



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 248 of the 128th G.A.

**Date:** May 25, 2010

**Status:** As Introduced

**Sponsor:** Sen. Gibbs

**Local Impact Statement Procedure Required:** Yes

**Contents:** To lengthen the period for which certain structures in a Community Reinvestment Area may be exempted from property taxation

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
<b>Counties, municipalities, and townships</b>			
Revenues	- 0 -	- 0 -	Potential annual loss of hundreds of thousands of dollars or more per project
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Local municipal or county authorities may authorize a property tax exemption under existing community reinvestment area (CRA) laws if the affected board of education approves of the arrangement. The bill's extension could reduce revenues to political subdivisions in future years by hundreds of thousands of dollars for a single structure. Any such revenue loss would be permissive for affected school districts and for the county or municipal jurisdiction granting the extension. Other local jurisdictions may also experience a revenue loss, however, without having consented to it.

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## Detailed Fiscal Analysis

A community reinvestment area (CRA) is an area, designated by the encompassing municipality or county, in which the municipality or county finds that housing or structures of historical significance exist and that new housing and repair of existing facilities or structures "are discouraged." Under current law the legislative authority of the municipality or county may exempt up to 100% of a new or remodeled structure's taxable value and may grant the exemption for up to 10, 12, or 15 years, depending on how the structure is used and whether it is new or remodeled.

S.B. 248 lengthens the maximum exemption period for new commercial or industrial structures in a CRA from 15 to 30 years if specified project requirements are satisfied. If a business occupying the new structure reduces operations elsewhere in the state within one year before or after occupying the new structure, the exemption period is limited to 15 years, as under current law. The following requirements must also be met before a structure could qualify for the extension to 30 years:

1. The Director of Development must approve the exemption, and construction must begin before January 1, 2012;
2. During the course of the construction, the project must employ at least 100 people, of which at least 75% are Ohio residents;
3. Total construction costs must exceed \$50 million, and 75% of the materials used in construction must be manufactured in Ohio or supplied by Ohio businesses;
4. Once construction is complete, the project must employ at least 200 new full-time employees.

### Fiscal effect

Local municipal or county legislative authorities may authorize a property tax exemption under existing CRA laws if the affected board of education approves of the arrangement. If authorized by a county, the exemption would be permissive for the county and for affected school districts, but would reduce the tax base for municipalities and townships in the county without their consent. Similarly, if granted by municipal authorities, the exemption would be permissive for the municipality and for affected school districts, but the tax base for the county and for townships would be reduced without them granting permission for the exemption.

Existing CRA law permits a county or municipal tax base, respectively, to be reduced without the taxing authority's permission for the first 10 to 15 years of a project. Thus, the fiscal impact of S.B. 248 will affect the taxing authority in the latter 15 to 20 years of the 30-year CRA designation. Annual revenue losses on a \$50 million property with a taxable value of \$17.5 million could amount to hundreds of thousands of dollars

depending on the effective tax rate and the county's share, or municipality's share if applicable, of the total property tax liability incurred by a given property owner.

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