

Residential Property Tax Relief

Options and Advocacy



Residential Property Tax Relief

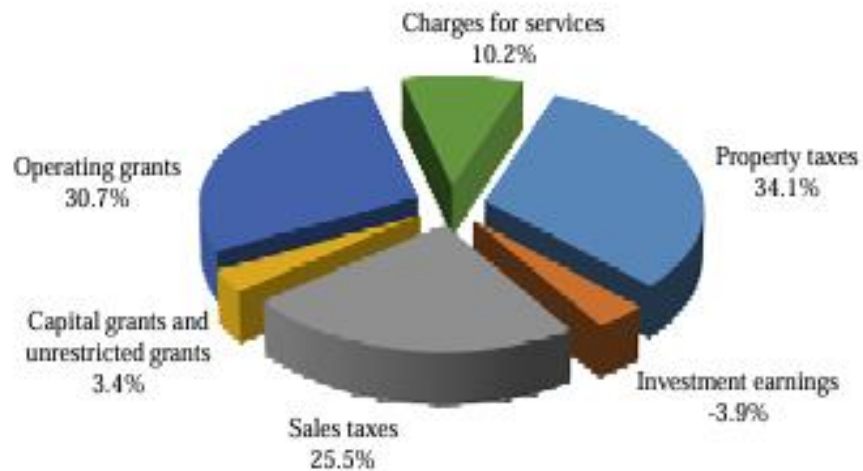
- 🏠 Property taxes are necessary but can also be burdensome
- 🏠 Ohio programs to reduce residential property tax burdens
- 🏠 Best practices for equitable residential property tax-Lincoln Institute for Land Policy
- 🏠 Current legislative proposals for Ohio residential property tax relief



Property Tax Revenue

- 🏠 For many longtime residents across the state, property tax bills are increasing to the point where they jeopardize housing stability
- 🏠 Property taxes are a critical source of revenue, more stable than income tax, less regressive than sales tax
- 🏠 Mostly used for local rather than state revenue-Ohio follows this model
 - 🏠 In 2019, 46% of local government revenue nationwide was property tax
- 🏠 Can be an equitable tax, but should be designed to accommodate those that are house rich and cash poor

Revenues by Source - Governmental Activities



Franklin County 2022 Revenue Sources





Ohio homeowner tax relief

Ohio's property tax has several features that reduce the burden for at least some homeowners:

Owner-occupied credit and non-business credit

-  Under current law, owner occupied property and property not used in business activities receive a 2.5% and 10% tax credit for qualifying levies

Homestead Exemption

-  Exempts up to \$26,200 (indexed) of property value from taxation for those with low income who are also older homeowners or those with disabilities.
-  Enhanced homestead exists for disabled veterans and surviving spouses of first responders

Equalization of tax rates

-  As values increase, effective rates decrease such that voted levies do not take in more than approved by voters



Homestead Exemption

- 🏠 In the 10 years since the income eligibility requirement was reinstated the number of Franklin County households receiving the exemption decreased by more than 25%
- 🏠 Because the value of the exemption is fixed, but tax rates adjust the cash value of the exemption can change each year
 - 🏠 The value also varies significantly by taxing district
- 🏠 Since the equalization process means typically tax rates go down when values go up, the cash value of the homestead credit often goes down as values increase
- 🏠 In taxing district 025-City of Gahanna, Gahanna Schools the homestead exemption went from \$653 to \$533 from TY22 to TY23.
- 🏠 In tax year 2023 the value of the exemption in Franklin County ranged from \$328 to \$678.

Homeowner Relief Best Practices

🏠 **Recommendation:** Provide Targeted and Cost-Effective Tax Relief with Circuit Breakers and Deferrals

