

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. H.B. 198** DATE: **December 5, 2002**

STATUS: **As Enacted – Effective March 31, 2003** SPONSOR: **Rep. Peterson**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Requires delinquent property tax collections to be distributed among taxing districts in proportion to current tax rates, rather than the rates in effect while the taxes were outstanding and makes slight changes regarding county auditor's tax valuation certifications**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2003	FY 2004	FUTURE YEARS
Counties, School Districts, Municipalities, Townships, Special Districts			
Revenues	- 0 -	Potential Gain or Loss of up to many thousands of dollars	Potential Gain or Loss of up to many thousands of dollars
Expenditures	- 0 -	Minimal increase or decrease	Minimal increase or decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill requires delinquent property tax collections to be distributed among taxing districts in proportion to current tax rates, rather than the rates in effect, while the taxes were outstanding. Due to the change in the distribution requirements of delinquent property taxes county auditors will have a minimal decrease in expenditures.
- Statewide, the effect of the distribution changes will be close to revenue neutral due to the relatively constant statewide effective millage rate. But, at the individual tax district level, a significant revenue gain or loss could occur if current tax rates are substantially different than the tax rate during the delinquency period. Due to the very complex nature of Ohio's tax districts and the unavailability of data, LSC did not forecast the possible district-by-district revenue losses.
- The bill requires county auditors to issue a tax valuation certification within ten days from receiving a request from local taxing authorities. The bill also requires a copy of this certification to accompany the taxing authority's resolution or ordinance to the county board of elections. The short, ten-day window for county auditors to issue a certification could result in a minimal increase in county expenditures.



Detailed Fiscal Analysis

Delinquent Property Tax Distributions

Under current law, each taxing district is entitled to its proportionate share of that year's delinquent property tax collection, minus a five percent county administration cost. The proportionate share is determined in the year the taxes were due and is the percentage of the total tax collections that the district is entitled to relative to all other taxing districts that tax the same property. H.B. 198 proposes to distribute delinquent tax collections based on the current year's proportionate share of tax collections instead of the proportion in the year of delinquency.

The fiscal impact of the bill will result in some tax districts receiving more or less revenue in comparison to the current distribution system. The State of Ohio has approximately 4,100 tax districts. These tax districts are not unique and therefore overlap, creating a much higher permutation of tax rates on individual parcels of property.

According to the Department of Taxation, total delinquencies in calendar year 2000 were \$985.0 million, a 10.9% increase from the 1999 total of \$888.0 million. Real and public utility personal property delinquencies comprised \$598.7 million of the CY 2000 delinquencies while tangible personal property delinquencies amounted to \$309.4 million. Special assessment delinquencies totaled \$76.9 million. The table below lists total property tax delinquencies by county.

Delinquent Property Taxes Due and Payable in CY 2000

<i>County</i>	<i>Delinquent Taxes</i>	<i>County</i>	<i>Delinquent Taxes</i>
Adams	\$1,077,408	Licking	\$5,991,914
Allen	6,597,883	Logan	3,689,274
Ashland	2,012,741	Lorain	15,074,857
Ashtabula	6,690,224	Lucas	37,435,568
Athens	2,238,324	Madison	1,116,372
Auglaize	1,442,714	Mahoning	71,254,015
Belmont	4,038,437	Marion	3,707,980
Brown	1,820,464	Medina	7,465,315
Butler	11,948,794	Meigs	2,055,506
Carroll	984,543	Mercer	749,092
Champaign	2,633,985	Miami	4,233,452
Clark	8,600,157	Monroe	651,601
Clermont	9,926,535	Montgomery	59,259,985
Clinton	1,878,316	Morgan	470,396
Columbiana	5,695,116	Morrow	2,280,485
Coshocton	5,047,066	Muskingum	7,852,426
Crawford	2,155,596	Noble	971,930
Cuyahoga	211,885,862	Ottawa	2,513,952

