OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 90
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. Patton

Local Impact Statement Procedure Required: No

Russ Keller, Senior Economist

Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	$0	$0	$0
Expenditures	Increase of $14.5 million	Increase of $29 million	Increase of at least $30 million per year
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	$0	$0	$0
Expenditures	$0	$0	$0

Note: The fiscal year for the state, school districts, and certain other local governments 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 replaces the partial homestead exemption for disabled veterans with an enhanced homestead exemption for all disabled veterans equal to all taxes imposed on the homestead.
- The bill reimburses local taxing units for the resulting reduction in taxes in the same manner as other homestead exemptions. GRF expenditures would increase in the second half of FY 2024 whereas FY 2025 is the first full year of reimbursements.

Detailed Analysis

The bill increases the existing homestead exemption available to disabled veterans to a level that negates all property taxes owed on their property. The GRF pays the full cost of the homestead exemption via two line items, 110908, Property Tax Reimbursement – Local Government, and 200903, Property Tax Reimbursement – Education.

Background

Under current law, the homestead exemption provides a reduction in property taxes to qualified disabled veterans, or a surviving spouse, on the dwelling that is that individual's principal place of residence and up to one acre of land of which an eligible individual is an owner. The reduction is equal to the taxes that would otherwise be charged on up to $50,000 of the market value of an eligible taxpayer's homestead.

In order to qualify for the exemption, the person must be 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 under honorable conditions, and who has received a total disability rating (100%) or a total disability rating for compensation (100%) based on individual unemployability, for a service-connected disability or combination of service-connected disabilities.[1]

An eligible surviving spouse must (1) be the surviving spouse of a person who was receiving the homestead exemption for the year in which the death occurred, (2) have occupied the homestead at the time of the veteran's death, and (3) acquire ownership of the homestead or, in the case of a homestead that is a unit in a housing cooperative, continue to occupy the homestead. The surviving spouse remains eligible for the exemption until the year following the year in which the surviving spouse remarries.

Fiscal effect

Approximately 11,130 homesteads benefit from the existing homestead exemption due to their status as a disabled veteran. LBO estimates the typical savings to be about $1,050[2] per year. A query from the 2020 American Community Survey indicates that disabled Ohio veterans would otherwise pay about $3,500 in property taxes, absent the existing exemption. Consequently, the bill would exempt the remaining $2,450 owed by disabled veterans and their surviving spouses. The annual cost for such a policy would be at least $29.0 million per year, when adjusting the prior year data for inflation. This annualized GRF cost would be split into two payment dates to align with the timing of when property taxes are billed to owners.

For purposes of this fiscal note, LBO assumes the bill would be effective in a timely manner (i.e., before December 31, 2023), which would enable county auditors to discount the tax year (TY) 2023 real property taxes payable during CY 2024.[3] The GRF reimburses local jurisdictions for

[1] This definition is in section 323.151 of the Revised Code, which is not in the bill.

[2] $1,050 equals $50,000 market value multiplied by 35% assessment rate and average tax rate of 60 mills; or $1,050 = $50,000 x 0.35 x (60 / 1000).

[3] Real estate taxes are collected by the county treasurer twice each year. The first half due date is typically in February and the second half due date is usually in July.

losses incurred by the homestead exemption, so FY 2024 expenditures would increase to reimburse local government losses arising from tax payments in the first half of CY 2024. In FY 2025 and years thereafter, the GRF expenditures would reimburse local authorities twice per year, which would reflect 50% of the losses for two different tax years.

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