BILL:	**Am. H.B. 194**	DATE:	**June 30, 1999**
STATUS:	**As Enacted - Effective November 24, 1999**	SPONSOR:	**Rep. Jones**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Exempts from taxation residential real property constructed or rehabilitated and held by a nonprofit charitable organization for the purpose of transferring the property to qualified low-income families**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	**FY 1999**	**FY 2000**	**FUTURE YEARS**
Revenues	- 0 -	Minimal Loss	Minimal Loss
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	Minimal Loss	Minimal Loss
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.

- Data received from Habitat for Humanity estimates 167 new homes were constructed and 20 more homes rehabilitated in 1998. Potential lost property tax revenue from exempting only Habitat for Humanity properties is approximately $20,000 and no county incurred more than $10,000 in lost revenue. It is assumed that other organization constructing homes for low-income families would increase the total cost to approximately $25,000 annually.

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77 South High Street, 8th Floor, Columbus, OH 43266-0347 ✧ Phone: (614) 466-8734 ✧ E-mail: BudgetOffice@LBO.STATE.OH.US

Detailed Fiscal Analysis

Under current law, residential real property that is held by a nonprofit charitable organization for the purpose of transferring the property to low income families is taxed. The bill would exempt this property from taxation for up to two-years, beginning when the non-charitable organization obtains title to the property. The exemption is terminated when the property is transferred to a low-income family. If the property is transferred to a non-low-income family, the exemption is also terminated and all tax savings must be recouped. A qualified low-income family receiving the property is one whose income does not exceed 200% of the poverty guidelines established by the U.S. Department of Health and Human Services.

Habitat for Humanity (Mid-East Regional Office, Cleveland, OH) provided data on the number of newly constructed and rehabilitated homes in Ohio. In 1998, 167 new homes were constructed and 20 more were rehabilitated. Stark County had the most new homes constructed with thirty-two. The breakdown of each property's tax bill is unknown to LBO, but applying an average millage rate of 50 mills and assuming newly constructed homes were built on empty lots with an annual tax bill of $78.75 ($5,000 market value), and rehabilitated homes were built on higher valued lots with an annual tax bill of $157.50 ($10,000 market value), then the total cost for Habitat for Humanity properties, after the 10-percent rollback, in 1998 is approximately $16,000. It is assumed other organizations involved in constructing homes for low-income families would increase the bill's cost to $25,000 for 1998. Since there would be a flow of property eligible for this tax reduction, the $25,000 would represent an annual loss. The annual loss could be somewhat higher if the property holding time is often two years rather than one year.

❑ *LBO staff: Jeff Petry, Economist*
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