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134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Stephens and LaRe

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SUMMARY

- Indexes, for all property tax homestead exemptions, the amount of the exemption so that the exemption, and resulting tax savings, increases in proportion to the increase in a broad price inflation index (gross domestic product deflator).

DETAILED ANALYSIS

Homestead exemption

The bill indexes the amount of the property tax homestead exemption for a homeowner who is elderly or disabled, a disabled veteran, or the surviving spouse of a public service officer killed in the line of duty so that the exemption amounts – and therefore the tax savings – increase according to increases in the prices of all goods and services composing the national gross domestic product (GDP).

Continuing law provides a property tax credit for the residence, or "homestead," of certain qualifying individuals. Under current law, 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 person 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 (referred to in this analysis as the "general homestead 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 current law, special "enhanced" exemptions of $50,000 are available for homes of military veterans who are totally disabled and their surviving spouses (referred to in this analysis as the "disabled veteran exemption") and for surviving spouses of peace officers, firefighters, or other emergency responders who die in the line of duty or by an injury or illness sustained in the line of duty (referred to in this analysis as the "public service officer exemption").

Regardless of whether a homeowner qualifies for the general homestead exemption, the disabled veteran exemption, or the public service officer exemption, the amount of the tax savings depends on the local tax rate: the higher the tax rate, the greater the tax reduction.

All three homestead exemptions also apply to manufactured and mobile homes, regardless of whether they are taxed as real property or taxed under the manufactured home tax.

Homeowners who first receive the general 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 $34,200 or less, as computed for state income tax purposes (including all business income and excluding Social Security and disability benefits). Under continuing law, this income limit is increased each year to adjust for inflation. Homeowners who received the general homestead exemption before 2014 are not subject to the income limit, and no income limit applies to the disabled veteran exemption or public service officer exemption.

Inflation adjustment of exemption amount

The bill requires the amount of each homestead exemption to be adjusted for inflation each year. The adjustments are made in the same manner as inflationary adjustments are made to the income limit for the general homestead exemption: by multiplying the current year's exemption amount by the percentage increase in the GDP deflator over the preceding year and adding that result to the current exemption amount. An adjustment would not be made for any year the GDP deflator does not increase.

The Tax Commissioner must compute the adjustments and certify the resulting amounts to each county auditor by December 1 to be applied the following tax year, or, in the case of the manufactured home tax, the second ensuing tax year. The difference in application is accounted for by the fact that the manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears.[1] Because of this, the bill's adjustment and certification requirements begin to apply in tax year 2021 or, for the manufactured home tax, 2022.[2]

HISTORY

Action	Date
Introduced	06-21-21

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[1] R.C. 323.152 and 4503.065.

[2] Section 3.