



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [Am. H.B. 485 of the 128th G.A.](#)      **Date:** May 27, 2010  
**Status:** As Reported by House Agriculture & Natural Resources      **Sponsor:** Rep. Pryor

**Local Impact Statement Procedure Required:** Yes

**Contents:** Allows agricultural property used for certain forms of energy production to qualify for valuation under the Current Agricultural Use Value program and makes related zoning changes

### State Fiscal Highlights

- State assistance to school districts, paid from the General Revenue Fund, could increase as a result of reduced local real property tax valuations.

### Local Fiscal Highlights

- The bill allows agricultural property used for biodiesel production, biomass energy production, electric or heat energy production, and biologically derived methane gas production to qualify for tax treatment under the Current Agricultural Use Valuation (CAUV) program. Including additional uses of real property among those qualifying for CAUV treatment could reduce the real property tax base of school districts and other units of local government.
- Part of the revenue loss to school districts would be offset by increased state aid, beginning in FY 2012.

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## Detailed Fiscal Analysis

### Overview

The primary fiscal effect of the bill is to allow the property tax owed on real property that is used exclusively for producing certain forms of energy to be calculated under the Current Agricultural Use Valuation (CAUV) program. This reduces the property tax owed on the property and reduces the amount of revenue that school districts and local governments receive. The bill also broadens the definition of "agriculture" in the township and county zoning statutes to include the types of energy production defined in the bill. Just as with property used for agricultural purposes under current law, this would limit the authority of counties and townships to enforce zoning requirements on property used for energy production under the bill. There appears to be no direct fiscal effect attributable to this additional zoning limitation.

### Current Agricultural Use Valuation

Land used exclusively for commercial agriculture may be valued for real property tax purposes based on that current use rather than on the basis of its potential "highest and best" use. To qualify for treatment under the CAUV program, in the previous three years either ten acres or more must have been used for commercial agriculture, or average yearly gross income from commercial agriculture must have exceeded \$2,500 (if less than ten acres). Statewide, valuations for more than 16 million acres (over 60% of the state) were determined using CAUV in 2008. On average, statewide, tax valuations using CAUV were 82% lower than valuations of the same land using the highest and best use method.

The bill adds to property qualifying for CAUV tax treatment acreage that is used for biodiesel production, biomass energy production, electric or heat energy production, and biologically derived methane production, with certain restrictions. Overall, this change could reduce tax revenues to school districts and other units of local government in the localities where these production facilities are situated. LSC does not have an estimate of the amount of this tax revenue loss at this time.

Part of the revenue loss to school districts would be offset by increased state assistance from the General Revenue Fund, equal to the reduction in the local share under the school funding formula resulting from the erosion of the tax base. Tax revenue losses to other units of local government would not be offset by the state. If the bill was passed promptly and signed into law, it could potentially reduce real property valuations for tax year 2010, payable in calendar year 2011. State aid to school districts would be increased in FY 2012.