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Appendix C: Credits, Exemptions, and Reductions

Summary

This document lists and summarizes property tax credits, exemptions, and other reductions that are available under Ohio law, to assist the work of the Joint Committee on Property Tax Review and Reform.

Credits

Current law authorizes several property tax credits, which are direct reductions of tax liability, as opposed to reductions of the taxable value of the assessed property. Application of a credit reduces the tax owed after the tax liability is calculated. Most homeowners benefit from the first two types of credits discussed below.

Nonbusiness and homestead credits

The nonbusiness credit, known by its former name as the "10% rollback," reduces the taxes owed on certain property tax levies by 10%. It applies to residential and most agricultural property. The owner occupancy credit, formerly known as the "2.5% rollback," reduces by an additional 2.5% the tax on owner-occupied dwellings that are the taxpayer's domicile and up to one acre of land. New and replacement levies approved at elections held on or after November 2013 are not included in computing either rollback.[1] The state reimburses local governments and schools for the cost of both of these rollbacks from the GRF.[2]

Tax reduction factors

Each year, the Department of Taxation calculates effective property tax rates based on a system of tax reduction factors. Known as the H.B. 920 reduction factors, the computation of these percentage reductions is complex, but the basic effect is to eliminate changes in revenue

[1] R.C. 319.302 and 323.152(B).

[2] R.C. 321.24(F) and 323.156.

from certain voted levies that would otherwise occur when the valuation of existing real property in a taxing unit is reappraised or updated.

Separate percentage reductions are applied to two classes of real property: Class I, consisting of residential and agricultural property, and Class II, consisting of other property, e.g., commercial, industrial, mineral, and public utility real property. The result is lower effective tax rates for each class of property.[3]

Nuisance abatement credit

A board of township trustees or the legislative authority of a municipality may designate building nuisances, the abatement of which may qualify a purchaser for a tax credit. The property must be purchased at a foreclosure sale or sale of nonproductive or forfeited lands. The purchaser cannot be the previous owner or a closely related family member or company. The purchaser must then abate the nuisance, getting at least three independent bids for demolition or abatement and use the lowest one. The value of the credit will then be a percentage of the cost of demolition or abatement. It can be up to 100% but cannot exceed $10,000 or the lowest bid. This credit has an indefinite carry-forward and runs with the land.[4]

Hamilton County homestead credit

Counties that, as of 1996, are both home to a major league professional athletic team and have enacted a sales and use tax may also adopt a resolution granting a tax credit equal to a selected percentage of tax to homesteads in the county. Such a county must reimburse taxing authorities for any forgone revenue.[5] Currently, only Hamilton County authorizes this credit.

Valuation of agricultural and forest land

Farmland used for commercial agricultural purposes may be valued and taxed on the basis of its “current agricultural use value” (CAUV) rather than on its “highest and best” potential use, e.g., residential or commercial development. The CAUV method typically results in a lower tax bill for farm owners because the land is often valued below its actual market value. To use the CAUV method, a farm must generally include at least ten acres or have an average annual gross income of at least $2,500.[6]

Forest land is treated separately from other agricultural land. Land which is devoted exclusively to forestry or timber growing and that has been classified as forest land by the Chief of the Division of Forestry is taxed at 50% of the otherwise applicable rate.[7]

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[3] R.C. 319.301.

[4] R.C. 505.06 (townships) and 715.263 (municipalities).

[5] R.C. 323.158 and 4503.0610.

[6] R.C. 5713.30 and 5713.31; see also LSC’s Current Agricultural Use Value (PDF) *Members Brief*, which is available on LSC’s website: lsc.ohio.gov.

[7] R.C. 5713.22 and 5713.23.

Deductions and partial exemptions

Deductions, sometimes referred to as partial exemptions, partially reduce the value of a property before tax liability is calculated. In contrast, complete exemptions, as the name implies, effectively exclude property from taxation altogether.

Homestead exemption

Ohio offers several types of homestead exemptions for certain homeowners. The standard homestead exemption equals the taxes that would be charged on up to $25,000 of the true value of a home owned by a homeowner who is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption, essentially exempting $25,000 of the value of a homestead from taxation. The standard homestead exemption is means-tested, so only homeowners with household income below an inflation-indexed threshold ($36,100 for tax year 2023) may qualify for the exemption.