Delinquent Property Taxes Due and Payable in CY 2000

<i>County</i>	<i>Delinquent Taxes</i>	<i>County</i>	<i>Delinquent Taxes</i>
Darke	1,203,836	Paulding	649,955
Defiance	1,128,526	Perry	3,562,965
Delaware	6,586,814	Pickaway	3,271,199
Erie	5,731,324	Pike	1,958,068
Fairfield	4,868,089	Portage	6,702,390
Fayette	1,149,899	Preble	1,544,055
Franklin	76,481,683	Putnum	457,677
Fulton	926,234	Richland	11,068,617
Gallia	970,656	Ross	2,188,065
Geauga	6,401,754	Sandusky	2,059,123
Greene	7,690,086	Scioto	4,548,663
Guernsey	3,635,633	Seneca	1,059,644
Hamilton	70,798,056	Shelby	1,643,521
Hancock	2,699,394	Stark	29,504,609
Hardin	1,056,516	Summit	36,653,822
Harrison	1,528,478	Trumbull	23,295,212
Henry	3,746,975	Tuscarawas	4,554,903
Highland	1,082,326	Union	2,839,316
Hocking	1,345,395	Van Wert	971,364
Holmes	1,042,846	Vinton	543,402
Huron	2,236,290	Warren	7,186,753
Jackson	2,544,590	Washington	2,173,448
Jefferson	15,218,219	Wayne	4,910,330
Knox	2,452,788	Williams	1,018,948
Lake	83,999,425	Wood	5,814,086
Lawrence	4,295,851	Wyandot	504,487

Given the cumulative history of the reported delinquent property tax data and the thousands of possible tax rates, LSC did not estimate the potential future fiscal impacts of redistributing delinquent property tax collections. The table below illustrates how various taxing districts could be affected by this change. In this example, a fire district had a 3-mill levy that was in effect when the taxes were charged, but not in effect in the year the taxes were collected.

Tax District	Delinquency Amount Accumulated Over 4 Years	Original Tax Rate	Original Proportion	Original Revenue	Current Proportion	Current Revenue	Revenue Difference
Fire District	\$1,000,000	3 Mills	5.000%	\$50,000	0.000%	\$0	-\$50,000
School District	\$1,000,000	43 Mills	71.667%	\$716,667	75.439%	\$754,386	\$37,719
Other Local Governments	\$1,000,000	14 Mills	23.333%	\$233,333	24.561%	\$245,614	\$12,281

The overall statewide impact will be close to revenue neutral due to the fact that the overall effective state millage rate has been fairly constant over the last several years. But, at the individual tax district level, revenue gains or losses could be more significant if the effective tax rates are significantly different from the period covered by the delinquency. Contingent on the amount of delinquent tax revenue, historical tax rates, and when a collection occurs, an individual tax district could experience an insignificant or significant delinquent property tax revenue gain or loss. A district with a relatively higher tax rate currently than during the delinquency period would receive more revenue and other districts would receive less. If a district had a relatively lower tax rate than now during the delinquency period, then the district would receive less revenue than it would under the current system and other districts would receive more revenues.

Delinquent property often has several years' worth of delinquencies that are settled at one time. The proposed change would result in a slight decrease in administrative costs for county officials because of the need for less complex calculations than under the current method.

County Auditor Tax Valuation Certifications

Under current law when a local taxing authority determines it is necessary to levy a tax outside the ten-mill limit, the taxing authority must inform the county auditor by issuing a resolution or ordinance. The resolution or ordinance must *request* that the county auditor certify to the taxing authority the total current taxable value of the subdivision and the tax rate required to generate a specified amount of revenue or the amount of revenue that would be generated by a specified number of mills. If the taxing authority would like to continue with their levy request after receiving the county auditor's certification, they must certify a resolution or ordinance to the county board of elections.

The bill *requires* the county auditor to issue a tax valuation certification to the local taxing authority within ten days after receiving the resolution or ordinance. It further requires a copy of the certification to accompany the taxing authority's resolution or ordinance submitted to the board of elections. Under the bill, the county board of elections is prohibited from submitting the question of the tax levy to the voters without a copy of the certification.

The ten-day window for county auditors to issue a valuation certification may be problematic for some counties especially so for less populous counties where the county auditor's office typically employs a relatively small staff. It is also important to note that there are no penalties for auditors who fail to issue a certification.

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