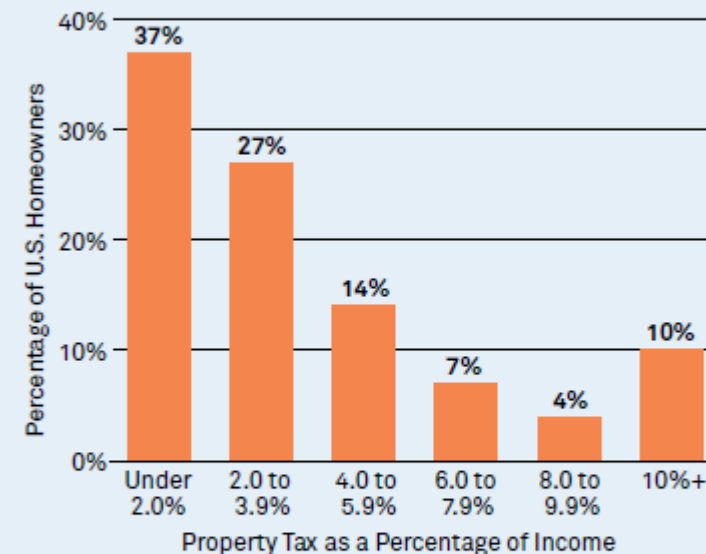
🏠 “Circuit breakers target relief to households paying the highest share of their income in property taxes.”

🏠 Tax deferrals allow homeowners to delay payment of their tax until their home is sold or inherited”

🏠 This recommendation is where Ohio law is most lacking.

🏠 Effective programs could be state-wide or add some local control

Figure 4.2
 Property Tax as a Percentage of Income (2019)



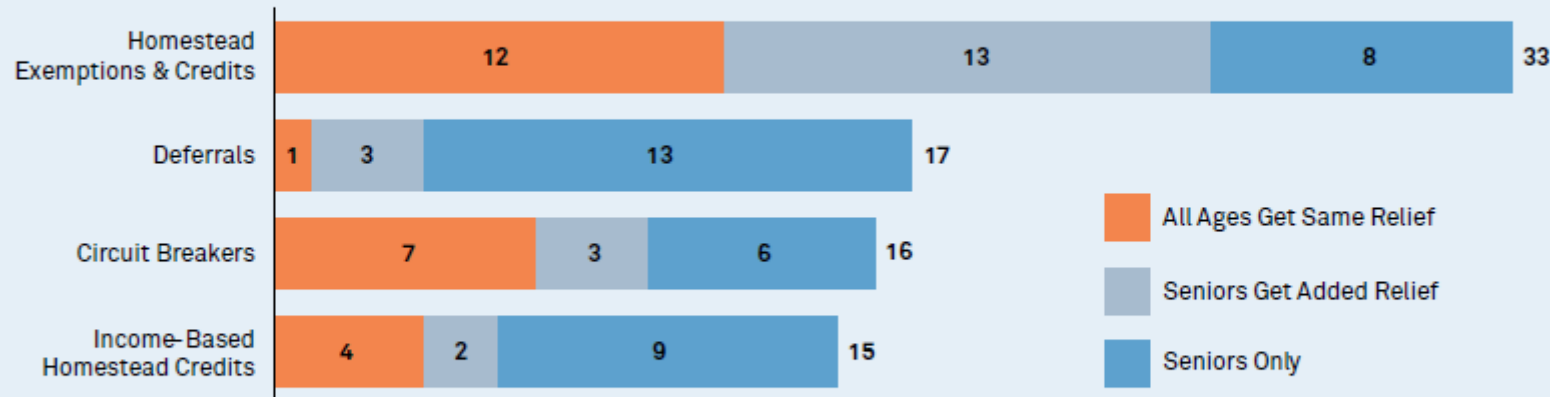
Circuit breakers target relief to households spending the highest share of their income on property taxes, such as the 21 percent of homeowners spending 6 percent or more of their income on property taxes.

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 Source: U.S. Department of Commerce 2019c.

Homeowner Relief Best Practices

Additional considerations for relief programs

Figure 4.1
Number of States with Property Tax Relief Programs (2018)



Note: Figure reflects programs that cover all homeowners, all seniors, or all low-income seniors; it excludes narrower programs for veterans or homeowners with disabilities. The count is for statewide programs; it excludes local option programs. Some sources consider income-based homestead credits to be a type of circuit breaker rather than a separate category of property tax relief. Under that definition, there would be 30 states with circuit breaker programs—11 states where all ages get the same relief, 5 where seniors get added relief, and 14 for seniors only.

