Ohio Legislative Service Commission

Bill Analysis

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Sub. H.B. 311

130th General Assembly

(As Reported by H. Ways and Means)

Reps. Boose and Retherford, Winburn

BILL SUMMARY

- Authorizes a taxpayer eligible to claim a portion of a corporation franchise tax (CFT) credit for tax year 2014 for rehabilitating historic buildings to instead claim the credit at the end of tax year 2013, before the CFT expires.
- Clarifies that a taxpayer may deduct retirement pay from service in the Commissioned Corps of the National Oceanographic and Atmospheric Agency (NOAA) or Public Health Service (PHS) for taxable years beginning in 2013.
- Clarifies that a person eligible for the property tax homestead exemption without income limits continues to receive that exemption if the person's homestead changes.
- Declares an emergency.

CONTENT AND OPERATION

Historic rehabilitation tax credit claims

Continuing law establishes the historic building rehabilitation tax credit, which is a refundable credit equal to 25% of the qualified expenditures made for rehabilitating a building of historical significance in accordance with preservation criteria as determined by the State Historic Preservation Officer. A person seeking the credit is required to apply to the Director of Development Services, who evaluates the application and may approve a credit by issuing a tax credit certificate. The credit may be awarded and claimed against the corporation franchise tax (CFT) and several other taxes.

The CFT and the accompanying CFT forms necessary for a CFT taxpayer to claim the historic rehabilitation tax credit expire in tax year 2014 (CFT tax years correspond to calendar years). A taxpayer that had a taxable year – which is not a tax year, but a 12-month accounting period – that began in the middle of 2013 would not be able to claim the historic rehabilitation tax credit for tax year 2014. Since the CFT no longer exists after tax year 2013, the bill authorizes such a taxpayer whose credit certificate was effective before 2013 to claim the credit by the end of 2013 as though the taxpayer were claiming the credit for tax year 2014 or thereafter.[1]

NOAA and PHS income tax deduction

H.B. 59 authorized an income tax deduction for the retirement pay of a taxpayer that served in the Commissioned Corps of the NOAA or the PHS. That bill gave two apparently conflicting taxable years for which the deduction would begin to apply – taxable years beginning after January 1, 2013, and taxable years beginning after January 1, 2014. The bill resolves the conflict by authorizing a taxpayer to take the deduction for taxable years beginning on or after January 1, 2013.[2]

Homestead exemption

Overview of homestead exemption

Under continuing law, the homestead exemption is a property tax credit equal to the taxes that would be charged on up to $25,000 of the true value of the property of qualified homeowners. ("True value" is the appraised fair market value.) The credit essentially exempts $25,000 of the value of a homestead from taxation. It also applies to manufactured and mobile homes regardless of whether they are taxed as real property or taxed under the manufactured homes tax (except that manufactured and mobile homes are assessed at 40% of cost or market value and are depreciated). The amount of the tax reduction for a homestead depends on the local tax rate: the higher the tax rate, the greater the tax reduction. The homestead exemption is available only to homeowners who are 65 years of age or older, or permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption.

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[1] Section 5. H.B. 72 of the 130th General Assembly enacted a similar provision; however, that bill will not become effective until January 30, 2014. This provision affects tax year 2013, which will have closed by that date.

[2] Section 3 (Section 803.80 of H.B. 59 of the 130th General Assembly). H.B. 72 of the 130th General Assembly enacted a similar provision; however, that bill will not become effective until January 30, 2014. This provision affects taxable years beginning in 2013, many of which will have closed by that date.

Income limit clarification

Under recent changes to the homestead exemption in H.B. 59, the homestead exemption is available to newly qualified owners only if they have an Ohio adjusted gross income of $30,000 or less as computed for state income tax purposes. The income limit applies to the combined incomes of both spouses if the owner is married. Elderly or disabled homeowners who received the exemption for tax year 2013 (or tax year 2014 for homeowners who live in a manufactured home taxed under the manufactured home tax) are "grandfathered" and may continue to claim the homestead exemption even if the homeowner's income exceeds $30,000.

The bill clarifies that a "grandfathered" homestead exemption recipient continues to be excluded from the $30,000 income limit even if the recipient moves to a different homestead. The recipient retains grandfathered status for the new homestead as long as the recipient received the exemption for tax year 2013 (or tax year 2014 for a manufactured home subject to the manufactured home tax) for any other homestead.[3]

Emergency clause

The bill declares an emergency, causing the bill to become effective immediately and exempting it from the referendum.[4]

HISTORY

ACTION	DATE
Introduced	10-24-13
Reported, H. Ways & Means	11-14-13

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[3] R.C. 323.152 and 4503.065.

[4] Section 7.