

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.

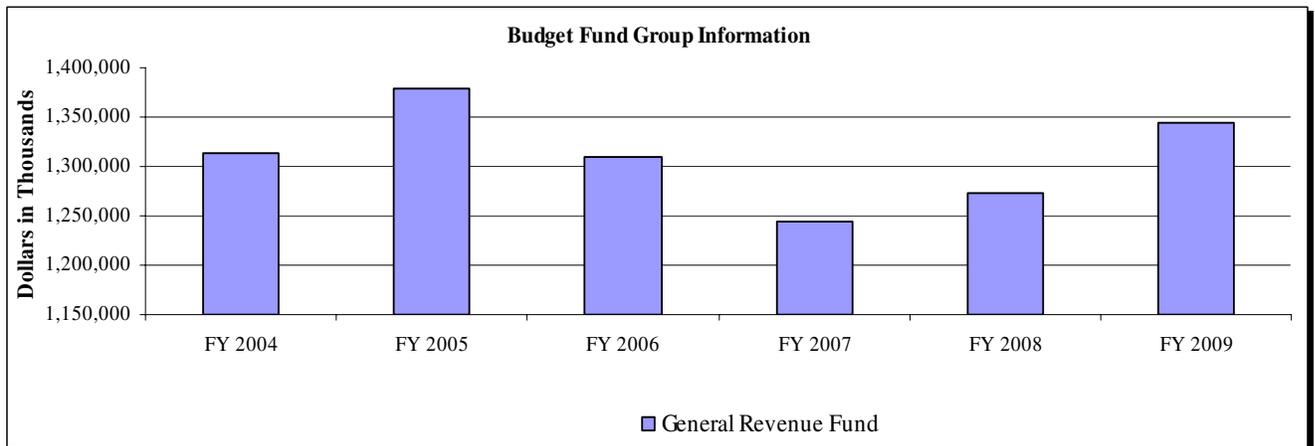
There are two major tax relief programs: (1) real property tax relief; and (2) tangible personal property tax relief. Four line items appear on the budget tables that follow this narrative. Two of the line items deal with real property tax relief and two deal with tangible personal property tax relief.

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 residential 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 residential 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 Recommendation contains a proposal that which if enacted would significantly increase property tax relief payments to school districts and local governments by expanding eligibility for the homestead exemption to include all elderly or disabled homeowners and their surviving spouses. The additional costs to the General Revenue Fund of this proposed expansion of the exemption would be supported by debt service savings generated from bond sales that would be replaced by the proceeds of securitizing future revenue from Ohio’s portion of the Tobacco Master Settlement Agreement.

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’s 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 by reducing the percent of the fiscal year 2003 payment to 32 percent for fiscal year 2008, 16 percent for fiscal year 2009, with no payment for fiscal year 2010.

Summary of Budget History and Recommendations



State of Ohio
Tax Relief Programs

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	CHANGE	FY 2008	%	FY 2009	%
General Revenue Fund	1,313,229	1,379,052	1,309,275	1,243,754	(5.0)	1,272,130	2.3	1,344,779	5.7
TOTAL	1,313,229	1,379,052	1,309,275	1,243,754	(5.0)	1,272,130	2.3	1,344,779	5.7

(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	CHANGE	FY 2008	%	FY 2009	%
Subsidy	1,313,229	1,378,934	1,309,275	774,683	(40.8)	1,272,130	64.2	1,344,779	5.7
Transfer & Other	0	118	0	409,946	.0	0	(100.0)	0	.0
Difference	0	0	0	59,124	.0	0	(100.0)	0	.0
TOTAL	1,313,229	1,379,052	1,309,275	1,243,754	(5.0)	1,272,130	2.3	1,344,779	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.

The Executive Recommendation will:

- Reimburse local school districts for real property tax revenues that are lost due to real property tax relief programs.
- Expand eligibility for the homestead exemption to include all elderly or disable homeowners.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	200-901	Property Tax Allocation - EDU	794,583,404	850,868,654
TOTAL FOR PROGRAM				794,583,404	850,868,654

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.

The Executive Recommendation will:

- Reimburse local units of government for real property tax revenues that are lost due to real property tax relief programs.
- Expand eligibility for the homestead exemption to include all elderly or disable homeowners.

FUND	RECOMMENDED
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State of Ohio
Tax Relief Programs

GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-901	Property Tax Allocation - TAX	446,953,165	478,613,618
TOTAL FOR PROGRAM				446,953,165	478,613,618

Program 01.03: Tangible Property Tax Relief – Education

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

The Executive Recommendation will:

- Reimburse 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
- Reduce the percentage of lost revenue that is reimbursed from 64 percent to 32 percent for fiscal year 2008 and 16 percent for fiscal year 2009.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	200-906	Tangible Tax Exemption - EDU	21,415,244	10,707,622
TOTAL FOR PROGRAM				21,415,244	10,707,622

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.

The Executive Recommendation will:

- Reimburse 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
- Reduce the percentage of lost revenue that is reimbursed from 64 percent to 32 percent for fiscal year 2008 and 16 percent for fiscal year 2009.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-906	Tangible Tax Exemption - TAX	9,177,962	4,588,981
TOTAL FOR PROGRAM				9,177,962	4,588,981

LINE ITEM SUMMARY - Tax Relief Programs

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
GRF	110-901	Property Tax Allocation - TAX	444,982,717	474,166,507	451,904,945	431,230,935	446,953,165	3.6	478,613,618	7.1
GRF	110-906	Tangible Tax Exemption - TAX	25,214,074	22,412,510	17,930,008	13,766,942	9,177,962	(33.3)	4,588,981	(50.0)
GRF	200-901	Property Tax Allocation - EDU	782,182,369	828,384,762	796,169,148	766,632,774	794,583,404	3.6	850,868,654	7.1
GRF	200-906	Tangible Tax Exemption - EDU	60,849,770	54,088,685	43,270,947	32,122,865	21,415,244	(33.3)	10,707,622	(50.0)
TOTAL General Revenue Fund			1313,228,930	1379,052,464	1309,275,048	1243,753,516	1272,129,775	2.3	1344,778,875	5.7
TOTAL Tax Relief Programs			1313,228,930	1379,052,464	1309,275,048	1243,753,516	1272,129,775	2.3	1344,778,875	5.7