

# Residential property tax relief options

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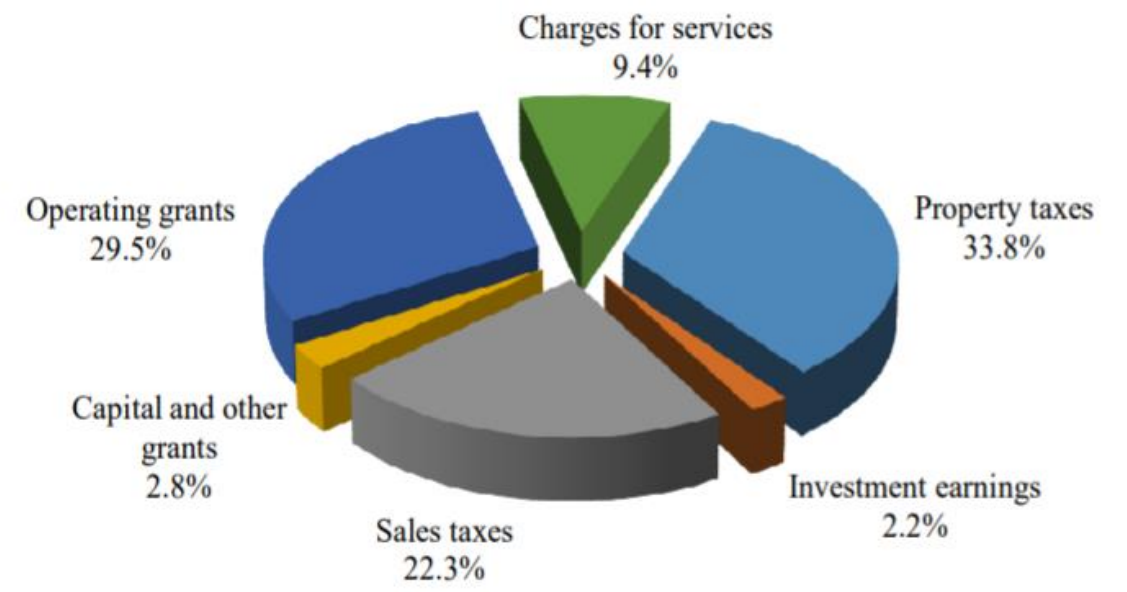
# Residential Property Tax Relief

- 🏠 Role of Property tax as a revenue source
- 🏠 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

- 🏠 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
  - 🏠 Major issue as property values increase especially in lower-income areas, for older adults, and others with low or fixed incomes

Revenues by Source - Governmental Activities



Franklin County 2020 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
- 🏠 Homestead Exemption
- 🏠 Equalization of tax rates



# Owner Occupied and Non-Business Credits

- 🏠 Under current law, owner occupied property and property not used in business activities receive a 2.5% and 10% tax credit for qualifying levies
  - 🏠 This used to apply to all levies, but in 2013 the legislature removed the credit from new, additional, or replacement levies
  - 🏠 In Franklin County for TY2020, the non-business credit ranged from 6.9% to 9.7%
  - 🏠 In Franklin County for TY2020, the owner occupancy credit ranged from 1.7% to 2.4%
  - 🏠 These credits will keep shrinking as new or replacement levies are passed
- 🏠 The state of Ohio reimburses local governments for these credits-the change in the amounts of the credits reduces what the state must pay, shifting that cost to property owners
- 🏠 Non-business includes for example residential, agricultural, and lands that will be used for those purposes

# Homestead Exemption

- 🏠 The homestead exemption, initially enacted in the Ohio constitution in 1970 allows for specific reductions for homeowners aged 65 or older and those who are permanently disabled.
  - 🏠 The exemption has been adjusted by the legislature many times since initial enactment
  - 🏠 In 2007, all income eligibility testing was removed
  - 🏠 In 2013, the income threshold was reinstated and indexed-currently at \$34,200 for TY2020.
  - 🏠 In 2013 the value of the exemption was fixed at \$25,000-this has not been adjusted and does not index with inflation or property values
- 🏠 An enhanced homestead at a \$50,000 exemption is available for completely disabled veterans and surviving spouses of first responders killed in the line of duty.
- 🏠 The state of Ohio reimburses local governments for this exemption.





