



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Mackenzie Damon

Sub. H.B. 24¹

132nd General Assembly
(As Re-referred to S. Ways and Means)

Reps. Ginter, Schaffer, Rogers, Cera, Green, Hambley, Retherford, Ryan, Anielski, Antani, Antonio, Arndt, Ashford, Barnes, Boccieri, Boggs, Boyd, Brown, Butler, Carfagna, Celebrezze, Clyde, Craig, Cupp, Edwards, Faber, Fedor, Galonski, Gavarone, Goodman, Greenspan, Hagan, Henne, Hill, Holmes, Householder, Howse, Huffman, Hughes, Ingram, Johnson, Keller, Kent, Kick, Landis, Lanese, Lang, LaTourette, Leland, Lepore-Hagan, Lipps, Manning, McColley, Miller, O'Brien, Patmon, Patterson, Patton, Pelanda, Perales, Ramos, Reece, Reineke, Rezabek, Riedel, Roegner, Romanchuk, Schuring, Sheehy, Sprague, Stein, Strahorn, Sweeney, Thompson, West, Young

Sens. Terhar, Beagle, Hackett, Peterson, Wilson

BILL SUMMARY

- Modifies the veterans' organization property tax exemption to include the property of certain 501(c)(4) veterans' organizations.
- Excludes from that exemption property that is not used primarily for meetings, administration, and the provision of programs and services to veterans.
- Authorizes a property tax exemption for property owned by certain nonprofit organizations that provide housing for individuals with developmental disabilities.
- Modifies the law requiring dealers in aviation fuel to register and file monthly reports with the Department of Taxation.
- Makes corrective changes to the motor fuel tax law.
- Makes a capital appropriation to the Licking County Big Brothers Big Sisters Project for the biennium ending June 30, 2020.

¹ This analysis was prepared before the report of the bill's re-referral to the Senate Ways and Means Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

CONTENT AND OPERATION

Property tax exemption for veterans' organizations

The bill modifies an existing tax exemption for property held or occupied by a veterans' organization by (1) extending eligibility for the exemption to the property of qualifying veterans' organizations that are exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code and (2) excluding from the exemption property that is not used primarily for meetings, administration, and the provision of programs and services to veterans and current members of the U.S. Armed Forces.² The modifications apply to tax years ending on or after the bill's effective date.³

Current exemption

Under current law, a veterans' organization's property is tax exempt if the organization qualifies for exemption from federal income tax under section 501(c)(19) or 501(c)(23) of the Internal Revenue Code and the property generates less than \$36,000 in gross rental income for the tax year. A veterans' organization qualifies for federal income tax exemption under section 501(c)(19) if it is organized and operated as a nonprofit, at least 75% of its members are veterans and current members of the U.S. Armed Forces, and substantially all the other members of the organization are cadets, spouses, ancestors, or lineal descendants of veterans or of current members of the U.S. Armed Forces. A veterans' organization qualifies for federal income tax exemption under section 501(c)(23) if it was organized before 1880, at least 75% of its members are veterans or current members of the U.S. Armed Forces, and the principal purpose of the organization is to provide insurance and other benefits to veterans and their dependents.

Inclusion of 501(c)(4) organizations

The bill extends the exemption to property owned or occupied by a veterans' organization that is exempt from federal taxation under section 501(c)(4) of the Internal Revenue Code as a social welfare organization, but only if that organization otherwise meets the criteria for exemption as a 501(c)(19) veteran organization.

Restrictions on use of exempted property

The bill also limits the exemption to property that is used primarily for meetings and administration of the veterans' organization or for providing nonprofit programs and supportive services to veterans or current members of the U.S. Armed Forces or

² R.C. 5709.17.

³ Section 3.



their families. Property that generates more than \$36,000 annually in rental income would continue to be ineligible for the exemption.⁴

Nonprofit developmental disability housing property tax exemption

The bill authorizes a property tax exemption for property owned by a nonprofit organization that provides housing for individuals with developmental disabilities. To qualify, first the organization must meet the following requirements:

- (1) The organization is exempt from federal taxation under 501(c)(3) of the Internal Revenue Code;
- (2) The organization's primary purpose is to acquire, develop, lease, or otherwise provide housing for individuals with developmental disabilities;
- (3) The organization receives all or part of its funding from a county board of developmental disabilities to assist in achieving that purpose.

In addition, the property must be either (a) used by that organization to achieve its primary purpose, (b) leased or otherwise provided by that organization to individuals with developmental disabilities and used by those individuals as housing, or (c) leased or otherwise provided to another charitable organization and used by that other organization exclusively for charitable purposes.

The bill declares that property that meets the requirements described above is considered to be "used exclusively for charitable purposes."⁵ Under continuing law, property used exclusively for charitable purposes is exempt from property taxation.⁶

The bill applies to tax year 2018 and thereafter, and also to any exemption application or appeal pending on the bill's effective date.⁷

Aviation fuel dealer law changes

Beginning January 1, 2018, certain businesses that obtain aviation fuel in order to sell it in Ohio are required to register with the Department of Taxation for an aviation fuel dealer's license and to file monthly reports with the Department. Aviation fuel is not subject to the motor fuel tax (instead, it is subject to the sales and use tax), so the monthly reporting does not involve paying any tax.

⁴ R.C. 5709.17.

⁵ R.C. 5709.121(E).

⁶ R.C. 5709.12(B), not in the bill.

⁷ Section 3.



The bill makes the following changes to this requirement:

- Specifies that a person is an aviation fuel dealer under the law if the person obtains aviation fuel in order to resell it in Ohio to someone other than an end user. Current law defines an aviation fuel dealer as someone who sells aviation fuel for consumption (i.e., sells it to an end user).⁸
- Requires aviation fuel dealers to submit their monthly reports on or before the last day of each month, rather than the twenty-third day of each month.⁹
- Provides that, if an aviation fuel dealer (or a motor fuel dealer who also deals in aviation fuel) files a false aviation fuel report, or fails to file a report, the Commissioner may revoke the dealer's license. (A similar requirement applies to motor fuel dealers who file false motor fuel tax returns or fail to file returns.)¹⁰

Motor fuel tax law: corrective changes

The bill also makes corrective changes to two definitions in the motor fuel tax law ("terminal" and "consumer"). The two definitions were amended in an early version of Sub. H.B. 26 of the 132nd General Assembly, the Transportation Budget Bill, but were not reinstated to their original versions when the other changes necessitating their amendment were removed from the act. The bill reinstates these definitions to their original versions.¹¹

HISTORY

ACTION	DATE
Introduced	02-01-17
Reported, H. Ways & Means	06-20-17
Passed House (97-0)	10-11-17
Reported, S. Ways & Means	02-28-17
Re-referred, S. Ways & Means	----

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⁸ R.C. 5735.01(II) and 5735.024(A).

⁹ R.C. 5735.024(D).

¹⁰ R.C. 5735.024(E) and 5735.04.

¹¹ R.C. 5735.01(T) and (U).

