DEPARTMENT OF TAXATION

Income tax

- Phases-down income tax rates to a flat rate of 2.75% over two years, beginning with the 2025 taxable year.
- Suspends the annual inflation indexing adjustment of income tax brackets and personal exemption amounts for the 2025 and 2026 taxable years.
- Limits taxpayers from claiming the joint filer credit and any personal and dependent exemptions if the taxpayer's income is greater than $750,000 in taxable year 2025 or $500,000 in taxable year 2026 or thereafter.
- Requires TAX to adjust employer withholding tables as a result of the income tax rate changes, but caps those adjustments per fiscal year.
- Eliminates a provision that allows certain trusts created before 1972 to elect whether to be subject to the commercial activity tax (CAT). Instead, starting in 2026, subjects such trusts to income tax and excludes them from the CAT.
- Establishes November 3, 2025, as the last date for investments to qualify for the small business investment income tax credit.
- Increases the maximum educator expenses income tax deduction from $250 to $300.
- Expands an existing income tax deduction for military pay to include all members of the U.S. Uniformed Services.
- Repeals an income tax credit for contributions to certain state political candidates.
- Modifies an income tax add-back for contributions to homeownership savings accounts that were spent on ineligible expenses.
- Reduces the income tax withholding rate on lottery, video lottery, sports gaming, and casino winnings from 4% to 2.75%.
- Authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits, similar to existing rules for withholding taxes from state retirement benefits.
- Authorizes all retirement plans to withhold school district income taxes.
- Clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming with current administrative practice.
- Establishes a formal income tax withholding "bulk file" program, whereby payroll service companies can file employee income tax withholding returns in bulk on behalf of their employer clients.

- Allows pass-through entities (PTEs) that pay an elective tax to allow their investors to circumvent the federal cap on state and local tax (SALT) deductions to claim certain refundable credits available to those investors when calculating the elective tax due.
- Changes the calculation of tax credits allowed to investors in PTEs that pay the elective PTE tax or a composite income tax for all PTE investors from the investors' proportionate share of the tax paid to the lesser of the tax paid or due.
- Establishes that administrative provisions related to Ohio's electing PTE tax apply to pass-through entities with investors comprised exclusively of Ohio residents.
- Moves the due date for payment of the second and third estimated tax payments for electing and withholding PTE taxes up by one month.
- Allows garnishment of income tax refunds to satisfy judgment debts arising from civil lawsuits.
- Authorizes an income tax refund designation ("check-off") to assist low-income individuals in spaying and neutering their pets.
- Creates the Companion Animal Fund, generally consisting of money collected from the check-off, donations, and bequests.
- Requires the nonprofit organization the Ohio Pet Fund to spend money from the Companion Animal Fund primarily for assisting in the spaying and neutering of pets.

School district income tax

- Repeals the school district income tax on estates, beginning in 2026.
- Requires boards of education that approve a resolution to place the question of levying a school district income tax on the ballot to send a copy of the resolution to TAX after it has been certified to the county board of elections.
- Requires boards of elections to send a copy of a petition for an election to repeal a school district income tax to TAX after the board determines the petition is valid.

Municipal income tax

- Clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of an existing deduction for military pay.
- Makes discretionary a penalty, mandatory under current law, charged by TAX for late estimated payments of centrally administered municipal net profit tax.
- Extends, from six to seven months, the municipal net profits tax return extension filing period for taxpayers that do not request a federal income tax extension.
- Allows a taxpayer who received a valid extension of the tax return due date to file a municipal income tax refund claim within three years after that extended due date or the date the tax is paid, whichever is later.

- Allows a taxpayer with an unextended federal income tax return due date that falls after the taxpayer's regular municipal income tax due date to file on or before the later federal due date.

Electric and telephone company municipal income tax

- Requires electric and telephone utility companies to make municipal income tax payments and estimated payments electronically.
- Makes discretionary the current mandatory interest penalty charged for estimated tax underpayments.
- Requires TAX to automatically grant a filing extension to a company if it has received a federal filing extension and expands the length of the municipal tax extension from six to seven months.
- Requires TAX to grant a seven-month filing date extension in the absence of a federal extension if the company submits a request before the return due date.
- Removes the requirement for a company to include certain information in its annual return to TAX.

Sales and use tax

- Repeals the following sales and use tax exemptions and reductions, beginning January 1, 2026:
  - The exemption for newspapers.
  - The exemption for certain vehicle rental fees provided to the owner or lessee of a motor vehicle that is being repaired or serviced, where the payments are reimbursed by the service provider.
  - The exemption for refrigerated food vending machines.
  - The exemption for advertising material or catalogs and for items that are used in printing advertising material and equipment primarily used to accept orders.
  - The exemption for machinery, equipment, and material used in the production for sale of printed materials.
  - The exemption for property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.
  - The exemption for the transfer of copyrighted motion picture films that are used for purposes other than advertising.
  - The exemption for the sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center.
  - The exemption for digital audio sold on juke boxes and similar devices in commercial establishments.

  - The 25% refund of the sales tax paid by electronic information service providers to purchase computers and related electronic equipment.

- Prohibits the Tax Credit Authority from entering into an agreement to award a sales and use tax exemption for sales of certain materials used in computer data centers after October 1, 2025.
- Beginning January 1, 2026, caps the prompt payment sales and use tax vendor discount, for sales other than the sales of motor vehicles, at $750 per vendor 's license per month.
- Requires a clerk of court to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of to TAX.
- Requires TAX to consult with DPS on the form of the remittance reports that must accompany the taxes collected.
- Clarifies the definition of a casual sale for sales tax purposes.
- Eliminates interest on sales and use tax refunds for payments made pursuant to a direct payment permit, through which a purchaser pays the tax directly to the state instead of to the vendor making the sale.
- Disallows interest on county sales tax refunds.
- Allows TAX to cancel a sales tax vendor's license obtained while another of the vendor's licenses is suspended.

Resort area gross receipts tax

- Allows municipalities and townships to increase resort area taxes by 0.5% intervals to 2% or 2.5% if approved by electors.

Lodging taxes

- Allows a board of county commissioners to increase the rate of its general lodging tax by not more than 1%, so long as the total rate does not exceed 5%, to fund public safety services in a designated resort area.
- Requires Ashtabula County to repeal a 2% special lodging tax used to fund the costs of a convention center.
- Allows a convention and visitors' bureau (CVB) in a county with a population of less than 100,000 with annual lodging tax collections of greater than $500,000 to spend county lodging taxes on public safety services or economic development or infrastructure projects that impact tourism.
- Authorizes the Fairfield County commissioners to renew a special lodging tax, currently scheduled to expire in 2028, for up to 15 additional years at a time.

Commercial activity tax

- Makes a commercial activity tax (CAT) credit for certain net operating losses nonrefundable after 2029, instead of it becoming refundable.
- Eliminates two dedicated CAT funds used to make tangible personal property reimbursement payments to local governments, and instead requires that those payments be made directly from the GRF.

County sin taxes

- Authorizes Cuyahoga County to expand its existing liquor, alcohol, and cigarette taxes, and levy a new tax on vapor and other tobacco products, to finance sports facilities, subject to voter approval of the tax expansion.
- Requires the newly authorized taxes to be equally divided among the major league sports facilities existing in the county during the period that the taxes are levied.
- Allows the newly authorized taxes to cover more than 50% of the total costs of a sports facility and to contribute to the project for more than 20 years, unlike existing alcohol and tobacco taxes upon which those limitations are imposed.
- Expands authority to levy a county cigarette tax for the benefit of an arts and cultural district from only Cuyahoga County to also include Summit and Hamilton counties.

Marijuana excise tax

- Levies a 10% excise tax on the illegal sale of marijuana by an unlicensed seller.
- Reallocates a portion of the revenue, including from the existing 10% excise tax on legal sales, to temporarily fund certain dispensary host communities, with all remaining revenue credited to the GRF.
- Requires TAX, upon the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee.

Public utility excise tax

- Applies taxpayer refunds owed for certain public utility excise taxes first to any outstanding state tax debt and any related penalty or interest.

Financial institution tax

- Removes the requirement that TAX post financial institution tax annual report forms on its website.

Insurance premium tax

- Transfers the responsibility of certifying unpaid foreign insurance company premium taxes to the Attorney General for collection from INS to the Treasurer of State.

Severance tax

- Reduces the severance tax rate on coal from 10¢ to 8¢ per ton.

Corporation franchise tax

- Removes the requirement that a corporation identify its statutory agent in an annual report filed under the now-defunct corporation franchise tax.

Tax credits

- Sunsets the Ohio historic building preservation tax credit, film and Broadway theater production tax credit, and Ohio opportunity zone tax credit by prohibiting the award of new credits after FY 2027.
- Permanently increases the annual cap on the Ohio historic building preservation tax credit, from $60 million to $90 million per fiscal year.
- Increases the percentage of rehabilitation costs certificate owners may claim as credits from 25% to 35% for projects located outside of the state's three largest cities.
- Prohibits DEV from using building vacancy or underutilization as part of the criteria for awarding historic rehabilitation tax credits.
- Repeals the film and Broadway theater capital improvement tax credit, but allows credits issued before the repeal to be claimed.
- Sunsets the film and Broadway theater production tax credit by prohibiting the award of new credits after the end of FY 2027.
- Specifically allows companies that "present," but do not produce, a Broadway theater production to qualify for the film and theater production tax credit.
- Allows an applicant for the film and theater tax credit to provide an investment intent letter to demonstrate that it has secured funding equal to at least 50% of its total production budget.
- Replaces the current two-round application and award process for the film and theater tax credits with a rolling process, eliminating much of the current ranking criteria.
- Modifies reporting requirements for recipients of state-funded low-income housing tax credits and single-family housing development tax credits.
- Increases the annual cap for transformational mixed-used development (TMUD) tax credits from $100 million to $150 million, beginning in FY 2026, allows awards of credits through FY 2027, and makes numerous other changes to the TMUD program.
- Increases the amount of opportunity zone credits that DEV may award in fiscal years 2026 and 2027, from $25 million to $50 million per fiscal year, sunsets the credit after FY2027, and makes several other changes to the credit program.

Tax administration

- Allows TAX to not impose, or to refund or forgive, penalties and interest charged for failure to pay sufficient estimated state, school district, or certain pass-through entity income taxes.
- Extends the time for state recovery of amounts of refunded taxes from local subdivisions from three to six years.
- Authorizes TAX, without violating the prohibition against divulging personal tax information, to disclose either of the following:
  - The amount of revenue distributed to local governments from any tax or fund administered by TAX.
  - Employer income tax withholding account numbers to permit a current or former employee to prepare the employee's tax return.
- Prescribes a process for handling tax notices that are sent by ordinary mail, but returned as undeliverable.
- Removes the requirement that taxpayers submit petitions for reassessment to TAX through personal service or certified mail.
- Modifies the manner by which TAX may serve public utility tangible personal property and excise tax assessments and notices.
- Allows a public utility to submit a 30-day extension request to file a public utility tangible personal property or excise tax report or statement by a manner other than in writing that is approved by TAX.
- Repeals the requirement that TAX adopt a rule defining the term "primarily" for purposes of describing who qualifies for the defunct dealers in intangibles tax.
- Removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of energy-efficient building systems.
- Makes various technical corrections to the laws governing state taxation.

