Year in Review

The 2007 fiscal year brought a new administration to the Statehouse, a new tax commissioner to the Department of Taxation, and an enormous expansion of a property tax exemption designed to help senior citizens cope with the burden of property taxes.

Left unchanged during 2007: The tax reforms enacted by the Ohio General Assembly in 2005. As a result of the tax cuts contained in the reform package, tax receipts to the state general revenue fund fell slightly during the fiscal year. The department continued its implementation of the tax reform plan that includes the gradual elimination of two major business taxes, the phase-in of the commercial activity tax, and a 21 percent cut in income tax rates.

Impact of tax reforms felt

A recent analysis by the Federation of Tax Administrators (FTA) shows the impact that these ongoing tax reforms had on the 2007 fiscal year. Using U.S. Census Bureau data on state tax collections, the FTA – a nonpartisan association of the nation's 50 state tax agencies – concluded that the burden of state taxes was lower in Ohio than in all but 12 other states when measured on a per-capita basis.

The new ranking reflects a significant decline. During fiscal year 2005, Ohio's per capita state tax burden ranked 27th, according to the FTA. By 2007, it had fallen to 38th.

Ohio's state tax burden, ranked on a per-capita basis

year	Ohio Ranking
2005	27th
2006	34th
2007	38th

SOURCE: Federation of Tax Administrators.

This decline in Ohio's tax burden, relative to other states, appears to reflect the impact of the tax cuts at the core of the Ohio tax reform plan.

This plan has been firmly embraced by Governor Ted Strickland. The governor's 2008-09 state budget proposal, unveiled on March 15, 2007, proposed no changes to the ongoing tax reforms, which trimmed an estimated $1.3 billion in tax revenue from the state budget during the 2007 fiscal year. Overall, the state's general revenue fund received $94 million less in tax revenue during FY 2007 than during the previous year – the first such decline since FY 2002.

Additional tax relief for senior citizens

Governor Strickland's budget plan – signed into law on the last day of the fiscal year – took tax relief a step further by dramatically expanding eligibility for the homestead property tax exemption for senior citizens and permanently and totally disabled Ohioans.

Previously, most senior citizen homeowners had been excluded from the homestead exemption because of complex income tests that disqualified many, and a tiered benefit scheme that limited benefits for others.

Under the new rules, all eligible homeowners are able to shield a full $25,000 of the market value of their homestead from all local property taxes, regardless of income. The exact amount of savings varies from community to community, but on average, it was estimated that the typical eligible homeowner would save about $400 per year.

As the end of the fiscal year approached, the challenge for the Department of Taxation was to work with county auditors in signing up the half million additional homeowners who were thought to be eligible during a special sign-up period from July 2 through Oct. 1.

Outreach steps included a new section of the department's Web site devoted to the exemption, complete with a sign-up form and background information. Working closely with the Department of Aging, county auditors and other public officials, the department also distributed more than 200,000 informational brochures at county fairs, public libraries and other public venues.

And as the deadline approached, Tax Commissioner Richard A. Levin made a series of public appearances across Ohio to urge seniors to sign up.

Overall, some 787,704 elderly and disabled Ohioans were signed up for the homestead exemption as of the Oct. 1, 2007 deadline – including 565,614 taxpayers who had not been signed up before.

Living within our means

As tax revenues declined, the department was already taking steps to control its own operating costs during the 2007 fiscal year, including a gradual slimming of its work force through attrition. As of June 30, 2007, the department had 1,370 permanent employees. This represented a decline of 40 from the previous year – the first such decline since the 2002 fiscal year.

As the department looked ahead to 2008, this careful trimming of the work force was expected to continue – in keeping with Governor Strickland's philosophy that state government needs to live within its means while still investing in what matters.