



S.B. 306*

127th General Assembly

(As Reported by S. Ways and Means and Economic Development)

Sens. Schuler, Mumper, Seitz, Wagoner

BILL SUMMARY

- Expands eligibility for the homestead property tax exemption, the 2.5% "rollback," and the county property tax payment linked deposit program for residents of housing cooperatives by reducing, from 250 to 2, the number of units a housing complex must contain to qualify as an eligible housing cooperative.
- Expands the definition of an owner of a homestead to include settlors of irrevocable *inter vivos* trusts for purposes of the homestead exemption, 2.5% rollback, the linked deposit program, and the manufactured home tax.

CONTENT AND OPERATION

Current law

Homestead exemption

The homestead property tax exemption (R.C. 323.151 to 323.159 and 4503.064 to 4503.069) is available for "homesteads" owned and occupied by persons who are (1) permanently and totally disabled, or (2) at least 65 years of age, or at least 60 years of age and the surviving spouse of a person who received the exemption at the time of death. The exemption also applies to manufactured and mobile homes regardless of whether they are taxed as real property or taxed under the manufactured home tax. The exemption equals the net amount of taxes due on \$25,000 of the appraised market value of a homestead, and is computed on

* This analysis was prepared before the report of the Senate Ways and Means and Economic Development Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

the basis of the local effective tax rate (manufactured and mobile homes are assessed at 40% of cost or market value and are depreciated).

Housing cooperative units that are occupied as homes by Ohio residents who satisfy the age or disability criteria described above also qualify as "homesteads" eligible for the exemption. Under current law, a "housing cooperative" is a housing complex of at least 250 units owned and operated by a nonprofit corporation that issues a share of stock to an individual to live in a unit of the complex and collects a monthly maintenance fee from the individual to maintain, operate, and pay the taxes of the complex.

2.5% "rollback"

Current law provides a 2.5% partial real property tax reduction, commonly called a "rollback," for any owner-occupied homestead or owner-occupied manufactured or mobile home. (R.C. 323.152(B).) Housing cooperative units occupied as homes also may qualify as "homesteads" eligible for the rollback.

Property tax payment linked deposit programs

Boards of county commissioners are authorized by continuing law (R.C. 135.804 to 135.807) to establish property tax payment linked deposit programs for making low-interest loans to elderly or permanently and totally disabled persons to help them pay real property taxes on their homesteads. Linked deposit programs are generally available to individuals who satisfy the same age or disability criteria as in the homestead property tax exemption law and who own and reside in their homesteads. The linked deposit program law uses the same definitions of "homestead" and "housing cooperative" used in the homestead property tax exemption law.

Expand eligibility

(R.C. 135.804(E), 323.151(D), and 323.159)

The bill reduces the number of units needed in a housing complex, from 250 units to 2 units, for the complex to qualify as a "housing cooperative" (and thus a "homestead"). The residents of the housing cooperative may be eligible for the homestead property tax exemption and the property tax payment linked deposit program if they otherwise meet the permanently and totally disabled or age requirements of that exemption or program. Residents of a housing cooperative containing at least 2 units also would be eligible for the 2.5% rollback because their units would qualify as owner-occupied homesteads.

Inter vivos trusts

(R.C. 135.804(D)(2), 323.151(A)(2), 323.153(C)(4), 4503.065(B), and 4503.066(B))

Current law provides that the "owner" of a homestead includes a settlor (a person who creates a trust) of a revocable *inter vivos* trust holding the title to a homestead occupied by the settlor as of right under the trust. (Generally, an *inter vivos* trust provides that a settlor may live in the settlor's homestead until death, at which time the trust beneficiary receives the homestead. "Revocable" means the settlor reserves the right to terminate the trust and recover the trust property at any time.)

The bill expands the definition of a homestead "owner" for purposes of the homestead exemption, manufactured home taxes, 2.5% rollback, and the linked deposit program to include the settlor of not only a revocable, but also an irrevocable *inter vivos* trust (i.e., a trust that cannot be terminated by the settlor once it is created). The bill eliminates the requirement to report changes in or revocation of a revocable *inter vivos* trust.

HISTORY

ACTION	DATE
Introduced	03-12-08
Reported, S. Ways & Means & Economic Development	---

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