



Phase-out of the Tangible Personal Property Tax and Public Utility Deregulation Replacement (KwH) Payments for County Government Entities

The governor's FY2012/2013 executive budget proposal calls for accelerating the scheduled phase-out of certain payments made by the state to localities that replace taxes they once collected on tangible personal property (TPP) and certain types of electricity generation. These spreadsheets were prepared by the Ohio Department of Taxation to show the changes to these payments for various local entities that currently receive them.

Due to the plural nature of county government in Ohio and the quasi-autonomous manner in which services are delivered and levies are raised, the Department has expressed figures for the proposed changes in five categories:

- Mental health/developmental disabilities levies
- Public health levies
- Senior services levies
- Children services levies
- Other levies that don't fit into any of the above categories

The phase-out of these funds is in current law and has been expected: A phase-out of the replacement payments for the TPP tax and for public utility deregulation with respect to fixed rate, current expense levies is already in law. Under the administration proposal, the phase-out will be accelerated for programs with little reliance on these payments. However, counties that are heavily reliant on these replacement payments will experience a prolonged period of phase-out beyond that in current law (treatment of inside millage levies for debt purposes that qualify for reimbursements are not impacted by any of the proposed changes).

Methodology for determining total available resources: The reliance on these payments was determined by taking into account the total resources available to each of the five different functions within counties. Total resources for the four defined services groups include total property tax receipts (including rollbacks/homestead) and total TPP and public utility reimbursements. For the fifth or "other" group, total resources include the funding streams above plus the county share of Local Government Fund allocations and permissive sales taxes levied under the base tax (this would include taxes levied under 5739.021 but exclude taxes levied under 5739.026).

Funding changes to counties are measured based on their reliance: The test for whether a county continues to get reimbursement is based on the question of whether a county's reimbursement exceeds 2% of calculated total resources. However, the fact that the proposed change in reimbursement occurs halfway through tax year 2011 complicates the calculation in 2011.

The first half reimbursement payment in tax year 2011 is unaffected by the proposed change. Only the payments scheduled to be made after June 30 are compared to 2% of total resources. If the second half

payment is less than 2% of total resources, then no payment is made. If the second half payment is greater than 2% of total resources, then the second-half payment is reduced by an amount equal to 2% of total resources.

This has differing impacts on the TPP and public utility deregulation replacement payments. Because the utility deregulation payments are split evenly between the halves of the calendar year, this means that counties with reliance up to 4%, measured on a full-year basis, will receive no payments after June 30, 2011. Since the TPP reimbursements are very heavily weighted toward the second half of the calendar year (6/7 of the payments are made in the second half of the year, to mimic the timing of the TPP tax payments that they replaced), counties with reliance measures less than 2.333%, measured on a full-year basis, will receive no payments after June 30, 2011.

After tax year 2011, the annual reduction in fixed rate reimbursement is limited to no more than 2% of base year total resources. The same methodology applies to both TPP and public utility deregulation replacement payments.

Base calculation methodology and calendar/fiscal year clarification: For the 2011 payment, the base calculation takes into account the fact that part of the calendar year payment will already have been made before June 30 by adjusting the total reimbursement for the payment already made. The base year of the calculations is calendar year 2010. There is a column in many of the worksheets titled “adjustments for levies no longer in place.” Under current law for TPP and proposed law for SB3, any levy not in place after 2010 does not qualify for phase-out reimbursements. This column on the spreadsheet represents the adjustment for such levies.

The numbers presented in the spreadsheets are by calendar year, since that matches the fiscal year for county government. For that reason, the aggregate numbers shown in these tables will not match aggregate numbers previously released in the budget summary because those numbers were shown on a state fiscal year basis.

All of the data is presented in a single spreadsheet at the link below. Embedded in the spreadsheet are 10 different worksheets, two for each of the five classifications highlighted in the bullets above. For each type of service, there is a separate worksheet for the TPP reimbursements and the SB3 reimbursements. **All calculations in this spreadsheet are subject to change. The calculations represent our best determination at this time as to the proper classification of every levy in county government.** If you have concerns or questions about the classification or calculations, please relay them to tpp@tax.state.oh.us.