



Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

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Inside Millage

The Ohio Constitution and state law limits the aggregate rate of property tax that subdivisions may levy without voter approval to 1%, or 10 mills per dollar, of a property's value. This brief examines the historical development and policies underpinning this so-called "inside" millage, how inside millage is allocated to political subdivisions, how the Ohio Constitution's uniform rule interacts with inside millage, the purposes for which inside millage may be levied, and the role inside millage plays in computing the property tax reduction factor.

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Introduction

Under the Ohio Constitution, property taxes must generally be approved by voters, with certain exceptions. One of these exceptions is that taxing authorities may, collectively, levy unvoted property taxes that do not exceed 1%, or 10 mills, of a property's value.¹ Typically referred to as inside millage, those taxes may be levied for general purposes such as for current operating expenses, including the acquisition or construction of permanent improvements, or debt.² Subdivisions may also use inside millage to levy a tax for special purposes specified by law.

¹ Article XII, Section 2, Ohio Constitution; R.C. 5705.02.

² R.C. 5705.04 and 5705.05.

In 2024, statewide effective millage was 58.53 mills, so, assuming that 10 mills of that is inside millage, inside millage constitutes about 17% of all property tax collections.³

This brief summarizes inside millage, particularly how it is allocated among subdivisions, the history of how it developed, and how it interacts with the property tax reduction factor.

Summary of inside millage

The Ohio Constitution categorizes property tax levies into one of three types. The first is property taxes provided for in the charter of a municipal corporation (charter millage), which may be levied without voter approval. The second is taxes levied with the approval of voters in excess of 1% of property's taxable value. The final type of property taxes is those levied within that 1% limitation – inside millage – which may be levied without voter approval.⁴

Inside millage may be levied by local subdivisions, such as school districts and counties, for one or more of several purposes. It may be levied for current operating expenses, permanent improvements, or debt.⁵ Subdivisions may also levy inside millage to levy a tax for a special, delineated purpose, including (1) library purposes, (2) municipal university purposes, (3) road construction and repairs (by counties or townships), or (4) to pay employer contributions to police and firefighter pension plans.⁶

History of inside millage

Property tax rate limitations imposed by the Ohio Constitution on inside millage came about after the state's tumultuous experience in the early 20th Century with statutorily limiting property tax rates. Indeed, as originally adopted in 1851, the Ohio Constitution did not expressly limit the rate of unvoted millage. Those limits would not appear until 1929, but statutory limitations on property tax rates first came into being in 1911, when the General Assembly enacted the so-called "Smith one percent law." This law set a maximum levy rate for *all* property taxes, voted and unvoted, with the understanding that property would be fairly and uniformly assessed at its full value rather than at a portion of that value.⁷ At the time, assessment rates and appraisal practices varied widely among counties. The Smith law limited unvoted millage to 10 mills but allowed voters to approve up to five additional mills for an overall limit of 15 mills.⁸

³ See Ohio Department of Taxation, [Summary of Tax Data Series PD32](#) (click on "Property"), available by conducting a keyword "tax data series" search on ODT's website: tax.ohio.gov.

⁴ Article XII, Section 2, Ohio Constitution ("No property, taxed according to value, shall be so taxed in excess of one per cent of its true value in money for all state and local purposes, but laws may be passed authorizing additional taxes to be levied outside of such limitation, either when approved by at least a majority of the electors of the taxing district voting on such proposition, or when provided for by the charter of a municipal corporation.").

⁵ R.C. 5705.04 and 5705.05.

⁶ R.C. 5705.06.

⁷ H.B. 186 of the 79th General Assembly; See also *State ex rel. Menning v. Zangerle*, 95 Ohio St.1, 6 (1916) (construing purposes of the Smith one percent law).

⁸ Ohio Gen. Code §§ 5649-2 and 5649-5b (Page's 1926 ed.).

This law ended up severely limiting the revenue that could be raised by political subdivisions, leading several cities to borrow money to cover operating expenses.⁹ In response to these pressures, the General Assembly gradually relaxed the strict limits of the Smith one per cent law by, for example, allowing voted millage to exceed 15 mills and creating charter millage. Eventually, the Smith law and its limits were repealed altogether in 1927 and replaced with a 15-mill rate limit on unvoted taxes and broad authority for subdivisions to levy property taxes outside this limit with the support of voters – largely similar to the statutory limitation scheme employed under current law.¹⁰

The 15-mill limitation finally appeared in the Ohio Constitution in 1929, when voters amended it to provide that the combined tax rate levied by all overlapping subdivisions on any property could not exceed 1.5% of the property's true value in money unless the excess is approved by voters or authorized by a municipal charter. In 1933, Ohioans again amended the Ohio Constitution to reduce the maximum rate of inside millage from 1.5% to 1% of property's true value in money. This reduction of inside millage tracked widespread efforts in other states during the early years of the Great Depression to force reductions of property taxes.

The 1933 amendment necessitated a five-mill reduction of the statutory 15-mill limitation. Ohio law was therefore changed in 1934 to provide that the aggregate amount of taxes levied on any property without the approval of voters may not exceed 10 mills on each dollar of the property's taxable value.¹¹ The statutory allocation of this inside millage was also adjusted accordingly. This 10-mill limitation has endured unchanged since 1934.