An enhanced exemption of $50,000 is available for homes of military veterans with a total disability and surviving spouses of emergency responders who died in the line of duty. The enhanced exemption for disabled veterans extends to the surviving spouse of such a veteran and neither of the enhanced exemptions are means-tested.[8] For both enhanced and standard deductions, the exemption amount is indexed to increase with inflation beginning in 2023. As with the two rollbacks described above, the state reimburses local taxing authorities from the GRF for the reduction in revenue as a result of homestead exemptions.[9]

Tax increment financing

Tax increment financing (TIF) is an economic development mechanism available to townships, municipalities, and counties to finance public infrastructure improvements that support commercial development and, in certain circumstances, residential rehabilitation. Local governments seeking to authorize a TIF project or district have to enact legislation that declares private improvements to be for a public purpose. Such legislation exempts the new value of improvements from property taxation, instead collecting the amount that would be collected as taxes and directing it to a separate fund for public improvements. Public infrastructure improvements directly serving the increased demand arising from the improvements to the properties or district are eligible for TIF financing.

Up to 75% of the value of such improvements may be exempted up to ten years, without the approval of affected school boards. With school board approval, the exemption may be up to 100% and for up to 30 years.[10]

[8] R.C. 323.152 (real property) and 4503.065 (manufactured homes).

[9] R.C. 323.156 and 4503.068.

[10] R.C. 5709.40 (municipalities), 5709.41 (municipalities and home rule townships), 5709.73 (townships), and 5709.78 (counties).

Municipal corporations also have similar options to enter into urban renewal development agreements to exempt improvements to properties in slum or blighted areas. Municipalities are authorized to issue bonds to fund urban renewal projects. The owner of the improvements subject to an agreement can be obligated to make payments in lieu of taxes that must go to an urban renewal debt retirement fund to pay off the municipality's obligations. The tax exemption on new improvements can be 75% to 100%, dependent on the approval of affected school boards.[11]

Exemptions for community urban redevelopment corporations also operate similarly to TIFs. These corporations can be for- or not-for-profit and may acquire land that is part of a blighted area from a municipality.[12] The corporation than applies to the municipality proposing the project. When a municipality approves a project, the parties enter into an agreement specifying the details of the tax exemption and the payments the corporation must make in lieu of taxes.[13] The value of improvements made in the development of a blighted area can be exempted up to 75%. With the approval of affected school districts, the exemption can be up to 100%, with the school boards able to negotiate for payments equal to the taxes they would have received in excess of the 75% exemption. The exemption can be for up to 30 years for one-, two-, or three-family dwellings and up to 20 years for all other improvements.[14]

Community reinvestment areas

Municipalities, home rule townships, and counties may establish areas where new construction and renovations are eligible for a property tax exemption. The legislative authority must pass a resolution defining the boundaries of the area and finding that new housing construction and repair of existing historically significant buildings in the area has been discouraged. These findings must be verified by the Director of Development.[15]

The resolution must specify what percentage, up to 100%, of assessed valuation of new construction or of newly added value shall be exempt and for how long. For remodeling, up to 15 years plus an addition ten if the building is residential and of historical or architectural significance. For new construction of residential, commercial, or industrial buildings, also up to 15 years.[16]

Commercial and industrial construction or remodeling must be subject to an agreement between the owner and the legislative authority. The agreement must describe the remodel or construction and the exempted percentage of valuation and include certain other terms. An agreement must be approved by a local school district unless the taxes still to be charged on the

[11] R.C. 725.01 to 725.07.

[12] R.C. 1728.02 and 1728.03.

[13] R.C. 1728.06 and 1728.07.

[14] R.C. 1728.10.

[15] R.C. 3735.65(B) and 3735.66.

[16] R.C. 3735.66 and 3735.67.

property and any payments the owner makes to the school district exceed 75% of the tax revenue that would have been collected without the exemption.[17] An exemption can be revoked if the owner violates the agreement or fails to maintain the property.[18]

Enterprise zones

Enterprise zones are designated areas of land in which businesses can receive tax exemptions on eligible new investment. Certain municipalities and counties can provide tax exemptions for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are generally not eligible.

A municipality that is designated as the principal city of a metropolitan statistical area can seek to establish a zone within its own boundaries.[19] A county board of commissioners can seek to establish a zone within its boundaries with the consent of all affected municipalities and townships.[20] A zone must fulfill certain requirements, namely having either (a) a population of at least 4,000 or (b) a population of at least 1,000 and being located in a county with a population under 300,000 and, in either case, meeting any two of the following criteria:

1. Be located in the principal city of a metropolitan statistical area;
2. Be located in a county in the "Appalachian region";
3. Have an average unemployment rate 125% of the state rate;
4. Have a prevalence of vacant or demolished commercial or industrial structures;
5. Have a population that decreased by at least 10% from 1980 to 2000;
6. 51% of its residents have less than 80% of median income of the encompassing municipality or municipalities;
7. Has industrial structures not in use due to unfavorable economic conditions;
8. Has depressed tax capacity in overlapping school districts.

