



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [Am. H.B. 198 of the 130th G.A.](#)

**Date:** March 31, 2014

**Status:** As Re-referred to House State and Local Government

**Sponsor:** Reps. Butler and Burkley

**Local Impact Statement Procedure Required:** No

**Contents:** Permits some property owners to opt out of a proposed tax increment financing incentive district

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

- The bill requires that the notice to real property owners whose property is within a proposed tax increment financing (TIF) district inform each property owner of the owner's right to exclude the property from the district if the entire parcel will not be located within the boundaries of the district.
- The bill specifies that any owner of real property located within a proposed TIF district may exclude the property from the district by submitting a written response that conforms to any content requirements included in the notice.
- Property owners who opt out of a TIF district may pay taxes instead of service payments, or alternatively may participate in parcel or project TIFs instead of the TIF district.
- Newly proposed TIF districts must be square or rectangular.
- LSC does not have estimates of the amounts of taxes or service payments that would be affected by these changes.

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## Detailed Fiscal Analysis

In current law, political subdivisions – municipal corporations, townships, or counties – proposing a tax increment financing (TIF) incentive district are required to provide notice to the owner of each parcel within the proposed incentive district, before adopting the TIF ordinance or resolution. The bill requires that the notice inform the owner of the owner's right to exclude the property from the incentive district if the entire parcel will not be within the district. The bill further states that any owner of real property located in a proposed TIF district may exclude the property from the district by submitting a written response that conforms to any content requirements included in the notice.

Property owners who opt out of a proposed TIF district would pay taxes rather than service payments on the value of any improvements to their properties. Alternatively, improvements to a parcel excluded from a TIF district under the procedure in the bill could be exempted from taxation, with service payments required instead, as part of a parcel or project TIF.

Generally, owners of property in a TIF district make service payments in lieu of, and equal in amount to, taxes that would otherwise be due on a portion of the value of improvements to that property for a specified period of years. The service payments are used to finance public infrastructure improvements in the district by the local government that granted the tax exemption. The taxes due on the portion of the value not exempted from taxation, and distributed to the various units of local government that levy taxes in the tax district where the parcel is located, are unaffected by the TIF.

Current law provides for two types of TIFs, parcel or project TIFs and TIF districts. The parcel or project TIFs include specified parcels. The TIF districts include all parcels within a specified area. The changes made by the bill would apply only to TIF districts.

By allowing some property owners whose properties are in a proposed TIF district to opt out of the district, the bill may result in additional tax payments to units of local government, equal in amount to the service payments that would otherwise be received. Alternatively, it may result in service payments for parcel or project TIFs that would otherwise be made as part of TIF districts. LSC does not have estimates of the amounts resulting from these changes.

In addition, the bill requires that a municipal corporation, township, or county proposing a TIF incentive district specify an area to be included in the district that is square or rectangular with the longer sides not more than twice the length of the shorter sides. Under continuing law, unchanged by the bill, the district must be not more than 300 acres in size and enclosed by a continuous boundary.