STATEHOUSE REPORT

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Lame duck agenda forming, expect SB 235 tax freeze to be considered

Renewable energy standards and tackling unemployment compensation reform appear to be high on the list of items to address when legislators return after the November election for lame duck session.

Time is running out on a two-year freeze on the green energy standards that required utility companies in Ohio to use renewable energy and include energy efficiency. Senate President Keith Faber has told reporters that the standards created in 2008 are unreasonable and arbitrary. Faber says the Senate will likely try to change the standards but the exact plan is still up in the air.

House Speaker Cliff Rosenberger said Thursday he's confident the chamber can reach an agreement this fall with the Senate and the Kasich Administration on the state's soon-to-expire energy freeze.

A goal-oriented approach falls in line with a pending substitute bill from Senator Bill Seitz, which would reinstate the benchmarks but remove the state's ability to enforce them until the 2020 compliance year. There are three bills, including Sen. Seitz's, pending in the Statehouse to address the issue in ways ranging from extending the freeze to 2027 to abolishing the standards completely.

Governor Kasich, meanwhile, has repeatedly threatened to veto any legislation that would "kill" the standards.

Other lame duck priorities haven't changed, the speaker said. He said the chamber will prioritize unemployment compensation via

SB 235

Property tax proposal to freeze valuation for certain commercial/industrial property

Sponsors: Sen. Beagle
Sen. Coley

CCAO Position: OPPOSED

Status: House Rules Committee

Key Provisions:

- Freezes valuation for industrial and commercial property that has received infrastructure improvements but has not been developed vertically or received an occupancy permit.

CCAO Concerns:

- Legislation automatically provides favorable tax treatment if certain conditions are met, without input or control by local governments. In addition, the bill as drafted does not provide for a local agreement between the property owner and political subdivision, which would denote the percentage of tax valuation granted for a specific time period. Moreover, there is concern about how this tool works with other economic development incentives.

the ongoing work of the Unemployment Compensation Reform Joint Committee.

In addition, he did not rule out passage of a measure (SJR 1) to create an employment compensation commission for state elected officials - a top priority for Senate President Keith Faber. Speaker Rosenberger said more discussion on the issue is needed in the House Republican Caucus.

CCAO also is expecting the House to consider a proposal, passed by the Ohio Senate, to freeze the valuation of commercial and industrial property until such property is issued an occupancy permit or other conditions are met is expected to be considered when the Ohio House returns in the coming weeks. CCAO, the County Auditors Association and other local government associations as well as school groups are opposed to the proposal – Senate Bill 235, sponsored by Senators Bill Beagle (R-Tipp City) and Bill Coley (R-Liberty Township).

Under the bill, the exemption would apply to all 'newly developable property" and "redevelopment property." "Newly developable property" is defined as real property on which no commercial or industrial operations are currently being conducted and on which construction of one or more commercial or industrial buildings is planned but for which a certificate of occupancy has not yet been issued.

"Redevelopment property" is similarly defined as property one which one or more commercial or industrial buildings are or were situated, no commercial or industrial operations are currently being conducted, and construction or reconstruction of new commercial or industrial buildings is planned but for which a certificate of occupancy has not been issued.

The triggering event for the exemption would be the filing of an application by the property owner with the county auditor in which the property owner declares:

- The property is newly developable property or redevelopment property.

- The property is zoned to permit construction or reconstruction of a new commercial or industrial structure.

Under the legislation, the exemption from increased property taxes would cease whenever one of the following "trigger" events occur:

- The owner obtains an occupancy permit for a commercial or industrial building or structure located on the property.

- The owner transfers title to the property to another person.

- The property is rezoned such that commercial or industrial buildings are not a permitted used.

- Any commercial or industrial operations are conducted on the property.

CCAO, the County Auditors Association of Ohio (CAAO), the Ohio Municipal League and the Ohio Township Association along with the school associations have raised concerns in conversations with legislators.

- No Local Control – exemptions would be granted as a matter of right with no local approval, no tax exemption agreement, no private sector commitment of investment or jobs, and no control over the level or duration of the exemption.

