**_Bill Analysis_**

_Bethany Boyd_ _Legislative Service Commission_

# S.B. 23

123rd General Assembly
(As Introduced)

**Sen. Hagan**

## BILL SUMMARY

- Places a limit on property tax exemptions that municipal corporations, counties, or townships may grant to owners of industrial or commercial operations when those owners have relocated their operations from other Ohio municipal corporations, counties, or townships.

## CONTENT AND OPERATION

***Tax exemptions under continuing law***

(secs. 725.02, 1728.10, 3735.67, 5709.40, 5709.41, 5709.62, 5709.63, 5709.73, and 5709.78)

Under continuing law, there are five programs by which a municipal corporation, county, or township may grant property tax exemptions to encourage relocation of companies to the area or improvements to or new development of buildings and real property. These tax incentive programs are as follows:

(1) Urban renewal projects (R.C. § 725.02);

(2) The community redevelopment program (for blighted areas) (R.C. Chapter 1728.);

(3) Community reinvestment program (R.C. §§ 3735.65 to 3735.70);

(4) Enterprise zone program (R.C. §§ 5709.61 to 5709.69);

(5) Tax increment financing (R.C. §§ 5709.40, 5709.73, and 5709.76).

Under these programs, a municipal corporation, county, or township may exempt a percentage of a property owner's assessed value of property improvements from taxation. The tax exemption applies to real property under all these programs, and also to personal property under the enterprise zone program.

A municipal corporation, county, or township may grant an exemption of up to 75% of the value of improvements without the prior approval of the board of education of an affected school district. With the approval of the school board, an exemption may exceed 75% but may not exceed 100% of the value of improvements. In the case of tax increment financing exemptions, school board approval also is required if an exemption lasts for more than 10 years. In addition, school board approval is required in the case of community reinvestment area exemptions if the amount that the board receives from the developed property is 50% or less than the amount the board would have received if the property was not exempted. A board of education may waive its right to approve these property tax exemptions.

There are additional limits on the amount that may be exempted in enterprise zones when the new enterprise has relocated from an Ohio location. Generally, if the zone meets certain distress criteria, an exemption may be granted to any enterprise that relocates into that zone, even if the enterprise relocates from another Ohio location. However, if the zone does not meet the distress criteria, incentives can be offered only to enterprises that are relocating from outside of Ohio unless one of two other criteria are also satisfied. These other criteria are (1) the enterprise has current operations in Ohio and intends to establish operations at a new Ohio location that will not result in a reduction of employee positions at any of the enterprise's other Ohio locations, or (2) the enterprise intends to expand operations at an existing site within the Ohio zone that the enterprise currently operates. Thus, existing law discourages outmigration from one Ohio location to another unless there would be no net detriment to the old location in terms of available job positions. (Sec. 5709.633, not in the bill.)

***New proposed limit on tax exemptions***

(secs. 725.02(E), 1728.10(C), 3735.67(D), 5709.40(F), 5709.41(F), 5709.62(L), 5709.63(L), 5709.73(F), and 5709.78(F))

The bill provides a further disincentive to intrastate migration of commercial and industrial operations. The bill sets a limit on the amount of the property tax exemption for improvements that a municipal corporation, county, or township may grant to an owner when the owner relocates an industrial or commercial operation from another municipal corporation, county, or township within Ohio. Under the bill, an exemption is capped for any tax year by the amount that the current assessed value of the real property in the new location exceeds the assessed value of the parcel in the old Ohio location in the tax year preceding the tax year of relocation. For example, if the real property taxed in the old location had an assessed value of $1 million in the tax year preceding the relocation year, and the real property taxed in the new location has an assessed value of $1.5 million for the first tax year in the new location, the portion of the assessed valuation of the improvements exempted for that year cannot exceed $500,000. The effect on the amount exempted from year to year will vary as the assessed valuation of the property in the new location increases or decreases.

The proposed limit applies only to real property tax exemptions. Tangible personal property, which may be exempted from taxation under the enterprise zone program, is not affected by the proposed limit. The limit applies to tax exemptions granted after the bill's effective date.

## HISTORY

| ACTION | DATE | JOURNAL ENTRY |
|---|---|---|
| Introduced | 01-20-99 | p. 29 |

S0026-I.123/rss