# Ohio Legislative Service Commission

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# Fiscal Note & Local Impact Statement

**Bill**: Am. Sub. H.B. 85 of the 130th G.A.

**Date**: June 3, 2014

**Status**: As Enacted

**Sponsor**: Reps. Terhar and Gonzales

**Local Impact Statement Procedure Required**: No

**Contents**: To increase, from $25,000 to $50,000, the amount of the Homestead Exemption available to veterans who are permanently and totally disabled

## State Fiscal Highlights

| STATE FUND | FY 2015 | FY 2016 | FUTURE YEARS |
|---|---|---|---|
| **General Revenue Fund** | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | Increase up to $1.6 million | Increase of about $3.2 million | Increase of about $3.2 million per year |

Note: The state fiscal year is July 1 through June 30. For example, FY 2014 is July 1, 2013 – June 30, 2014.

- Increasing the Homestead Exemption value for disabled veterans would increase GRF expenditures by $1.6 million in FY 2015 and up to $3.2 million in FY 2016 and future years.

## Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

## Detailed Fiscal Analysis

H.B. 85 increases, from $25,000 to $50,000, the amount of the Homestead Exemption that is available to homesteads that are owned and occupied by veterans of the U.S. armed services, their reserve components, and the National Guard, if the veteran received a permanent total disability rating or a total disability rating for service-connected disability. The enhanced 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. 59 (the FY 2014-FY 2015 operating budget) appropriates any sums in addition to the line item appropriation amounts that are determined to be necessary to pay for the Homestead Exemption and the property tax rollbacks.

### Enhanced Homestead Exemption for certain veterans

Presumably, all Ohio veterans who were honorably discharged with a service-connected total and permanent disability already qualified for the Homestead Exemption because it is currently applicable to persons that are permanently and totally disabled. Although data limitations prevent LSC from knowing the average value of the Homestead Exemption for veterans with a 100% service-connected disability, the Homestead Exemption saved the average claimant $460 in tax year (TY) 2011. By TY 2014, the average taxpayer's savings would be $510. Exempting up to $50,000 of the true value of the property for certain Ohio veterans would save the veteran up to $1,020 per year, and this amount could be higher as homeowners' property tax rates increase in future years and as future levies no longer qualify for the 10% and 2.5% rollbacks. Nevertheless, the marginal cost of H.B. 85 represents the difference between the existing tax benefit ($510) and the enhanced exemption ($1,020). Therefore, the average Ohio veteran with a 100% service-connected disability could save an additional $510 per year if H.B. 85 were enacted.

The number of Ohio veterans who were honorably discharged with a service-connected total and permanent disability has increased in recent years. The number increased from 8,037 veterans as of September 30, 2010 to 10,433[1] for the most recent available statistical period, FY 2013. Although it is possible that the population will grow in future years, this analysis assumes the FY 2013 number will remain constant for TY 2014-TY 2015, which is the two-year period that coincides with the upcoming fiscal years, FY 2015-FY 2016. It is doubtful that all 10,433 veterans are Ohio homeowners, and American Community Survey data from the U.S. Department of Commerce suggests that 58.7% of Ohio veterans, inclusive of those without a service-connected disability, own the type of home that could potentially qualify for the Homestead Exemption. When this percentage is applied to the eligible population of Ohio veterans, the available data indicate that about 6,124 veterans will qualify for the enhanced exemption in H.B. 85. Beginning in TY 2014, these veterans would save up to $3.1 million per year (where $3.1 million = $510 in homeowner savings multiplied by 6,124 homeowners) provided they all have homes worth at least $50,000.

The bill makes the changes applicable to tax years beginning in TY 2014. Half of the annual taxpayer savings amount for TY 2014, slightly less than $1.6 million, will increase GRF expenditures in FY 2015 and the other half of the TY 2014 amount will impact FY 2016 expenditures. In addition to 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 less than $0.1 million (approximately), and the total GRF cost of H.B. 85 would be $1.6 million for FY 2015, and up to $3.2 million for FY 2016. 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.

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[1] According to communication received from the Ohio Department of Veterans Services on November 5, 2013.