Tax & Budget

COLUMBUS PROPERTY TAX ABATEMENTS: TRANSPARENCY AND ACCOUNTABILITY TO SCHOOLS AND COMMUNITY

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Instead of investing in education, job training, infrastructure and innovation, Ohio and many Ohio municipalities are giving away revenue needed to make those investments in the form of incentive packages. The incentive bidding pits states and cities against each other in a "race to the bottom." It was on full display with the Amazon HQ relocation. As incentives continue to expand, the patchwork of oversight laws leaves too many accountability gaps. This allows corporations and developers to leverage not just states or cities against each other to get generous tax deals even to the point of locating in different abated areas within the same city. This was demonstrated most recently in the CoverMyMeds abatement negotiations in Columbus, during which it was reported that the software company suggested it would move to an area of Columbus, where it could receive an abatement that would not require school board approval, if the school wouldn't accept the agreement.

Public school boards have some notice and approval rights for some tax abatements and for some abatements they have revenue sharing or other compensation agreement rights. Most of the time, however, public schools are among the biggest losers in the abatement race. Ohio schools depend on local property taxes for funding. Incentive packages that zero out property taxes for 10 or 15 years can damage public schools' ability to keep up with changing needs of students.

Last year, Policy Matters Ohio found that three common tax abatements cost Ohio schools at least $125 million in revenue in Fiscal Year 2017.[1] Large metro regions where development has been heavily subsidized report the biggest losses. Cleveland-Elyria reported the most forgone revenue, $53.8 million. The Cincinnati area had the second highest revenue loss, $25.3 million, and the Columbus metro region reported at least $22.4 million in forgone revenue. This is based on a weak governmental accounting standard; the actual amount lost is likely far more. It is difficult to determine the total amount of property tax revenue lost to abatements and incentives.

The taxable value of abated property in Franklin County alone was over $3.2 billion in Tax Year 2017. This is more than any other county in Ohio and the county's reliance on abatements has grown over time. Any way the data is cut, it clearly shows that substantial school district revenue is lost to tax abatements and tax incentives. According to data from the Franklin County Auditor Columbus schools are losing out on at least $26.6 million a year.

[1] Zach Schiller, "Tax abatements cost Ohio schools at least $125 million," Policy Matters Ohio, October 2018, available at https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/budget-policy/tax-abatements-cost-ohio-schools-at-least-125-million, accessed April 21, 2019.

The abatement deal for software company CoverMyMeds will cost Columbus schools at least $3.7 million in property-tax revenue each year of the abatement for an estimated loss of more than $55.5 million over the full term of the deal. Meanwhile, the corporation will save more than $77.7 million. The city expects to receive $1.8 million in new income tax revenue each year, totaling more than $28 million over the 15-year term of the abatement. As part of the deal, schools will receive a maximum of $20 million in income tax revenue from the city over 15-years in exchange for $55,579,170 in abated property tax revenue. In total, Columbus schools lose out on more than $35.5 million over the course of the deal.

Transparency, accountability and equity should guild policy

There are ways to make economic incentives work for the community. The Columbus Tax Incentive Review Committee (TIRC) meeting in 2018 was well attended by school district representatives and the Council did discuss abatements and changing conditions of the deals. The Franklin County Auditor's office launched a set of online tools that help bring a measure of transparency to property taxes, levy proposals and abetments. These tools are providing modest transparency, and also are reasons why this report is possible. Many other local governments provide less.

The data gaps continue to be an obstacle. This report's central question — How much revenue are Columbus City Schools losing to tax abatements? — is difficult to answer. Results vary widely depending on which report is pulled. The full impact of tax increment financing (TIF) deals in particular should be more robust and public. The TIRC and the auditor's web reports should be expanded to include accessible data on TIFS and other counties should follow suit.

More broadly, and perhaps more urgently, the conversation about the goals of development and community revitalization must change. Questioning abatement policies should not be considered anti-business or growth. These are major decisions that will permanently alter our communities. Research shows that many business decisions would have happened regardless of incentives. Decisions to create an abated area or project should also include consideration of gentrification, racial displacement, housing affordability and whether the new investments benefit the existing community. The business case for the abatements should be part of the conversation, but not the only part. Equitable revitalization accounts for past policies of redlining, segregation, and exclusion that stripped communities of wealth and created the need for revitalization in the first place. Communities in Cincinnati are organizing around a more complete rubric for evaluating the value and impact of these deals. The scorecard helps decisionmakers evaluate how the project will impact housing, jobs, and the existing community that surrounds the abatement.

The goal of tax incentive packages and tax policy general should not be to appease corporate interests, but rather to support the public's interest in shared prosperity, quality jobs, and livable communities regardless of their zip code or demographic composition.