OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 255
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 255's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Hoops

Local Impact Statement Procedure Required: No

Philip A. Cummins, Senior Economist

Highlights

- The bill adds property tax exemptions to subject matter to be reviewed in the Tax Expenditure Report and by the Tax Expenditure Review Committee.
- These added responsibilities may increase costs for the Department of Taxation and the Legislative Service Commission. In both cases cost increases, if any, would likely be minimal.

Detailed Analysis

The bill requires that the Department of Taxation's Tax Expenditure Report (TER) include specified information on property tax exemptions, and that the Tax Expenditure Review Committee include property tax exemptions in its review and report. The TER is published by the Department every two years and is included in the Governor's Blue Book for each biennial main operating budget. The Tax Expenditure Review Committee, a joint legislative body, is to review every eight years all tax expenditures and, under the bill, all property tax exemptions, and issue a report on this ongoing review every two years.

Tax Expenditure Report

The bill adds property tax exemptions to the scope of subject matter required to be covered by the TER. Currently, the report covers tax exemptions that reduce the state's GRF revenue. It includes estimates of the magnitude of these fiscal effects in each fiscal year of the current and upcoming biennia. The bill adds to these reporting requirements (1) the aggregate true value of exempted real and tangible personal property in the previous tax year, and (2) GRF payments in the previous calendar year to reimburse political subdivisions for exemptions subject to reimbursement.

The Department already publishes some of the information required by the bill. A report called Valuation of Exempted Real Property by Class of Property, by County (Table PE-2) lists such exemptions for real property. Another report, Taxable Value of Real Property Exempted by Tax Abatements by Class of Abatement, by County (Table PE-3) shows additional detail on tax abatements. These two tables provide information responsive to requirement (1) above; though the information shown is taxable values of the property rather than true values, the Department could easily calculate the true values from the information provided. A third report, Real Property Tax Relief, by County (Table PD-1) includes the information required by (2) above. The cost of including this information in the TER would likely be negligible, and the timing required by the bill is in line with publication dates of recent reports, but there may be some question about whether the bill requires greater disaggregation of exemptions than is currently shown in these reports.

The Department does not publish data on tangible personal property (TPP) exempted from tax. Only public utility TPP remains taxable; the TPP of general business was exempted from taxation by H.B. 66 of the 126th General Assembly. The value of this exempted general business property could only be estimated as the state no longer collects the data. Public utility TPP not subject to property tax includes that of municipally owned utilities; certified air, water, and noise pollution control facilities; tangible personal property of a qualified energy project; licensed motor vehicles of public utilities; public utility TPP under construction; and TPP of nonprofit corporations and political subdivisions used exclusively for treatment, distribution, and sale of water to consumers. In addition, enterprise zone exemptions may apply to public utility TPP, the only tax abatements that are applicable to such property. Assessing public utility property is a responsibility of the Department, which would incur costs to assemble information on the value of all exempted public utility TPP. Departmental costs arising from its role in overseeing property taxes in the state are paid from the Property Tax Administration Fund (Fund 5V80).

Tax Expenditure Review Committee

The Tax Expenditure Review Committee consists of three members from each of the House of Representatives and Senate, and is chaired by the Tax Commissioner or the Commissioner's designee. The bill's requirement that the Committee review and report on all property tax exemptions would add to the amount of work required of members. Current law, unchanged by the bill, tasks the Legislative Service Commission (LSC) with assisting the Committee. That obligation in the past has been met without additional resources, but the bill's expansion of the Committee's purview could lead to increased demands on LSC. Any fiscal effect on LSC would likely be minimal, though it would depend on the volume of assistance required and the timing of any related deadlines. LSC is funded almost entirely from the GRF.

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