



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [Sub. H.B. 50 of the 129th G.A.](#)

**Date:** April 19, 2012

**Status:** As Reported by House Local Government

**Sponsor:** Rep. Schuring

**Local Impact Statement Procedure Required:** No

**Contents:** Creates a municipal income tax exemption that applies under certain circumstances under expedited Type II annexation procedures

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

The bill establishes a specific municipal income tax exemption that applies to compensation earned by persons performing personal services for a political subdivision on its property when that property is annexed to a municipal corporation under the expedited Type II annexation procedure. The exemption applies to both employees of the annexed political subdivision or persons working under contract with the annexed political subdivision. The municipal income tax exemption does not apply, however, if the employee or person under contract with the annexed political subdivisions resides in the annexing political subdivision. This avoids a situation in which an employee of the political subdivision or a person working under contract for that political subdivision would be subject to differing income taxes. Overall, the changes in the bill could have the effect of deterring certain political subdivisions from annexing property owned by other political subdivisions through the expedited Type II annexation procedure.

The expedited Type II annexation procedure is a special procedure for annexing no more than 500 acres of land in the unincorporated territory of a township into a municipal corporation. To initiate the expedited Type II annexation procedure, 100% of the owners of real estate in the unincorporated territory of a township area proposed for annexation must sign the annexation petition. Under this procedure, if a municipal corporation and the township of the territory being annexed agree to the annexation, the board of county commissioners must approve it. The procedure is expedited in that there is no hearing and no right to appeal, and a municipal corporation or township may only object to the failure of the petition to meet any of seven conditions specified in continuing law.