Property Tax Working Group

Recommendations Report

September
2025

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Letter from the Co-Chairs

To the Citizens and Communities of Ohio,

Ohioans are facing rapidly rising property tax bills, and it is our shared responsibility to provide meaningful relief. That is why Governor Mike DeWine convened a Property Tax Working Group after taking action on certain budget provisions—actions he took to ensure reforms were shaped with broad consensus.

We recognize and commend the legislature's considerable work on this issue. Their Joint Committee on Property Tax Review and Reform held over a year of hearings and delivered 21 thoughtful recommendations. Our Working Group has kept those recommendations at the center of our discussions, seeking to complement—not replace—the work of the General Assembly.

The recommendations outlined in this report build on 13 of the legislature's proposals and align with other ideas now under consideration. They represent areas of consensus where we believe constructive compromise is possible.

We thank Governor DeWine and the General Assembly for their leadership, and we present this report in the spirit of partnership with one clear priority: helping Ohioans who are struggling with their property tax bills.

Respectfully,

Bill Seitz
Property Tax Working Group Co-Chair

Pat Tiberi
Property Tax Working Group Co-Chair

Background & Purpose Statement

In recent years, Ohio's property values have skyrocketed. These increases have led to rising property tax bills that are unsustainable for many Ohio homeowners. Elected officials have been working tirelessly to come up with concepts to combat the rise in property tax bills. Of note, the General Assembly formed the Joint Committee on Property Tax Review and Reform which issued 21 recommendations in December 2024. Some of those recommendations were included in the most recent state operating budget in support of this effort. Ohio Governor Mike DeWine used his authority and took line-item actions on certain provisions, seeking a broader conversation and review of those provisions, and other ideas surrounding property tax reform in Ohio.

Governor DeWine formed this Property Tax Working Group as a result of the recommendations included in the budget to ensure proposals were evaluated from all possible perspectives. Local services like schools, fire departments, law enforcement, and local governments rely on property tax funding, so the Governor formed a working group with local officials representing these perspectives with the mission of proposing recommendations that help lower Ohioans' tax burden in as cost-effective manner as possible.

The Governor tasked Co-Chairmen Pat Tiberi and Bill Seitz, along with the broad and diverse group of local officials from around Ohio, with reviewing ideas and proposals, hearing from stakeholders, and coming to a consensus on recommendations they believe are achievable, workable, and impactful to Ohioans. The Governor also tasked this group with preparing this report by September 30, 2025.

Property Tax Working Group Members

- Co-Chairman Pat Tiberi, President and CEO of the Ohio Business Roundtable & former U.S. Congressman and State Representative
- Co Chairman Bill Seitz, Member of the Ohio Board of Tax Appeals & former State Representative and State Senator
- Krista Bohn, Allen County Treasurer
- Chris Galloway, Lake County Auditor
- Matt Nolan, Warren County Auditor
- Steve Patterson, Mayor of Athens
- Dr. John Marschhausen, Superintendent of Dublin City Schools
- Dr. Stephanie Starcher, Superintendent of Fort Frye Local Schools
- Denise Driehaus, Hamilton County Commissioner & former State Representative
- Gary Scherer, Pickaway County Commissioner & former State Representative
- Jeff Chattin, Pike County Commissioner

Staff Acknowledgements

- Tim Lynch, Policy Director, Ohio Department of Taxation
- Aaron Rausch, Deputy Chief of Staff and Chief of Budget and School Funding, Ohio Department of Education and Workforce
- Matt Kelly, Director of Coalitions, Office of Governor DeWine
- Caitlan Flis, Assistant Policy Director, Office of Governor DeWine
- Gretchen Craycraft, Senior Legislative Liaison, Office of Governor DeWine
- Lauren Niner, Communications Advisor, Office of Governor DeWine

Summary of Meetings

Meeting #1 – July 24th, 2025

Meeting #2 – August 6th, 2025

Meeting #3 – August 14th, 2025

Meeting #4 – August 21st, 2025

Meeting #5 – August 28th, 2025

Meeting #6 – September 4th, 2025

Meeting #7 – September 11th, 2025

Meeting #8 – September 18th, 2025

Meeting #9 – September 25th, 2025

Meeting #10 – September 30th, 2025

List of Testimony

The Governor's Property Tax Working Group invited various entities to provide in-person testimony during the course of their meetings. The workgroup also accepted written testimony from all other entities, and Ohioans, wishing to make their voices heard. The working group received in-person testimony from:

- The Fair School Funding Plan Workgroup
- Buckeye Institute
- Policy Matters Ohio
- Commercial Real Estate Development Association (NAIOP)
- Ohio Education Policy Institute
- Ohio Association of County Behavioral Health Authorities
- Ohio Farm Bureau Federation
- Franklin County Auditor Michael Stinziano

Recommendations

1. **Refine the process and definition of County Budget Commissions, including a timeline from when a levy is passed to when a Budget Commission could reduce said levy.**

    The Property Tax Working Group understands the importance of protecting voter intent and financial stability for local governments. County Budget Commissions have a critical role in providing this oversight on levies. County Budget Commissions must balance the intent of a levy at the time it was voted upon with the financial stability for local governments to ensure property tax relief is given when possible.