# Homestead Exemption

- 🏠 In the 8 years since the income eligibility requirement was reinstated the number of Franklin County households receiving the exemption decreased by 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 Franklin County's largest taxing district, 010, Columbus City, Columbus City Schools the value of the exemption was \$531 in TY2019 and \$455 in TY2020
- 🏠 In tax year 2020 the value of the exemption in Franklin County ranged from \$380 to \$789



# Tax Rate Equalization

## Why are levies adjusted?

- 🏠 In 1976 the Ohio General Assembly enacted House Bill (HB) 920.
- 🏠 This bill established the “reduction factor” and the effective tax rate.
- 🏠 The reduction factor adjusts the full tax rate of voted levies for changes in real property value.
- 🏠 The “Effective Tax Rate” is the adjusted tax rate for changes in value of real property.
- 🏠 This bill was established to eliminate windfall payments on levies once values increase or with inflation. This limits the over collection of outside millage to what was voted and approved.



# Tax Rate Equalization

- 🏠 Generally, increases in value are likely to result in increases in taxes, but it is not a 1:1 relationship
  - 🏠 Value can go up and taxes can go down
  - 🏠 Value can go down and taxes can go up
  - 🏠 Value can stay the same and taxes can change
- 🏠 How much your taxes change and if they increase or decrease will depend on how much your value changes compared to all the values in your taxing district.
- 🏠 Rates go up and down per taxing district.
- 🏠 Your new tax rate and new tax amount cannot be calculated until values are final and any changes in levies are known.



# Tax Rate Equalization

## Examples- \$20,000 increase in 2017

Example Homes and Changes in Taxation	Home A: Jefferson Township	Home B: Reynoldsburg	Home C: Westerville
Value Change	+\$20,000	+\$20,000	+\$20,000
Tax Change	+\$411	-\$4	-\$154
Tax Percentage Change	+12%	0%	-2%
2016 versus 2017 effective tax rate	2016= 2.78% 2017= 2.69%	2016=2.86% 2017=2.55%	2016=2.93% 2017=2.67%



# Property Tax Assistance Program

- 🏠 There is emergency property tax payment support available through the Property Tax Assistance Program (PTAP).
- 🏠 An additional \$20,000 for each of the next four award periods (2022 and 2023) will be available through American Rescue Plan Funds approved by the Franklin County Commissioners
- 🏠 For property owners 60 years old or older with income below 150% of the federal poverty level.
- 🏠 Eligible applicants cannot own any other property and must pay their taxes directly to the county treasurer not through escrow.
- 🏠 The deadline to apply is December 20th with the application form and more information available at [franklincountyauditor.com](http://franklincountyauditor.com) or calling 614-525-3243.



# Homeowner Assistance Program

- 🏠 The Homeowner Assistance Program is about to launch its second year designed to help low-to-moderate income homeowners (at or below \$75,000 annual household income) file a complaint against the valuation of their owner-occupied home with the BOR.
- 🏠 We will be hosting virtual filing clinics, phonebanks, and in-person clinics and will be referring to both legal aid and private attorneys based on income level.
- 🏠 We will be sharing information on this program when sign-up information is available with all of you here today and hope you would consider spreading the word or volunteering.

