Ohio Legislative Service Commission

Bill Analysis Joseph D. Heller

S.B. 111

128th General Assembly
(As Introduced)

Sens. Stewart, Carey, Schaffer, Hughes

BILL SUMMARY

- Makes permanent the levy loss reimbursement for local taxing units, including school districts, for the phase-out of taxes on business personal property and telecommunications property.
- Individual tax levies that were in effect in 2004 or 2005 (and voted on before September 1, 2005) would be reimbursed at 100% until their expiration.
- Eliminates the phase-down of the existing reimbursement for property tax-related county fees, but retains the scheduled 2017 termination of that reimbursement.

CONTENT AND OPERATION

Permanent reimbursement for tangible personal property tax phase-out

(R.C. 5751.20 to 5751.22)

Currently, revenue from the commercial activity tax is earmarked to reimburse school districts and other local taxing units for the phase-out of taxes from business tangible personal property. Initially, revenue from the tax is to be credited to the newly created Commercial Activities Tax Receipts Fund, and thence divided between the GRF and the newly created School District Tangible Property Tax Replacement Fund (SDRF) and Local Government Tangible Property Tax Replacement Fund (LGRF) in specified proportions until the end of fiscal year 2018, as follows:

Division of CAT revenue			
Fiscal Year	**GRF**	**SDRF**	**LGRF**
2006	67.7%	22.6%	9.7%
2007	0%	70.0%	30.0%
2008	0%	70.0%	30.0%
2009	0%	70.0%	30.0%
2010	0%	70.0%	30.0%
2011	0%	70.0%	30.0%
2012	5.3%	70.0%	24.7%
2013	10.6%	70.0%	19.4%
2014	14.1%	70.0%	15.9%
2015	17.6%	70.0%	12.4%
2016	21.1%	70.0%	8.9%
2017	24.6%	70.0%	5.4%
2018	28.1%	70.0%	1.9%
2019 and thereafter	30%	70%	0%

School district reimbursement changes

(R.C. 5751.20 and 5751.21)

Under current law, the 70% of CAT revenue earmarked for school district reimbursement is used initially to reimburse school districts solely on the basis of their individual tax losses from their "qualifying" levies (i.e., levies in effect in 2004 or 2005, so long as the levy was approved before September 1, 2005). As the reimbursement is phased down between FY 2012 and 2018, the portion of that 70% needed to pay reimbursement declines accordingly. During that phase-down period, the portion of the 70% not needed to reimburse districts on the basis of their individual tax losses is scheduled to be appropriated for as-yet unspecified "school purposes." After the phase-down ends, all of the 70% currently is scheduled to be used for such school purposes. Current law does not specify how the money is to be distributed among school districts.

The bill retains the current 70% earmarking of CAT revenue for school district reimbursement, but eliminates the reimbursement phase-down currently scheduled to begin in FY 2012. Reimbursement would continue for each of a district's qualifying levies until the levy expires at 100% of the district's computed tax loss. Payments would continue to be made thrice annually, in August, October, and May. Until the end of FY 2011, the Director of Budget and Management is authorized to transfer any money not needed for reimbursement to the GRF (as under current law). After FY 2011, no such transfer is authorized.

Local taxing unit reimbursement changes

(R.C. 5751.20 and 5751.22)

Under current law, the portion of CAT revenue earmarked for reimbursing local (nonschool) taxing units begins to decline in FY 2012 as their reimbursement amounts are phased down. The portion of CAT revenue earmarked for the General Revenue Fund increases accordingly. Beginning in FY 2019, no reimbursement is to be paid to local taxing units and the 30% not appropriated for school purposes is to be paid into the GRF.

The bill permanently earmarks 30% of the CAT to permanently reimburse local taxing units for their individual computed tax losses. Payments would continue for each qualifying levy for as long as the levy remains in effect. Payments would continue to be made thrice annually, in August, October, and May. If the 30% of CAT revenue earmarked for local taxing unit reimbursement exceeds the amount required to pay total reimbursements, the Director of Budget and Management is authorized to transfer the excess to the GRF (as under current law).

Reimbursement for county administrative fee losses

(R.C. 5721.23)

Current law to compensates county auditors and treasurers for the loss of administrative fees payable on the basis of property tax collections. A percentage of taxing units' reimbursable revenue loss is used to reimburse the county auditors, county treasurers, and real estate assessment funds for the loss of these fees. The percentage is 1.1159% if the county's 2004 tax collections from all tax duplicates (other than the estate tax list) were $150 million or less, and 0.9659% if the county's 2004 collections were more than $150 million. The fee reimbursement compensation is phased out according to the reimbursement phase-out schedule for local taxing units, and currently is scheduled to end in 2017.

The bill eliminates the phase-out of the county fee reimbursement so that the reimbursement amount each year throughout 2017 does not decline incrementally each year. Instead, a fixed amount is reimbursed each year through 2017 equal to the original 2006 reimbursement. But reimbursement will end in 2017, as under current law.

HISTORY

ACTION	DATE
Introduced	04-16-09

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