Allocation of inside millage

Because several overlapping subdivisions simultaneously tax the same property, inside millage is divided up between them. This prevents the total unvoted millage on any property from exceeding 10 mills. The county budget commission – a county board comprised of the county auditor, treasurer, and either the prosecuting attorney or a county commissioner – allocates inside millage among subdivisions, but its discretion to do so is limited. A significant share of inside millage, often referred to as “guaranteed millage” or the “minimum levy,” is automatically allocated to certain subdivisions. Inside millage not allocated as guaranteed millage is “free millage,” which may be allocated according to the discretion of the budget commission. The allocation occurs each year and may change from one year to the next. As with voted millage, school districts generally levy the greatest share of inside millage. On average, 4.7 mills of inside millage is levied by school districts.¹²

⁹ See, e.g., *Cincinnati v. Dawson*, 53 Ohio App. 2d 109, 112 (1st Dist. 1977) (discussing Cincinnati's experience).

¹⁰ H.B. 80 of the 87th General Assembly; see also Ohio Gen. Code § 5625-2 (Page's 1931 ed.).

¹¹ R.C. 5705.02.

¹² Legislative Service Commission *Members Brief*, [School District Local Operating Revenue \(PDF\)](#), p. 4, February 4, 2025, which is available on LSC's website: lsc.ohio.gov.

Guaranteed millage

The 1934 reduction of inside millage from 15 to 10 mills necessitated reallocating millage between subdivisions that had, before this change, shared 15 mills of unvoted levies. To that end, the current allocation to each subdivision is calculated based on what the subdivision received between 1929 and 1933 – the last years of the 15-mill limitation. Every subdivision that existed between 1929 and 1933 generally is entitled to receive a guaranteed annual share of inside millage equal to two-thirds of the average annual millage amounts it received between those years, unless it requests a lower rate for a given year.¹³

If any subdivision's guaranteed millage is entirely devoted to paying debt charges or contributing to a police and fire pension fund, or both, the budget commission must increase that subdivision's guaranteed millage sufficiently to enable it to cover those expenses and to also levy unvoted millage of an unspecified amount for operating expenses. It must also reduce the guaranteed millage of each of the overlapping subdivisions accordingly. But, in any event, an overlapping school district's guaranteed millage may not be reduced below 45% of the inside millage available after the debt charges and police and fire pensions are covered.¹⁴

Free millage

A budget commission may allocate free millage, in its discretion, to any subdivision authorized by law to levy unvoted millage, provided that the need for the millage is shown in the subdivision's tax budget.¹⁵ Political subdivisions that were not in existence between 1929 and 1933 may be granted free millage from a budget commission; however, they are not guaranteed any portion of inside millage allocated according to the historical allocation. The proportion in which shares of inside millage are allocated to political subdivisions varies from county to county.¹⁶

Overlapping subdivisions

Occasionally, the allocation of inside millage among overlapping subdivisions can result in an unvoted tax rate of less than 10 mills. Typically, this occurs when a subdivision partly overlaps with two or more other subdivisions, and each of those other subdivisions has a different allocation from the other.

The other contributing factor is the Ohio Constitution's uniform rule of taxation, which requires that the aggregate rate of taxation imposed in each taxing district be the same for all property throughout the district.¹⁷ Under certain circumstances, the uniform rule interacts with

¹³ R.C. 5705.31(D).

¹⁴ R.C. 5705.31(D). When shifting inside millage to a municipal corporation in this way, the shift is made only if and to the extent that the municipality's unvoted general obligation debt charges cannot be covered by any of its own inside millage, income tax revenue, or voted property tax revenue. R.C. 5705.312.

¹⁵ R.C. 5705.06, 5705.32(A), and 5705.341.

¹⁶ *Washington Local School Dist. v. Budget Comm'n.*, 73 Ohio St.3d 700, 703 (1995).

¹⁷ Article XII, Section 2, Ohio Constitution; see *Exchange Bank of Columbus v. Hines*, 3 Ohio St. 1, 15 (1853) and *Gigandet v. Brewer*, 134 Ohio St. 86, 92 (1938).

the 10-mill limitation in such a way as to preclude overlapping districts from levying inside millage on property for which the 10-mill limitation has not been exceeded.

To illustrate this interaction between the uniform rule and the 10-mill limitation, consider a school district with territory that overlaps with two townships. Where the school district and the first township overlap, the total inside millage is exactly 10 mills and the school district's share of these 10 mills is 4.1 mills. Where the school district overlaps with the second township, the total inside millage is 9.6 mills, but the school district's inside millage in that part of the township is still only 4.1 mills. The district cannot increase its inside millage in that part of the township because the uniform rule requires that the district's aggregate rate of taxation be uniform throughout all of the district's territory. If the district were to levy the unused 0.4 mills in the second township, it would have to levy the 0.4 mills throughout its territory, which would result in the inside millage exceeding the 10-mill limitation in the first township. The second township and other overlapping subdivisions also might be prevented from levying the 0.4 mills for the same reason that precludes the school district from doing so.

Property tax reduction factor and increased revenue

Unlike most types of voter-approved levies, inside millage is not affected by the property tax reduction factor credit.¹⁸ The purpose of the reduction factor is to prevent appreciation in real estate values from causing commensurate increases in real property taxes. Because it does not apply to inside millage, tax collections from inside millage grow in response to rising property values.¹⁹ So, for instance, a 10% increase in property values would trigger a 10% increase in inside millage collections. However, in order to collect any inside millage revenue increases resulting from higher property values, the subdivision is required to annually declare to the county budget commission that it wishes to do so. Alternatively, the subdivision may declare its desire to forgo all or a portion of the increase.²⁰

¹⁸ R.C. 319.301(A)(2); Article XII, Section 2a, Ohio Constitution.

¹⁹ For more information on the operation of the tax reduction factor, see the Legislative Service Commission's *Members Brief*, [Property Tax Reduction Factor \(PDF\)](#), which is available on LSC's website: lsc.ohio.gov.

²⁰ R.C. 5705.29(E).