

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: **Am. Sub. H.B. 177**

DATE: **May 19, 1998**

STATUS: **As Passed by the Senate**

SPONSOR: **Rep. Jones**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal Cost**

CONTENTS: **To allow residential property owners to apply for the 2½% rollback at the time of property conveyance and increase notification to homeowners concerning the program; to authorize the conveyance of state-owned real estate in Cuyahoga County**

State Fiscal Highlights

STATE FUND	FY 1999	FY 2000	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential Minimal Increase	Potential Minimal Increase	Potential Minimal Increase
Department of Mental Health Trust Fund			
Revenues	\$400,000	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- By allowing homeowners to apply for the 2½% rollback at the time of property conveyance, there may be an increase in the number of residences that receive the rollback resulting in a minimal increase in GRF expenditures for the local reimbursement of this program.
- By authorizing the conveyance of state-owned real estate in Cuyahoga County to HDH Mechanical, Inc. the Department of Mental Health Trust Fund will realize a revenue gain of \$400,000.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
Counties			
Revenues	Potential Minimal Increase	Potential Minimal Increase	Potential Minimal Increase
Expenditures	\$250,000 decrease	\$250,000 decrease	\$250,000 decrease

- By allowing homeowners to apply for the 2½% rollback at the time of property conveyance counties would see a minimal increase in costs associated with printing the notifications.



- By allowing homeowners to apply for the 2½% rollback at the time of property conveyance, counties would realize a decrease in costs associated with the current requirement to mail homeowners an application for the 2½% rollback after conveyance of property.
- By allowing the county auditor or treasurer to impose a penalty when a homeowner receives the 2½% rollback erroneously, county revenues have the potential to increase by an amount equal to any overpayment of the credit.
- By requiring county auditors to mail notices to homeowners whose property was conveyed during tax years 1995 through 1998, county expenditures will minimally increase from the costs associated with printing and mailing the notices.

Detailed Fiscal Analysis

Residential Property Tax Relief

This bill requires that county auditors notify residential property taxpayers of the existence of the 2½% rollback of real property taxes, the eligibility requirements of the program, the homeowners obligation to notify the auditor if they are improperly receiving the credit, and the penalties associated with improperly receiving the credit. In addition, homeowners would apply for the rollback as part of the filing of real property conveyance forms. Under current law, this program provides a tax credit equal to 2½% of the total property tax bill for owner occupied residential homesteads, provided the homeowner has applied for the rollback. Local taxing authorities are fully reimbursed for the cost of this program from the GRF. Approximately 81% of all residential property currently receive the 2½% rollback at a cost of \$91 million to the state. It is unknown what portion of the remaining property is eligible for the 2½% rollback and it is not possible to determine eligibility from the information on the tax list. It can be assumed that some homeowners who are entitled to the credit are not receiving it. In combination, these two provisions will likely lead to some increase in the number of households receiving the rollback. It is not possible to estimate what portion of the remaining properties will receive the credit, but is anticipated the impact to the GRF will be a minimal increase in expenditures.

The bill also requires county auditors to send notifications of the 2½% rollback to all homeowners meeting the following criteria:

- The property was conveyed between tax years 1995 and 1998;
- The property is not currently receiving the rollback;
- The owner does not receive the tax bill for the property; and
- The county auditor has not previously mailed the owner a notice of the program.

Auditors are currently required to send an application for the rollback program to any home conveyed during the previous tax year; therefore it is unlikely this provision will cause any substantial increase in costs. In addition, the elimination of the requirement to mail applications for the rollback under the revised notification procedures will result in savings of approximately \$250,000 per year.

This bill allows county auditors or treasurers to impose a penalty equal to the total amount of the 2½% rollback received by a homeowner if the owner was not entitled to the relief. LBO is unable to estimate the number of homeowners erroneously receiving this relief; therefore, it is not possible to estimate the potential increase in county revenue from imposition of the fine. However, in previous discussions with county auditors, they have indicated that it is very difficult to police this relief. Determining if a homeowner actually occupies a property may require the auditor to visit the property and this is not feasible without good cause. Any increase in revenue from the imposition of the penalty is likely to be minimal.

Real Property Conveyance

The bill authorizes the conveyance of a warehouse facility operated by the Department of Mental health in Cuyahoga County to HDH Mechanical, Inc. for a price of \$400,000. Proceeds from the sale will be deposited into the Department of Mental Health Trust Fund. This fund was created in the biennial budget bill of the 121st General Assembly and receives all proceeds from the sale or lease of lands and facilities by the department. The funds are to be used for authorized programs of the department; however, no appropriations have been made from this fund.

□ *LBO staff: Barbara Mattei Smith, Economist*

H:\FN122\hb0177sp.doc