

TO: Honorable Mike DeWine, Governor, State of Ohio
FROM: Michelle Francis, Executive Director, Ohio Library Council

CC: Kim Murnieks, Director, Office of Budget and Management
Jeff McClain, Tax Commissioner, Ohio Department of Taxation

DATE: July 17, 2019

RE: **Veto Request for Tax-Related Provisions in HB 166**

As the statewide organization representing Ohio's 251 public library systems and the 8.5 million library cardholders they serve, we would like to extend our appreciation for your support throughout the state budget process on House Bill (HB) 166. We know that a significant amount of discussion and work goes into the development of the state's two-year operating bill.

With that in mind, we are respectfully asking you to exercise your gubernatorial line-item veto authority to remove the following two tax-related provisions added last night in the Conference Committee to Amended Substitute House Bill (Am. Sub. HB 166):

- **TAXCD86 – Ballot Language**

TAXCD86 – HB 76: This language did not appear in the House or Senate versions of the bill and it has not been approved by either chamber. It was added for the first time last night with no opportunity for public debate as part of the state budget process. The bill sponsor claims HB 76 is aimed at ballot transparency, but we believe the changes in HB 76 will actually cause confusion and misunderstanding by voters. In addition, outside bond counsel representing our members has raised several points of concern related to technical problems with the bill that have yet to be addressed. The Ohio Library Council joined other local government and school groups to oppose HB 76 in the House. A copy of that testimony is attached for your convenience.

- **TAXCD58 – Property Tax Exemption for Homebuilders**

TAXCD58 – HB 149: This standalone proposal as HB 149 received only two hearings in the House Economic and Workforce Development Committee. It was not included in the Senate's version of HB 166 and the Senate has not held hearings on the proposal. The language would provide a special tax exemption for home developers and treat their property differently from other property. We oppose this tax break for a specific group of property owners (residential developers) because it unfairly imposes higher taxes on other traditional residential homeowners. Also, this proposal would apply statewide, instead of allowing local economic development tax incentives to be utilized on a case-by-case basis according to the needs of individual local communities. Ohio law already provides options for local governments to grant tax breaks in areas where development makes sense. The Ohio Library Council has joined other local government and school groups to oppose HB 149. A copy of the joint memo we sent to the Senate Finance Committee is attached for your convenience.

We strongly believe both of these provisions need more work and should be removed from the state budget bill. They both should be allowed to be debated separately and work their way through the legislative process. Thank you for your consideration and we would be happy to answer any questions you may have.



**House Ways and Means Committee
HB 76 Opposition Testimony
Buckeye Association of School Administrators
Ohio Association of School Business Officials
Ohio Library Council
Ohio Municipal League
Ohio School Boards Association
Ohio Township Association
April 2, 2019**

Chairman Schaffer, Vice Chairman Lipps, Ranking Member Rogers and members of the Committee. My name is Barbara Shaner, representing the Ohio Association of School Business Officials (OASBO). Joining me today for this testimony are Thomas Ash from the Buckeye Association of School Administrators, Michelle Francis, from the Ohio Library Council, Kent Scarrett representing the Ohio Municipal League, Jay Smith from the Ohio School Boards Association and Marisa Myers from the Ohio Township Association. Thank you for the opportunity to speak to you today to express our opposition to House Bill (HB) 76.

We are here today representing our collective memberships, all of which have to rely on local property taxes for support. We understand the proposed changes in HB 76 are intended to allow voters to better understand the effects a proposed levy will have on their property taxes. However, we believe the changes in HB 76 will actually cause confusion and misunderstanding by voters.

By necessity, ballot language is technical in nature and not meant to be an accurate estimate of the taxes owed by each individual taxpayer should the levy pass. Instead, the current ballot language describes the taxes that will be levied on behalf of the taxing entity.

The transition to the use of “\$100,000” in value for tax purposes presents opportunities for the miscalculation of the taxes for an individual property, particularly when using the proposed term “fair market value”. This term may mean different things to different people, but we believe the average homeowner believes it to mean the possible sale value of their home. This value may not actually be the taxable value for purposes of calculating the taxes property owners will pay.

Further, the bill’s requirement that the county auditor’s estimate of annual collections be in the ballot language will be very misleading to voters. For instance, as values in the district go up, the millage rate collected by the county auditor will go down. Also, as bonds for a capital project are retired, the amount of money needed to make the bond payments may go down, reducing the collection amounts. Again, the purpose of the language in the current ballot requirement is to direct the county auditor in collecting the tax ~ not to indicate to voters how much they will pay.