# Homeowner Relief Best Practices

- 🏠 In November 2021 researchers with the Lincoln Institute of Land Policy released “Property Tax Relief for Homeowners”
- 🏠 This report reviews national practices and offers recommendations
- 🏠 The goal is to maintain the critical revenue resource of property taxes while increasing equity and avoiding excessive burden on homeowners



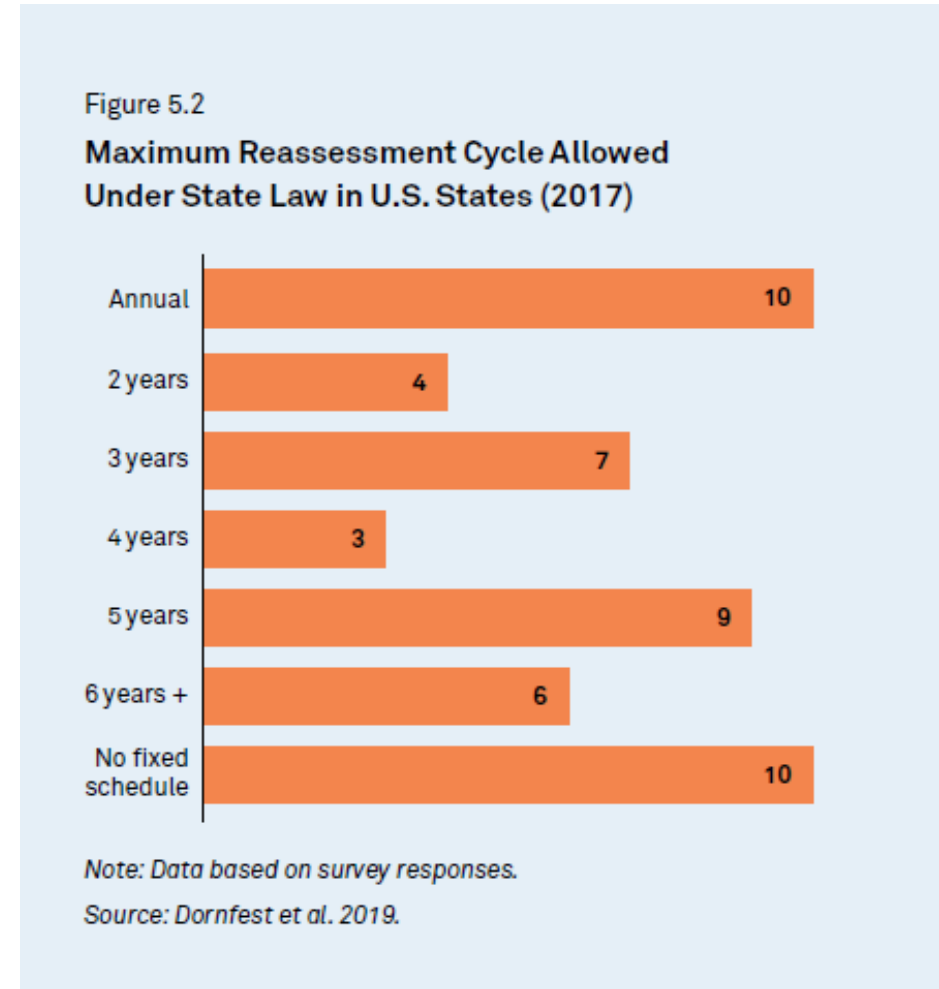
## Property Tax Relief for Homeowners





# Homeowner Relief Best Practices

- 🏠 **Recommendation:** Implement Quality Assessment Practices with Regular Revaluation
  - 🏠 “Assessment accuracy is enhanced by statistical valuation techniques, state oversight of local assessments, and effective appeals systems open to taxpayer questions and objections”
- 🏠 Ohio partially meets this standard through full reassessments every 6 years with an update three years after the full reappraisal.
- 🏠 Appeals are available but under some threat.
- 🏠 There is state oversight of the values, but it does not fully incorporate IAAO standards.
- 🏠 Franklin County relies upon IAAO standards and internal quality control measures.