Property tax

- Requires reduction of current expense property taxes levied by certain school districts to reduce collections by the amount of the district's carry-over balance in its general operating budget in excess of 50% of its general fund expenditures in the preceding year, excluding amounts reserved for near-term permanent improvements.
- Prohibits a school district from submitting any new current expense levy to voters if it has a general fund carry-over balance of more than 100% of its general fund expenditures for the preceding fiscal year.

- Prohibits school districts from levying any new emergency levy, substitute levy, or combined school district income tax and property tax levy.
- Eliminates the authority of school districts to renew and increase any existing levy.
- Requires that all property tax levy proposals be approved by two-thirds of the school board before the levy is submitted to voters.
- Eliminates the authority of political subdivisions to levy replacement property tax levies.
- Changes the term used in property tax ballot language and election notices to describe the true value of property from "the county auditor's appraised value" to "market value."
- Requires that emergency and substitute tax levies be included in the calculation of a school district's 20-mill floor or a joint vocational school district's 2-mill floor for property tax purposes.
- Increases the amount of the standard property tax homestead exemption from $28,000 to $32,000 and of the enhanced homestead exemptions for disabled veterans and the surviving spouse of a public service officer killed in the line of duty from $56,000 to $59,000.
- Increases the income threshold to qualify for the standard homestead exemption from $40,000 to $42,500 for property taxes generally payable in calendar year 2026.
- Requires TAX to establish and implement a property tax relief screening system to evaluate the eligibility of property owners for the 2.5% rollback and homestead exemption.
- Requires TAX to notify county auditors of any improperly granted tax reductions discovered through the system.
- Allows county budget commissions (CBCs) to reduce millage on any voter-approved tax levy aside from a debt levy if the commission finds it reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections.
- If the tax is levied by a body with a majority of members who are elected local officials, any such reduction is subject to two limitations:
  - CBCs may not reduce a levy such that it would collect less revenue than in the preceding year unless funds are available from reserve balance accounts, nonexpendable trust funds, or carryover amounts to offset a reduction below that level.
  - CBCs may not reduce school district levies such that the school district would collect below the 20 mills in revenue, except as required to comply with the House-added provision limiting accrual of general fund carry-overs.
- Removes prohibitions on CBCs considering the status of reserve balance accounts or other certain unexpended funds when determining whether to reduce a political subdivision's taxing authority.

- Requires school districts to obtain approval from the CBC before adjusting inside millage in a manner that increases tax rates.
- Requires CBCs to offer, during at least one public meeting annually, testimony describing the concept and function of inside millage, how it is allocated to various jurisdictions in the county, and the fiscal impact of inside millage.
- Requires political subdivisions to disclose all funds in their control the inclusion of which is not already required by law for annual tax budgets.
- Modifies the requirements governing when political subdivisions can file property tax complaints and countercomplaints.
- Authorizes the board of trustees of a state community college to levy a property tax for operating expenses, but only in the county in which its main campus is located.
- Requires revenue from the tax to be used to support college operations in that county.
- Requires that, if voters approve an operating levy, the board of trustees must charge a lower tuition rate to students who reside in the county in which the tax is levied.
- Expands a current property tax exemption for parking structures owned by certain local governments.
- Allows a subdivision to amend an existing community reinvestment area (CRA) agreement to extend the term of a CRA tax exemption to a total of 30 years for an existing building that is expected to be a megaproject or owned or occupied by a megaproject supplier.
- Allows a building to qualify for a longer than typical CRA tax exemption as part of a megaproject so long as it is owned or occupied, as opposed to owned and occupied, by a megaproject operator or supplier.
- Exempts agricultural land converted to certain conservation uses from CAUV tax recoupment charges, until the land is no longer used for conservation.

Local Government Fund

- Permanently increases, from 1.70% to 1.75%, the percentage of most state tax revenue that the Local Government Fund receives monthly.
- Terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations.

Public Library Fund

- Discontinues dedicating a share of GRF tax revenue to the Public Library Fund, instead funding public libraries through a direct GRF appropriation.

Income tax

Rate reduction

(R.C. 5747.02)

The bill phases-down the income tax rates applicable to nonbusiness income to a flat rate of 2.75% over two years. For 2025, the bill reduces the rate of the top bracket from 3.5% to 3.125%. For 2026, the bill further reduces the rate of the top bracket so that a flat rate of 2.75% applies to all income over $26,050.

In addition, the bill reduces the tax due on a taxpayer's first $26,050 of income. Under current law, taxpayers with income less than $26,050 pay no tax, but taxpayers with income greater than that amount do pay tax on that income. This tax amount is reduced in 2025 for taxpayers with less than $100,000 of income, and for all taxpayers in 2026, as shown below.

The tax table for the 2024 taxable year compared to the 2025 tax table, as modified by the bill, is as follows:

TY 2024		TY 2025, as modified by the bill	
Ohio taxable income	Tax rate	Ohio taxable income	Tax rate
$26,050-$100,000	$360.69 plus 2.75% of the amount over $26,050	$26,050-$100,000	$342 plus 2.75% of the amount over $26,050
More than $100,000	$2,394.32 plus 3.5% of the amount over $100,000	More than $100,000	$2,394.32 plus 3.125% of the amount over $100,000

The tax table for the 2026 taxable year, as modified by the bill, is as follows:

Ohio taxable income	TY 2026 marginal tax rate, as modified by the bill
More than $26,050	$332 plus 2.75% of the amount over $26,050

Inflation indexing adjustments

(Section 757.120(A))

Continuing law requires the Tax Commissioner to adjust the income tax brackets and personal exemption amounts for inflation on an annual basis. The bill suspends these adjustments for taxable years 2025 and 2026.

Joint filer credit and personal exemption

(R.C. 5747.025 and 5747.05(E); Section 757. 120(A))

The bill limits eligibility, in 2025, for both the joint filer income tax credit and personal, spousal, and dependent exemptions to taxpayers with a modified adjusted gross income (MAGI) of $750,000 or less. In 2026, the bill further reduces eligibility to taxpayers with a MAGI of $500,000 or less. Under current law, neither credit has an income cap.

Withholding rate adjustments

(Section 757.120(B))

The bill requires TAX to adjust employer withholding tables as a result of the income tax rate changes, but to limit its adjustment such that no more than $100 million of GRF revenue is forgone in FY 2026 and no more than $215 million is forgone in FY 2027.

Pre-1972 trusts tax election

(R.C. 5747.01(EE) and 5751.01(E)(7); Section 801.250)

Current law allowed certain trusts created at least 53 years ago, before 1972, to elect, no later than April 15, 2006, whether the trust and any pass-through entities in which it owns at least 5% of ownership interests, to be subject to the commercial activity tax (CAT) rather than the trust income tax. The election continues to apply until revoked by the trustee.

The bill discontinues this election, beginning on and after January 1, 2026. Instead, under the bill, such trusts will be subject to trust income tax and excluded from the CAT on that date.

Small business investment credit

(R.C. 122.86)

The bill establishes November 3, 2025, as the last day for investments to qualify for the small business investment tax credit against the income tax. It retains the 60-day period after the investment is made in which the investor may apply for the credit. As a result, applications may be submitted through January 2, 2026. After that date, the credit is effectively sunset, though credits issued on applications submitted by January 2, 2026, may be claimed as under current law.

Educator expenses tax deduction

(R.C. 5747.01(A)(31); Section 801.20(C))

The bill increases, from $250 to $300, the amount of unreimbursed expenses incurred each year for professional development and classroom supplies Ohio teachers may deduct from state income tax. This deduction supplements a federal income tax deduction for such expenses, which, in 2022, also increased from $250 to $300.[175] This deduction applies to expenses that

[175] 26 U.S.C. 62.

exceed what the teacher may claim under the federal deduction. The increase applies to taxable years ending on or after the bill's 90-day effective date.

Military pay deduction

(R.C. 5747.01(A)(21); Section 801.20(C))

The bill expands a personal income tax deduction for the military pay of members of the U.S. armed forces to include all members of the U.S. Uniformed Services, which includes the U.S. Space Force, the Commissioned Corps of the National Oceanic and Atmospheric Administration (NOAA), and the Public Health Service (PHS). The bill also specifies that the deduction should apply to members of any military service branches added in the future. Under current law, the deduction only applies to the United States Army, Air Force, Navy, Marine Corps, Coast Guard, their reserves, or the National Guard.

Campaign contribution credit

(R.C. 5747.29. repealed and 5747.98)

The bill repeals an income tax credit for contributions to certain state political candidates, beginning in 2026. The credit may equal up to $50, or $100 for joint filers, for the total contributions made per year to the campaign committee of candidates for Governor, Lieutenant Governor, Secretary of State, Auditor of State, Treasurer of State, Attorney General, member of the State Board of Education, justice of the Supreme Court, or member of the General Assembly.

Add-back for homeownership savings accounts

(R.C. 135.70 and 5747.01(A)(43); Section 801.330)

The bill modifies an income tax add-back for contributions to homeownership savings accounts that were invalidly spent. An individual may open one of these accounts, and deduct contributions to them, in order to use account proceeds to pay the down payment and closing costs associated with purchasing a home.

Under continuing law, individuals can deduct up to $5,000 of contributions to a homeownership savings account each year ($10,000 in the case of joint filers). However, if an individual uses account funds for a purpose other than purchasing a home, the individual must add those amounts back to their taxable income.

The bill makes several changes to this add-back requirement. First, the bill provides that an individual can transfer money between two different homeownership savings accounts without triggering the add-back, so long as both accounts are owned by the same individual. Current law allows such transfers but does not require that the individual own both accounts. Second, the bill allows an account owner to withdraw funds from an account if the owner redeposits those funds back into the account or into another of the owner's homeownership savings accounts, provided the redeposit is made within 90 days.

Third, the bill specifies that, if an account owner spends funds for ineligible expenses, the owner is only required to add-back amounts that were previously deducted, plus any amounts contributed to the account by others. This latter provision applies retrospectively to taxable year

2024. The bill temporarily allows taxpayers to file an amended return and claim a refund based on the change.

Withholding from gambling winnings

(R.C. 5747.062, 5747.063, and 5747.064; Section 801.120)

Under continuing law, gambling winnings are income subject to the personal income tax. Proprietors such as casino operators, sports gaming proprietors, lottery sales agents, and the State Lottery Commission are required to withhold an amount of a person's winnings when certain conditions are met, namely winning $600 or more – the amount that triggers an Internal Revenue Service reporting requirement.[176] The withheld amount is remitted to the state, similar to the withholding requirement placed upon employers.

Over the past decade, the General Assembly has enacted a series of reductions to Ohio's income tax rate and tax brackets. The bill reduces the withholding rate on lottery, video lottery, sports gaming, and casino winnings income to keep pace with these reductions, from 4% to 2.75% beginning in 2026.

Withholding from retirement benefits

(R.C. 5747.071; Section 801.130)

The bill authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits. Currently, a withholding tax mechanism exists for benefits paid from state retirement systems (e.g., OPERS and STRS). Private retirement plans may withhold taxes on behalf of its retirees, but there is no formal protocol for them to follow.

The bill's rules for private retirement benefit withholding are similar to those that exist for public retirement benefits. Beginning in 2027, a retiree may request that their retirement plan withhold taxes from the retiree's benefits. Upon receiving such a request, the plan must begin withholding no later than the following year. The plan must file withholding returns with TAX and is subject to penalties and interest for failing to remit withheld taxes. The plan must also provide retirees with an annual statement showing the amount of taxes withheld.

