



Ohio Legislative Service Commission

Bill Analysis

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H.B. 482

131st General Assembly
(As Introduced)

Rep. Dever

BILL SUMMARY

- Changes the basis for determining the tax-exempt value of remodeled structures for property in a Community Reinvestment Area.
- Establishes a definite starting point and method for determining the tax-exempt value of contaminated ("brownfield") property.
- Explicitly authorizes a complaint to be filed challenging the assessed value of fully or partially tax-exempt property.

CONTENT AND OPERATION

Overview

The bill makes three changes relative to certain partial property tax exemptions and procedures. Specifically, the bill changes or clarifies how exempt value is calculated for purposes of continuing law's Community Reinvestment Area remodeling exemption and the brownfield exemption. Additionally, the bill explicitly authorizes complaints to be filed with a county auditor challenging the assessed value of partially exempt property.

Community Reinvestment Area

Ohio's Community Reinvestment Area (CRA) law authorizes counties and municipalities to designate certain areas to encourage new construction or remodeling of existing structures. New construction is tax-exempt for up to 15 years, and remodeled structures are tax-exempt for up to 10, 12, or 22 years depending on how they are used, the amount invested, and whether they are historically or architecturally

significant. A local government may decide to exempt only a percentage of the maximum tax-exempt value.

The bill changes the basis for determining the maximum tax-exempt value of remodeled structures. Currently, the tax-exempt value equals "the amount by which the remodeling increased the assessed value of the structure," implying a cause and effect relationship between the remodeling and the increased value.

Under the bill, the tax-exempt value would instead be determined on the basis of the structure's increased value after remodeling activities begin. This change effectively exempts all increases in the structure's value from the tax year when the remodeling begins for the term of the exemption, regardless of whether the increase is a result of the remodeling.¹ The change applies to pending exemption applications and those filed after the bill's effective date.²

Brownfield remediation

Continuing law grants partial property tax exemption for sites contaminated with hazardous substances or petroleum that undergo certain measures to address the contamination. The measures are undertaken privately by what is known as a "voluntary action." Voluntary actions may include one or more of the following: (1) assessing the property to determine the source of contamination or its level relative to applicable environmental standards, (2) limiting how the property is used to uses allowed for the level of contamination present, and (3) "remediation" of the property to bring it to a state that it meets standards applicable to its intended use (e.g., industrial, commercial, or residential).

If a voluntary action is undertaken successfully, the property owner is released from civil liability that would entail the owner having to take further actions to address the contamination. The release from liability is evidenced by a "covenant not to sue." Once the covenant is issued by Ohio EPA, the Tax Commissioner issues a tax exemption order for the property.

Currently, the tax exemption applies to the increase in the value of the land itself, and the increase in the value of any buildings or other improvements that are on the land when the Tax Commissioner issues the tax exemption order. The exemption lasts for ten years beginning with the year the order is issued. However, current law does not clearly state the beginning point for measuring the increased value that is to be tax-

¹ R.C. 3735.67 and 3735.671.

² Section 3(A).



exempt. Nor does current law clearly prescribe how to determine the increase in value that qualifies for exemption for any tax year within the ten-year exemption period.

The bill addresses both of these ambiguities. First, the bill specifies the beginning point for measuring the increase in value: the exemption applies to any increase in value from the beginning of the year in which environmental remedial activities begin. Second, the bill specifies how to determine the increase in value that qualifies for the exemption: the increase is to be measured between the year remedial activities began and each of the ten years during which the property is exempted, which effectively exempts any increase in value occurring after remediation begins.³ Both of these changes apply to exemption orders issued on or after the bill's effective date.⁴

To illustrate how the exemption operates with the bill's changes, suppose remedial activities begin in 2016 on land that is valued at \$1,000,000 for tax year 2016, and buildings on the land are valued at \$2,000,000 for that year. A covenant not to sue and the tax exemption order are issued in 2018. Suppose further that, for tax year 2018, the land is valued at \$1,500,000 and the buildings are valued at \$3,000,000. The land's tax-exempt value for 2018 therefore equals \$500,000 and the buildings' tax-exempt value is \$1,000,000. The exemption would last for ten years, from 2018 through 2027. Any value of that land or those buildings in excess of the property's 2016 value would be exempt from taxation for each tax year during that period.

Complaints for partially exempt property

The bill explicitly authorizes a complaint challenging the assessed value of property that is fully tax-exempt or that is partially tax-exempt and partially taxable. For partially tax-exempt property, the complaint may challenge the allocation between the taxable and tax-exempt portion of the property's value.⁵ Continuing law authorizes complaints challenging the total valuation of any property on the tax list.⁶

Complaints authorized by the bill must be filed in the manner and according to the time limitations imposed on other valuation challenges filed with county auditors.

³ R.C. 5709.87.

⁴ Section 3(B).

⁵ R.C. 5715.19(A)(1)(g); Section 3(C).

⁶ R.C. 5715.19(A)(1)(d).



HISTORY

ACTION

DATE

Introduced

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