

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: Am. S.B. 123 **DATE:** September 10, 1997

STATUS: In House Ways and Means (includes amendment S123AM1.22) **SPONSOR:** Sen. White

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: Provides opportunity for owner of certain property to receive a reduction in valuation of property for current tax year and authorizes a waiver or refund of taxes on destroyed manufactured homes

State Fiscal Highlights

| STATE FUND | FY 1998 | FY 1999 | FUTURE YEARS |
|-----------------------------|----------------------|----------------------|----------------------|
| General Revenue Fund | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | Indeterminate change | Indeterminate change | Indeterminate change |

- Due to decreased valuation of real property from damage and/or destruction, the state would expend less for state property tax rollbacks. The rollbacks do not include the taxes on manufactured homes.
- Due to decreased valuation of real property from damage and or destruction, the state would increase basic aid funding to local districts to offset real property tax losses.

Local Fiscal Highlights

| LOCAL GOVERNMENT | FY 1998 | FY 1999 | FUTURE YEARS |
|---------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| Local Tax Authorities excluding School Districts | | | |
| Revenues | Potential significant loss | Potential significant loss | Potential significant loss |
| Expenditures | - 0 - | - 0 - | - 0 - |
| School districts | | | |
| Revenues | Potential significant loss partly offset | Potential significant loss partly offset | Potential significant loss partly offset |
| Expenditures | - 0 - | - 0 - | - 0 - |

- Local taxing authorities stand to lose significant revenues from reductions in value for damaged or destroyed real property and manufactured homes.
- When real property value decrease, state basic aid payments increase and offset a portion of the loss in tax revenues.



Detailed Fiscal Analysis

The bill provides additional opportunities for the owners of property to apply for a reduction in value due to damage or destruction. The first opportunity concerns most types of property. It expands the time frame in which a property owner may apply for a reduction in value for damaged or destroyed property in a given tax year. Secondly, the bill allows owners of manufactured homes to apply for a waiver or refund of taxes on a manufactured home due to destruction or damage of the home. The bill uses the date of the destruction when calculating the tax relief rather than the date of application. The provisions of the bill would apply to damage since January 1, 1997, if the bill is effective this calendar year.

Reduction in the Valuation of Damaged or Destroyed Real Property

Current law provides the opportunity for owners of real property to apply to the county auditor for a reduction in value due to damage or destruction within a given year. No deduction can be made if the damage to the property is less than \$100. At present, the owner must apply for damage devaluation with the county auditor no later than the 30th day after the last day of the calendar quarter in which the damage occurred.

| Time of property damage or destruction | Deduction from the valuation of the property |
|----------------------------------------|----------------------------------------------|
| 1st quarter of calendar year | Extent of the damage or destruction |
| 2nd calendar quarter | 75% of destruction amount |
| 3rd calendar quarter | 50% of destruction amount |
| 4th calendar quarter | 25% of destruction amount |

Under the proposed changes, property owners would no longer be obligated to report damage within the quarter the damage occurred to receive a reduction in property taxes from a reduction in value. Currently, if a property owner had sustained \$10,000 in damages to a parcel of property in the 2nd calendar quarter and the property owner did not apply for a reduction in value in the second quarter, no devaluation could be applied for that year. With the proposed changes the property owner would be able to apply for a reduction in value anytime that year and receive a percentage reduction in value corresponding to the quarter of the year that the damage occurs in.

This change in property values for a given calendar year may cause significant losses for local taxing authorities and school districts. The amount of lost revenue would be dependent on the number of properties damaged or destroyed in a given year and would be greater in years of widespread damage due to natural disasters such as fire, flooding, or tornadoes.

Reduction in the Valuation of a Manufactured Home

Most property taxes are paid in arrears, which means the taxes are paid one year after they are levied. Therefore, any property devaluation in the current year reduces the revenues of local taxing authorities the following year. However, manufactured homeowners pay taxes the year they are levied.

The bill creates a process for an application in reduction of value for a manufactured home that has been destroyed or damaged. The reduction is one similar to the application that exists for all other types of real property. Under the bill, an owner of a manufactured home that is damaged may apply to the county auditor for a tax refund or waiver of the current year's taxes on the home. If the auditor determines that the damage occurred in the first half of the calendar year, the taxes paid on the home for the year will be refunded or waived. If damage occurs in the second half of the calendar year, one-half the amount of the taxes paid on the home will be refunded or waived.

Using the current year as an example, due to spring flooding in many areas of the state, approximately 1,000 manufactured homes were destroyed according to the Emergency Management Agency. Property tax revenue losses would be around \$115,000. Decreased manufactured home tax revenue is indeterminate and would vary by county and year depending on the number of manufactured homes destroyed. Losses could be concentrated in just a few taxing districts.

The taxes refunded under the manufactured home damage provision will be paid out of the county's Undivided General Property Tax Fund. Decreases revenues effect all local-taxing authorities, especially school districts because they receive approximately 70 percent of all property tax revenue. In addition, manufactured home values are not included in the foundation level. Consequently, any losses in tax revenue due to destroyed or damaged manufactured homes are not offset by increases in basic aid payments made by the state.

□ *LBO staff: Kerry Myford, Graduate Researcher*

H:\FN122\SB0123h1.doc