The bill also explicitly allows retirement systems and plans to withhold school district income taxes. Currently, the rules for withholding taxes from public retirement benefits only reference state income taxes.

Resident and nonresident credit computation

(R.C. 5747.05; Section 757.10)

Under continuing law, Ohio residents and nonresidents with income earned in Ohio are subject to Ohio's individual income tax on all income. A resident taxpayer is allowed a "resident" credit for the lesser of income subject to taxation in another state, or the amount of tax paid to another state on that income. If the income is from a state that imposes no tax, a resident

[176] See 26 U.S.C. § 6041.

receives no credit. A nonresident taxpayer is allowed a "nonresident" credit for all income not earned or received in Ohio.

Also under continuing law, the first $250,000 of business income earned by taxpayers filing single or married filing jointly, and included in federal adjusted gross income, is 100% deductible. For taxpayers who file married filing separately, the first $125,000 of business income included in federal adjusted gross income is 100% deductible.

The bill clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming the law with current administrative practice.

Withholding tax bulk file program

(R.C. 5747.01(KK) and (LL), 5747.07, and 5747.073; Section 801.150)

The bill establishes a formal income tax withholding "bulk file" program within TAX. Beginning in 2026, payroll service companies may enroll in the program to file employee income tax withholding returns, in bulk, on behalf of their employer clients. TAX currently allows such companies to submit withholding returns through bulk file uploads, but the procedures and requirements for the option are not codified.

Under the program, a payroll service company must register with TAX as a "bulk filer" before filing withholding tax returns on behalf of its clients. TAX will prescribe the program conditions, including standards of conduct and format requirements. TAX must also maintain a list of approved bulk filers on its website.

Bulk filers must file all withholding returns electronically, regardless of the number of clients or returns. Both the bulk filer and the employer may be held liable for unpaid or late taxes. TAX may collect unpaid taxes from a bulk filer, and charge penalties and interest, in the same manner it would against an employer.

Each bulk filer must also file quarterly reports with TAX that identify the company's clients and each client's contact information. In addition, an employer must notify TAX when it engages a bulk filer to submit withholding returns on its behalf. Employers must also maintain their withholding registration with TAX. If a bulk filer's registration is rescinded for any reason, the employer immediately becomes responsible for withholding taxes on behalf of its employees.

Pass-through entity investor taxation

(R.C. 5747.08(I), 5747.38, and 5747.39; Sections 757.60 and 801.180)

The bill changes the law with respect to two taxes that pass-through entities (PTEs) may pay for the benefit of their investors. Those are a composite tax, in which a PTE files a single return for the income tax due from all its investors on the PTE's income and an elective tax designed to increase the PTE owners' federal tax deductions for state and local taxes (SALT). The federal SALT deduction is typically capped at $10,000 but because of the order in which federal taxes are computed, state taxes paid by a PTE are not subject to that cap.

When a PTE files a composite return, its investors will often not need to file their own income tax returns. If an investor has other income or another investor elects to file a return, however, the investor will need to file an income tax return with the state on the investor's own behalf. When that happens, the investor may claim the amount the PTE paid on the investor's behalf on the investor's own return as a credit. This avoids duplicate payment of taxes, once on the composite return made on behalf of all the PTE's investors and once on the investor's own return. Under current law, the credit equals the investor's proportionate share of the tax paid by the PTE on behalf of the investor. The bill changes that amount to the lesser of the investor's share of the tax due on the composite return or the tax actually paid.

The bill makes a near-identical change with respect to a credit for investors in PTEs that pay the elective PTE tax. The credit currently equals the investor's proportionate share of the elective tax levied on the PTE's qualifying taxable income. The bill changes the credit to the lesser of the amount due or paid under that elective tax. The bill also changes the elective PTE tax by allowing a PTE that elects to pay it to claim certain refundable credits available to its investors as if the PTE were the investors. Those are the credits for taxpayers filing an individual return after a PTE has filed a composite return for the taxpayer and the electing PTE credit. Under current law, any credits or deductions available to a PTE's investors are disregarded when calculating the PTE's elective tax liability.

The bill expresses that the changes regarding credits being the lesser of the amount due or paid, rather than simply the amount due, do not change the law in any way, and only clarify them as they already existed. The bill's changes allowing credits available to investors to be included in calculation of the elective PTE tax apply to taxable years ending on or after January 1, 2025.

Electing pass-through entity taxation

(R.C. 5747.40; Section 757.20)

Under continuing law, Ohio's personal income tax applies to an individual investor's distributive share of a business structured as a PTE. S.B. 246 of the 134th General Assembly (effective June 2022) levied an income tax directly on PTE income. As discussed above, the tax was optional but was designed to allow a PTE investor to fully deduct state income taxes for federal tax purposes to avoid the SALT cap.

S.B. 246 not only levied this tax, it created a system to administer the tax nearly identical to the procedures that had already applied to a separate tax – Ohio's withholding tax for a PTE with nonresident investors. Those administrative provisions, now applicable to the electing PTE tax, expressly do not apply to PTEs with exclusively Ohio investors. This limitation made sense before S.B. 246 because those provisions only applied to the nonresident PTE withholding tax. But now, since those provisions apply to the electing PTE tax, that limitation is out of place as PTEs with exclusively Ohio resident investors are eligible for that tax. Thus, the bill scales back that limitation and no longer applies it to the electing PTE tax. This ensures that the administrative provisions can adequately apply to both taxes.

The bill states that this is a clarification of law rather than a change.

Pass-through entity tax estimated payment dates

(R.C. 5747.43; Section 801.90)

Beginning for taxable year 2026, the bill moves the due date for payment of the second and third estimated tax payments for electing and withholding PTE taxes up by one month. This results in those payments generally being due on June 15 and September 15, respectively, aligning the PTE tax payment schedule with the personal income, school district income, and fiduciary income tax payment schedules.

Refund garnishment for private judgment debts

(R.C. 5747.124)

The bill allows garnishment of income tax refunds to satisfy judgment debts arising from private civil lawsuits. It does so by requiring TAX to apply income tax refunds to such debts if the judgment creditor, i.e., the person owed the money, files an order of garnishment with TAX. To qualify, the debt must be at least $250, the creditor must have made reasonable efforts to collect the debt, and the judgment underlying the garnishment order must have been issued at least one, but not more than seven, years ago. A $15 fee is required from each creditor seeking garnishment.

The bill gives priority in collection from income tax refunds to debts owed the state and to unpaid child support.

Income tax check-off: pet spaying and neutering

(R.C. 955.201, 955.202, and 5747.113)

The bill authorizes an income tax refund designation (often referred to as a "check-off") to assist low-income individuals in spaying and neutering their pets. Under this check-off, which joins others authorized under continuing law, taxpayers may contribute all or part of their Ohio income tax refund for this purpose. The contribution is made on the taxpayer's annual income tax return.

The bill creates the Companion Animal Fund in the state treasury. The fund must consist of money credited to it from the check-off, donations, gifts, bequests, and any other money received for the purposes of distribution by the Ohio Pet Fund. The Ohio Pet Fund is a nonprofit organization that consists of humane societies, veterinarians, animal shelters, companion animal breeders, dog wardens, or similar individuals and entities.

The Ohio Pet Fund must use money in the Companion Animal Fund for purposes established in current law, including, as stated above, assisting low-income individuals in spaying and neutering their pets.

School district income tax

Repeal of school district income tax on estates

(R.C. 5747.021, 5748.01, 5748.02, 5748.021, 5748.03, 5748.04, 5748.08, 5748.081, and 5748.09; Section 801.100)

The bill repeals the school district income tax on estates. Under continuing law, school districts may levy income taxes with voter approval. Currently, state law requires that school districts use one of two tax bases: a "traditional" tax base, which generally applies to an individual's adjusted gross income and to the taxable income of estates, or an "earned income" tax base, which applies only to individuals' wages and self-employment earnings.

Under the bill, beginning in 2026, school district income taxes with a "traditional" tax base may no longer tax estates. (School districts with an "earned income" tax base already do not tax estates.) Currently, similar to the state income tax, taxes with a "traditional" base apply to an estate's income received during the year, such as earnings from investments like stocks, bonds, or rental property. They do not apply to the estate's assets or its net value.

Notices to TAX

(R.C. 5748.02, 5748.021, 5748.04, 5748.08, and 5748.09; Section 801.70)

Under continuing law, when seeking to levy a school district income tax, a district's board of education must adopt a series of resolutions or ordinances to place the levy on the ballot. The first of these must be certified to TAX, which produces estimated rates for the district. Based on those rates, the board may adopt another resolution detailing the proposed levy and certify it to the county board of elections for placement on the ballot. The bill requires the board of education to send a copy of this final resolution to TAX after it has been certified to the board of elections.

Also under continuing law, the repeal of certain school district income taxes may be initiated by a voter petition submitted to the board of elections. The bill requires a board of elections that determines such a petition to be valid to send a copy of it to TAX.

Municipal income tax

Military pay exemption

(R.C. 718.01; Section 801.190)

Continuing law requires municipal corporations to exempt from municipal income tax the military pay and allowances of members of the U.S. Army, Navy, Air Force, Coast Guard, or Marine Corps, their respective reserve components, or the national guard. The bill clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of this existing deduction for military pay by defining "armed forces" in reference to federal law. That definition encompasses the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard.

This clarification applies to taxable years ending on or after the bill's 90-day effective date.

Discretionary interest penalty

(R.C. 718.88)

Under continuing law, a business may elect to have TAX serve as the sole administrator of each municipal income tax the business is liable for on the basis of its net profits.[177] Generally, each taxpayer that makes this election must file a declaration of estimated taxes and remit the estimated amounts to TAX four times each year. In the event of an underpayment, TAX must charge the taxpayer an interest penalty on the underpayment under current law. The bill makes this penalty discretionary.

Extension request

(R.C. 718.85)

Under continuing law, a municipal net profit taxpayer who has made the election described above and who has requested an extension for filing their federal income tax return is entitled to an automatic extension of the net profit tax filing deadline from April 15 to November 15. A taxpayer who has not made the federal request may still request that TAX extend their municipal income tax filing deadline, however, TAX may grant only a six-month extension. The bill extends this extension filing period for such taxpayers to seven months, matching the extension period afforded to taxpayers who request a federal income tax extension.

Refund and assessment periods

(R.C. 718.12, 718.19, 718.90, and 718.91)

Current law prohibits a taxpayer from filing a municipal income tax refund claim more than three years after the date the tax was originally due or paid, whichever is later. For a taxpayer that files for and receives an extension but pays all amounts due by the original due date of the return, the taxpayer is only able to file a refund claim within three years after the original due date of the return. In contrast, to pursue a taxpayer for an alleged underpayment, under continuing law municipalities have until three years after the date the tax was due, including any extension, or the return was filed, whichever is later. The bill equalizes these due dates, allowing a taxpayer who received a valid extension to file a municipal income tax refund claim within three years after that extended due date or the date the tax is paid, whichever is later. The bill also applies the same date commencement to the three-year deadline for tax administrators or the Tax Commissioner to make municipal income tax assessments.