# Homeowner Relief Best Practices

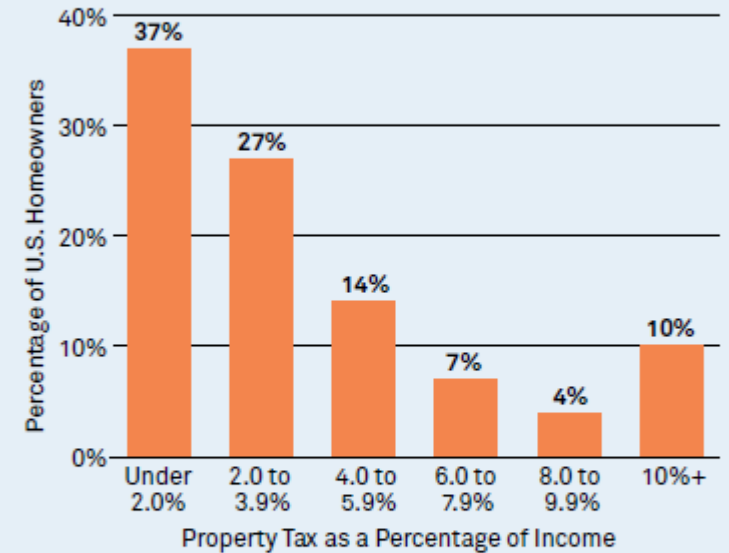
- 🏠 **Recommendation:** Utilize Well-Designed State Aid Formulas
  - 🏠 “A frequent criticism of the property tax is that poorer communities with low property tax values cannot supply adequate public services at affordable tax rate.”
  - 🏠 “State aid is the only way to address these disparities and ensure that all localities have sufficient resources, especially with regard to public education.”
- 🏠 Ohio has two primary means of transferring state funds to local government: the local government fund, and support for local public schools.
- 🏠 Both distributions are incredibly complex but have some relationship with property values though not exclusively and amounts available are not directly related to need.
- 🏠 HB 110, the 2022-2023 operating budget implemented a temporary fix to school funding which emphasizes need in the state share calculations.
- 🏠 The need to pass levies also complicates this system in Ohio as some jurisdictions with ability to pay may refuse to pass necessary millage and other jurisdictions with limited ability to pay may not pass needed levies due to fear of the resulting tax burden.

# 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.
- 🏠 Outside of the incredibly limited homestead exemption there are no programs for property tax relief based on financial need.
- 🏠 Some legislative proposals attempt to address this issue, but are not getting much attention in the legislature.
- 🏠 Effective programs could be state-wide or add some local control

Figure 4.2

Property Tax as a Percentage of Income (2019)



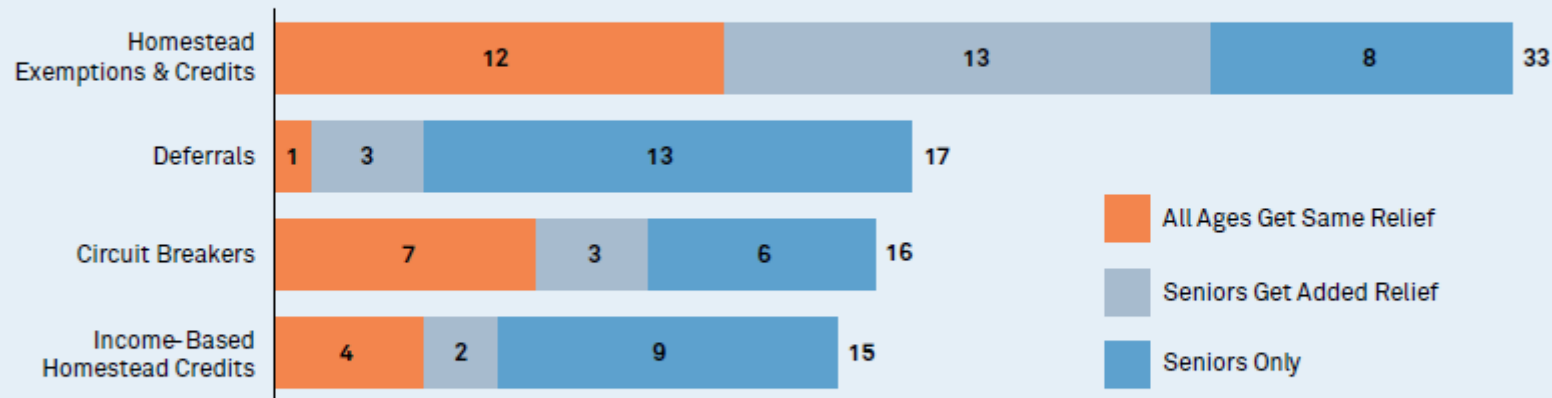
Circuit breakers target relief to households spending the highest share of their income on property taxes, such as the 21 percent of homeowners spending 6 percent or more of their income on property taxes.