Table 4.4

Summary of Property Tax Relief Programs

Good	Homestead Exemptions and Credits (Flat Dollar Only)
Better	Income-Based Homestead Exemptions and Credits
Best	Circuit Breakers Deferrals

Table 4.5

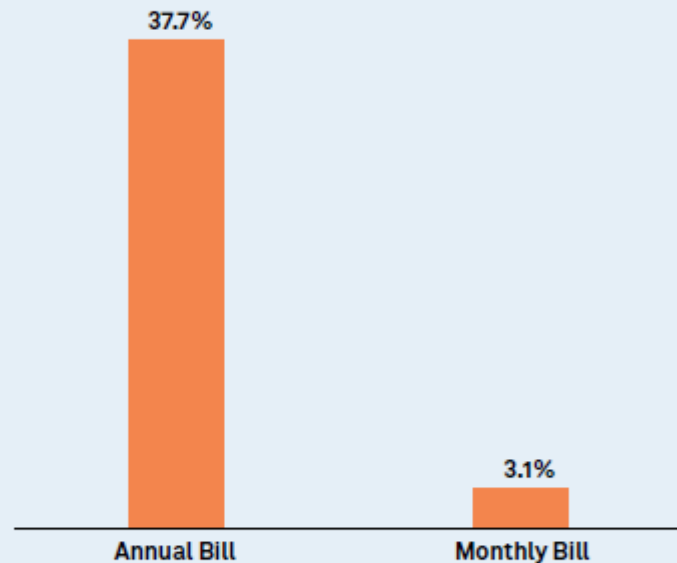
Recommendations for Eligibility Criteria

Recommended	<ul style="list-style-type: none"> ✓ Cover All Ages ✓ Cover Renters ✓ Maximum Property Value
Consider	<ul style="list-style-type: none"> • Income Ceiling • Residency Requirements
Avoid	<ul style="list-style-type: none"> × Net Worth Limit

Homeowner Relief Best Practices

Figure 5.3

Property Tax Bill as Percentage of Monthly Income for Median Homeowner (2019)



An annual property tax bill is high relative to monthly income for a typical homeowner, so billing property taxes on an annual basis can create financial challenges for households that have not saved in advance.

Source: U.S. Department of Commerce 2019e.

- 🏠 **Recommendation:** Allow Homeowners to Pay Property Taxes on a Monthly Basis
 - 🏠 The large once or twice a year payment structure “creates financial challenges for households that struggle to meet large, infrequent expenses, and it may increase tax delinquency.”
- 🏠 Ohio allows for monthly payment known as a “Budget Payment” for property taxes.
- 🏠 This is for homeowners who directly pay taxes to the county treasurer rather than escrowed through their mortgage.

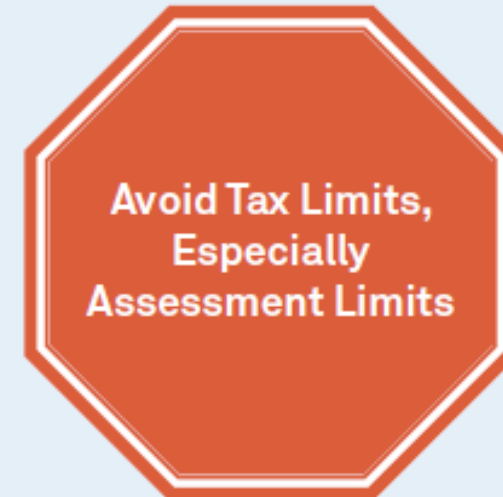


Homeowner Relief Best Practices

- 🏠 **Recommendation:** Avoid Tax Limitations, Especially Assessment Limits
 - 🏠 Tax limits are a poor relief option. “They are untargeted, they impose a one-size fits-all limit on very different local governments, and they erode fiscal autonomy.”
 - 🏠 “[Assessment Limits] create unpredictable winners and losers.
 - 🏠 “Truth in Taxation measures are a better way to constrain growth in property taxes by requiring the same procedures for an increase in tax revenue as for a change in the tax rate, even if the revenue increase is due to rising property values.”
- 🏠 Ohio does not have assessment limits and the taxation limits are only related to increases in the tax rate not the amount that taxes can increase.
- 🏠 Ohio does have a levy limit in-terms of the millage that can be charged without voter approval and the equalization process.
- 🏠 Though not a perfect alignment, the equalization process assists with “Truth in Taxation” principles.