Extended due date

(R.C. 718.05 and 718.85(A)(1); Section 801.340)

The bill allows a taxpayer with an unextended federal income tax return due date that falls after the taxpayer's regular municipal income tax due date to file the taxpayer's municipal return on or before the later federal due date. Generally, municipal income tax returns are due

[177] R.C. 718.80, not in the bill.

on the fifteenth day of the fourth month following the end of the taxpayer's taxable year. The provision applies to returns required to be filed on or after January 1, 2026.

Electric and telephone company municipal income tax

Electric light and local exchange telephone companies having property, payroll, or sales sitused to an Ohio municipal corporation is subject to that municipality's income tax. Unlike municipal income taxes levied on individuals, the utility income taxes are paid to and totally administered by TAX. The bill makes a number of administrative changes related these taxes.

Electronic payments

(R.C. 5745.03(A) and 5745.04(E))

The bill requires companies to remit all municipal income tax payments and estimated payments electronically. Current law only requires electronic payments for payments of $1,000 or more.

Underpayment penalty

(R.C. 5745.09)

The bill makes discretionary the current mandatory interest penalty charged to companies that underpay their estimated payments. The penalty for underpayment equals the rate applicable to other state tax delinquencies, i.e., the rounded federal short-term rate plus 3%.[178]

Filing extensions

(R.C. 5745.03(B) and (C))

The bill requires TAX to automatically grant a filing extension to a company if it has been granted a federal filing extension. Under current law, the company must file an application, with a copy of the federal extension request, to receive the municipal extension. The bill further expands the length of that extension from six to seven months.

The bill also requires TAX to grant a seven-month filing date extension without requiring a federal extension if the company submits a request before the return due date.

Required documentation

(R.C. 5745.03(D))

The bill removes the requirement for a company to include in its annual return to TAX statements of the company's:

- Location of incorporation;
- Location of principal office or place of business in Ohio; and
- Officers' and statutory agent's names and addresses.

[178] R.C. 5703.47, not in the bill.

Sales and use tax

Exemption and reduction repeals

(R.C. 5739.01, 5739.02, 5703.70, and 5739.071; Sections 801.260 and 801.270)

The bill repeals the following sales and use tax exemptions and reductions, beginning on January 1, 2026:

- Exemption for sales of newspapers.
- Exemption for sales of certain vehicle rental fees provided to the owner or lessee of a motor vehicle that is being repaired or serviced, where the payments are reimbursed by the service provider.
- Exemption for sales of refrigerated food vending machines.
- Exemption for sales of advertising material or catalogs that price and describe property offered for retail sale and for items that are used in printing advertising material and equipment primarily used to accept orders.
- Exemption for sales of machinery, equipment, and material used in the production for sale of printed materials.
- Exemption for sales of property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.
- Exemption for the transfer of copyrighted motion picture films that are used for purposes other than advertising. Under continuing law, transfers of films used solely for advertising purposes are already taxable.
- Exemption for the sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center.
- Exemption for sales of digital audio sold on juke boxes and similar devices in commercial establishments.
- The 25% refund of the sales tax paid by electronic information service providers to purchase computers and related electronic equipment.

Data center exemption repeal

(R.C. 122.175(D))

Under current law, the Tax Credit Authority may enter into agreements with proposed data centers to offer a complete or partial sales and use tax exemption, over a period of years, for sales of certain computer data center equipment. The bill prohibits the Tax Credit Authority from entering into an agreement to award an exemption on or after October 1, 2025, which effectively sunsets the exemption but allows existing exemption agreements to remain in effect.

Vendor discount cap

(R.C. 5739.12(B)(1); Section 801.240)

Continuing law authorizes a discount for sales tax vendors who make on-time payments equal to 0.75% of the amount due on the vendor 's return. The bill caps this prompt payment discount, for sales other than the sales of motor vehicles, at $750 per vendor 's license per month. For the sale of motor vehicles, the 0.75% discount would be unlimited.

Watercraft and outboard motors tax remittance

(R.C. 1548.06)

Under continuing law, sales and use taxes on the sale of titled watercraft and outboard motors are paid at the time owners receive their title from the appropriate clerk of courts. The bill requires clerks to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of directly to TAX. The bill also requires TAX to consult with DPS on the form of the remittance reports that must accompany the collected taxes. Under current law, TAX is solely responsible for determining the form of the remittance reports.

Casual sale definition

(R.C. 5739.01; Section 801.350)

Continuing law authorizes a sales and use tax exemption for certain items sold at a casual sale, which is, in general, a sale of used items sold by either the user or an auctioneer. The bill clarifies that a casual sale can include either in-person or online sales, except in the case of sales by an auctioneer. In those instances, only sales made at the auctioneer's physical place of business may qualify for exemption.

Interest on direct pay refunds

(R.C. 5739.07; Section 801.160)

The bill eliminates interest on sales and use tax refunds for payments that were made pursuant to a direct payment permit. Those permits allow a purchaser to pay sales and use tax directly to the state instead of to the vendor who makes the sale. Direct payment permits are issued by TAX, upon application, if direct payment of the tax will improve compliance and efficiency or if the purchaser is awarded a sales and use tax exemption for a data center project.[179]

County sales tax refunds

(R.C. 5739.132; Section 801.170)

Under current law, when a person overpays state or local, i.e., county or transit authority, sales or use tax, that person is entitled to a refund with statutory interest calculated from the date of the overpayment. The bill eliminates interest on refunds of county sales and use tax but

[179] R.C. 122.175 and 5739.031, not in the bill.

continues to allow interest for refunds of state and transit authority taxes. The change applies to refunds allowed on and after the bill's 90-day effective date.

Vendor's license suspensions

(R.C. 5739.31)

Continuing law requires every retail vendor to obtain a vendor's license from TAX or a county auditor and collect and remit state and local sales taxes. TAX may suspend the license of a vendor that repeatedly fails to timely file sales tax returns or remit taxes.[180] A vendor with a suspended vendor's license is prohibited from obtaining another vendor's license from TAX or seemingly the county auditor that issued the suspended license during the suspension period. The bill clarifies that the prohibition on duplicate licenses applies to those obtained from any county auditor – as opposed to just the auditor that issued the suspended license. The bill also allows TAX to cancel any duplicate vendor's license obtained by a vendor during the suspension period.

Resort area gross receipts tax

Rate increase

(R.C. 5739.101)

The bill allows municipalities and townships to increase resort area gross receipts taxes by 0.5% intervals to 2% or 2.5% if approved by electors. Municipalities and townships could continue to levy a resort area tax up to the current maximum rate, 1.5% of gross receipts, without an election.

Under continuing law, a municipality or township that meets all of the following criteria may declare itself a resort area and levy a tax on certain gross receipts of businesses operating within the area:

- At least 62% of total housing units in the municipal corporation or township are for seasonal, recreational, or occasional use.
- Entertainment and recreation facilities are provided that are primarily intended to provide seasonal leisure time activities for tourists.
- The area experiences seasonal peaks of employment and demand for government services as a direct result of a seasonal population increase.

The only three declared resort areas are located on Lake Erie islands.

[180] R.C. 5739.30(B)(2), not in the bill.

Lodging taxes

County lodging taxes for resort area public safety

(R.C. 5739.09(Y))

The bill allows a board of county commissioners to increase the rate of its general lodging tax by not more than 1%, so long as the total rate does not exceed 5%, to fund public safety services in a designated resort area.

Ashtabula County convention facility

(R.C. 5739.09(D)(4))

The bill requires Ashtabula County to repeal a 2% special lodging tax used to fund the costs of a convention center, i.e., the Lodge at Geneva-on-the-Lake.

Convention and visitors' bureau

(R.C. 5739.092)

The bill authorizes additional purposes for which a convention and visitors' bureau (CVB) in a county with a population of less than 100,000 with annual lodging tax collections of greater than $500,000 may spend its county lodging taxes. Those new purposes include funding public safety services or economic development or infrastructure projects that impact tourism.

Special lodging tax extension

(R.C. 5739.09)

All counties, townships, municipal corporations, convention facilities authorities, and lake facilities authorities are authorized to levy lodging or "bed" taxes for certain purposes. The rates of these general taxes are subject to various limitations. Along with these, several additional levies have been authorized that are narrowly tailored to permit certain counties, municipalities, and convention facilities authorities to levy increased lodging tax rates and use the revenue for alternative purposes. The bill authorizes the Fairfield County commissioners to renew one such special lodging tax, levied to finance a municipal educational and cultural facility, for up to 15 additional years at a time. Currently, the tax is scheduled to expire in 2028 and cannot be extended further.

Commercial activity tax

Net operating loss tax credit

(R.C. 5751.53 and 5751.98)

The bill modifies a commercial activity tax (CAT) credit for certain net operating losses (NOLs) accrued under the defunct corporation franchise tax. Under continuing law, corporations subject to the CAT may claim the credit for NOLs that accrued under that tax, but that the corporation could not claim when that tax was phased-out for most taxpayers between 2006 and 2010.

Under continuing law, the NOL credit is nonrefundable, so cannot exceed the corporation's tax liability. However, the credit can be carried forward indefinitely, until it is fully used. Current law specifies that any remaining credit will become refundable in 2030. The bill requires, instead, that the credit remain nonrefundable in 2030, with the same unlimited carry-forward as allowed in continuing law.

Elimination of TPP replacement payment funds

(R.C. 5709.93 and 5751.02)

The bill eliminates two separate funds used to reimburse local governments for their revenue loss from the state's repeal of the tax on business tangible personal property (TPP). Currently, revenue from the CAT is credited to the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund as necessary to make those payments.

Under the bill, the reimbursement payments will be made directly from the GRF. Any CAT revenue that is currently credited to the reimbursement funds will, like most CAT revenue, be credited to the GRF. The change does not affect the amount or frequency of any TPP replacement payments.

County sin taxes

Cuyahoga County sin taxes for sports facilities

(R.C. 9.681, 307.673, 307.696, 307.697, 3381.17, 4301.421, 5743.024, 5743.323, 5743.511, 5743.52, 5743.521, 5743.54, 5743.55, 5743.56, 5743.57, 5743.59, 5743.60, 5743.62, 5743.621 5743.63, 5743.631, and 5743.64; Section 801.320)

The bill authorizes Cuyahoga County to expand its existing liquor, alcohol, and cigarette taxes, and levy a new tax on vapor and other tobacco products, to finance major league sports facilities, subject to voter approval of the tax expansion. The new or increased limits on each tax are set as follows:

- 32 cents per gallon for beer (up from 16 cents);
- 48 cents per gallon for cider (up from 24 cents);
- 64 cents per gallon for wine and mixed beverages (up from 32 cents);
- $6 per gallon of liquor (up from $3);
- 9 cents per pack of cigarettes (up from 4.5 cents);
- 0.85% for other tobacco products;
- 1.85% for little cigars;
- 0.05 cents per 1/10 of a gram or milliliter for vapor products.

The newly authorized taxes are required to be equally divided among the major league sports facilities existing in the county during the period that the taxes are levied. Revenue can be used to cover more than 50% of the total costs of a sports facility and to contribute to the project for more than 20 years, unlike existing alcohol and tobacco taxes upon which those limitations are imposed.

Cigarette taxes for arts and cultural districts

(R.C. 5743.021)

The bill allows any county with a population between 800,000 and 1,000,000 and any charter county to, with voter approval, enact a cigarette tax for the benefit of an arts and cultural district. Current law allows Cuyahoga County to enact such a tax through population requirements only it meets. The bill's changes allow Summit and Hamilton counties to enact a cigarette tax for an arts or cultural district as well, and leaves Cuyahoga County's authority unchanged.

