



Department of
Taxation

CLINTON COUNTY
AUDITOR

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TO: All County Auditors

Through: Matthew T. Hollis, Legal Counsel for the Tax Equalization Division *MTH*

FROM: Shelley Wilson, Executive Administrator for Tax Equalization *SW*

RE: Am. Sub. H.B. 166 Changes

DATE: October 7, 2019

This memo is to update you on the recent statutory changes enacted under Ohio's most recent budget bill, Am. Sub. H.B. 166, of the 133rd General Assembly. Unless otherwise noted, all changes are effective October 17, 2019.

Real Property Tax Exemptions

Partial Exemption for Childcare Centers

H.B. 166 enacts R.C. 323.16, which provides a two-tiered partial exemption to child care centers that serve only children under six years of age, twenty-five percent of whom come from households that receive public assistance. "Public Assistance" is defined to include only a publicly funded child care program under R.C. Chapter 5104, Medicaid, the Ohio Works Program as well as the SNAP and WIC programs. Child care centers with 25% of the children from households receiving such benefits will receive a fifty percent reduction in property taxes, while a child care center with at least 50% of children coming from such households will receive a seventy-five percent reduction in taxes. Forms and a memorandum specifically addressing the county auditor's role in this process are issued separately with this mailing. The partial exemption will first be available for tax year 2019.

Note that this partial exemption is delivered as a tax credit after the application of the tax reduction factor in a similar manner to the homestead exemption. The application must be filed every year with county auditor on or before December 31 of the year for which the credit is sought. DTE form 105J, *Application for the Partial Exemption of a Qualifying Child Care Center*, has been prescribed separately for that purpose. Upon receipt of the DTE 105J, the auditor must approve or deny the application within thirty days using the form prescribed by tax commissioner, and DTE form 106F, *Notice of Approval or Denial of an Application for the Partial Exemption of a Qualifying Child Care Center*, has been prescribed separately for that purpose. Appeals of the auditor's denial must be taken to the board of revision by filing the DTE form 2, *Complaint Against the Assessment of Real Property Other than Market Value*, on or before the last day of March of the ensuing tax year. Note that there is no extension beyond that date if the first half tax collection closes after March 31. The DTE form 2 has been amended to accommodate the new appeal and has been prescribed separately along with the other forms.

Continuing Exemption for Community Schools

H.B. 166 changes how community schools, colloquially known as “charter schools” remain exempt. Under the amended provisions of R.C. 5713.08 and R.C. 5715.27, all community schools that are exempted will be required to file an annual statement with the Tax Commissioner attesting that the property continues to qualify for exemption under R.C. 5709.07. The statement must be filed by December 31 of each year, beginning with tax year 2019. If the community school fails to file such a statement, the Tax Commissioner is required to order the property be restored to the tax list for the year in which the community school failed to file the statement. DTE form 23C *Community School Tax Exemption Renewal Statement* has been issued to provide a mechanism for community schools to notify the Tax Commissioner of their continued operations.

For tax year 2019 only DTE will be cross referencing the Department of Education’s list of community schools with our exemption database as best we can to allow us to notify those schools of the need to file the form on or before December 31, 2019 in order to maintain their tax exemptions.

Homestead Exemption

Effective for tax year 2020 for real property and tax year 2021 for manufactured homes, the bill changes the definition of “income” for purposes of qualifying for the homestead exemption from simply being OAGI to being “modified adjusted gross income” (MAGI). MAGI is essentially OAGI plus business income that has been deducted in computing OAGI on line 11 of Ohio Schedule A. This income must now be included in the income calculation used to qualify for the homestead exemption. Previously, a property owner whose federal adjusted gross income might have exceeded the income threshold for the homestead exemption was able to deduct up to \$250,000 of their business income, which in turn dropped them below the income threshold and allowed them to still qualify for the needs-based homestead exemption. This change takes into account the presence of that income for purposes of determining eligibility for the homestead exemption and is part of other changes made to the business income deduction and Ohio’s personal income tax.

The information on the Department’s income verification portal will be updated January 1, 2020, to reflect this change beginning with applications filed for tax year 2020. The portal will continue to use the previous income standard for late applications filed with a current application for this transitory year. Auditors will need to verify the income of existing homestead recipients subject to means testing to ensure they meet the new income standard.

Additionally, Bulletin 23 and the applicable forms will also be updated to reflect this change.

Community Reinvestment Areas

In a minor change, H.B. 166 amends R.C. 3735.661, specifying that an amendment adding a requirement for affordable housing units to a pre-1994 CRA will not be considered an “amendment” of the ordinance. Under current law, a municipal corporation or county can amend

the authorizing legislation for a pre-July 1, 1994 CRA twice and still fall within the pre-1994 CRA rules. With certain exceptions, a third amendment would impose the post July 1, 1994 CRA rules. H.B. 166's change adds the affordable housing requirement to the list of exceptions and allows the requirement to be added without triggering the requirement that the CRA comply with various requirements and limitations that apply to CRAs created after 1994.

Tax Levies

H.B. 166 modifies current levy law in two ways. It enacts R.C. 3358.11, allowing a permanent improvement or a bond levy for state community colleges analogous to those which are already available to community college districts under R.C. 3354.12.

The bill also amends R.C. 5705.21 to allow a qualified municipal school district to enact a school safety levy and to share the proceeds of the levy with chartered, non-public schools (as defined under R.C. 3310.01). This likely includes most private and parochial schools but significantly, does not include community schools established under R.C. Chapter 3314.

Local Government Functions

Posting of Tax Distributions

Effective January 1, 2021, R.C. 323.131 will require each county auditor and county treasurer to post on their respective web sites, or on the county's web site, the percentage of property taxes charged by each taxing unit and, if the county is the taxing unit, the percentage of taxes charged by the county for each of the county purposes for which taxes are charged

County Budget Commission Procedure for Boards of Developmental Disability

The bill adds R.C. 5705.322, which requires the county budget commission to consider the county's five-year revenue and expenditure projections when determining whether to reduce the tax rate for funds going to a county developmental disabilities general fund. Before making any decision to reduce these levies, the commission must hold a separate hearing solely on that issue. Prior to holding such a hearing the commission must publish a notice of the hearing in a newspaper of general circulation once a week for two consecutive weeks or as provided in RC 7.16. The second publication cannot be less than ten or more than thirty days before the date of the hearing. Please see R.C. 5705.322 for the required contents of the notice and the requirement to notify the county commissioners or board of developmental disabilities of the hearing.

In a related amendment of R.C. 5705.222, the bill limits the total balance in the developmental disabilities board's reserve balance account to no more than 40% of the board's expenditures for all services in the preceding calendar year. The bill further prohibits the budget commission from considering proper balances in the developmental disabilities board's reserve balance or capital improvement accounts when determining whether to reduce the any of the board's levies as part of the budget commission process.

Conclusion

The changes described above are effective October 17, 2019 unless otherwise specified. If you have any questions regarding these instructions, please contact me or Matt Hollis at (614) 466-5744 or by email at shelley.wilson@tax.state.oh.us or matthew.hollis@tax.state.oh.us.