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Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Hoagland and Lang

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SUMMARY

- Expands the existing homestead exemption for disabled veterans by increasing the class of disabled veterans that qualify for the exemption and adjusting how the exemption amount is calculated.
- Allows a veteran to apply for the exemption by furnishing disability documentation obtained from a county veterans service commission.

DETAILED ANALYSIS

Homestead exemption for disabled veterans

The bill expands an existing property tax reduction for disabled veterans. Under continuing law, qualifying veterans may receive an enhanced homestead exemption equal to \$50,000 of the true value of their home. The bill modifies (1) which disabled veterans may qualify for the exemption and (2) how the exemption amount is calculated.

Homestead exemption: background

Continuing law provides a property tax credit for the primary residence, or “homestead,” of certain qualifying individuals. The standard “homestead exemption” equals the taxes that would be charged on up to \$25,000 of the fair market 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. The credit essentially exempts \$25,000 of the value of a homestead from taxation. This standard exemption is means-tested, so only homeowners with household income below a certain threshold (\$34,600 for tax year 2022) may qualify for the exemption.

Enhanced exemption for disabled veterans

Under current law, a special “enhanced” exemption of \$50,000 is available for homes of certain disabled veterans. To qualify, the veteran must have been honorably discharged and have one or more service-connected disabilities that have received either (1) a total disability

rating (i.e., a disability rating of 100%) or (2) a total disability rating for compensation based on individual employability. Under the latter scenario, the U.S. Department of Veterans Affairs (VA) determines that a veteran is treated as if he or she has a 100% rated disability if (1) the veteran has at least one service-connected disability rated at 60% or higher, or two or more service-connected disabilities with at least one rated at 40% or higher and a combined rating of 70% or more and (2) the veteran cannot hold steady employment. If a veteran qualifies under either of these scenarios, the veteran receives the \$50,000 exemption.

The bill expands which veterans qualify for this enhanced exemption. Under the bill, any honorably discharged veteran would qualify if they have one or more rated service-connected disabilities, regardless of the disability rating.¹

The bill also modifies how the exemption is calculated. In lieu of a standard \$50,000 exemption amount, the reduction will instead equal the veteran's percentage disability rating, multiplied by his or her current tax liability.²

Example

The following examples illustrate how the bill's changes would affect the amount of, and a veteran's eligibility for, the exemption. First, consider a veteran with a 100% disability rating owns a home with a fair market value of \$200,000 and an annual tax liability is \$3,000. Under current law, the veteran would receive a \$50,000 exemption, so that the veteran is only taxed on \$150,000 of the value of the veteran's home. Under the bill, the veteran would receive a tax reduction equal to 100% (their disability rating) multiplied their tax liability (\$3,000), resulting in no taxes due.

If the veteran in the above example had a 50% disability rating, the veteran would not receive any exemption under current law but, under the bill, would receive a tax reduction equal to \$1,500 (50% of \$3,000).

Surviving spouses, means test, and manufactured homes

As under the current exemption, the bill's enhanced exemption for disabled veterans extends to the surviving spouse of the veteran, until the spouse dies or remarries. Also similar to current law, the bill does not require the veteran to meet an income test. And, as with all current homestead exemptions, the bill's enhanced disabled veteran exemption applies to manufactured and mobile homes regardless of whether they are taxed as real property or subject to the manufactured home tax.

Application requirements

Under continuing law, a veteran must apply to the county auditor for the homestead exemption. The veteran must include documentation with this initial application that shows

¹ R.C. 323.151(F).

² R.C. 323.152(A)(2) and 4503.065(B).

their discharge status and disability rating. After this initial application, no further application is needed, but the auditor must be notified if the homestead no longer qualifies for exemption.

Under current law, the required documentation must come from the U.S. Department of Veterans Affairs. The bill alternatively authorizes the disability documentation to come from a county veterans service commission. To obtain these records, a veteran must make a request to a county veterans service officer of the county in which the veteran resides.³

Special assessments

Under current law, the homestead exemption does not apply to special assessments – i.e., special charges imposed by a local government on specific properties to pay for improvements benefitting those properties. (An example is a special assessment imposed by a municipality on properties in a certain neighborhood to pay for a new water line in that neighborhood.)

The bill broadens the enhanced exemption for disabled veterans to apply to reduce special assessments as well as property taxes.⁴

Reimbursement of local taxing units

As with all current homestead exemptions, local taxing units are reimbursed by the state for the reduction in property tax revenue that results from the bill's modified disabled veterans homestead exemption. The reimbursement is paid from the GRF semiannually or annually.⁵

Application

The bill's changes to the disabled veteran homestead exemption applies to tax years ending on or after the bill's 90-day effective date or, in the case of homes that are subject to the manufactured home tax, tax years beginning on or after that date. The difference in application is accounted for by the fact that manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears.⁶

HISTORY

Action	Date
Introduced	05-10-22

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³ R.C. 323.153(A)(1), 4503.066(A)(1), and 5901.07.

⁴ R.C. 323.152(C).

⁵ R.C. 323.156 and 4503.068, not in the bill.

⁶ Section 3.