Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **S.B. 306** DATE: **May 13, 2008**

STATUS: **As Introduced** SPONSOR: **Sen. Schuler**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Extends the homestead exemption to units in housing cooperatives with fewer than 250 units, and extends eligibility for county property tax payment linked deposit program assistance to residents of these buildings**

State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase of approximately $0.5 million	Increase of approximately $1 million
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

- The state could incur additional costs to reimburse local governments for revenues forgone as a result of making cooperative housing in complexes with fewer than 250 units eligible for the homestead exemption and the 2.5% rollback.

- A paucity of data on numbers of cooperative housing units and valuations imply that the cost estimates are approximate.

Local Fiscal Highlights

- Under current law, counties, at the option of county commissioners, may forgo investment earnings on deposits to fund below-market loans from depository institutions to elderly or disabled homeowners to pay property taxes on their homesteads. By adding residents of cooperative housing in complexes with fewer than 250 units to those eligible for this assistance, the bill could increase the number of homeowners qualifying for such help. Any fiscal effects of this change are likely to be small.

- No direct fiscal effects on other political subdivisions.

Detailed Fiscal Analysis

Summary

By making residents of cooperative housing complexes with fewer than 250 units eligible for the homestead exemption and the 2.5% rollback, the bill could increase the amount of taxes forgone by local governments, which are reimbursed by the state. The annual cost could range around $1 million but is fairly uncertain. Other provisions of the bill appear to have little fiscal impact.

Provisions of the bill

S.B. 306 changes the definition of a homestead, for purposes of the homestead exemption and the county property tax payment linked deposit program, to include a housing cooperative with two or more units. Currently a unit in a housing cooperative may be included in these tax reduction programs only if the cooperative has 250 or more units. This change appears also to extend the 2.5% real property tax rollback to residents of these properties. In addition, the bill adds as an owner of a homestead a settlor of an irrevocable inter vivos trust holding title to the homestead occupied by the settlor.

The state reimburses local governments for real property taxes forgone as a result of the homestead exemption and the 2.5% rollback. Linked deposit programs are at the discretion of county commissioners, and have no direct fiscal effect on the state or on units of local government other than counties. The fiscal effect, if any, of adding qualifying settlors of irrevocable inter vivos trusts to this list of owners of homesteads qualifying for these programs appears likely to be small.

Numbers of cooperative housing units in Ohio

Data are scanty on which to base an analysis of the cost of expanding the homestead exemption by reducing the number of units in a housing cooperative needed to qualify from 250 or more to 2 or more. Department of Taxation data do not break out this information. Census Bureau data, from infrequent surveys of housing characteristics in metropolitan areas, show that the Cleveland metropolitan area, for 2004, had 1,000 housing units in housing cooperatives. The metropolitan area data are rounded to the nearest 100 units. The Columbus metropolitan area had 2,000 cooperative housing units in 2002. The Cincinnati metropolitan area had 300 cooperative housing units in 1998. No data are published in this series for the entire state of Ohio or for other metropolitan areas in the state.

An Internet search identified three housing cooperatives in Ohio, two in Cincinnati with a total of 514 units and one in Dayton with 100 units. There is, in addition, a housing cooperative in Cleveland and one in Columbus. Other housing cooperatives may operate in the state but not appear on the Internet or as members of trade groups.

If the units in housing cooperatives identified in the Census Bureau surveys are assumed still to be in use as co-op housing units, then the number of co-op housing units in the state would be at least 3,614, consisting of 1,000 in Cleveland and 2,000 in Columbus, plus the 514 units identified on the Internet in Cincinnati and 100 in Dayton. This number is rough as it is based on outdated information. The Census Bureau surveys covered areas with about 44% of the state's population, and if they are indicative of the number of co-op housing units elsewhere in the state, proportional to population, then the total number of such units statewide could be roughly double the above figure. Alternatively, co-op housing could be mainly concentrated in large urban areas, and the smaller figure may be closer to the actual total.

Cost of the bill

If all 3,614 co-op units were occupied by the elderly and disabled, the cost of the expansion of the homestead exemption, at perhaps $400 or more per unit on average statewide, could be in excess of $1 million. If there are substantially more co-op housing units statewide, the cost could be higher. More plausibly, only some of the units are occupied by persons eligible for the expanded homestead exemption. Statewide, about 25% of owner-occupied housing units, of all types, belong to persons age 65 and older.

However, the redefinition in the bill of a homestead, adding cooperative housing in a housing complex with 2 to 249 units, applies to R.C. 323.151 to 323.159, which covers not only the homestead exemption for those age 65 and older and the disabled, but also the 2.5% rollback for all owner-occupied homes. Most or all of the additional units included in the broadened definition of homestead are likely occupied by persons qualifying for the 2.5% rollback, the cost of which would depend on the values and gross taxes levied on the cooperative housing complexes. This annual cost would equal 35% of market value, times the effective tax rate, times 2.5%. The annual cost of this change might be $200,000 to $600,000.

Adding these cost ranges together, the total cost of the bill might be around $1 million, more or less, but the numbers are very rough.

The bill does not specify when these changes would go into effect. Assuming that the changes would be implemented for tax year 2009, payable in 2010, the costs to the state to reimburse local governments for revenues forgone would begin in the second half of FY 2010.

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