

- School districts will potentially have a decrease in district valuation, which will then increase their state basic aid.
- Approximately 15% of the delinquent properties are church properties.

Detailed Fiscal Analysis

Ohio law allows for certain qualifying properties to be exempt from property taxation. Such properties are:

- Churches and certain church related property
- Public schools and colleges that are not operated for profit
- Government and publicly owned property that is used for public purpose
- Property used exclusively for charitable purposes
- Cemeteries that are not operated for profit

The process of exempting a property requires the property owner to file an application with the Tax Commissioner. If there is no outstanding or unresolved tax or assessment charges levied against the property, then the Tax Commissioner may place the parcel on the tax exempt property list and notify the relevant county auditor. If the property contains an outstanding debt, then the property owner may request up to three year's worth of outstanding taxes to be abated, otherwise, the Tax Commissioner is prohibited from considering the exemption application. Any taxes not abated must be paid before a property is considered for exemption.

It is possible that a qualifying exempt property does not file an exemption application and then realizes this when their property tax bill arrives. In order to file for exemption, they must first petition the Tax Commissioner for an abatement of current property tax debt. If the property has more than three years of back taxes due, an exemption will not be granted until the bill is paid. H.B. 27 provides a temporary procedure whereby qualifying property may be exempted from taxation, and all past due taxes, penalties, and interest may be abated, even if more than three years worth of past due taxes has accrued because an exemption application was not filed.

To estimate the statewide total of qualified exempt property, LBO was able to obtain a delinquent property tax list from the Franklin County Auditor's office and narrowed down the 1,800 (front and back) pages of delinquent properties to potential exempt properties. The reduced list is not exact since only properties that seemed to fit exemption qualifications were pulled, some potentially exempt properties may have missed and non-exempt properties may have been included. There are approximately 350 properties in Franklin County that may qualify for exemption, with a total tax bill of \$3.8 million dollars, inclusive of tax year 1999 (excluding penalties). It is not known how many of these parcels are currently in the process of having their tax bill abated. Approximately 15% of all delinquent parcels were churches and the remaining 85% of the parcels were properties owned by the state of Ohio and local governments.

Estimating the statewide cost is based on this one sample value. Assuming Franklin county real property taxes charged are proportional to state total real property taxes charged, then the estimated state total tax bill for exempt property is \$31 million. Not being able to determine which properties qualify for exemption status and which properties do not, the statewide cost of \$31 million is considered a "worst" case scenario.¹

¹ The Department of Taxation stated that about 150 cases, statewide, are heard each year for the abatement of unpaid taxes of exempt properties and Franklin County alone has the potential for 350 cases. This suggests either (1) not all

There are several local and state impacts of the worst case scenario. At the local level, there is the potential for a revenue loss. Property tax revenues are split approximately seventy percent to school districts and thirty percent to other local governments. In the worst case scenario, this implies a FY 2000 loss of \$21.7 million to the state's school districts and \$9.3 million to state's other local governments. School districts will lose total property valuation from the currently delinquent properties being removed from the tax list, which will then increase their state basic aid (valuation per pupil goes down). The increase in state basic aid may or may not offset the revenue loss. The state will have increased cost expenditures from the increase in basic aid to education but they will also have a decrease in cost expenditures from a reduction in the 10% rollback program.

It is important to note that no money will be refunded. Exempt properties will be given the opportunity to have their current debt erased in order to file an application for exemption. HB 27 would eliminate the need for such properties to file for abatement and then re-filing for exemption status. It is also important to note that total property taxes levied in calendar year 1997 was \$6.8 billion and \$31 million is less than one percent of this revenue, but, at the same time, the lost revenue affects both school districts and local governments. Removal of properties from the tax list due to exemption will have an impact, albeit large or small.

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the properties in Franklin County will qualify for abatement of unpaid taxes, or (2) there exists a large number of properties that have not formally applied for abatement, possibly due to accumulated tax bills.