OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 212

133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 212's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: Yes

Philip A. Cummins, Senior Economist

Highlights

- Municipal corporations and townships could exempt or partially exempt the value of new single-family homes and remodeling from property tax in neighborhood development areas.
- Real property tax revenue losses, potentially substantial, would depend on the extent of program participation. Any such revenue losses would be permissive for the municipal corporation or township which established the exemption, and for a school for which the school board gave its approval, but would not be permissive for other political subdivisions that lose revenue from the exempted property taxes.

Detailed Analysis

The bill would let municipal corporations and townships designate neighborhood development areas within which single-family homes under construction, newly occupied single-family homes, or improvements to existing single-family homes may be wholly or partly tax exempt. The tax-exempt portion of value or of the increment to value (for existing homes) is 70% or 100%; the latter requires school board approval. The neighborhood development areas could be designated for a specified number of years or indefinitely. Property exempt under a tax increment financing agreement or part of a Community Reinvestment Area could not also be exempt under the neighborhood development area program.

To qualify for the exemption, a developer must build a "new residential neighborhood," defined by the bill to consist of single-family homes on at least ten adjacent parcels. The exemption lasts until the home is occupied. The owner of the occupied single-family home that qualifies or would qualify for this exemption is then eligible for exemption for ten years. The increased value of remodeled property would be eligible for exemption for five years, provided that the cost of the remodeling must be at least $10,000.

Additional details are in the bill analysis.

The revenue loss from this program is clearly indeterminate, but could be quite substantial. In 2018, for example, building permits were issued for construction in Ohio of more than 16,000 new single-family homes valued at more than $4 billion. The potential revenue loss could range into the tens of millions of dollars, if participation in the new program is widespread. Additional losses could result from the remodeling portion of the program. The loss would depend on the extent to which the legislative authorities of municipal corporations and townships create neighborhood development areas, as well as on the amount of new single-family development and remodeling in these areas. The losses would be permissive for the municipal corporations and townships establishing the areas, as well as for school districts in which boards of education concur with the tax exemption, but would not be permissive for other units of local government.

The Department of Taxation would incur costs to administer the program. The magnitude of these costs would depend on extent of participation in the new program.

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