



Sub. H.B. 416*

124th General Assembly
(As Reported by S. Ways and Means)

Reps. Trakas, Evans, Seitz, Sullivan, Seaver, Patton, Schmidt, Jerse, Oakar, Carano, Faber, Collier, Allen, Schneider, Schaffer, Britton, Williams, Latta, Kilbane, Gilb, Niehaus, Callender, Hartnett, Brown, Olman, Calvert, Blasdel, Grendell, Carey, Aslanides, Cates, Sulzer, Willamowski, Perry, Distel, Flannery, DePiero, Jolivette, Ogg, Hughes, Carmichael, Womer Benjamin, Webster, Reidelbach, Otterman, G. Smith, Roman, Hoops, Coates, Latell

BILL SUMMARY

- Grants a property tax exemption for homes for the aged, and independent living facilities operated in conjunction with them, that are owned by a church or a charitable or fraternal organization and occupied by clergy, members of a religious order, or other organization members who have retired from unpaid service to the church or a charitable, fraternal, or educational institution.

CONTENT AND OPERATION

Homes for the aged: tax exemption under current law

(sec. 5701.13)

Currently, property tax exemption is granted for nursing homes, retirement homes, and similar homes for persons who are elderly or who require nursing or assistance with daily activities. But to be exempted from taxation, such a home must satisfy certain conditions, as follows:

(1) It must be licensed as a nursing home, residential care facility, or adult care facility (these terms are defined under "Definitions," below).

* This analysis was prepared before the report of the Senate Ways & Means Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

(2) It must be owned by a nonprofit, federally tax-exempt organization formed for a religious, charitable, or fraternal purpose.

(3) It must be open to the public without regard to "race, color, or national origin."

(4) It does not pay unreasonably high compensation, unreasonably high prices for land, building, equipment, or supplies, or unreasonably high interest. (This condition is intended to prevent persons from circumventing the condition of nonprofitability by establishing or operating a nonprofit organization for personal gain.)

(5) It provides care for the remaining lifetime of residents, even if the resident is unable to continue paying the whole cost of the care.

If only part of a home satisfies these five conditions, then only that part qualifies for exemption from taxation.

Exemption granted to homes for retired members of certain institutions

(secs. 5701.13(B)(2) and 5709.12(C)(2))

The bill extends qualification for property tax exemption to certain kinds of homes for the aged satisfying some, but not all, of the foregoing conditions, but satisfying certain other conditions. To qualify under the bill's extended exemption, a home must satisfy the conditions described in paragraphs (2), (4), and (5), above, and two additional conditions:

- It is a "nursing home," "residential care facility," or "adult care facility," except that the home need not be licensed as such.
- It is provided at no charge to aged or infirm members of the organization owning the home on account of their uncompensated service to a religious, charitable, educational, or fraternal organization (but not necessarily the organization that owns the home).^{*} For the purpose of determining whether a member was compensated, the following cash or in-kind payments would not count: room and board, clothing, health care, or necessities provided to the member, or a stipend or other form of minimal payment to cover living expenses.

^{*} For example, nuns who are members of a religious order and who have worked in a school or hospital.

Independent living facilities

(sec. 5709.12(C)(2))

The bill also extends qualification for property tax exemption to "independent living facilities" affiliated with such homes for the aged. Independent living facilities are residential facilities that do not meet the statutory definitions for nursing homes, residential care facilities, or adult care facilities (because the occupants do not receive the same care, or necessarily have the same living arrangements, as do occupants of those homes and facilities).

To be exempted from taxation under the bill, the independent living facility must be operated by the religious, charitable, or fraternal organization in conjunction with, or at the same location as, a home for the aged qualifying for exemption as described above. The facility must be operated exclusively for the benefit of the organization's retired, aged, or infirm members on account of their uncompensated service to a religious, charitable, educational, or fraternal institution, and it must be provided to them at no charge.

Under current law, independent living facilities are not themselves exempted from taxation, but certain common areas used by both residents of the affiliated nursing home and residents of the independent living facility may be exempted, as may common areas used primarily by residents of the nursing home.

Effective date

(Section 3)

The exemption first applies to property tax year 2002 (i.e., it first affects taxes payable in 2003).

Definitions

The kinds of homes qualifying for tax exemption under the bill must satisfy definitions in current law for "nursing home," "residential care facility," or "adult care facility," but they do not have to be licensed as such. Homes are distinguished primarily on the basis of living arrangements and the kind of care provided, as evidenced by the current definitions:

- A nursing home is a home providing accommodations for three or more unrelated persons who require skilled nursing care or personal care services (e.g., assistance with daily living activities) because of illness or physical or mental impairment. (Sec. 3721.01.)

- A residential care facility is a home providing accommodations for 17 or more unrelated persons, at least three of whom require supervision and personal care services because of age or physical or mental impairment. (Sec. 3721.01.)
- An adult care facility is a home providing accommodations for between three and 16 unrelated persons, at least three of whom require personal care services. (Sec. 3722.01.)

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	10-23-01	pp. 974-975
Reported, H. Ways & Means	03-14-02	p. 1551
Passed House (97-0)	03-20-02	pp. 1583-1584
Reported, S. Ways & Means	---	---

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