These findings and the zone must be approved by the Department of Development.[21]

Once a zone has been approved, the municipality or county may enter into an agreement with an enterprise which is seeking to establish or expand operations within the zone. The authority must find that the enterprise is qualified by financial responsibility and business experience to create and preserve jobs and improve the economic climate in the area. In exchange for the enterprise agreeing to establish, expand, renovate, remediate, or occupy a

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[17] R.C. 3735.671.

[18] R.C. 3735.68.

[19] R.C. 5709.62 and 5709.632.

[20] R.C. 5709.63 and 5709.632.

[21] R.C. 5709.61.

facility and create or preserve jobs, the local government may grant an exemption for up to 75% of the increased value for up to 15 years. Those limits can be increased to 100% and 30 years, respectively, with the consent of all affected school districts.[22]

Downtown redevelopment districts

Municipal corporations can create downtown redevelopment districts to promote economic development, fund public infrastructure improvements, and make loans to entities to rehabilitate buildings and start businesses. A municipality may pass an ordinance designating the district, identifying historical parcels that will be rehabilitated, and describing the economic development plan for the district including how the municipality will collaborate with businesses to achieve specified goals. Properties within the district may be exempted from taxation for up to 30 years with the approval of affected school districts or with an agreement with a property owner to pay an annual service payment.[23] The annual service payment must be equal to the taxes that would have been charged on the property. This payment is then distributed to other taxing authorities, like school districts, with the municipality's portion going to a fund dedicated to the public infrastructure improvements or other projects specified in the ordinance.[24]

Newly developable or redevelopment property

Any person that owns a property to be developed or redeveloped for commercial or industrial use can apply to a municipality, township, or county and the tax commissioner to have the project declared for a public purpose and to exempt the property's increased value from taxation for five years. The legislative body must give notice to any affected school board and pass a resolution or ordinance to grant an applicant the exemption.[25]

Residential development land

Real estate developers qualify for a partial property tax exemption for unimproved land that has been subdivided for residential development. The value exempted is the value in excess of the property's most recent arms-length sale price, apportioned according to the relative value of each subdivided parcel. The exemption applies beginning with the tax year in which the subdivided parcel first appears on the tax list and may be claimed for up to eight years, or until either the land is sold to another person or construction begins on a residential building.[26]

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[22] R.C. 5709.62, 5709.63, and 5709.632.

[23] R.C. 5709.45.

[24] R.C. 5709.46 and 5709.47.

[25] R.C. 5709.52.

[26] R.C. 5709.56.

Other partial exemptions

Deduction for damage

When a property has been destroyed or damaged for more than $100, the county auditor may deduct an amount that fairly represents the extent of the damage from the property's valuation. That amount is reduced by a percentage (25%, 50%, or 75%), depending upon in what calendar quarter the property was damaged.[27]

Agricultural security areas

Landowners may request a tax exemption on new investments of at least $25,000 in a building, structure, improvement, or fixture that is used exclusively for agricultural purposes located in land enrolled in an agricultural security area (ASA). The legislative authorities of each township and county are to enter into an agreement which establishes the tax exemption up to 75% of the new investment for a specified number of years.[28]

Child care facilities

Licensed child care centers are eligible for a partial property tax exemption based on how many children that attend the center reside in a household that receives public assistance. If 25% to 50% of the children than attend a center come from such a household, the center is allowed a 25% exemption. If more than half of the children come from a family that receives assistance, then the center is allowed a 75% exemption.[29]

Athletic facilities

A board of commissioners of a county with an Olympic or Paralympic training facility is required to enter into agreement with the facility's owner whereby the owner will make payments in exchange for tax exemption of up to 100% for up to 17 years.[30]

Environmental remediation land

Contaminated property that the Director of Environmental Protection has certified as having begun remediation efforts is eligible for a ten-year exemption for the increase in assessed value of the property that is due to the cleaning of the contamination. If at any time the Director revokes the certification, the property owner will owe back the taxes on the exempted value.[31]

A property to which such an exemption applies can also be treated similarly to an enterprise zone discussed above. A municipality or county may enter into an agreement with an enterprise which owns the remediation land and which agrees to invest at least 250% of the value of the land to establish, expand, renovate, or occupy a facility and create or preserve jobs. The

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[27] R.C. 319.38 and 4503.0611.

[28] R.C. 5709.28.

[29] R.C. 323.16.

[30] R.C. 5709.57.