    Therefore, the Group recommends refining the process of County Budget Commissions to act within the best interest of their voters, as well as local government needs by allowing levies they deem "unnecessary" or "excessive" as defined below to be reduced at a minimum of 5 years after the initial levy was approved by voters and 2 years following a renewal of a levy by the voters. The Group also recommends that a public hearing be conducted prior to reducing a levy.

    Definitions:

    Unnecessary — "A tax levy or portion thereof is considered unnecessary when it generates more revenue beyond the reasonably anticipated financial needs of the taxing authority for the specific purpose of the levy, after accounting for current fund balances, projected expenditures, and other available funding sources."

    Excessive — "A tax levy is considered excessive when the amount or rate of taxation materially exceeds what is required to provide services at a level that is consistent with statutory obligations or community standards."

2. **Limit carry over balances for all taxing districts to 100%. Any carryover balance over 100% would need to be justified in writing to the satisfaction of the County Budget Commission.**

    The Property Tax Working Group understands the close relationship between government entities and property tax. All taxing districts have a duty to their taxpayers to ensure taxpayer dollars are used efficiently and effectively.

    Therefore, the Group recommends that all taxing districts carryover balances of levy funded dollars be limited to 100% to ensure efficient spending and avoid unnecessary levies. Capping reserves for operating expenses could help promote efficient spending of taxpayer dollars before returning to voters for new levies. Further, the Group recommends that taxing districts with carryover balances exceeding 100% justify the need for that balance in writing to the satisfaction of their County Budget Commission. If the County Budget Commission recommends a reduction, the Group recommends a hearing occur with the County Budget Commission and the taxing district.

3. **Enact legislation that eliminates the future use of substitute levies and rename all current substitute and emergency levies to "fixed-sum levies." Future renewal of a "fixed-sum levy" would apply to the 20-mill floor with continuing substitute levies applying to the floor after five years.**

   The Property Tax Working Group believes that voter transparency for levies must be prioritized. This means that the type of levies available must be limited in type and easily understood.

   Therefore, the Group recommends that substitute levies and emergency levies should be renamed as 'fixed-sum levies', where current substitute levies passed as a continuing levy would apply to the 20-mill floor calculation after five years, and where existing emergency levies will not count towards the floor until their scheduled expiration date, provided it post-dates the next revaluation date. The same would be true for existing levies enacted as a substitute levy with a scheduled expiration date that post-dates the next revaluation. This extended glide path of not more than five years will help local government adjust to the new levy structure created by reason of recalculation of the 20-mill floor.

   The Group also recommends that newly named fixed sum levies should be authorized to continue the 12.5% rollback if such levies were enacted before the 2013 change in the rollback law or were renewed after that date, because to do otherwise would result in a $96 million real property tax increase across the state.

4. **County Commissioners should review and reject or approve any levies being placed on the ballot by county-wide, non-elected entities.**

   The Property Tax Working Group believes that public accountability, fiscal oversight, and democratic representation are vital for property tax reform. Accountability is lost when entities that are not elected place levies on the ballot.

   Therefore, the Group recommends that County Commissioners, who are elected, review and then approve or reject all proposed levies by non-elected boards before they appear on the ballot to ensure accountability and fiscal oversight. The Group recommends in instances where the levy spans multiple counties that the largest county by population is responsible for approving or rejecting the levy.

5. **Closing the LLC loophole when buying and/or selling Class I (residential and agricultural) property.**

   The Property Tax Working Group understands that providing fair and equitable opportunities for all Ohioans is critical to property tax reform. The "LLC loophole" is a method used to avoid county conveyance fees and defer property tax reassessments when buying and selling properties. This practice obscures the true value of property and makes it difficult for county auditors to accurately value property as required by the Ohio Constitution.

Therefore, the Group recommends that LLCs be required to buy and sell all Class I (residential and agricultural) real estate under the same rules that apply to individual Ohioans and their families when purchasing a home. Such a recommendation ensures all residential real estate transactions incur the same county conveyance fees and property tax reassessments—promoting fairness and equity for taxpayers and homeowners

6. **Support House Bill 186, as amended by the House Ways & Means Committee in June 2025, and extend its principles to inside millage.**

   The Property Tax Working Group has found in their review of pending legislation before the General Assembly that many bills exist to provide property tax relief for Ohioans.

