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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

S.B. 212  
133<sup>rd</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for S.B. 212's Bill Analysis](#)

**Version:** As Reported by House Ways and Means

**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 residential structures and remodeling from property tax in neighborhood development areas (NDAs).
- Real property tax revenue losses would potentially be substantial, possibly ranging to tens of millions of dollars, depending on program participation. Any such revenue losses would be permissive for the municipal corporation or township establishing the exemption, and for a school district for which the school board gave its approval, but not for other political subdivisions that lose revenue.

### Detailed Analysis

The bill would let municipal corporations and townships designate neighborhood development areas (NDAs) within which single-family or multifamily residential buildings under construction, newly owner-occupied homes, or improvements to existing occupied residential structures may be wholly or partly tax exempt. A municipal corporation or township may limit the exemption to structures housing one to three families. The tax-exempt portion of value or of the increment to value (for existing homes) may be any percentage, though for more than 75% requires school board approval. The NDAs could be designated for no more than ten years, but may be extended an additional ten years an indefinite number of times. The bill limits to no more than 300 acres (1) an NDA, and (2) two or three such areas that share a common boundary. An NDA may not include all the territory of a municipal corporation or township. It requires an NDA to have a continuous boundary. Property exempt under a tax increment financing agreement or part of a Community Reinvestment Area could not also be exempt under the NDA program.

A developer may receive the exemption on a parcel in an NDA subdivided by the developer to construct a residential structure within a “new residential neighborhood,” defined by the bill to consist of at least ten adjacent parcels. The bill limits the term of the property tax exemption applicable to subdivided vacant property owned by a residential developer and located in an NDA to ten years, beginning the year the subdivided property first appears on the tax list and continuing for either (1) the following nine years or (2) until and including the year in which construction of the residential structure begins, whichever comes first. The bill similarly limits the term of the exemption for NDA property owned by a residential developer in which construction began to ten years, beginning the tax year after the year in which construction of a residential structure begins.

A qualifying owner-occupant of the residential structure would then be 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 \$5,000 and the residential structure must be occupied by its owner.

The bill requires the legislative authority of a municipal corporation or board of township trustees, before adopting a resolution or ordinance designating territory as an NDA, to conduct a hearing on the plan at three different regularly scheduled legislative authority sessions where the public attends. At least seven days prior to the first of these meetings, the legislative authority or board must send notice by certified mail to all governing boards of taxing units in which the proposed NDA would be located. The notice must indicate the date and time of each meeting and include information on the plan.

Additional details are in the bill analysis.

The revenue loss from this program is clearly indeterminate, but could be quite substantial. In 2019, for example, building permits were issued for construction in Ohio of more than 16,000 residential structures valued at over \$5.4 billion, most of which is single-family homes. 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 NDAs, as well as on the amount of new residential structure 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, e.g., county governments.

The Department of Taxation would incur costs to administer the program. The magnitude of these costs would depend on the extent of participation in the new program. Municipal corporations and townships would incur costs to create and administer NDAs, but such costs would be permissive.