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Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Green and Rogers

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SUMMARY

- Grants a homestead exemption for the widow or widower of a uniformed services member who dies in the line of duty or from a disability incurred or aggravated in the line of duty.
- Exempts $50,000 of the home's appraised value or cost from property taxation or the manufactured home tax.
- Exempts such a widow or widower from the income means test, currently $33,600 in modified adjusted gross income.
- Reimburses local taxing units for the resulting reduction in taxes in the same manner as the existing homestead exemption.
- Affects taxes payable in 2021 and thereafter.

DETAILED ANALYSIS

Homestead exemption: service member's surviving spouse

Continuing law provides a property tax credit for the residence, or "homestead," of certain qualifying individuals. This "homestead exemption" equals the taxes that would be charged on up to $25,000 of the true value of a home owned by a homeowner who is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. ("True value" is the appraised fair market value.) The credit essentially exempts $25,000 of the value of a homestead from taxation.

Also under continuing law, a special "enhanced" exemption of $50,000 is available for homes of military veterans who are totally disabled.

Both the $25,000 homestead exemption and the enhanced exemption for disabled veterans apply to real property as well as manufactured and mobile homes, regardless of whether they are taxed as real property or taxed under the manufactured home tax (except that manufactured and mobile homes are assessed at 40% of cost or market value and are depreciated). The amount of the tax savings for a qualifying homestead depends on the local tax rate: the higher the tax rate, the greater the tax reduction.

Homeowners who first receive the $25,000 homestead exemption for tax year 2014 or later (or tax year 2015 for homeowners who pay the manufactured home tax) must have an Ohio modified adjusted gross income of $33,600 or less, as computed for state income tax purposes (including all business income and excluding Social Security and disability benefits). This income limit is increased each year to adjust for inflation. Homeowners who received the exemption before 2014 are not subject to the income limit, and no income limit applies to the $50,000 exemption for disabled veterans.

The bill extends the homestead exemption to the surviving spouse of a "qualifying service member" who has either been killed in the line of duty or died from a disability incurred or aggravated in the line of duty. Similar to the exemption for disabled veterans, the credit is equal to the tax on $50,000 of the true value of a homestead owned and occupied by that surviving spouse, and no income limit applies.

For the purpose of this exemption, a qualifying service member is a current or former member of the uniformed services who died in the line of duty while serving in the uniformed services, or whose death has been recognized by the United States Department of Veterans Affairs (USDVA) or another federal agency, or by a branch of the armed forces, as a service-connected death. A former member who was discharged or released under dishonorable conditions is not a qualifying service member. The uniformed services include each branch of the armed forces (Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard) and their reserve components, the coast guard of any state, and the Commissioned Corps of the National Oceanic and Atmospheric Administration and Public Health Service.

The exemption would continue until the surviving spouse dies or remarries, and, like the existing homestead exemption, it is portable among homes so long as it applies to only one home at a time. If a surviving spouse also qualifies for the exemption as an elderly or disabled individual or a disabled veteran, the spouse must decide which exemption to apply; they are not cumulative.[1]

Application requirements

Before qualifying for the bill's new exemption, a surviving spouse must apply to the county auditor and verify that the qualifying service member was either killed in the line of duty or died due to a disability incurred or aggravate in the line of duty by providing documentation confirming this from either the member's branch of the armed forces or the USDVA or another federal agency.[2]

[1] R.C. 323.151, 323.152, 4503.064, and 4503.065.

[2] R.C. 323.153 and 4503.066.

Reimbursement of local taxing units

As with the existing homestead exemption, local taxing units would be reimbursed by the state for the reduction in property tax revenue that results from the bill's extended exemption. The reimbursement would be paid from the state General Revenue Fund semiannually.[3]

Effective date

The bill's new homestead exemption begins to apply in tax year 2020 or, in the case of homes that are subject to the manufactured home tax, in tax year 2021. The difference in application is accounted for by the fact that the manufactured home tax is payable on a current-year basis, whereas the property tax is payable in arrears.[4]

HISTORY

Action	Date
Introduced	12-04-19

H0437-I-133/ar

[3] R.C. 323.156, not in the bill.

[4] Section 3 of the bill.