Before the Joint Committee on Property Tax Review and Reform Hearing of May 8, 2024

Proponent Testimony by David P. Johnson dated Tuesday, May 7th, 2024

Representative Roemer, Co-Chair, Senator Blessing III, Co-Chair, and Members of the Joint Committee on Property Tax Review and Reform. As an Ohio resident over the age of 65 years, I appreciate the opportunity to provide my written Proponent testimony pertaining to the Homestead Exemption and my recommendations for future reform that would benefit all Ohio seniors.

First I would like to thank Co-Chairs Roemer and Blessing III for allowing the Ohio Channel to broadcast these hearings so all of Ohio's citizens can better educate themselves on the important topic of property taxation.

Second, in the course of the many hearings, I would like to thank the people representing many of Ohio's entities who provided in-person expert testimony pertaining to our state's system of property taxation.

I would especially like to recognize the solicited testimony provided by Mike Sobul (Retired Research Administrator with the Ohio Department of Taxation) pertaining to the Homestead Exemption embedded within Article XII, Section 2 (Limitation on Tax Rate: Exemption) in the Ohio Constitution.

The intent of my written Proponent testimony today is to stress to the members of this Committee critical reform of the Homestead Exemption such that more seniors will qualify for this property tax credit thereby improving their ability to comfortably 'age in place' within their home.

My written Proponent testimony will contain both facts and personal opinion. My opinions are not meant to be demeaning in regards to the current and previous General Assemblies but rather just this person's perspective on state taxation policy.

At my last count, nine House Bills pertaining to some aspect of property taxation, have been introduced in the State House of Representatives during the 135th General Assembly (2023-2024). Of those nine proposed House bills, eight bills remain in the House Ways and Means Committee and one bill (HB57) was passed by the House and currently resides in the Senate Ways and Means Committee since May 31, 2023 without receiving a hearing on the matter. Several of these proposed House bills pertained specifically to the Homestead Exemption. Obviously, property taxation is on the minds of many of our elected state Representatives.

Please note – I am <u>not</u> opposed to any of these bills. I simply want to high light the extensive number of property tax-related bills that have been introduced in the House but currently remain in committee with no foreseeable hearings scheduled.

At this point, I will state that I previously submitted written Proponent testimony for proposed House Bill 263, Authorize a Property Tax Freeze for Certain Owner-Occupied Homes. This proposed bill would provide for an 'Aging in Place' solution necessary to allow seniors to remain in their homes without being forced to move because they cannot afford to pay their property taxes. Or worse yet, lose their property rights when the government forecloses on their property due to failure to pay their property taxes.

However, while this proposed bill had good intentions, I believe it could be ruled unconstitutional in accordance with Article XII, Section 2 since it does not reduce taxes by providing for a reduction in the value of the homestead, but rather it would freeze property taxes. However, I am not a constitutional lawyer and will not argue the constitutional merits of proposed House Bill 263.

A more recently proposed House Bill 447, Regards Property Tax Exemptions, Restrictions, and Land Value, introduced on March 12th, 2024 is a step in the right direction in that the bill proposes to temporarily increase the amount of the property tax Homestead Exemption and expands eligibility for the Homestead Exemption for the elderly and the disabled.

However, in my opinion, even proposed House Bill 447 does not go far enough in order to extend the Homestead Exemption to an even greater number of Ohio's seniors over the age of 65 years who would benefit from a reduction in their property taxes.

My proposed Homestead Exemption revisions are even more important today due to the rising cost of living I have experienced, not only in the last 6 months such as property taxes up 11.3% ($680/yr), home owners insurance up 29.7% ($146/yr), car insurance up 21% ($97/yr), and long term care insurance up 15% ($400/yr), but over the course of the last several years due to an approximate 20 per cent increase in overall inflation. This impact on 'Aging in Place' affects not only myself but every senior home owner, especially those who live on a relatively fixed income.

So, in regards to potential reform of the Homestead Exemption, I believe it boils down to two simple questions.

1. Do senior home owners over the age of 65 years, especially those on fixed incomes, deserve an even larger property tax break than currently provided by the Homestead Exemption?