Marijuana excise tax

Levy and distribution

(R.C. 3780.02, 3780.03, 3780.10, 3780.18 (repealed), 3780.19 (repealed), 3780.22, 3780.23 (repealed), 3780.24, 3780.25, 3780.26, and 3780.30; Section 801.60)

Beginning July 1, 2025, the bill imposes a 10% excise tax on the illegal sale of marijuana by an unlicensed seller, matching the rate and revenue allocation of the excise tax levied on sales of adult-use marijuana from licensed dispensaries under continuing law.

Revenue from the adult-use tax, under current law, is distributed as follows:

- 36% to DEV's Cannabis Social Equity and Jobs Program;
- 36% for the benefit of municipal corporations or townships that have adult-use dispensaries, based on the percentage of tax attributable to each municipal corporation or township;
- 25% to support the efforts of the Department of Mental Health and Addiction Services (OMHAS) to alleviate substance abuse and related research;
- 3% to support the operations of the Division of Cannabis Control and to defray the cost of TAX in administering the tax.

The bill reduces and sunsets allocations of the tax revenue for local governments that host adult use marijuana dispensaries and repeals allocations for DEV's Cannabis Social Equity and Jobs Program and OMHAS' substance abuse alleviation and research programs, which the bill also sunsets. It also discontinues the 3% administrative earmark. For host communities, the bill reduces the allocation from 36% of adult-use marijuana tax revenue to 20%. The reduced amount is allocated for five years and then eliminated. To qualify for funding, a municipality or township must have within its territory, as of June 30, 2025, at least one adult-use dispensary or location for which a provisional dispensary license has been issued. If, during the five years these allocations are made, a host community ceases to have a dispensary operating in its territory, the allocation to that community ends. All remaining unallocated receipts are credited to the GRF.

Tax information exchange

(R.C. 3780.06)

The bill requires TAX, on the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee. Under current law, COM is only allowed to request this information for applicants seeking a license. This information may include information about tax law violations or resulting penalties.

Public utility excise tax

Refunds applied to tax debt

(R.C. 5727.42)

Continuing law levies a 6.75% excise tax on the gross receipts of certain public utilities, namely a telegraph, pipe-line, water-works, or water transportation company. Any such utility may request a refund of any amounts it overpays. However, current law bars a refund to a utility that has a delinquent claim for this excise tax.

The bill removes this prohibition and instead requires the refund to first be applied to the outstanding excise tax debt. The bill also allows the refund to be applied to any other outstanding debt for a tax or fee administered by TAX, including related penalties and interest.

The bill's changes results in a mechanism that mirrors tax debt application provisions applicable to other state taxes.[181]

Financial institution tax

Online forms

(R.C. 5726.03)

Under continuing law, each taxpayer subject to the financial institutions tax is required to file a written annual report in a form that TAX may prescribe. TAX, as a matter of practice, requires taxpayers to file the report and pay the tax electronically and not on paper forms, but current law continues to require TAX to post those forms on its website. The bill removes this online posting requirement.

Insurance premium tax

Certification of nonpayment

(R.C. 5729.10)

Under continuing law, a foreign insurance company that fails to pay insurance premium taxes is subject to a collection action upon certification of the delinquency to the Attorney General. The bill requires the Treasurer of State to make this certification, replacing the Superintendent of Insurance's authority to do so under current law.

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[181] E.g., R.C. 5739.072, 5747.12, and 5751.091, not in the bill.

Severance tax

Coal tax rate

(R.C. 5749.02(A)(1); Section 801.210)

The bill reduces the severance tax rate on coal from 10¢ to 8¢ per ton. The reduction applies to calendar quarters ending on or after the bill's 90-day effective date. Under continuing law, revenue from this severance tax is credited to DNR's Mining Regulation and Safety Fund.

The bill does not modify the rate of two other severance tax coal levies that apply to only certain coal – one a variable rate tax on coal produced from an area under a reclamation permit and the other a 1.2¢ per-ton tax on surface-mined coal.

Corporation franchise tax

Statutory agent

(R.C. 1701.04, 1701.07, and 1703.041)

The bill removes a requirement placed on corporations to include the name and address of the corporation's statutory agent in its annual report filed with TAX under the now-defunct corporation franchise tax. The corporation franchise tax was repealed for most businesses in 2009 and for financial institutions in 2013, meaning corporations are no longer required to file a report with TAX.

Tax credits

Historic building rehabilitation tax credit

(R.C. 149.311)

The bill sunsets the Ohio historic building preservation tax credit after FY 2027 by prohibiting DEV from approving any further credits unless specifically authorized to do so by the General Assembly.

The Ohio historic preservation tax credit offers owners and long-term lessees of qualifying historically designated buildings state tax credits equal to a percentage of qualified rehabilitation expenses, up to $5 million. The tax credit is partially refundable and can be applied against the financial institution, foreign and domestic insurance premium, or income tax. The bill increases the percentage of qualified rehabilitation expenditures that may be claimed as a credit from 25% to 35% for projects located in the unincorporated area of a township or in a municipal corporation with a population less than 300,000. This applies to all areas in the state outside of its three largest cities.

The bill also prohibits DEV from considering building vacancy or underutilization when ranking applications and awarding credits.

Film and theater capital improvement tax credit

(Repealed R.C. 122.852, 5726.59, 5747.67, and 5751.55; conforming amendments in R.C. 122.85, 5726.98, 5747.98, and 5751.98; Section 757.140)

The bill repeals the film and Broadway theater capital improvement tax credit. Current law authorizes a refundable and transferable commercial activity tax (CAT), financial institutions tax (FIT), or income tax credit for a motion picture or Broadway theatrical production company that completes a capital improvement project in Ohio with a positive economic impact. Eligible projects include the construction, acquisition, repair, or expansion of facilities or equipment that will be used in motion picture or Broadway productions or for postproduction.

Generally, the credit equals 25% of either the company's actual qualified expenditures, or the amount of such expenditures estimated on the company's application, whichever is less. Qualified expenditures are expenditures for goods and services purchased and consumed directly for a capital improvement project, and include the purchase of goods or services directly for use in a capital improvement project, as well as any accounting and auditing expenses incurred to comply with reporting requirements. They do not include expenses on the basis of which a motion picture and theater credit has been awarded.

The credit is capped at $5 million per project, $5 million per county, and $25 million per fiscal year overall. If DEV does not issue the full $25 million allotment in a particular fiscal year, the excess allotment can be carried forward to the next fiscal year. Additionally, DEV may reduce the maximum amount for any fiscal year and increase the maximum amount for the film and theater production tax credit (described below) by a corresponding amount.

The bill specifies that credits issued before the repeal may be claimed under the pre-repeal procedure and terms.

Film and theater production tax credit sunset and administration

(R.C. 122.85)

Continuing law allows a refundable tax credit for companies that produce all or part of a motion picture or Broadway theatrical production in Ohio and incur at least $300,000 in production expenditures. The credit currently equals 30% of the company's actual or budgeted expenditures, whichever is less, for goods, services, and payroll involved in the production. A company can claim the credit against the CAT, FIT, or income tax. To obtain a credit, a company must first submit an application to DEV.

The bill sunsets the program after FY 2027 by prohibiting DEV from approving any further credits unless specifically authorized to do so by the General Assembly.

The bill also makes several other changes to the existing program. For one, it allows companies that "present" a Broadway theatrical production to qualify for the credit and makes related presentation expenses eligible for the credit. Under current law, the credit is only allowed for "production" companies and production expenses. In addition, the bill replaces the current process for reviewing and approving applications for the credit, which is executed in two rounds, with a rolling review and award process. Most of the review criteria that currently apply, requiring ranking based on economic impact and the likelihood a project will help develop a permanent film and theater workforce, are eliminated. The bill retains, however, a requirement that priority be given to awarding the credit to television and miniseries productions due to their long-term nature.

Finally, the bill allows companies to provide an "investment intent letter" to satisfy continuing law's requirement that the company prove that it has secured funding equal to at least 50% of its total production budget. The letter must state the amount of the expected investment and the date on which the investment will be made.

Housing tax credits reporting

(R.C. 175.16 and 175.17)

The bill modifies the reporting requirements for a recipient of a state-funded low-income housing tax credit or a single-family housing development tax credit, which may both be awarded against the domestic or foreign insurance premium tax, financial institutions tax, or income tax. First, the bill makes TAX the sole recipient of required annual reports from taxpayers who are awarded these credits. Under current law, these reports must be delivered to both TAX and INS for the low-income housing tax credits and, for single-family housing development tax credits, OHFA, which must forward them to TAX and INS. Under the bill, TAX must share the submitted reports with INS.

Transformational mixed-use development credits

(R.C. 122.09)

The bill extends the sunset date for the awarding of transformational mixed-use development (TMUD) tax credit and increases the award cap. A TMUD credit may be claimed against insurance premium tax liability and is based on capital contributions to TMUDs. Those are multi-purpose construction projects that meet certain minimum building height, square footage, or payroll criteria and that are expected to have a transformational economic impact on the surrounding area. The Tax Credit Authority is currently authorized to award up to $100 million in tax credits annually through the end of FY 2025. The bill extends allowance of new awards through FY 2027 and increases the annual cap to $150 million. It also makes the following changes to the TMUD program:

- Prohibits the award of TMUD tax credits for a project in a municipal corporation with a population between 15,000 and 20,000 that has within, or within 2,000 feet of, its boundaries a NASA research facility and an airport with at least two 9,000-foot runways.
- Eliminates the ability of an insurance company that contributes capital to a project to apply for a TMUD tax credit. As a result, only the property owner may apply.
- Allows the amount of previously awarded TMUD tax credits subsequently rescinded to be available for award again in the FY following rescission.
- Transfers responsibility for reviewing and approving TMUD applications from the Ohio Tax Credit Authority to DEV.

- Increases the reserved amount of credits for TMUD projects located more than ten miles from a major city from $20 million, as under current law, to $50 million plus ⅓ of any tax credits previously awarded but rescinded in the prior fiscal year.
- Increases the maximum amount of credits for TMUD projects within ten miles of a major city each fiscal year from $80 million, as under current law, to $100 million plus ⅔ of any tax credits previously awarded but rescinded in the prior fiscal year and any amount reserved but not awarded for projects located more than ten miles from a major city.
- Reduces the maximum amount of tax credit that can be awarded for a single project from $40 million to $20 million.
- Expands the costs eligible to be considered when determining credit amounts to include due diligence costs, acquisition costs, architectural and engineering fees, and construction hard and soft costs.
- Excludes expenditures made before certification as a TMUD credit eligible project from being considered eligible expenditures upon which a tax credit may be calculated.
- Eliminates the option for a portion of a project completed in phases to be considered a TMUD project so long as all phases together meet the definitional requirements.
- Replaces the current considerations for ranking applications which look to return on investment, considered according to projected tax collections against tax credits, economic impact, impact on physical features, and project timelines. The modified ranking system utilizes a point scale based on the physical scope of projects, density, distribution of uses in projects, government approvals, local support, committed funding, lease or purchase commitments from end users, walkability, retail, entertainment, and restaurant sales to be generated, payroll to be generated, taxes to be generated, and community impact.
- Requires the economic analysis completed for application ranking and credit calculation to exclude previously completed and future phases of a development and to exclude consideration of any pre-existing or impact on the surrounding area.
- Allows persons with contracts to purchase project sites conditioned on the provisional award of a TMUD tax credit to apply for the award as if they owned the property.
- Changes the mix and number of uses required in the definition of "transformational mixed use development" from some combination of retail, office, residential, recreation, structured parking and other similar uses to require at least two uses from the office, residential, hotel and hospitality, recreation, and retail categories, which may include restaurants.
- Disqualifies a party from being considered to have contributed capital to a TMUD project without receiving anything in return.

