestead from taxation. It also applies to manufactured and mobile homes regardless of whether they are taxed as real property or taxed under the manufactured homes tax (except that manufactured and mobile homes are assessed at 40% of cost or market value and are depreciated). The amount of the tax reduction for a homestead depends on the local tax rate: the higher the tax rate, the greater the tax reduction.[1]

Eligibility

The homestead exemption is available only to homeowners who meet one of the following criteria:

(1) The homeowner is 65 or older.

(2) The homeowner is permanently and totally disabled. Continuing law designates a subset of this group – disabled veterans – as eligible for an enhanced homestead exemption amount and for exclusion from the existing income limit.[2]

(3) The homeowner is 59 or older and the surviving spouse of an individual who previously received the exemption.[3]

Income limit

H.B. 59 of the 130th General Assembly restricted the availability of the homestead exemption to such homeowners who have an Ohio adjusted gross income of $30,000 or less, as computed for state income tax purposes. The income limit first applied in tax year 2014 (or tax year 2015 for homeowners who live in a manufactured home taxed as such under the manufactured home tax law).

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[1] In computing the tax reduction for real property, the 10% and 2.5% rollbacks are accounted for by adjusting the reduction so that it reflects the amount of taxes actually charged against $25,000 in true value considering that the taxes charged are only 87.5% of the amount that would be charged if the rollbacks did not apply.

[2] A "disabled veteran" is a veteran of the U.S. armed forces, reserves, or National Guard who has been honorably discharged or released from active duty and who has received a total disability rating or a total disability rating for compensation based on individual unemployability for a service-connected disability or combination of service-connected disabilities. R.C. 323.151(F).

[3] The homestead exemption is authorized under the Ohio Constitution as an express exception to the Constitution's "uniform rule," which requires all real property to be taxed uniformly according to its value. The constitutional authorization empowers the General Assembly to pass laws "to reduce taxes by providing for a reduction in value of the homestead of permanently and totally disabled residents, residents sixty-five years of age and older, and residents sixty years of age or older who are surviving spouses of deceased residents who were sixty-five years of age or older or permanently and totally disabled and receiving a reduction in the value of their homestead at the time of death, provided the surviving spouse continues to reside in a qualifying homestead, and providing for income and other qualifications to obtain such reduction." Article XII, Section 2, Ohio Constitution.

The income limit does not apply to disabled veterans, homeowners who received the exemption for tax year 2013 (or tax year 2014 for homeowners who pay the manufactured home tax), or homeowners who were eligible for the exemption for that year but did not timely file for the exemption.

The limit is increased each year that the gross domestic product deflator increases by the percentage increase in the deflator, rounded to the nearest multiple of $100. For 2015, the income limit was $31,000; the limit increases to $31,500 for 2016. The Tax Commissioner and county auditors are authorized to examine an applicant's tax or financial records to determine eligibility.[4]

Removal of income limitations

The bill eliminates the income limitations added by H.B. 59.[5] The bill states that the change is effective for all property taxes charged and payable after January 1, 2015.[6] However, the last date on which a newly eligible homeowner could file a late application for the 2015 tax year and receive a refund for taxes paid for that year would occur before the bill's effective date. (Such applications must be filed on or before the first Monday in June, which, for 2016, is June 6, 2016.)[7]

HISTORY

ACTION	DATE
Introduced	03-10-15

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[4] R.C. 323.151, 323.152(A), 323.153, 4503.064, 4503.065, and 4503.066 of H.B. 59 of the 130th General Assembly.

[5] R.C. 323.151, 323.152, 323.153, 4503.064, 4503.065, and 4503.066.

[6] Section 3.

[7] R.C. 323.153(B) and 4503.066(A)(3).