

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 402** DATE: **January 23, 2008**

STATUS: **As Introduced** SPONSORS: **Reps. Peterson and Heard**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Authorizes partial exemption from real property taxation of land in a conservation easement or agricultural easement**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	Possible small increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- Any loss of property tax revenues as a result of the partial tax exemption under the bill appears likely to be quite limited.
- State base cost funding to school districts generally would rise, if property tax revenues were lost as a result of the bill, by more than the reduction in reimbursements to school districts and other local governments for the 10% rollback, resulting in a possible small net increase in state outlays.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
School Districts			
Revenues	- 0 -	- 0 -	Possible small loss
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	- 0 -	Possible small loss
Expenditures	- 0 -	- 0 -	- 0 -

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

- Exemption of half the value of land in a conservation easement or agricultural easement, and meeting other conditions, might result in loss of real property tax revenues to local governments. Any such loss appears likely to be quite limited in amount.



- Increased state base cost funding to school districts would offset part of any such loss of tax revenue.

Detailed Fiscal Analysis

The bill would exempt from real property taxation half of the value of land in a conservation or agricultural easement that meets certain other conditions. Eligibility for the partial tax exemption would require that the landowner's property not be valued at its current agricultural use value (CAUV), and that the easement be perpetual in duration, with an instrument executed and recorded. Eligibility would also require compliance with all terms of the easement. Any easement property on which a homestead is located would not be eligible for the partial tax exemption. Land partially exempted from taxation could not also have its taxable value diminished to account for the existence of a conservation easement, as specified in R.C. 5713.04 (unchanged by the bill).

The bill provides no offsetting revenue to local governments from the state, so would potentially reduce local government net revenues. However, statewide CAUV-method values for land averaged only 14% of taxable values for those same properties in their "highest and best" uses in 2006. This percentage varied from county to county, ranging from 6% (Warren County) to 30% (Gallia County). Among land owners who are eligible to value their real property using the CAUV method and who elect to do so, only those for whom CAUV on a parcel exceeds 50% of highest and best valuation would appear to gain from having their property valued under the provisions of the bill. In view of the statewide and countywide average ratios, plausibly few and perhaps no parcels would exceed this threshold. In addition, only property owners with conservation easements for whom the accounting for the diminution in value resulting from the conservation easement, under R.C. 5713.04, was less than half of the highest and best use valuation would gain from the bill. If availability of the partial tax exemption provided under the bill induced some property owners to establish an easement who would otherwise not do so, and if those property owners consequently ceased to be eligible for CAUV tax treatment, real property taxable values and tax revenues from these property owners could rise.

LSC does not have an estimate of the dollar amount of property tax revenues that would be lost, if any, as a result of the bill. However, the amount of any reduction in tax revenue appears likely to be quite limited because of the factors cited above.

To the extent that the bill does result in a loss of tax revenue to school districts and other local governments, the cost to the state of reimbursing local governments for the 10% rollback of residential and agricultural real property taxes also would decline. State base cost funding to schools would rise except in districts receiving guarantee funding from the state (about half of districts) or in districts with high per pupil property values (about 4% of districts). If state base cost funding increases, the rise generally would be larger than the reduction in state reimbursement for the 10% rollback, resulting in a net loss to the state. Since any loss of tax revenues as a result of the bill appears likely to be quite limited, any impact on state expenditures would be modest.

The bill provides for applications for the partial exemption between January and March, and would apply to the tax year in which the partial exemption is approved and all subsequent tax years. The bill does not declare an emergency, so the earliest tax year for which it could affect tax receipts is 2009, payable in 2010 since Ohio real property taxes are paid one year in arrears.

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