- Increases projected payroll, which may be used as an alternative to a building size requirement for projects seeking TMUD credits within ten miles of major cities, from \$4 million to \$5 million.
- Makes several changes to required application materials for TMUD certification by:
  - Modifying the plans and drawings expected in a TMUD certification application;
  - Requiring proposed project budgets, which are already required to be submitted with applications, to be organized by line item and include an estimate of hard costs;
  - Requiring viable financial plans showing at least 51% committed funding and a strategy for obtaining any remaining funding as a new application requirement;
  - Requiring projected economic impact assessments, which are already required with applications, to project the "direct" economic impact and be prepared by an economic impact consultant with experience performing economic impact studies in Ohio;
  - Adding a standard to evaluate currently required evidence that a project will not be completed without the award of tax credits. Specifically, establishing that if any portion of the applicant's project has commenced construction, excluding brownfield remediation and demolition, or has closed on construction financing, the applicant cannot demonstrate that the project will not be completed and is ineligible for a credit.
- Requires DEV to retain an expert to review projected economic impact.
- Prohibits a TMUD tax credit from being awarded in an amount greater than that applied for as a result of certification of actual development costs. Under continuing law, a credit amount may be reduced after cost certification.
- Reduces the number of credit calculation methods to one, which results in a credit for property owners that is the lesser of the amount preliminarily approved or 10% of actual eligible expenditures.
- Changes the credit amount calculation method by excluding any consideration or calculation of the project's impact beyond the project site.
- Changes the amount of credit awarded to a person other than the property owner to the lesser of 10% of estimated eligible expenditures upon certification or 10% of actual eligible expenditures. Current law sets the credit amount for insurance companies that contribute capital to 10% of the capital contributions.
- Makes several changes to the law regarding the initial issuance, sale, or transfer of TMUD credits:
  - Eliminates a requirement that credits be sold to raise capital for a project, allowing them to be sold for any purpose;
  - Allows credits to be sold by insurance companies that invest in a TMUD, as opposed to current law which only allows TMUD property owners to sell credits;

- Allows credits to be sold more than once;
- Eliminates a requirement that the appropriate state agency be notified when the right to claim credits is transferred or sold;
- Expands, for credits approved after the effective date, the taxes TMUD tax credits may be claimed against to include the financial institutions tax and the income tax and eliminates a requirement that only insurance companies may claim TMUD tax credits. Credits approved before that date can still only be claimed against taxes on foreign and domestic insurance companies.
- Allows applications for certification as a transformational mixed use development project to identify financial institutions and other persons, apart from property owners and insurance companies, that should be awarded tax credit certificates and allows a subsequent direct award to those persons.
- Generally gives tax credit certificate holders an additional year within which to begin claiming the credits.

- Requires DEV to certify information about issued TMUD tax credit certificates to the Tax Commissioner. Currently, information is certified only to INS.

Opportunity zone investment tax credit

(R.C. 122.84, 5725.38, 5726.61, 5729.21, and 5747.86)

Under continuing law, a taxpayer may apply to DEV for a nonrefundable tax credit on the basis of investments made in Ohio "opportunity zones," which are geographic areas authorized under federal law and designated by the state that meet certain economically distressed criteria. The credit generally equals 10% of the taxpayer's investment, and not more than $25 million in credits may be awarded in each fiscal year.

The bill makes the following changes to the opportunity zone investment credit:

- Prohibits the award of opportunity zone investment credits after fiscal year 2027 unless specifically authorized by the General Assembly.
- Increases the amount of such credits that DEV may award in fiscal years 2026 and 2027, from $25 million to $50 million per fiscal year.
- Requires excess funds from the first year of the fiscal biennium to be carried forward to the second year.
- Allows credits issued in the July application round each year to be claimed for the preceding year with the filing of an amended return or an original return.
- Shortens the application period for the credit, from 22 days to seven days.
- Limits the total amount that can be issued for a single project to $5 million.
- Defines an "investment," for purposes of the tax credit, as money from any source other than grant funds that is invested to improve property located in an Ohio opportunity zone with the expectation of receiving a profit.

Tax administration

State recovery of refunded local taxes

(R.C. 5703.052)

Under continuing law, when a local government receives revenue from a tax or fee collected by TAX that turns out to have been illegally or erroneously collected, the taxpayer is entitled to a refund that is paid out of the state Tax Refund Fund. To recover the amount of local tax refunded, TAX takes that amount out of the next distribution of taxes to that local government. However, if that recovery amount is greater than 25% of the distribution, the Commissioner may spread the recovery over multiple distributions. Under current law, this recovery period cannot exceed three years. The bill extends the recovery period to not more than six years.

Disclosure of tax information

(R.C. 5703.21)

The bill permits an agent of TAX to publish or disclose the amount of revenue distributed to a political subdivision from any tax or fund administered by TAX.

The bill additionally authorizes disclosure of an employer's state income tax withholding account number for the purpose of allowing a current or former employee to complete the employee's income tax return. TAX may require the employee to provide evidence of current or past employment before making that disclosure.

This disclosure authority is created in exception to the prohibition in continuing law against TAX agent disclosure on taxpayer transactions, property, or business.

Undeliverable tax notices

(R.C. 5703.37)

The bill prescribes a process for handling tax notices that are sent by ordinary mail, but that are returned as undeliverable. The process mirrors an existing process for undeliverable tax notices that were sent by certified mail.

In 2023, the most recent biennial budget bill, H.B. 33 of the 135th General Assembly, allowed TAX to send any tax notice by ordinary mail or electronically, rather than by certified mail. However, the law does not specify how to treat ordinary mail that is returned as undeliverable. The bill requires that such mail be treated the same as undeliverable, certified mail. The process involves, in some situations, a follow-up mailing, and a requirement that TAX try to determine an alternative address for the taxpayer. If those measures fail, the notice becomes final 60 days after it was first returned.

Petitions for reassessment

(R.C. 128.46, 718.90, 3734.907, 3769.088, 4305.131, 5726.20, 5727.26, 5727.47, 5727.89, 5728.10, 5735.12, 5736.09, 5739.13, 5743.081, 5743.56, 5745.12, 5747.13, 5749.07, 5751.09, and 5753.07)

Continuing law authorizes TAX to issue assessments against taxpayers to enforce and collect delinquent taxes. Similar assessment procedures apply across all taxes and fees administered by TAX. One step in the assessment process is that a taxpayer that receives an assessment may file a petition containing the taxpayer's objections and requesting that TAX make a reassessment based on them. Current law generally requires that these petitions for reassessment be submitted to TAX through personal service or certified mail. The bill removes these service requirements, potentially authorizing different or additional manners of submission.

Public utility taxes: service of notices

(R.C. 5727.38, 5727.42, and 5727.47)

The bill expands the options TAX has for serving assessments and appeal notices to taxpayers for public utility TPP taxes and the public utility excise taxes. Current law requires those assessments and notices to be served by mail. The bill adds to that option other methods provided in continuing law governing other notices or orders served by TAX. Those other options are personal service, certified mail, authorized delivery service, ordinary mail, and secure electronic notification (but only with the person's consent).[182]

Public utility taxes: extension request

(R.C. 5727.48)

The bill allows a public utility additional options to request a 30-day extension, authorized under continuing law, to file a report or statement required for public utility TPP or excise taxes. Under current law, the extension application must be filed in writing. The bill instead requires the public utility to request the extension in the form and manner prescribed by TAX.

Dealers in intangibles rule requirement

(R.C. 5725.01)

Although the dealers in intangibles tax was repealed beginning in 2014, certain related requirements still exist under current law. One such requirement is for TAX to adopt a rule defining the term "primarily" for purposes of describing who is subject to the tax as a person engaged in a business that "consists primarily of lending money, or discounting, buying, or selling" various evidences of indebtedness or securities. The bill repeals that rulemaking requirement for the defunct tax.

[182] R.C. 5703.37.

Energy-efficient building federal tax deduction

(R.C. 9.239)

The bill removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of certain energy-efficient systems.[183] The designer may still request such an allocation under the bill, but only from the public entity that owns the building.

Technical corrections

(R.C. 5747.01, 5747.02, 5747.10, and 5725.23; Section 801.20)

The bill makes the following technical corrections to the laws governing state taxation:

- Corrects two erroneous cross-references in the income tax law.
- Removes an outdated reference to the intangible property tax, which is no longer levied.

Property tax

School district limits related to carry-over balances

(R.C. 323.131, 3317.01, 4503.06, 5705.03, 5705.17, 5705.31, 5705.316; Section 757.110)

The bill imposes new property tax limits on school districts that have a carry-over balance in its general operating budget above a particular threshold. Under continuing law, taxing units, including school districts, are required to certify their operational revenues and expenditures to the county auditor on or about the first day of each fiscal year, i.e., July 1. The bill requires each city, local, and exempted village school district, with certain exceptions, to make this certification by July 15 of each year to the county auditor of each county in which the district has territory. Each county budget commission or, if the district crosses county boundaries, joint budget commission must then convene to review these certifications by the following August 15. (A county budget commission is a local body that reviews local government revenue estimates and budgets. It is generally comprised of the county auditor, county treasurer, and county prosecuting attorney. A joint county budget commission is comprised of the officers of each participating county.)

Reductions for excess carry-over

The bill reduces the current expense property taxes levied by a school district that has a carry-over balance of more than 50% of its general fund expenditures made in the preceding fiscal year. If a budget commission determines that a district's carry-over balance exceeds that threshold, the commission must reduce the authorized rates of property tax levied by the district for current expenses so as to reduce collections by the amount of the excess carry-over balance. A district may adopt a resolution reserving an amount of carry-over balance for current or future permanent improvement expenses to be used within the next three years that is not counted towards the 50% threshold. The reduction applies to that following tax year only. The reduction

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[183] 26 U.S.C. 179D.

mechanism does not apply to an island school district or a joint state school district, i.e., the College Corner Local School District.

In order to provide a reduction for real property for tax year 2025, and tax year 2026 for manufactured and mobile homes, the bill requires each budget commission to convene no later than October 31, 2025, to perform the review of each district's carry-over balance.

Notice on tax bill

The bill requires that tax bills for a property or manufactured home, the tax liability of which has been reduced due to a school district's excess carry-over balance, include a notice stating the reason for the reduction and that the reduction applies only to the current tax year.

20-mill minimum levy requirement

The bill exempts a school district whose levies have been reduced by this mechanism from the requirement that it levy at least 20 mills in property and income taxes to receive state foundation aid, so long as the reductions are the sole cause of the district levying less than the required amount.

Levy restrictions due to excess carry-over

The bill also prohibits a school district from submitting any new current expense levy to voters if it has a general fund carry-over balance of more than 100% of its general fund expenditures for the preceding fiscal year. In addition, when a current expense levy is placed on the ballot by a school district with a carry-over balance under the 100% threshold, the election notice and ballot language for that levy must state the percentage and amount of the district's general fund carry-over balance.

