Peter A. Cooper *Legislative Service Commission*

H.B. 179

123rd General Assembly
(As Introduced)

Reps. Jordan, Hood, Taylor, Tiberi, Van Vyven, Young

BILL SUMMARY

- Grants a refundable Ohio income tax credit for homeowners to compensate them for some of the increase in residential property taxes caused by reappraisal or reassessment.
- The credit is granted for two of the three years in the reassessment/reappraisal cycle: over the three-year period, the credit would equal one-third of the total property tax increase over the three-year period (equivalent to one-year's property tax increase).
- The credit is not granted for property tax increases caused by new property tax levies.
- The credit first applies to taxes charged for 1999 (payable in 2000).

CONTENT AND OPERATION

Income tax credit for residential property tax increases

(secs. 5747.37 and 5747.98)

The bill grants an Ohio income tax credit to homeowners for part of the increase in property taxes that is caused by an increase in property value.

Eligibility

(sec. 5747.37(A)(1))

The income tax credit is available to persons who own and occupy a residence in Ohio. The same residences that qualify for the 2-1/2% property tax reduction qualify for the income tax credit, but a residence does not have to actually receive the 2-1/2% property tax reduction in order for the owner to claim

the income tax credit. The income tax credit applies only to taxes on the residence itself and on as much of the land around the residence that is necessary to allow the residence to be used as a home (up to one acre). Condominium units qualify as such a dwelling if the owner occupies the unit.

To receive the income tax credit, homeowners must be current in their payment of residential property taxes. Only one taxpayer may claim the income tax credit for any one residence.

Computation of credit

(sec. 5747.37(B))

The income tax credit is designed to reduce a homeowner's income taxes by about one-third of any increase in the homeowner's property taxes. The credit applies only to property tax increases that are caused by appreciation in the residence's taxable value. The tax credit does not apply to tax increases caused by increased property tax rates, such as those brought about by tax levies added since the last reappraisal or reassessment. (See **COMMENT**.)

The tax credit is to be computed two out of every three years--in the second and third years following the latest reappraisal or reassessment of property in the county.[1] In the second year following reappraisal or reassessment, the credit equals two-thirds of the increase in taxes caused by an increase in the taxable value of the residence. In the next year, the credit equals one-third of the tax increase. For the purpose of computing the property tax increase, the tax rate that was levied in the year immediately before reappraisal or reassessment would be used (to avoid giving an income tax credit for property tax increases caused by new levies).

Thus, over the course of the three-year reappraisal/reassessment cycle, a homeowner would receive an income tax credit equal to the one-year's worth of the property tax increase (or, one-third of the total amount by which the property taxes increased over the three-year period).

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[1] *Reappraisal refers to the process by which each parcel of property is viewed and appraised to determine its taxable value; it occurs every six years. Reassessment refers to the statistical adjustment of property values in a county to account for changes in property values as reflected in recent sales prices; it occurs in the third year after reappraisal. Reappraisal and reassessment are required to satisfy the constitutional mandate that all real property throughout the state be taxed at a uniform percentage of market value (currently 35%).*

The credit is refundable, meaning that if a taxpayer's credit exceeds the taxpayer's end-of-year income tax liability, the difference is refunded to the taxpayer.

Effective date

(Section 3)

The bill applies to taxes required to be paid by December 31, 1999. (An amendment will clarify that the credit applies to subsequent taxable years.)

COMMENT

Property tax increases resulting from reappraisal or reassessment are strictly limited under current property tax law. This affects the amount of the proposed income tax credit. The tax reduction factor ("H.B. 920") prevents increased property values from increasing property tax bills in the aggregate. Nevertheless, property tax bills are likely to increase somewhat following reappraisal or reassessment because some tax levies are not affected by the H.B. 920 limits (those that do not have to be approved by voters), and because persons who own property that increases in value more than the average property will experience an increase in taxes. The income tax credit granted by the bill compensates property owners for about one-third of the tax increase arising from unvoted tax levies or faster-than-average property value increases.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-16-99	p. 179

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