

State of Ohio
Tax Relief Programs

Role and Overview

The tax relief programs reimburse local taxing districts for revenue that is lost due to tax relief provided by state law to property owners and businesses.

There are two major tax relief programs: (1) real property tax relief; and (2) tangible personal property tax relief. Four line items appear on the budget tables that follow this narrative. Two of the line items deal with real property tax relief and two deal with tangible personal property tax relief.

There are two different real property tax relief programs – property tax rollbacks and the homestead exemption. The property tax rollbacks program reimburses the local taxing districts for the cost of the following tax credits: a 10 percent reduction in each taxpayer’s real property tax bill and an additional 2.5 percent discount on a homestead that is occupied by the homeowner. Correspondingly, two rollbacks are in this program – one of 10 percent for all real property and one of 2.5 percent for owner-occupied residential property. The homestead exemption provides real property tax relief to low-income elderly or disabled homeowners and their surviving spouses. The reduction rate depends on the total income of the homeowner and the spouse.

The Executive Budget proposes to end the 10 percent rollback on commercial and industrial (Class II) property beginning in tax year 2005. This change will bring an expenditure reduction to the General Revenue Fund starting with the second half of the fiscal year 2006. The distribution numbers in the Executive Budget reflect this adjustment. The expenditure estimates total \$166 million for fiscal year 2006 and \$314 million for fiscal year 2007.

The tangible personal property tax exemption program reimburses local taxing districts, including school districts, for tangible personal property tax relief provided to businesses. The first \$10,000 of the taxable value of a business’ tangible personal property (machinery, equipment, inventories, and furniture) is exempt from the tax and the state’s program provides this lost revenue to the local taxing districts.

Current law calls for a phase-out of major elements of the tangible personal property tax by tax year 2013. Thus, payments are currently scheduled over a ten-year period of a decreasing percentage based on the fiscal year 2003 tangible tax exemption payment. The Executive Budget proposes to accelerate the phase-out by reducing the fiscal year 2006 payment from 70 percent to 64 percent of the fiscal year 2003 payment. The remaining payments are proposed to be 40 percent in fiscal year 2007, 32 percent for fiscal year 2008, 16 percent for fiscal year 2009, with no payment for fiscal year 2010, three years earlier than previously scheduled. The Executive Budget includes this accelerated phase-out, but includes plans for the state to compensate local government and schools through a portion of the proposed commercial activity tax. Under the Executive Budget, the machinery and equipment portion of the tax is eliminated in tax year 2007 and the inventory portion is eliminated in tax year 2010.

Summary of Budget History and Recommendations

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
	FY 2002	FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
General Revenue Fund	1,151,502	1,283,826	1,313,229	1,361,483	3.7	1,255,916	(7.8)	1,184,629	(5.7)
TOTAL	1,151,502	1,283,826	1,313,229	1,361,483	3.7	1,255,916	(7.8)	1,184,629	(5.7)

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(In thousands) OBJECT OF EXPENSE	FY 2002	ACTUAL		ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
		FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
Subsidy	1,151,502	1,283,826	1,313,229	1,361,458	3.7	1,255,916	(7.8)	1,184,629	(5.7)
Transfer & Other	0	0	0	25	.0	0	(100.0)	0	.0
TOTAL	1,151,502	1,283,826	1,313,229	1,361,483	3.7	1,255,916	(7.8)	1,184,629	(5.7)

PROGRAM SERIES 01: Tax Relief Programs

This program series reimburses local taxing districts for revenue that is lost due to tax relief provided by state law to property owners and businesses.

Program 01.01: Property Tax Relief – Education

This program provides the real property tax relief moneys to school districts.

What the Budget Buys:

- Reimburses local school districts for real property tax revenues that are lost due to real property tax relief programs; and
- Eliminates, in tax year 2005, the 10 percent rollback on commercial and industrial property, thus reducing General Revenue Fund expenditures.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	200-901	Property Tax Allocation - EDU	764,626,987	728,793,318
TOTAL FOR PROGRAM				764,626,987	728,793,318

Program 01.02: Property Tax Relief – Political Subdivisions

This program provides the real property tax relief moneys to local units of government other than school districts.

What the Budget Buys:

- Reimburses local units of government for real property tax revenues that are lost due to real property tax relief programs; and
- Eliminates, in tax year 2005, the 10 percent rollback on commercial and industrial property, thus reducing General Revenue Fund expenditures.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-901	Property Tax Allocation - TAX	430,102,680	409,946,241
TOTAL FOR PROGRAM				430,102,680	409,946,241

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Program 01.03: Tangible Property Tax Relief – Education

This program provides the tangible tax exemption moneys to school districts.

What the Budget Buys:

- Reimburses local school districts for a portion of the revenue that is lost due to the exclusion from taxation of the first \$10,000 of a business's taxable personal property; and
- Reduces the percentage of lost revenue that is reimbursed from 70 percent to 64 percent, for fiscal year 2006, and from 60 percent to 40 percent for fiscal year 2007.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	200-906	Tangible Tax Exemption - EDU	42,830,487	32,122,865
TOTAL FOR PROGRAM				42,830,487	32,122,865

Program 01.04: Tangible Property Tax Relief – Political Subdivisions

This program provides the tangible tax exemption moneys to local units of government other than school districts.

What the Budget Buys:

- Reimburses local units of government for a portion of the revenue that is lost due to the exclusion from taxation of the first \$10,000 of a business's taxable personal property; and
- Reduces the percentage of lost revenue that is reimbursed from 70 percent to 64 percent for fiscal year 2006 and from 60 percent to 40 percent for fiscal year 2007.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-906	Tangible Tax Exemption - TAX	18,355,923	13,766,942
TOTAL FOR PROGRAM				18,355,923	13,766,942

LINE ITEM SUMMARY - Tax Relief Programs

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
GRF	110-901	Property Tax Allocation - TAX	351,001,027	451,575,366	444,982,717	462,640,000	430,102,680	(7.0)	409,946,241	(4.7)
GRF	110-906	Tangible Tax Exemption - TAX	27,842,883	27,992,910	25,214,074	22,944,904	18,355,923	(20.0)	13,766,942	(25.0)
GRF	200-901	Property Tax Allocation - EDU	705,731,854	736,647,353	782,182,369	822,360,000	764,626,987	(7.0)	728,793,318	(4.7)
GRF	200-906	Tangible Tax Exemption - EDU	66,925,963	67,610,856	60,849,770	53,538,109	42,830,487	(20.0)	32,122,865	(25.0)
TOTAL General Revenue Fund			1151,501,727	1283,826,485	1313,228,930	1361,483,013	1255,916,077	(7.8)	1184,629,366	(5.7)
TOTAL Tax Relief Programs			1151,501,727	1283,826,485	1313,228,930	1361,483,013	1255,916,077	(7.8)	1184,629,366	(5.7)