These new limits apply to levies that will be placed on the ballot at elections held on or after January 1, 2026.

Additional limitations on school district levies

The bill imposes several additional limitations on school district property taxes, all of which apply to elections held on or after January 1, 2026.

Emergency and substitute levies

(R.C. 5705.03, 5705.194, 5705.195 (repealed), 5705.196 (repealed), 5705.197 (repealed), 5705.199, 5705.219, 5709.92, and 5748.09; Section 801.310)

The bill prohibits school districts from levying any new emergency levy, substitute levy, or combined school district income tax and current expense property tax levy. An emergency levy is a tax designed to raise a fixed amount each year, i.e., a "fixed-sum" levy, for the emergency requirements of the school district or to avoid an operating deficit. A substitute levy is a tax that "substitutes" for an emergency levy. It raises a fixed sum in the first year, but that sum also grows each year as new property is added to the tax base.

The third discontinued levy option authorizes a district to combine a school district income tax with a fixed-sum current expense property tax.

Renewal and increase levies

(R.C. 5705.21, 5705.212, 5705.217, 5705.2114, and 5705.25; Section 801.310)

The bill also prohibits school districts from proposing to renew and increase an existing levy. Under current law, renewal levies can extend the term of an existing levy at its current effective millage rate, or at its current rate with either an increase or decrease. Under the bill, a school district could only renew a levy at its current effective rate or at a lesser rate.

Approval threshold

(R.C. 133.18, 3318.06, 3318.061, 3318.062, 3318.063, 3318.36, 3318.45, 5705.194, 5705.21, 5705.215, 5705.2111, and 5705.2113; Section 801.300)

In addition, the bill requires that all property tax levy proposals must be approved by two-thirds of the school board before they are submitted to voters. Current law already requires a two-thirds threshold for certain types of education levies, but not all. This two-thirds requirement also extends to other types of education-related taxing authorities, i.e., joint vocational school districts, regional student education districts, career-technical cooperative education districts, and qualifying school district partnerships.

Replacement property tax levies

(R.C. 319.301, 319.302, 523.06, 1545.21, 3316.041, 3316.06, 3358.11, 3505.06, 5705.03, 5705.192 (repealed), 5705.218, 5705.2111, 5705.221, 5705.233, 5705.261, and 5705.412; Section 801.310)

The bill eliminates the authority of political subdivisions to levy replacement property tax levies, beginning with elections held on or after January 1, 2026.

Under current law, a subdivision may propose a replacement levy to extend the term of an existing levy. A replacement levy is imposed at the same original millage rate of the levy it is replacing. By contrast, renewal levies extend the term of an existing levy at its current effective millage rate – i.e., its rate after reductions resulting from the H.B. 920 tax reduction factors. The tax reduction factors have the effect of lowering a levy's effective millage over time, since they are designed to prevent a subdivision's tax revenue from growing at the same rate as property values. Consequently, unlike a renewal levy, a replacement levy allows subdivisions to receive the benefit of any growth in property tax values that occurred during the life of the existing levy.

Tax levy ballot language

(R.C. 133.18, 306.32, 306.322, 345.01, 345.03, 345.04, 505.37, 505.48, 505.481, 511.28, 511.34, 513.18, 755.181, 1545.041, 1545.21, 1711.30, 3311.50, 3318.01, 3318.06, 3318.061, 3318.062, 3318.063, 3318.361, 3318.45, 3381.03, 4582.024, 4582.26, 5705.01, 5705.03, 5705.21, 5705.213, 5705.215, 5705.218, 5705.219, 5705.233, 5705.25, 5705.251, 5705.261, 5705.55, 5748.01, 5748.02, 5748.03, 5748.08, and 5748.09; Section 801.310)

The bill modifies the language used on property tax ballots and election notices to describe a property's value. Current law requires that the true value of property, or the price at which it would be sold between a willing buyer and seller, be described as the "county auditor's appraised value." The bill instead requires that, beginning with elections held in 2026, ballots and election notices use the term "market value."

20-mill floor limits

(R.C. 319.301; Section 801.280)

The bill modifies the calculation of the 20-mill floor that guarantees school districts a certain level of property tax revenue. Specifically, the bill adds emergency and substitute levies to the calculation of the floor. Although the bill also prohibits schools from levying new emergency or substitute levies after January 1, 2026, this addition would apply to all such taxes levied before that date.

20-mill floor: overview

Continuing property tax law applies a "tax reduction factor" to real property, with the goal of preventing property taxes from increasing at the same rate as property values. Basically, each year when property values increase, property tax collections are adjusted downward so that taxing districts receive the same amount of revenue they received in the previous year. These reductions are converted to an "effective tax rate."

The tax reduction factor, under the Ohio Constitution, cannot apply to unvoted, or "inside" millage, or certain other types of operating levies, like fixed-sum levies, i.e., levies intended to raise a fixed amount of revenue each year.[184] Emergency and substitute levies are two of the most common voter-approved fixed-sum levies imposed by school districts.

There are some exceptions to the tax reduction factor – one of which is the 20-mill floor, which guarantees that a school district's effective tax rate for operating expense levies cannot fall below 20 mills. Instead, the tax reduction factor can only reduce a school district's operating levy collections to 20 mills – once that "floor" is reached in a school district, the reduction factor cannot reduce effective tax rates any further. Consequently, any growth in property tax values will produce a corresponding increase in taxes from those 20 mills. If property values increase 35% in a school district that is "on" the 20-mill floor, homeowners will generally see a larger tax increase than in other districts that are not on the 20-mill floor. The tax increase will very likely be less than 35%, since the tax reduction factor will still apply to other local tax levies (e.g., county and township levies), but since school district levies typically make up a majority of a homeowner's property taxes, the 20-mill floor will have a significant impact.

Under continuing law, a similar 2-mill floor applies to joint vocational school districts (JVSDs).

Emergency and substitute levies included in 20-mill floor calculation

Under current law, the calculation of a school district's 20-mill floor includes only inside millage used for operating expenses and voted, fixed-rate operating expense levies. Fixed-sum

[184] Ohio Constitution, Article XII, Section 2a; R.C. 319.301.

levies are not included in the calculation, even if the revenue from those levies is used for operating expenses.

The bill requires that emergency and substitute levies be included in a school district's 20-mill floor calculation, beginning in tax year 2026. These levies will continue to be excluded from the tax reduction factors, since that mechanism cannot reduce the amount of money raised from such levies. JVSDs are also authorized to levy an emergency or substitute levy, even though it appears that currently none of them do. Regardless, the bill also includes any emergency or substitute levies in the computation of a JVSD's 2-mill floor.

The effect of these changes, for school districts that impose one or more of these levies, is to increase the total millage that is compared to the 20-mill floor. If the district was previously on the floor, the new calculation may push the district above the floor, with the result that the district will not see full revenue growth from its voted property tax levies that are affected by the tax reduction factor until the district falls back to the 20-mill floor.

Homestead exemptions: increase and expansion

(R.C. 323.152 and 4503.065; Section 757.130)

Continuing law provides a property tax credit for the residence, or "homestead," of certain qualifying individuals. To qualify, an individual must be a homeowner who is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. Under continuing law, special "enhanced" exemptions are available for homes of military veterans who are totally disabled and for the homes of surviving spouses of public service officers killed in the line of duty.

The bill increases the amount of the standard homestead exemption from $28,000 to $32,000 and of the enhanced homestead exemptions from $56,000 to $59,000. The bill also increases the income threshold to qualify for the standard homestead exemption from $40,000 to $42,500 for property taxes generally payable in calendar year 2026. The bill suspends the annual inflation adjustments TAX is required to make to the income threshold and reduction amounts for tax years 2025 and 2026 (or tax years 2026 and 2027 for manufactured home taxes).

The bill's homestead exemption modifications apply beginning in tax year 2025 for real property and tax year 2026 for manufactured or mobile homes. (The difference accounts for the fact that property taxes are paid one year in arrears, while manufactured and mobile home taxes are paid in the current year.)

Tax relief screening system

(R.C. 319.202, 5323.02, 5703.21, and 5703.83; Section 757.150)

The bill creates a statewide screening system, administered by TAX, to evaluate the eligibility of owners of real property and manufactured and mobile homes that receive the 2.5% owner-occupancy credit or a homestead exemption. TAX is required to notify county auditors of any improperly granted tax reductions discovered through the system.

The bill provides an amnesty from any charges, penalties, or interest in the first year of the system's operation for taxpayers found to be ineligible for a reduction, unless the county auditor determines the reduction was procured through fraud, a false statement, or a knowing omission. During this amnesty year, tax bills will notify recipients of the homestead exemption or owner-occupancy credit that they are eligible for amnesty if they self-report their ineligibility within that year. The bill also requires potential homeowners be advised of the eligibility requirements for the owner-occupancy credit and of the duty to report subsequent ineligibility prior to signing closing documents.

The bill requires TAX to annually report to the General Assembly the number of properties whose ineligibility was flagged by the system.

County budget commissions

(R.C. 5705.01, 5705.13, 5705.131, 5705.132, 5705.222, 5705.27, 5705.29, 5705.31, 5705.314, 5705.32, 5705.321, 5705.35, 5705.36, 5705.40, and 5747.51)

Every county has a county budget commission (CBC) generally consisting of the county prosecuting attorney, auditor, and treasurer. CBCs are discussed in detail in the LSC Members Brief, *Political Subdivision Budgeting Process*.[185] Generally, they are responsible for annually reviewing local government tax budgets, adjusting those budgets if property tax revenue is insufficient to fund them, and approving properly authorized property tax levies with limited options to adjust their rates.

In other words, under current law and traditionally, CBCs have had broad authority to limit local government spending to available revenue but have had little authority to adjust revenue itself. The bill makes the following changes that expand CBC authority:

- Allows CBCs to reduce millage on any voter-approved tax levy aside from a debt levy if the commission finds it reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections.
- If the tax is levied by a body with a majority of members who are elected local officials, any such reduction is subject to two limitations:
  - CBCs may not reduce a levy such that it would collect less revenue than in the preceding year unless funds are available from reserve balance accounts, nonexpendable trust funds, or carryover amounts to offset a reduction below that level. Under current law, reserve balance accounts and nonexpendable trust fund sources are generally exempt from CBC consideration.
  - CBCs may not reduce school district levies such that the school district would collect below the 20 mills in revenue, except as required to comply with the bill's provision limiting accrual of general fund carry-overs (see "**Reductions for excess carry-over**," above).

[185] LSC Political Subdivision Budgeting Process (PDF) Members Brief, which is available on LSC's website: lsc.ohio.gov/publications.

- Removes prohibitions on CBCs considering the status of reserve balance accounts or other certain unexpended funds when determining whether to reduce a political subdivision's taxing authority.
- Requires school districts to obtain approval from the CBC before adjusting unvoted, or "inside," millage in a manner that increases tax rates.
- Requires CBCs to offer, during at least one public meeting annually, testimony describing the concept and function of inside millage, how it is allocated to various jurisdictions in the county, and the fiscal impact of inside millage.
- Requires political subdivisions to disclose all funds in their control the inclusion of which is not already required by law for annual tax budgets.