During levy campaigns, school districts and other local governments routinely provide an estimated tax obligation on homes valued at \$100,000, but they have the ability to distinguish the various factors that will affect this estimate. The following differences among taxpayers, levies and properties mean the calculation of the actual taxes on an individual property derived from a levy will vary widely:

- Differences between Class 1 (Residential and Agriculture) and Class 2 (Commercial) Property (the calculation is most often different among the two classes)
- The taxpayer may have specific discounts (i.e., the Homestead Exemption)
- The type of levy has a bearing on what a property owner will pay (i.e., for renewal levies, residential property qualifies for the state-paid 10% rollback; commercial properties do not)
- “HB 920” means property owners often pay lower “effective rates” for levies rather than the full voted rate after the initial year of implementation

These differences among properties, taxpayers and levy types will surely lead to the miscalculation of taxes should voters be led to believe the calculation is a simple one. Further, to include this granular detail in ballot language would make for an extremely long and detailed ballot.

As a result of these concerns, we urge you to consider the following changes to HB 76:

- Take the bill back to current law and replace “fair market value” with “taxable value”
- Ask LSC to make the language uniform for all levy types in statute (there are differences among the revised code language for different levy types ~ this would be an improvement to current law)
- Remove the use of “\$100,000” in the bill
- Require the county auditor to calculate the tax liability for individual taxpayers “upon request” based on the property type, the levy type, and reduction and discount factors

Again, we believe taxing entities are already providing more accurate information to potential voters during the levy campaign process. If individual voters wish to better understand the impact of a proposed levy on their specific property, the County Auditor can calculate an estimate based on all relevant factors.

Thank you for your consideration. **We urge you to reject HB 76.** We will be happy to address your questions.



M E M O R A N D U M

Date: May 16, 2019
 To: Members of Senate Finance Committee
 From: Local Government Associations
 Re: Local Governments, Schools and Economic Development Groups Oppose Inclusion of HB 149 in Operating Budget (HB 166)

We are writing as a strong coalition of thirteen organizations representing schools, local governments, and local economic development interests, urging you to remove the provisions of House Bill 149 from HB 166, the Operating Budget Bill as passed by the House. House Bill 149 provides a tax exemption for new residential development and is an attempt to usurp local decision making on land use, community planning and economic development incentives with a **one-size-fits-all mandate**.

House Bill 149, and the language included in HB 166, would treat property owned by residential housing developers differently than other property by freezing the taxes for up to three years or until the sexennial reappraisal is completed or until construction begins or the property is sold. It is likely this is unconstitutional because similar properties must be treated the same for valuation and taxation purposes. The Ohio Constitution provides that "land and improvements thereon shall be taxed by uniform rule according to value". (Article XII, Section 2).

We believe this language is unnecessary because there are currently incentive programs that are available to local governments to accomplish the underlying purpose of this language. Community Reinvestment Areas (CRAs), Tax Increment Financing (TIF) agreements, and other programs provide local governments with adequate tools to offer residential construction incentives in specific circumstances that are tailored not only to provide assistance and incentives to the developer, but also to take into consideration the unique requirements of the particular local government.

- Existing development agreements could be seriously impacted by the passage of this language resulting in default bond payments or additional general fund obligations.
- Local governments are required to develop and maintain land use plans in order to be sure development occurs where it makes sense and where the development can be supported efficiently. This language circumvents the purpose of local planning.
- Unplanned and unorganized housing developments have the potential for over-burdening local government services and school districts.
- When developers and local governments negotiate tax incentives, the agreements are not one-size-fits-all, but rather specific, case-by-case agreements.

The property tax exemption for the increase in value of subdivided parcels could result in loss of revenue to school districts and other units of local government. The loss of potential incremental revenue increases that would occur naturally under current law is particularly important in light of the current scarcity of funds coming from the state to these local entities.

- According to the LSC Fiscal Note and Local Impact Statement, “The magnitude of tax revenue loss might range into the low millions of dollars statewide...”
- “Revenue losses might be higher if residential building activity continues to strengthen.”, also according to the LSC Fiscal Note.
- During the time period of the exemption, existing property owners will end up paying more to make up the difference for levies raised through outside millage.

The language included in HB 166 had been promoted as a potential driver for an improved economy, yet historic economic development patterns show that demand for new homes will increase as the economy grows with no tax-break incentives. The incentive for successful housing developments is access to jobs for potential home-buyers. This provision is not providing new jobs.

- The bill essentially subsidizes sprawl by incentivizing and promoting economically and environmentally unsustainable development across the state.
- Although there are communities throughout Ohio where the need for new or increased housing development does exist, the financial risk of building-up an undeveloped area should be carried by the developer, not the local governments in which the development is proposed to occur.
- Proponent testimony on HB 149 shows that Ohio has more new housing starts than any state in the Mid-West. Conversely, experts have testified that Ohio’s population is stable, and there is no demonstrated need for housing developer tax subsidies in many communities.

On behalf of all our members, we respectfully urge you to remove the provisions of House Bill 149 from the budget bill. If you have questions, please feel free to contact any one of our associations.