OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 255
(l_133_1346-2)
133rd General Assembly

Fiscal Note & Local Impact Statement

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

Version: In House Ways and Means

Primary Sponsor: Rep. Hoops

Local Impact Statement Procedure Required: No

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Highlights

- The bill adds real 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.
- A requirement that county auditors and treasurers provide any information they possess that is required by the Tax Expenditure Review Committee to perform its duties, if that information is requested by the Committee, may increase local government costs.

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 real property tax exemptions, and issue a report on this ongoing review every two years.

Tax Expenditure Report

The bill adds real 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 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 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. The bill requires disaggregation of real property tax exemptions by the following classifications: charitable or public worship, public or educational, local economic development, and other. 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.

The bill specifies that if the Committee requests information that it requires to do its job, county auditors and treasurers are to provide information in their possession. This requirement may increase costs of these local government officials.

Synopsis of Fiscal Effect Changes

- The substitute bill eliminates the requirement that the Department report the cost of exempting tangible personal property from taxation. This change may reduce the Department's costs of complying with the bill's requirements.
- The substitute bill specifies four classifications for real property exemptions. This change has no fiscal effect.

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