Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 211

123rd General Assembly
(As Introduced)

Reps. **Wilson, Allen, Barnes, Barrett, Beatty, Bender, Boggs, Boyd, Britton, DePiero, Flannery, Ford, Hartnett, Healy, James, Jones, Krupinski, Logan, Lucas, Luebbers, Metelsky, D. Miller, R. Miller, Ogg, Opfer, Patton, Perry, Pringle, Roberts, Smith, Sullivan, Sulzer, Sutton, Taylor, Sykes, Verich**

BILL SUMMARY

- Reduces, for property taxation purposes, the rate of assessment on inventory from 25% to 15% over a period of at least ten years.
- Includes a "trigger," whereby the annual assessment rate decreases only if total statewide property tax collections (both real and tangible personal property) increase by either 4% or the Consumer Price Index, whichever is greater.

CONTENT AND OPERATION

Reduction in the assessment rate of inventory

(secs. 5711.16, 5711.22, 5727.111, and 5727.12)

Current law

Tangible personal property used in business, which includes inventory held by manufacturers and merchants, currently is assessed for taxation at 25% of its true value in money. (True value in money is approximately equivalent to depreciated book value; the assessment rate multiplied by true value determines the "taxable value" of property, against which the local property tax rate is applied; inventory is assessed on the basis of the average value on hand over the course of a year.) The current 25% assessment rate became permanent in 1993, following an extended series of 1% per year reductions in the assessment rate.

Assessment rate reduction for inventory

The bill reduces the rate of assessment for inventory from 25% to 15%. The assessment rate is reduced by one percentage point per year over ten years, beginning in 2000, provided total statewide property tax collections increase sufficiently to "trigger" the reduction (see below). The bill affects inventory held by either a manufacturer or merchant, but not certain "stored property" that is temporarily held in Ohio warehouses for transshipment, because taxation of this property is being phased out (secs. 5711.15, 5711.16(A), and 5711.22(C) and (D)).

"Trigger"

The assessment rate reduction occurs only if total statewide property tax collections (both real and tangible personal property) increase by either 4% or the percentage increase in the Consumer Price Index, whichever is greater. The total statewide collections are measured from the third preceding year to the second preceding year to account for the delay in collections of some property taxes. (For example, in order for the assessment rate to be reduced for 2002, total collections in 2000 would have to exceed collections in 1999 by at least 4% or the CPI percentage change, whichever is greater.) This trigger mechanism mimics the one that is currently used to phase out the taxation of the "stored property" mentioned above.

Machinery, equipment, etc., still assessed at 25%

Other, noninventory tangible personal property used in business, including merchants' furniture and fixtures and manufacturers' engines, machinery, tools, and implements will continue to be assessed at 25% of true value.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-24-99	p. 231

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