Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: S.B. 236 of the 129th G.A.

Date: April 24, 2012

Status: As Introduced

Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: No – corrected after initial review

Contents: To exempt homesteads of totally and permanently disabled veterans from real property taxation or the manufactured home tax

State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase up to $17.0 million	Increase up to $17.3 million	Annual increase up to $17.7 million or more

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- Expanding the homestead exemption to include a 100% property tax exemption for totally and permanently disabled veterans would increase GRF expenditures up to $17.0 million in FY 2013, and the annual expenditure amount would increase up to 2% per year for every year thereafter.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

S.B. 236 totally exempts from real property taxation homesteads that are owned and occupied by veterans of the U.S. armed services, their reserve components, and the National Guard, if the veteran is or was honorably discharged with a service-connected total and permanent disability. The exemption applies to homesteads, units in a housing cooperative, and manufactured or mobile homes taxed under the manufactured home tax.

To receive the exemption, a disabled veteran must apply to the county auditor, and must provide written confirmation of disability by the U.S. Department of Veterans Affairs or other federal agency.

If a disabled veteran dies while receiving the exemption, the exemption continues for the homestead if a surviving spouse acquires ownership of the homestead and resides there. No age restriction is placed on surviving spouses. The exemption continues through the year in which the surviving spouse dies, ceases to own or occupy the homestead, or remarries.

As with the existing homestead exemption, local taxing units would be reimbursed by the state, from the General Revenue Fund, for the forgone taxes, and county auditors and treasurers would receive an amount equal to 3% of the exempted taxes to defray their administrative costs. The bill does not contain an appropriation increase for the corresponding line items, but Am. Sub. H.B. 153 (the FY 2012 – FY 2013 operating budget) appropriates any sums in addition to the appropriation amounts that are determined to be necessary to pay for the homestead exemption and the property tax rollbacks.

Fiscal effect

The bill applies to disabled veterans that already receive the existing homestead exemption. The existing exemption applies to, among others, those that are permanently and totally disabled. The fiscal effect of the bill is equal to the marginal tax benefit granted to veterans with a 100% service-connected disability. Under current law, the homestead exemption equals the net[1] amount of taxes due on $25,000 of the appraised market value of a homestead.

Data limitations prevent LSC from determining the value of homes for veterans with a 100% service-connected disability, and privacy laws prevent LSC from knowing the aggregate amount of real estate taxes paid by this population. However, an estimate can be constructed using information from multiple sources. According to data accessed by the Department of Taxation, the federal Veterans Benefits

[1] The term "net" is used to account for the 10% rollback granted to all Class I properties in Ohio, and the 2.5% rollback granted to all owner-occupied properties in Ohio.

Administration estimates that there were 8,037 veterans in Ohio who were 100% disabled due to a service-connected disability as of September 30, 2010. The American Community Survey (ACS), which is produced by the U.S. Census Bureau, estimated the median real estate taxes paid by Ohioans living in owner-occupied units to be $1,932 in 2010.

The annual cost of the property tax exemption, for which the state must reimburse local taxing jurisdictions, is estimated to be $15.5 million (where $15.5 million = 8,037 veterans x $1,932 annual taxes paid). The median amount of real estate taxes paid is less than the average amount of real estate taxes paid, so this fiscal effect assumption is balanced by the assumption that all 8,037 veterans will qualify for the property tax exemption despite the fact that the ACS data indicates that Ohio's home ownership rate was 67.6% in 2010. The annual cost of the property tax exemption will increase in future years for a variety of reasons, including: (a) property tax rates increasing as a result of public referendums, (b) unvoted property taxes increasing as property values grow, and (c) the potential for an increasing number of disabled veterans establishing residences in Ohio once they complete their military service. A 2% rate of growth is applied to the annual estimate for 2010 to account for these factors.

In addition to the reimbursing local taxing jurisdictions for the cost of the property tax exemption, the Tax Commissioner must pay an administrative fee equal to 3% of the homestead property tax reduction to each county's undivided income tax fund. The annual administrative fee would increase GRF expenditures by another $465,000 (approximately), and the total GRF cost of S.B. 236 would be up to $16.0 million for FY 2010, and up to $17.0 million for FY 2013 after accounting for two per cent annual growth. Both the property tax reimbursement and the county officials' administrative fee would be paid from two appropriations, item 200901, Property Tax Allocation – Education, and item 110901, Property Tax Allocation – Taxation.

SB0236IN / th