2. If yes, then how much money is the State willing to reimburse from the General Revenue Fund to local taxing authorities in order to expand the number of senior home owners eligible to qualify for the Homestead Exemption?

In that regard, I would like to make reference to key points contained in the Bill Analysis for proposed House Bill 263.

House Bill 263 would have raised the 'age' requirement to be eligible for the Homestead Exemption to at least 70 years old.

I vehemently disagree with raising the 'age requirement – the current age requirement, as specified in Article XII, Section 2 of the Constitution should remain at 65 years of age.

While the (House) Bill (263) Analysis does not provide a written bases for this minimum age, the Fiscal Note & Local Impact Statement does estimate that 455,000 homeowners, based on this age requirement, will benefit from this bill in its first year.

The table titled 'Additional GRF Expenditures for Each Selected Tax Year' estimates additional GRF reimbursement expenditures to local taxing authorities will cost $42.2M dollars, $86.5M dollars, and $132.2M dollars respectively in Tax Years 2024, 2025, and 2026 due to the direct loss of tax revenue resulting from the property tax freeze. Over the course of these three tax years, the total GRF reimbursement expenditure will add up to $261.1M dollars.

I must emphasize again, over the course of these three tax years, the estimated total GRF reimbursement expenditures will add up to only $261.1M dollars.

This sum of money for a three year period may seem to be excessive to some people. However, I would like to offer a different perspective. I would like the committee to consider the fact that House Bill 33 (Fiscal Year 2024-25 Appropriations) implemented income tax cuts and tax breaks that will permanently eliminate approximately $900M dollars a year of income tax revenue going forward that would have gone into the General Revenue Fund. These income tax reductions mainly benefited the wealthiest 20% of working Ohioans and minimal benefit for that segment of the population who are retired and no longer work. These are only the most recent income tax cuts. Many independent articles have been written that document Ohio's 'Great Tax Shift' over the last 15 years and the resultant billions and billions of dollars that will no longer flow into the General Revenue Fund from the loss of income tax revenue.

How many more senior home owners age 65 and over could be made eligible for a property tax reduction if a billion dollars a year in state income tax reductions hadn't been approved by previous House Bill 33 (Fiscal Year 2024-25 Appropriations), or for that matter, the last 15+ years of state income tax reductions?

Do the wealthiest 20% of Ohioans (of which I am currently not and never have been), who mainly benefited from the most recent billion dollars a year in state income tax reductions, worry if they will be able to 'age in place' at the present moment? In my opinion – most likely not. In my case, the little money I saved from this most recent state income tax reduction (and previous reductions) is going towards paying for everyday living essentials which have risen considerably faster than the extra small amount of additional income I have received from the income tax cuts.

From another reference point, to be eligible for the Senior Tax Credit on the Ohio IT 1040 Individual Income Tax form, a person must be 65 years or older (in addition to several other requirements). When this tax credit was passed into law, previous legislators must have agreed that an age of 65 and older was a reasonable age to qualify for this senior-specific tax credit.

So from my perspective, the State can afford to spend more than $261.1M dollars over the course of the next 3 years in order to expand the Homestead Exemption tax credit to a larger percentage of senior home owners.

Additionally, according to articles I have read online, workers in Ohio generally retire at an average age of 63 and Ohio's average life expectancy, among the worst in the nation, is only 76.9 years. In addition, a 2022 article cited older Americans have the highest home ownership rate, as seniors 75 and older average 78.7%. These two factors should be given a high priority when deciding the appropriate minimum age requirement.

Recommendation - Keep the eligibility age limit to 65 years old in order to expand the base of senior home owners eligible to qualify for the Homestead Exemption.

Note – Proposed House Bill 263 would add an additional 'qualification' (as allowed by Article XII, Section 2) that the homeowner must have continuously lived in their homestead or manufactured home for at least 10 years.

While I oppose this new qualification requirement, it only serves to reduce the number of senior home owners who would be eligible to qualify for the Homestead Exemption.

With no written bases for a 10 year continuous living requirement, then I assume it is based on the amount of money state legislators are willing to commit from the General Revenue Fund in order to reimburse the local taxing authorities.