- No Local Opt-In or Opt-Out Option – there is no authority to exempt property already subject to enterprise zones, tax increment financing, community reinvestment areas, and other areas subject to different economic development incentives. Local governments will not have the option of determining whether this type of exemption makes sense for their community.

- “Planned” development is undefined – the bill speaks to planned commercial or industrial development or redevelopment but does not define what this means.

The property tax exemption can continue for up to ten years before the value of the property would be reset for property tax purposes. After reset, the valuation is frozen for another ten years until a “trigger” event occurs. This pattern is repeated thereafter.

A Legislative Service Commission fiscal note indicates the magnitude of the revenue loss is “indeterminate;” however, the fiscal note adds that this bill will reduce property tax revenue for counties, schools, municipal corporations and township on inside millage for as long as such property are not completely developed or redeveloped, up to the ten year reset point. Revenue generated for the ten inside mills goes up or down depending on the valuation of the property. Property tax reduction factors do not apply to inside millage which allows voted levies to receive adjustments in effective millage as the property tax valuation changes over time.

This past week fifteen organizations submitted a joint memorandum of opposition to SB 235 to the House majority and minority leadership teams. In addition to CCAO, organizations signing on to the memo include: Buckeye Association of School Administrators, County Auditors Association of Ohio, Mid-Ohio Regional Planning Commission, the Developmental Disabilities Association, Ohio Association of School Business Officials, the Ohio Coalition for Fair Taxation, Ohio Library Council, Ohio Municipal League, the Ohio School Boards Association, the Ohio Township Association, the Ohio Association of Career Technical Superintendents, Career Technical Educators and the Ohio for Aging Association. Click here for a copy of this letter.

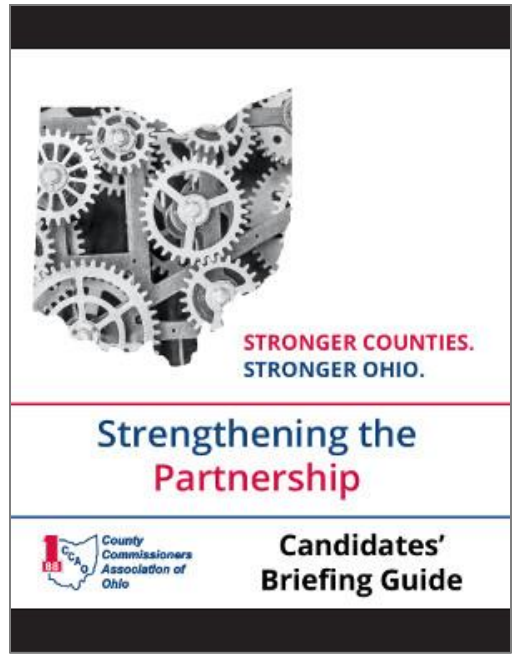
CCAO will be working with other interested parties to communicate our concerns to House members. The bill has not been assigned to a House committee yet. The bill passed out of the Ohio Senate earlier this spring on a vote of 22-11. If you have questions about SB 235, please contact CCAO Staffers Brad Cole or Cheryl Subler at 614-221-5627 or at bcole@ccao.org or csubler@ccao.org, respectively.

New Candidates’ Briefing Guide

CCAO’s 2016 Candidates’ Briefing Guide was released this week. The guide, which is designed to educate candidates on county government and the policy issues that are important to counties, emphasizes the importance of strengthening the partnership between the state and counties to make a stronger Ohio.

The top policy issues included in this year's guide include:

- Replace revenue lost from the elimination of the Medicaid managed care sales tax
- Partner with counties to replace voting equipment
- Protect the county/state sales tax base
- Enhance the delivery of public safety services
- Address growing pressures caused by the opiate epidemic
- Modernize infrastructure funding.



The guide also recommends partnership opportunities between the state and counties, notes recent successes and shares information on county revenue sources and the many important functions that counties perform. You can view the document online here.

As a member of CCAO, you are our most powerful advocate. We hope this will provide a valuable tool that supports your advocacy efforts with current and future state lawmakers over the coming months.