Limitations on property tax challenges

(R.C. 5715.19 and 5717.01; Section 757.90)

The bill modifies a recent law that imposed limits on the filing of property tax complaints by parties other than property owners. Among other changes, H.B. 126 of the 134th General Assembly limited the situations in which political subdivisions can file property tax complaints or appeal the decisions of a board of revision (BOR) regarding those complaints.

Filing of property tax complaints

Sale requirement

Under current law, as enacted in H.B. 126, political subdivisions may only file a property tax complaint with respect to property the subdivision does not own if (a) the property was sold in an arm's length transaction before the tax year for which the complaint is filed and (b) that sale price was at least 10% and $500,000 more than the auditor's current valuation. The $500,000 threshold increases each year for inflation, beginning in tax year 2023. These limits also apply to third party property owners in the county who do not own or lease the property in question ("third party complainants").

The bill further narrows this sale requirement, by specifying that a conveyance fee statement for the sale must have been filed with the county auditor within the two years preceding the year for which the complaint is filed. Current law requires that the property was sold before that year but does not expressly include any limit on when that sale occurred.

Resolution

Existing law also requires that, before filing a complaint, a subdivision must adopt a resolution authorizing the complaint. The bill specifies that such a resolution is also required if the complaint is filed by a third party complainant who is "acting on behalf of a subdivision." A person is considered to be "acting on behalf of a subdivision" if the person is an official or employee of the subdivision or was directed to file the complaint by an official or employee.

Under the bill, all third party complainants must submit an affidavit, with the complaint, certifying whether the person is or is not acting on behalf of a subdivision. The falsification of such an affidavit is a first degree misdemeanor.

Application

The bill's new complaint filing limits apply to complaints filed on or after the bill's 90-day effective date.

Countercomplaints

Under continuing law, if a property tax complaint alleges a change in value of at least $50,000 in fair market value ($17,500 in taxable value), a school district may join the case by filing a countercomplaint. The bill provides that a school district may only file such a countercomplaint if the original complaint was filed by the owner or lessee of the property. Essentially, the bill prohibits school districts from filing countercomplaints when the original complaint is filed by another political subdivision or by a third party complainant. This change applies to countercomplaints filed with respect to tax year 2022 and after.

Appeals of BOR decisions

The bill expands an existing law, also enacted in H.B. 126, that prohibits political subdivisions from appealing BOR decisions on property they do not own to the Board of Tax Appeals (BTA). Under the bill, these appeal limitations also apply to third party complainants. In addition, the bill expressly prohibits a subdivision from appealing a BOR decision regarding a complaint filed by a third party complainant. This latter prohibition applies to appeals of BOR decisions issued on or after July 21, 2022 (H.B. 126's effective date). The limit on third party complainants applies to appeals of BOR decisions issued after the bill's 90-day effective date.

Private payment agreements

Continuing law prohibits a political subdivision from entering into a private payment agreement with a property owner whereby the owner agrees to pay the political subdivision to dismiss, not file, or settle a complaint or countercomplaint. The bill extends this prohibition to any agreement that a property owner would enter into with a person who is acting on behalf of a political subdivision. This prohibition applies to complaints filed on or after the bill's 90-day effective date.

State community college tax operating levy

(R.C. 3358.08 and 3358.11)

The bill authorizes a state community college to submit to certain of its voters a property tax levy to pay for its operating expenses. Specifically, the district, even though it may encompass territory in several counties, must submit the question only to voters in the county in which the district's main campus is located. The tax may be levied for any specified number of years, or for a continuing period of time, and may be renewed or replaced before its expiration. If county voters approve the levy, then the district may only use revenue from the tax to support its operations in that county and the district's board of trustees must charge a lower tuition rate to students who reside in that county.

Under continuing law, a state community college district is a political subdivision created by the Chancellor of Higher Education upon receiving a proposal from a technical college district or a state university or upon a proposal by boards of county commissioners or initiative petition.

The purpose of the district is to establish, own, and operate a state community college. It is governed by a board of trustees consisting of nine members appointed by the Governor. The territory of the district is composed of the territory of a county, or of two or more contiguous counties. The district must have a population of at least 150,000.[186]

The tax levy authorized by the bill is nearly identical to the operating levy authorized under continuing law for community college districts, except a community college district is not able to limit its levy to only a portion of its territory.[187] Community college districts and state community college districts perform similar functions but there are some administrative differences between the two, such as how they are formed and how trustees are appointed.

Constitutional consideration

The Ohio Constitution requires that land and improvements must be taxed by uniform rule.[188] This has long been interpreted to mean, in part, that a taxing authority may not levy a property tax within only a portion of its territory.[189] Accordingly, limiting a state community college district, whose territory may span multiple counties, to imposing an operating levy in only one of those counties may conflict with the uniform rule.

Parking garage tax exemption

(R.C. 717.051)

The bill expands a property tax exemption for parking structures owned by certain local governments. Currently, the exemption applies to structures owned by municipal corporations that are "impacted cities," i.e., have certain distress criteria, or by counties encompassing such municipalities. The bill expands the exemption by:

- Eliminating the requirement that the municipal corporation in which the garage is located be an "impacted city," so any municipal corporation or county qualifies;
- Extending the exemption to garages owned by a port authority or new community authority;
- Extending the exemption to the land on which the garages are located, as opposed to just the structures as allowed under current law;
- Making the exemption permanent in lieu of the current 20-year maximum;
- Eliminating a requirement that the parking spaces be available to the general public.

[186] R.C. 3358.01, 3358.02, and 3358.03, not in the bill.

[187] R.C. 3354.12, not in the bill.

[188] Article XII, Section 2, Ohio Constitution.

[189] See *Exchange Bank v. Hines, 3 Ohio St. 1, 15 (1853)* ("The uniformity must be coextensive with the territory to which it applies. If a State tax, it must be uniform over all the State; if a county, town, or city tax, it must be uniform throughout the extent of the territory to which it is applicable.").

Community reinvestment area agreements and exemptions

(R.C. 3735.67 and 3735.671; Section 801.220)

The bill allows counties, home-rule townships, and municipal corporations, through their legislative authorities, to amend existing community reinvestment area (CRA) agreements to extend a tax exemption to a total of 30 years when a megaproject becomes involved. Typically, a new or remodeled commercial structure in a CRA can receive a tax exemption on the value of a new structure or the increased value of a remodeled structure for up to 15 years.

Structures on the site of a megaproject and owned and occupied by a megaproject operator or off the site of a megaproject and owned and operated by a megaproject supplier, however, can receive exemptions for up to 30 years. In any case, CRA exemptions for commercial and industrial property must be governed by an agreement between the local government that created the CRA and the property owner. Those agreements establish the length and percentage of exemption, often subject to school district approval.

The bill changes two aspects of the CRA law with respect to megaprojects. First, it establishes that the structures in question need only be owned or occupied, rather than owned and occupied as under current law, by a megaproject operator or supplier to be eligible for a 30-year exemption. Second, the bill allows an existing CRA agreement to be modified to the maximum 30-year term when a megaproject operator or supplier is expected to become the owner or occupier of the building in question. In other words, a building with a 15-year CRA exemption can become subject instead to a 30-year CRA exemption if a megaproject operator or supplier is expected to own or occupy the building at some time after the initial CRA agreement was executed.

The bill also changes the CRA law with respect to commercial and industrial projects, generally. Recall that those projects receive CRA exemptions only pursuant to a negotiated agreement with the subdivision that designated the CRA. The bill establishes that no political subdivision other than the designating board of township trustees, the board of county commissioners, or legislative authority of the municipal corporation needs to be a party to a CRA agreement unless that subdivision is a fee simple owner of the property in question that would otherwise be obligated to pay real property taxes for the property.

The bill's megaproject-specific changes apply to all CRA agreements entered on or after January 1, 2025. The bill's general change for all commercial and industrial CRA projects applies regardless of when the agreement was or is executed.

CAUV recoupment exemption for conservation land

(R.C. 5713.34; Section 801.290)

Under continuing law, farmland is valued at its current agricultural use value (CAUV) – i.e., its value considering only its use as agriculture – rather than its fair market value. The CAUV formula typically results in a lower tax bill for farm owners because the land is often valued below its market value, particularly in areas where farmland is in demand for development purposes.

Continuing law requires that, if farmland is converted to a nonfarming use, it is typically subject to a recoupment charge equal to the previous three years of tax savings the farmland received because it was valued at its CAUV. However, there are a few exceptions, including for land that is acquired by local governments and used for conservation or outdoor recreation.

The bill authorizes an additional exception from the recoupment charge for land that is acquired by a conservation organization and that qualifies for a property tax exemption because of its use for an H2Ohio environmental response project or a nature water project. When farmland that meets those qualifications is transferred, the recoupment charge will not be levied. However, if the land is later converted to a nonconservation use, the charge would apply at that time.

Local Government Fund

Allocation amount

(R.C. 131.51(A); Sections 387.10 and 387.20)

The bill permanently increases, from 1.70% to 1.75%, the percentage of state tax revenue deposited to the GRF each month that is then transferred to the Local Government Fund (LGF).

The budget enacted by the 135th General Assembly in 2023 increased the percentage the LGF receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent percentage was 1.66%, beginning in FY 2014, though the General Assembly had authorized several temporary increases ranging from 1.68% to 1.70% between FY 2014 and FY 2021.[190]

Reductions for traffic camera fines

(R.C. 5747.502)

The bill terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations. H.B. 54 of the 136th General Assembly, the most recent biennial transportation budget, prohibited counties and townships from using those cameras, but it also preserved reductions in the LFG distributions to counties and townships that have employed them. As a result, under the transportation budget, outstanding LGF reductions from previous county and township traffic camera reductions are set to be deducted until they are fully withheld. The bill eliminates those reductions as of its 90-day effective date.

Public Library Fund

Allocations

(R.C. 131.51(B) and (C); Sections 387.10 and 820.20)

Beginning for FY 2026, the bill no longer dedicates a 1.70% share of GRF tax revenue to the Public Library Fund (PLF), instead funding public libraries through a direct GRF appropriation ($490 million in FY 2026 and $500 million in FY 2027). Under current law, OBM transfers this

[190] Section 387.20 of H.B. 110 of the 134th General Assembly (2021), Section 387.20 of H.B. 166 of the 133rd General Assembly (2019), Section 387.20 of H.B. 49 of the 132nd General Assembly (2017), and Section 375.10 of H.B. 64 of the 131st General Assembly (2015).

1.70% share to the PLF monthly, while, under the bill, OBM transfers $\frac{1}{12}$ of the PLF's appropriation for the fiscal year from the GRF to the PLF.

Similar to trends with the LGF, the budget enacted by the 135th General Assembly in 2023 increased the percentage the PLF receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent percentage was 1.66%, beginning in FY 2014, though the General Assembly had authorized several temporary increases ranging from 1.68% to 1.70% between FY 2014 and FY 2021.[191]

Under continuing law, money in the PLF is distributed monthly to each county's public library fund according to a formula, administered by TAX, which is predominately based on each county's share of the PLF in the preceding calendar year, plus an inflation factor. Each county distributes its share among libraries according to a locally approved formula or, in some counties, a statutory formula.

[191] Section 387.20 of H.B. 110 of the 134th General Assembly (2021), Section 387.20 of H.B. 166 of the 133rd General Assembly (2019), Section 387.20 of H.B. 49 of the 132nd General Assembly (2017), and Section 375.10 of H.B. 64 of the 131st General Assembly (2015).