Proposed House Bill 263 would raise a homeowner's total income to $70,000 per year. In comparison, the 2023 income limit to be eligible to qualify for the Homestead Exemption is $36,100. While a significant increase, I believe it should be even higher.

The (House) Bill (263) Analysis does <u>not</u> provide a bases for this maximum income limit of $70,000 dollars per year.

Proposed House Bill 447 would extend the Homestead Exemption to individuals based on a three tier household income ladder up to $80,000 a year. However, the Bill Analysis currently does not contain a Fiscal Note & Local Impact Statement in order to determine the fiscal impact due to the additional GRF reimbursement expenditures that would be required to local taxing authorities.

As a point of reference, to be eligible for the Senior Tax Credit ($50 max) or the Retirement Tax Credit ($200 max) on the Ohio IT 1040 Individual Income Tax form, your 'modified adjusted gross income less exemptions' has to be less than $100,000. When these tax credits were passed into law, previous legislators must have agreed that a 'modified adjusted gross income less exemptions' of $100,000 a year was a reasonable dollar amount in order to qualify for these two senior-related tax credits.

The same article that stated workers in Ohio generally retire at an average age of 63 also estimated that a total retirement savings of approximately $880,000 would be needed for those years between retirement age and 80 in order to attain a comfortable retirement. With the effects of inflation the last several years, I have to believe this figure is now even higher than previously estimated.

Many seniors, such as myself, also saved for their retirement with tax qualified savings plans, such as a 401K or IRA, and now may also be taking withdrawals in order to replace income when they previously worked or required to take Required Minimum Withdrawals (RMDs) as required by the federal tax code. These withdrawals are reportable income and are taxed at ordinary income tax rates. So on one hand, when these withdrawals are necessary to be able to comfortably 'age in place', these same withdrawals may ultimately cause a senior to be ineligible for the Homestead Exemption due to the relatively low income thresh hold.

Recommendation – Raise the total income limit to $100,000 in order to be consistent with other state income tax credit requirements and to expand the base of senior home owners eligible to qualify for the property tax freeze.

Note – Proposed House Bill 263 would add an additional 'qualification' (as allowed by Article XII, Section 2) that the county auditor's appraised value of the home owner's home must be less than $1 million dollars.

While I oppose this new qualification requirement, it only serves to reduce the number of senior home owners who would be eligible to qualify for the Homestead Exemption.

With no written bases for a maximum appraised home value of $1 million dollars requirement, then I again assume it is based on the amount of money state legislators are willing to commit from the General Revenue Fund in order to reimburse the local taxing authorities.

In summary, what I do perceive is that the State's past and present fiscal legislative actions have benefited the upper income class through state income tax reductions, will benefit the lower income class through additional property tax reductions, and the middle income class, such as myself, have / or will receive minimal or no benefit from these same tax reductions.

Ultimately, due to either direct or indirect consequences, the shift in property taxation assistance from the state onto the backs of middle income class taxpayers such as myself will become further exacerbated. This will result in only one consequence - senior middle income class taxpayers, such as myself, may likely vote with their wallet regardless of the intended purpose when the next property tax levy issue appears on the ballot. As we know, this consequence has existed for years as local property taxing entities have had to go to the ballot time after time to get voter passage for the same property tax levy issue.

While the House Bill 263 Sponsor testimony of Representatives Hall and Isaacsohn supported a property tax freeze for seniors, I believe that same testimony can be applied to an expansion of the Homestead Exemption. Both Representatives recognize the financial strain presently placed on seniors to be able to age with dignity while maintaining the wealth they have built in their home while trying to manage the rising property taxes that accompany rising property values.

In conclusion, it is imperative for this committee to seriously consider reform proposals that will greatly expand the number of seniors age 65 and over in order to reduce their property tax burden while ultimately allow them to gracefully 'age in place' in their home.

To that end, I would like to thank all of the members of the Joint Committee on Property Taxation Review and Reform for the opportunity to testify as a Proponent for the reform and expansion of the Homestead Exemption to senior home owners age 65 years and older.

Respectively,

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