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

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

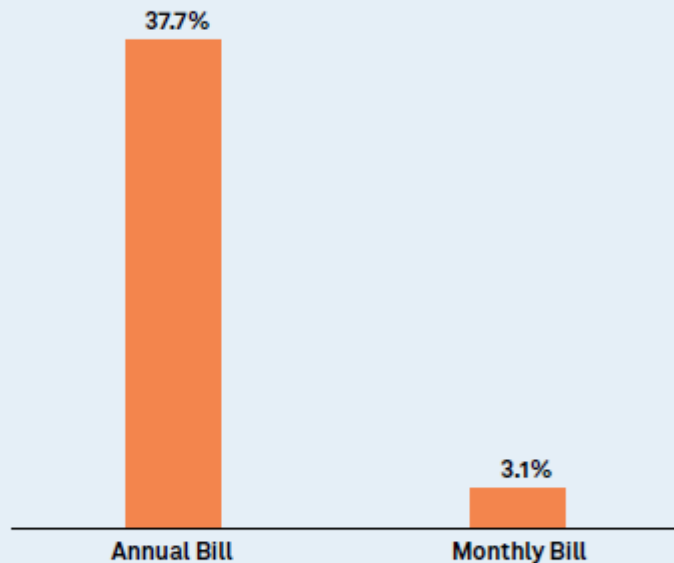
Table 4.5

Recommendations for Eligibility Criteria

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

# 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.

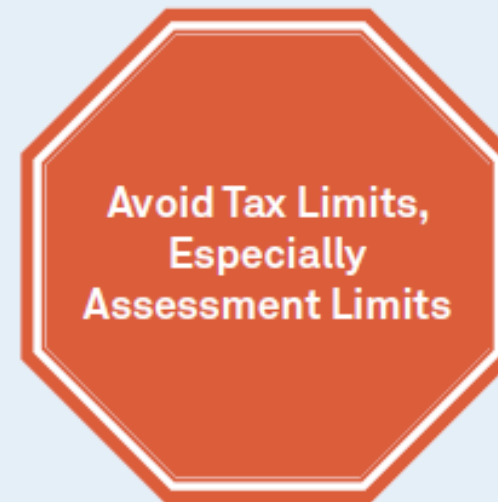
# Homeowner Relief Best Practices

- 🏠 **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 linking voter and local government choices to changes in tax revenue rather than property values alone though this also serves to support the levy limit unless voters approve revenue increases.



# Homeowner Relief Best Practices

The Keys to an Equitable and Efficient Property Tax System





# Current Legislative Proposals

- 🏠 S.B. 159 (Craig) Proposes a 5% tax bill increase limit for owner-occupied property with owner at or below the area median income
  - 🏠 Avoids some of the pitfalls of a tax limitation by requiring state government reimbursement of any taxes due above the annual cap
- 🏠 S.B. 192 (Williams) Provides a cap of 10% increases for long-term homeowners
  - 🏠 Increases above the 10% annual cap would be reimbursed by the state but not the additional local reductions or deferrals
  - 🏠 Allows local governments to provide additional reduction or deferral to long-term homeowners where home values are rising significantly due to rehabilitation or new construction in the area.
  - 🏠 In the designated area value increases above a designated threshold (e.g. 120% of value as of the enactment) would be exempt from taxation.
- 🏠 H.B. 207 (Troy) Adjusts the homestead exemption by increasing the value of the exemption to \$31,200 and indexing it in the future while increasing the income threshold from \$34,200 to \$37,500 and maintains indexing.
- 🏠 H.B. 357 (Stephens, LaRe) Indexes the amount of the homestead exemption going forward.



# Questions?

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