OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 268
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Hoagland

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2023	FY 2024	Future Years
State General Revenue Fund			
Expenditures	Increase of $438 million	Increase of $876 million	Increase of hundreds of millions of dollars per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill would exempt primary residences owned by qualifying veterans from property taxes.
- This exemption would cost the GRF an estimated $876 million per year initially to reimburse schools and local governments for resulting tax revenue losses. This estimate should be considered rough due to data limitations.
- In addition to expenditures shown in the table above, the expanded homestead exemption program may result in additional administrative costs for county auditors and for the Department of Taxation.

Detailed Analysis

The bill would exempt from property tax the homestead of a veteran discharged under honorable conditions. "Veteran" is defined in the bill as meaning a person (1) who is a veteran of the armed forces of the United States, including reserve components thereof, or of the national guard, who has been discharged or released from active duty in the armed forces under honorable conditions, or (2) who has been transferred to the reserve with evidence of satisfactory service.

A query of U.S. Census Bureau data collected in the American Community Survey (ACS) Program found that in 2019, $876 million in property taxes was paid by or on behalf of the Ohio households of more than 505,000 veterans in 329,000 owner-occupied dwelling units. The amounts of property taxes paid are those reported by the survey respondents. Some of these veterans may not have been the owners of the homes where they resided. Some may not have been discharged or released from the military under honorable conditions or transferred to the reserve with evidence of satisfactory service.[1] So some of these homes may not have qualified for the exemption in the bill. On the other hand, the bill exempts from property taxation residences owned by veterans of national guard service, who are not included in the ACS tabulation, implying that this cost estimate may tend to understate the cost of the bill.[2] To date, LBO has not found statistics quantifying these two categories of difference from the ACS totals.

Projections from the National Center for Veterans Analysis and Statistics, part of the U.S. Veterans Administration, indicate that the number of veterans in Ohio is expected to decline by about 2% per year over the next five to ten years.[3] If this occurs, the number of Ohio veteran homeowners could be expected to decline similarly. Any reduction in the cost of the bill due to fewer Ohio veteran homeowners could be offset by the tendency for tax rates and property values to rise over time.[4] In the calculations reported here, the effect on the cost of the bill from declines in numbers of veteran homeowners since 2019 is assumed to be approximately offset by increases in cost resulting from higher property values and tax rates.

Currently, qualifying fully disabled veterans may exempt up to $50,000 of market value of their owner-occupied homes. These exemptions reduced property tax revenue by an estimated $9 million in 2020, which was offset for local governments by reimbursement from the GRF under the homestead exemption program. The $876 million in property taxes paid as shown in the ACS data is assumed to be a reduction due to the bill in addition to the estimated $9 million reduction in taxes owed by the qualifying fully disabled veterans because of the current law exemption.

Some other veterans qualify under the homestead exemption program to exempt up to $25,000 of market value of their owner-occupied homes based on qualifying age (65 or older) and, for homeowners who did not receive the homestead exemption in 2013 (2014 for

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[1] Data are difficult to find on numbers or percentages of persons who served in the military and who meet the criteria to qualify for the benefits of the bill. One website reported data, described as from the Office of the Secretary of Defense, indicating that discharges from the 2014-2015 fiscal year included 78.29% that were honorable, 6.36% that were general – under honorable conditions, 2.09% that were under other than honorable conditions, 0.49% that were bad conduct discharges, 0.07% that were dishonorable, and 13.7% that were uncharacterized or unknown due to data entry error (see discharge data). LBO has not independently confirmed this information.

[2] The ACS data set does not include a tabulation for residences of veterans of national guard service.

[3] Table 6L: VETPOP2018 LIVING VETERANS BY STATE, AGE GROUP, GENDER, 2018-2048, VA veteran population model (Excel).

[4] In the aggregate, tax reduction factors tend to offset property value increases not resulting from new construction or property reclassification, but only for some types of property tax levies.

manufactured and mobile homes), based also on having a sufficiently low income. The amounts of these exemptions, taxes not paid by the homeowners and reimbursed to local governments from the GRF, are also assumed not to be included in the $876 million reported paid by the survey respondents.

Extension of the homestead exemption to all honorably discharged veterans and to those transferred to the reserve with evidence of satisfactory service may result in additional administrative costs for county auditors and for the Department of Taxation. Added administrative costs to the Department may be paid from the GRF or from line item 110623 (Fund 5V80), Property Tax Administration.

The bill specifies that it applies to real property starting with tax year (TY) 2021, payable in 2022, and to manufactured homes starting with TY 2022, also payable in 2022. However, due to the passage of time since the bill's introduction, the bill's provisions are assumed in this fiscal note to first apply to real property commencing with TY 2022 and to manufactured homes starting with TY 2023. Revenue losses to school districts and other political subdivisions would be reimbursed from the state GRF. Reimbursements are paid with a lag, and the resulting cost to the GRF is estimated at $438 million in FY 2023, $876 million in FY 2024, and similar amounts in subsequent years. In view of the various assumptions and lack of complete data, these estimates are approximations.

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