



Phase-out of the Tangible Personal Property Tax and Public Utility Deregulation Replacement (KwH) Payments for Special Districts

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.

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, special districts that are heavily reliant on these replacement payments will experience a prolonged period of phase-out beyond that in current law.

Methodology for determining total available resources: The reliance on these payments was determined by taking into account the total resources available to each special district. Total resources for special districts include total property tax receipts (including rollbacks/homestead), total TPP and public utility reimbursements, any local government fund distributions to special districts, transit authority sales tax receipts, and, in the case of community colleges, state SSI payments.

Funding changes to special districts are measured based on their reliance: The test for whether a district continues to get reimbursement is based on the question of whether a district'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 special districts 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), special districts 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. The 2010 reimbursements are also adjusted to reflect levies that are no longer in place in 2010. Under current law for TPP and proposed law for SB3, any levy not in place after 2010 does not qualify for phase-out reimbursements.

The numbers presented in the spreadsheets are by calendar year, since that matches the fiscal year for most special districts. 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 two different worksheets. 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 calculation of every levy in special districts.** If you have concerns or questions about the calculations, please relay them to tpp@tax.state.oh.us.