



Tax & Budget

Testimony on HB 255 before the House Ways and Means Committee

Wendy Patton

Good morning, Chairman Merrin, Ranking Member Rogers and members of the committee. My name is Wendy Patton and I am a senior project director of Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify. We support House Bill 255, which will add transparency and allow for better accountability for property-tax exemptions.

House Bill 255 would expand the Tax Expenditure Report, which is submitted as part of the executive budget, to include local property tax exemptions and the cost to the state of local property tax reimbursements. The bill defines a property tax exemption as any provision that either exempts, or authorizes a local government to exempt, all or part of the value of otherwise taxable real or tangible personal property from property tax. It proposes that the state's Tax Expenditure Report include a description of each property tax exemption authorized in the Revised Code, the aggregate true (market) value of property exempted, and the cost to the General Revenue Fund for property tax reimbursements like the homestead exemption and certain taxes subject to the 2.5% and 10% property tax "rollbacks."¹

Ohio assesses real property at 35% of market value for taxation.² House Bill 255 should require the Tax Expenditure Report to include information on the assessed value of exempted and tax-abated property.³ It should also include an estimate of revenue forgone to affected governmental entities as a result of property tax exemptions for each year of the prior biennium and projected annually over the course of the coming biennium. This would be consistent with the presentation of state tax breaks in the Tax Expenditure Report.

House Bill 255 would require the Tax Expenditure Review Committee (TERC) to review each kind of existing property tax exemption at least once every eight years. This would be an important expansion of the oversight duties of the TERC, extending transparency and scrutiny to local property tax exemption programs.

Legislative leadership has not yet appointed members to the TERC for the current biennium. They need to do so quickly, as the General Assembly will have a busy session prior to what may be an early adjournment in 2020, an election year. Proper review of tax expenditures is a complex job.⁴ Lawmakers should appropriate funding as part of House Bill 255 to staff the TERC and for expert studies needed on particular state and local tax exemptions.

¹ Damon, McKenzie, House Bill 255 analysis, Ohio Legislative Service Commission, October 7, 2019 at <https://bit.ly/341yN5t>. For definition of the "owner-occupied" and "non-business" property tax credits referred to as the "rollback," see Ohio Department of Taxation annual report at <https://bit.ly/349PfkM>.

² Ohio Department of Taxation 2018 annual report at <https://bit.ly/349PfkM>. The only property tax on tangible personal property applies to utilities. The percentage of true value personal property is listed for taxation varies based on the type of public utility.

³ The Ohio Department of Taxation already reports on this at https://www.tax.ohio.gov/Portals/0/tax_analysis/tax_data_series/real_property/pe3/PE3TY18.pdf (tax abatements) and https://www.tax.ohio.gov/Portals/0/tax_analysis/tax_data_series/real_property/pe2/PE2TY18.pdf (other property tax exemptions)

⁴ In the first report of the Tax Expenditure Review Committee, legislators suggested a strengthened review. See Tax Expenditure Review Committee report, November 2018 at <https://bit.ly/2NcXMMt>. See also Patton, Wendy and Zach Schiller, "Weak Review: Tax Expenditure Review Committee Should Balance Tax Breaks Against Ohio's Needs," Policy Matters Ohio, June 4, 2018 at <https://bit.ly/345sPAX>

Thank you for this opportunity to testify. I will be glad to answer questions.