Homeowner Relief Best Practices

The Keys to an Equitable and Efficient Property Tax System





Legislative Activity

- 🏠 Significant legislative attention to the property tax issues throughout the current general assembly
- 🏠 Numerous bills of varying degrees of substance have been introduced on the issue.
- 🏠 The operating budget created the Joint Property Tax Review and Reform committee which had hearings throughout 2024 and will issue a report by the end of the year.
- 🏠 The role of the 20-mill floor in impacting effective rates remains an issue now for 2/3rds of school districts, about half of the state's population.
- 🏠 Three introduced and one additional proposal map well onto the best practices: **need based exemptions, circuit breakers, homestead modernization, and deferrals.**



Residential Stability Zones

S.B. 244 Reynolds, Craig

- 🏠 S.B. 244 (Reynolds, Craig) allows local governments to create Residential Stability Zones
- 🏠 Give cities, towns, home rule townships, and counties the freedom to create boundaries or “zones” of their choosing that would provide a percentage reduction on increases in assessed value foreligible homeowners who apply for the program.
 - 🏠 Allow enrolled homeowners to be exempted from all or part of any property taxation that is a result of value increases by the market.
 - 🏠 Provide statewide parameters for the program, but allow local leaders to establish other eligibility requirements that will best fit their communities’ needs.
 - 🏠 Statewide minimum guardrails based on maximum income and local governments can choose more.
 - 🏠 In the designated area value increases above a designated threshold (e.g. 120% of value as of the enactment) would be exempt from taxation.
- 🏠 Costs would be shared by local governments and in a small adjustment to tax rates.



Circuit Breakers

S.B. 271 Blessing, Craig

- 🏠 S.B. 271 (Blessing, Craig) would enact a circuit breaker in Ohio allowing for a state tax income credit or rebate to the degree property tax exceeds 5% of income.
- 🏠 Homeowners and renters are eligible if:
 - 🏠 Income does not exceed \$60,000
 - 🏠 Home value does not exceed \$483,000 (the median home value of the Ohio county with the highest median per most recent census data)
 - 🏠 For renters, rent does not exceed \$1,370 (the median rent in the county with the highest median rent per recent census data)
- 🏠 Capped at no more than \$1,000 per year.
- 🏠 Example: Homeowner owns a house valued at \$250,000 and earns \$50,000 per year. For TY2022, the taxes were \$2300, less than 5% so no benefit received. In TY2023 a value change and a new levy increased taxes to \$3300 which is \$800 more than 5% of income so the bill would provide an \$800 rebate.
- 🏠 Policy Matters has issued a detailed report on how circuit breakers could work for Ohio.



Homestead Modernization

H.B. 60 Troy

- 🏠 H.B. 60 (Troy) Increases both the eligibility threshold and value of the homestead exemption
- 🏠 The value of the exemption would increase to \$40,000 (currently at \$26,200 after the recent inflationary increase) and be indexed going forward
- 🏠 The income threshold would increase to \$45,000 and be indexed going forward (currently \$38,600)
- 🏠 This is the legislation that comes closest to the need though a report done in partnership between the Age Friendly Innovation Center and the Franklin County Auditor's Office in 2022 recommended a \$50,000 income threshold.



Deferrals

-Draft in progress

- 🏠 Deferrals are a means to delay payment of taxes until the house is sold or the owner's circumstances change
- 🏠 To protect local governments a state revolving fund would back fill deferred amounts and be reimbursed upon later payment
- 🏠 Common features of these around the country include:
 - 🏠 Linking the portion of taxes due that can be deferred to income
 - 🏠 Establishing a timeline for repayment after an event that triggers return to full payment
 - 🏠 Some include interest payments and limits on how much can be deferred compared to home equity
 - 🏠 Some programs include
- 🏠 These programs can be a win-win as substantial relief can be offered to homeowners with minimal long-term cost to state and local governments



What's Next?

- 🏠 The menu of these four options would work well together to provide relief to the variety of circumstances
- 🏠 Legislative leadership has indicated the 2025 budget is the most likely timeline for any relief or adjustments
- 🏠 Further hearings are likely in the fall to set up options
- 🏠 The voice of local governments will be critical in pursuing options that provide resident relief without undermining critical services
- 🏠 FCAO is happy to be a partner as we advocate for the businesses and residents in Franklin County



Questions? Contact us!

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