
Detailed Fiscal Analysis

The bill creates a tax reduction formula to determine which school districts bear a relatively high proportion of property tax burden and then reduces each resident's property tax bill by the determined excess burden percentage. Relief is primarily given to "bedroom" communities, which are school districts that have a large proportion of residential property.

Subsidy Formula

In explaining the formula for reduction, the below definitions are employed.

Residential Property – Real residential property that is classified as residential/agricultural property pursuant to section 5713.041 of the Revised Code.

Taxable Property – Real and tangible personal property listed on the real and public utility tax list and the general tax list of personal property.

Taxes Charged and Payable – Taxes charged and payable against property after the reductions required under sections 319.301, 319.302, and 323.152 of the revised code and disregarding the reduction granted by this bill.

School District Income Taxes (SDIT) – The tax liability for the preceding year under any school district income tax levied by a school district pursuant to Chapter 5748. of the Revised Code.

Using the above definitions, the calculations below are performed based on school district level data.

Residential Tax Quotient (RTQ) is calculated as follows:

$$\text{RTQ} = \frac{\text{Residential Taxes Charged and Payable} + \text{SDIT}}{\text{All Property Taxes Charged and Payable} + \text{SDIT}}$$

Average Residential Tax Quotient (ARTQ) is calculated as follows:

$$\text{ARTQ} = \frac{\text{Sum of All Residential Taxes Charged and Payable in the State} + \text{SDIT}}{\text{Sum of All Property Taxes Charged and Payable in the State} + \text{SDIT}}$$

Excess Residential Tax Quotient (ERTQ) is calculated as follows:

$$\text{ERTQ} = \text{RTQ} - (\text{ARTQ} + 0.1)$$

Effective Residential Tax Rate (ERTR) is calculated as follows:

$$\text{ERTR} = \frac{\text{Residential Taxes Charged and Payable} + \text{SDIT}}{\text{Taxable Value of Residential Property}}$$

Annually, the Tax Commissioner shall do the following computations and steps:

- (1) Determine the ERTQ of each school district.
- (2) If the district's ERTQ > 0, the Tax Commissioner shall determine the districts' ERTR.
- (3) If the districts' ERTR > 0.023, the Tax Commissioner shall determine the following:

Product = [lesser of 0.002 or (ERTR – 0.023)] × [District's Total Taxable Value] × ERTQ

- (4) Determine the percentage the Product represents of the total residential taxes charged in the district or:

Excess Percentage = Product/Total Residential Taxes Charged in the district

- (5) If Excess Percentage is ≥ 0.005, the Tax Commissioner shall reduce each resident's property tax liability (tax bill) by the determined Excess Percentage.

Analysis

LBO used data from 1994 –1997 (only available school district data) and applied the formula. Table 1 presents the state cost, number of qualifying districts and the number of these districts at the HB 920 20-mill floor for both property classes. The program's cost varies between \$2.3 million and \$3.2 million in these four years. The number of qualifying districts were around 90, with approximately 25 school districts at the HB 920 20-mill floor. A maximum ranges from 1.3 percent to 1.9 percent. On average, each homeowner in a qualifying school district receives about a one- percent reduction in their property tax bill.

Table 1			
Application of the Formula			
Year	Cost	No. Districts Qualifying	No. Districts at Both Floors
1994	\$2.4 million	80	19
1995	\$2.3 million	90	25
1996	\$3.2 million	88	25
1997	\$2.8 million	97	26

Summary

Using data from 1994-1997 and applying the tax reduction formula, it is shown that the annual state cost would have been between \$2 million and \$3 million. LBO does not foresee this cost estimate increasing much more than \$5 million over the next few fiscal years due to the parameter constraints within the formula.

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