[31] R.C. 5709.87.

municipality or county may agree to grant an exemption of up to 100% of the increased valuation for up to ten years.[32]

Pollution control facilities

The owners of air, noise, or industrial water pollution control facilities or energy conversion facilities, may apply to the Tax Commissioner for a tax exemption certificate.[33] The Tax Commissioner must seek the opinion of the Director of Environmental Protection, Natural Resources, or Development before issuing a determination approving a certificate.[34] Once certified, an exempted facility is not considered an improvement for real property tax purposes, relating back to the day when the application was filed.[35]

Complete exemptions

The table below lists the complete property tax exemptions available under Ohio law, organized according to the Revised Code section in which each exemption is authorized.

Eligible Property	R.C. Section(s)
Department of Development property	R.C. 122.61
Hospital facilities	R.C. 140.08 and R.C.339.14
Ohio Public Facilities Commission property	R.C. 154.14
Industrial development property	R.C.165.09
County transit system, county transit board	R.C.306.07 and R.C.306.13
Regional transit authority, commission	R.C.306.52 and R.C.306.87
County convention centers and arenas	R.C.307.695, R.C.5709.083, and R.C.5709.084
Township memorials and memorial buildings	R.C.511.11
Municipal off-street parking facilities	R.C.717.05, R.C.717.051, and R.C.5709.10
Businesses preserving dead bodies	R.C.1743.03

[32] R.C. 5709.88.

[33] R.C. 5709.20 and 5709.21.

[34] R.C. 5709.211.

[35] R.C. 5709.25.

Eligible Property	R.C. Section(s)
Local board of education property	R.C.3313.44
State universities	R.C.3345.17
Municipal universities and educational institutions	R.C.3349.17
Community colleges	R.C.3354.15
University branch districts	R.C.3355.11
Technical college districts	R.C.3357.14
Ohio Higher Education Facility Commission property	R.C.3377.12
Air Quality Development Authority projects	R.C.3706.041 and R.C.3706.15
Metropolitan Housing Authority property	R.C.3735.34 and R.C.5709.10
JobsOhio enterprise acquisition project	R.C.4313.02
Port Authority property	R.C.4582.20 and R.C.4582.46
Halfway houses	R.C.5120.104
Turnpike and infrastructure projects	R.C.5537.20
Homes for the aged, i.e., nursing homes and residential care facilities	R.C.5701.13 and R.C.5713.07
Churches, museums, performing arts centers, and other property used for public or charitable purposes	R.C.5709.07, R.C.5709.12, R.C.5709.121, and R.C.5713.07
School property	R.C.5709.07
Public colleges, academies, and state universities	R.C.5709.07
State, adjoining state, and U.S. government property	R.C.5709.08
Public property used for a public purpose	R.C.5709.08

Eligible Property	R.C. Section(s)
Public recreational facilities used for Major League athletic events[36]	R.C.5709.081
Nature preserves and environmental projects	R.C.5709.09
Public property including market houses, public squares or other public grounds owned by a municipality or township, and county fairgrounds	R.C.5709.10
Certain community improvement corporation property	R.C.5709.101
Property used for treatment, distribution, and sale of water	R.C.5709.111 and R.C.1702.01
Nonprofit housing to be transferred to low-income families	R.C.5709.12(E)
Land reutilization program (i.e., land bank) property	R.C.5709.12(F) and R.C.5722.11
Nonprofit human tissue distribution property	R.C.5709.12(G)
Microloan organization property	R.C.5709.12(H)
Nonprofit housing for people with developmental disabilities, mental illness, or substance use disorder	R.C.5709.121(E) to (F)
Qualifying nonprofit parking garage	R.C.5709.121(G)
Homes for poor children	R.C.5709.13
Nonprofit graveyards	R.C.5709.14
Veteran monuments and memorials	R.C.5709.15 and R.C.5709.17
Monuments and memorials	R.C.5709.16
Veterans' and fraternal organization property	R.C.5709.17
Prehistoric earthworks and dedicated historic buildings	R.C.5709.18

[36] 50% of income tax revenue collected by a municipality from new employees of such a facility is distributed to taxing districts that would have received property taxes from the property but for this exemption. R.C. 5709.082.

Eligible Property	R.C. Section(s)
Transportation financing districts[37]	R.C.5709.48
Certain solar, wind, hydrothermal, and small energy facilities	R.C.5709.53
Port authority property leased to railroad	R.C.5709.71
Property used in local railroad operations	R.C.5709.84
Certain abandoned school property sold to developers	R.C.5709.86
Qualified renewable energy projects	R.C.5727.75
Regional water and sewer district property	R.C.6119.40
Ohio Water Development Authority property	R.C.6121.16
Industry, commerce, distribution, or research projects	R.C.6123.041

[37] This is a locally granted exemption that may also be a partial exemption.