



Bethany Boyd

Bill Analysis
Legislative Service Commission

Am. H.B. 194
123rd General Assembly
(As Passed by the House)

Reps. Jones, Thomas, Womer Benjamin, Hood, Jerse, Beatty, Metelsky, Bender, Ogg, Stapleton, Hartley, Taylor, Sutton, O'Brien, Schuler, Sykes, Opfer, Ford, Healy, Callender, Padgett, Hartnett, D. Miller, Jolivette, Olman, Allen, Vesper, James, Willamowski, Smith, Pringle, DePiero, Hollister, Mottley, Amstutz, Flannery, Corbin, Britton, Austria, Haines, Distel, Barnes, Grendell, Perry, Peterson, Terwilleger, Carey, Salerno, Patton, Verich, Maier, Krupinski, Harshman-Ferderber, Wilson, Logan, Brading, Trakas, Cates, Myers, Evans, Calvert, Mead, Buehrer, Sulzer, Roberts, R. Miller, Schuring, Buchy, Netzley, Harris, Perz, Metzger, Clancy, Barrett, Boyd

BILL SUMMARY

- Exempts from taxation residential real property held by a nonprofit charitable organization for the purpose of transferring the property to low-income families.

CONTENT AND OPERATION

Property tax exemption for certain residences held by charitable organizations

(sec. 5709.12(E))

Currently, property belonging to an "institution" and used exclusively for charitable purposes is exempt from property taxation. (Sec. 5709.12(B).) The Ohio Supreme Court has held that this exemption does not apply to property owned by a nonprofit, charitable, federally tax-exempt organization and used as residences for needy persons. The reason for this conclusion, the Court has said, is that the property is used for private residential housing, and therefore is not, for the purposes of the tax exemption statute, used exclusively for charitable purposes. See e.g., *Cogswell Hall v. Kinney* (1987), 30 Ohio St.3d 43, and *Philada Home Fund v. Board of Tax Appeals* (1966), 5 Ohio St.2d 135.

The bill exempts from taxation certain real property held by a nonprofit organization that is organized and operated exclusively for charitable purposes and

exempted from federal income taxation under Internal Revenue Code section 501. The purpose of the organization must be to construct or rehabilitate residences for eventual transfer to qualified low-income families through sale, lease, or land installment contract.

For the purposes of the bill, a qualified low-income family is one whose income does not exceed 200% of the official poverty guidelines established by the U.S. Department of Health and Human Services, as adjusted for family size. (The 1998 poverty level for a family of two is \$10,850, and \$16,450 for a family of four; thus, the income of a two-person qualified low-income family cannot exceed \$21,700 or \$32,900 for a four-person qualified low-income family.)

The tax exemption begins when the organization acquires title to the property and continues until the end of the tax year in which the property is transferred to a qualified low-income family, but the exemption cannot continue beyond the second year after the transfer. (So, for example, the exemption for property acquired in June 2000 and sold to a qualified family in March 2002 would run from June 2000 to the end of 2002.) If the organization transfers the property to someone other than a qualified low-income family, the exemption terminates, and all tax savings must be charged as a lien against the property. The charge is a lien of the state as of January 1 of the tax year in which the charge is levied and continues until discharged.

To qualify property for the tax exemption, the organization must file an exemption application (as required of all property tax exemptions), and include documentation substantiating the organization's status as a federally tax-exempt charitable organization. The organization also must affirm its intention to construct or rehabilitate the property for the eventual transfer to a qualified low-income family. When the organization transfers the property, it must file an affidavit with the county auditor affirming either that the property was transferred to a qualified low-income family or that it was not, and, if it was, the affidavit must indicate the name of the transferee.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-17-99	p. 214
Reported, H. Ways & Means	05-06-99	pp. 615-616
Passed House (97-0)	05-13-99	pp. 656-657

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