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Ohio Legislature Increases Real Property Taxes by Stripping Away Taxpayer-Favorable Reductions

The Ohio General Assembly has increased real property taxes with the enactment of Amended Substitute House Bill 59 by partially clawing back portions of several tax rollbacks benefitting property owners.

When first enacted in 1971, the Homestead Exemption allowed property owners who were 65 years old or older or who were permanently and totally disabled (or surviving spouses of qualifying property owners) to shield the first $25,000 of value of their principal residence plus up to one (1) acre of surrounding land (this is the "homestead") from taxation. In other words, a house valued at $100,000 is taxed as if it were worth only $75,000. The saves homeowners taxes equal to what they would ordinarily pay on the first $25,000 of the home's value. In TY 2013, Franklin County property owners enjoyed tax savings between $440 and $820 depending on which of the 141 tax districts the homestead was located in. In recent years, the Homestead Exemption was not tied to the property owner's income.

Beginning with TY 2014, Am. Sub. H.B. 59 limits eligibility to property owners whose Ohio tax returns reflect adjusted gross income less than $**30,500** (inclusive of their spouses' income) for the preceding tax year (TY 2013 income). "Adjusted gross income" means the amount reflected on Line 3 of the taxpayer and his/her spouse's Ohio income tax return; the exact income limitation will be adjusted each year.

Homeowners whose properties were already enrolled in the Homestead Exemption program for TY 2013 or earlier years are "grandfathered" into the program and are not subject to the income limitation.

To claim the Homestead Exemption, qualitying property owners must complete DTE Form 105A (Homestead Exemption Application for Senior Citizens, Disabled Persons and Surviving Spouses); disabled applicants must additionally file DTE Form 105E (Certificate of Disability for the Homestead Exemption).

Here's the 2nd claw back. Under prior law, a full 10% tax rollback used to be granted to all non-commercial properties (vacant land and 1, 2 or 3 unit residential properties) and an additional 2.5% rollback if the owner used the property or a portion thereof as his/her primary residence. These rollbacks were previously applicable to the entire basket of real property taxes. The State of Ohio previously reimbursed counties for the 10% or 12.5% of tax revenues lost through these rollbacks. This is no longer the case. While rollbacks will still apply to inside milage and existing or renewals tax levies, taxpayers will no longer receive a rollback on any new or replacement tax levies appoved by voters on or after September 23, 2013. This means that 100% of the taxes imposed by those levies will now come out of property owners' own pockets Here's an example of the legislation's impact: previously, the owner of a home valued at $100,000 living in a tax district that had just approved a new/replacement school district levy designed to collect 10 mils on every $1,000 of assessed property value would have paid $306.25 in taxes; today, that same owner will pay $350.00 – a 12.5% tax increase.

As a result of this claw back, County Auditors have removed the "Tax Estimator" functions from their web sites. This was necessitated in order to update their computer programs in order to differentiate between older tax levies from new and replacement taxies levies adopted on September 23, 2013 or later

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Bluestone Law Group regularly monitors Ohio's ever-changing real property tax laws. For monthly updates and articles, visit our website at **www.bluestonelawgroup.com**

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