Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 235 of the 131st G.A.

Date: January 19, 2016

Status: As Introduced

Sponsor: Sens. Beagle and Coley

Local Impact Statement Procedure Required: Yes

Contents: To authorize a property tax exemption for the increased value of property planned for commercial or industrial development while the property is in the predevelopment stage

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- Exempting the increased value of real property before its planned development or redevelopment for commercial or industrial purposes would temporarily reduce property tax revenue in affected political subdivisions. The magnitude of the revenue loss is indeterminate.
- In some cases the revenue loss would be permissive, because the exemption for newly developable property depends on the "appropriate authority" approving the plat subdividing the land on which the property is located. School districts are not included in the definition of "appropriate authority," so revenue losses to school districts would not be permissive.

Detailed Fiscal Analysis

S.B. 235 applies to real property on which construction of one or more commercial or industrial buildings or structures is planned. The exemption generally applies to the predevelopment period, which means the exemption ends just before or during the year construction of a commercial or industrial building or structure commences. Please refer to the LSC Bill Analysis for the additional details of S.B. 235 and how the tax treatment of "newly developable property" differs from that of "redevelopment property."

The exemption would cause temporary revenue losses from tax levies within the Ohio Constitution's 1% limitation (i.e., unvoted levies or inside millage). These types of levies are not subject to tax reduction factors, so the effective tax rates are not lowered in response to the growth in property values (or raised in response to decreases in value). Therefore, exempting (albeit temporarily) the increased value of certain types of property reduces the tax base for entities benefitting from inside millage levies. The magnitude of this local revenue loss depends on a variety of factors, including the incidence of commercial and industrial construction as well as the increased value of affected property. The bill makes the tax exemption available for tax year 2015 and every year thereafter.

For some local authorities and development projects, the revenue loss incurred by S.B. 235 is permissive. The exemption can only apply to newly developable property if the "appropriate authority," which is defined in the bill, has approved the plat subdividing the land on which the property is located. Some tax levy recipients could be included in the decision making of the appropriate authority, but other nonparticipating entities (e.g., school districts) would be impacted by the exemption, too.

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