   The Group recommends that Substitute House Bill 186 (Sub. HB 186), sponsored by Representatives David Thomas and Jim Hoops, be passed and enacted as amended in June 2025. Sub. HB 186 reduces property taxes by providing a tax credit back to property owners in a school district on the 20-mill floor or a joint vocational school district (JVSD) on the 2-mill floor. If the increase in tax revenue collected by the school district or JVSD due to the floor exceeds increases in the GDP deflator, property owners would receive a tax credit. The amount of the credit is calculated every three years during a county's sexennial reappraisal or triennial update, and a district's revenue growth from the floor may not exceed the rate of inflation over the prior three years. The goal of the bill is to limit revenue windfalls in districts on the floor to provide property tax relief to Ohioans.

   While the Group prefers HB 186 as introduced, the Workgroup supports the passage of HB 186 as amended by the House Ways & Means Committee in June 2025. The Governor's Property Tax Group also believes the General Assembly should further amend HB 186 to apply to inside millage. In doing so, consideration should be given to local government inside millage beneficiaries to ensure their fiscal stability if property values should decline.

7. **Support House Bill 156, with an amendment.**

   The Property Tax Working Group has found in their review of pending legislation before the General Assembly that many bills exist to provide property tax relief for Ohioans.

   The Group recommends that House Bill 156 (HB 156), sponsored by Representatives Thomas Hall and Dani Isaacsohn, be amended so the tax credit is the difference in increase from the previous taxing year, not accumulative from the base year, and then be passed and enacted. HB 156 creates a property tax credit for senior and disabled homeowners with limited incomes. This credit would reduce the overall cost of implementing the tax credit while still providing relief. Please see Appendix A for the scoring the Ohio Department of Taxation has done on this recommendation.

8. **Implement reforms to levy ballot language that promote transparency and clarification when a voter is voting on a levy.**

   The Property Tax Working Group understands the importance of providing full transparency to Ohio's voters and believes that providing a further level of transparency on levy ballot initiatives furthers this goal.

   Therefore, the Group recommends that the Secretary of State approve an easy to understand summary of what the levy does and the impact to the taxpayers' future property tax liability if supporting the levy is necessary. This level of transparency ensures that the taxpayer has a full understanding of what their property tax bill will look like with the passage of the levy.

9. **Restrict emergency levies to entities under fiscal caution, watch or emergency as defined by the Auditor of State and impose a time limit.**

   The Property Tax Working Group understands that fiscal emergencies do occur for school districts, which drives the need to preserve emergency levies. However, the Group believes that the use of an emergency levy should be used in limited and extreme circumstances only.

   Therefore, the Group recommends that restrictions to emergency levies be placed to ensure transparency and accountability to taxpayers. These restrictions include limiting emergency levies to school districts under fiscal caution, watch, or emergency as defined by the Ohio Auditor of State and the Ohio Department of Education and Workforce, in addition to an "act of God" situation. Further, the Group recommends that emergency levies not be renewable, are limited to five-year duration, and will count towards the 20-mill floor calculation.

10. **Explicitly authorize levy boards to retain interest earned on their levies, while granting county commissioners the ability to recover the indirect costs incurred by the county in providing services to the board.**

    The Property Tax Working Group understands the need to provide transparency to taxpayers as well as ensure fiscal responsibility and accountability. Giving boards direct control over funds generated from a voter-approved initiative is critical; however, this Group recognizes that the County Commissioners provide support for administering and implementing passed levies that incur costs to the county.

    Therefore, the Group recommends that levy boards retain interest earned on their levies while also ensuring County Commissions have the ability to recover the indirect costs incurred by providing services to the board.

11. Improve penalty and interest processes on delinquent property taxes for qualifying homeowners.

The Property Tax Working Group recognizes that an increase in property valuations can lead to Ohioans' inability to pay their property tax bill in a timely manner. Adding fees and penalties on top of high property taxes, while it serves as an incentive to pay timely, can hurt the taxpayer more

Therefore, the Group recommends improvements to penalty and interest processes associated with taxpayers who are delinquent on their property tax bill. See Appendix B for a more detailed breakdown of those recommendations.

12. Implement a Tax Deferral Program for Qualifying Seniors.

The Property Tax Working Group believes that Ohio's seniors are the most significant population that is experiencing severe hardship with the current property tax structure.

Therefore, the Group recommends the creation of a Property Tax Deferral Program where eligibility should include:

1. Owning and occupying a residential property for at least 10 years,
2. Being 65 years of age or older or disabled, and
3. Meeting the same income thresholds as the homestead program.

The Group asked the Ohio Department of Taxation to estimate the cost of a deferral program. Estimated costs assume full participation and that the first-year deferral was available was tax year 2020. These estimates are based on total observed tax growth in reappraisal/update years. Repayment is not modeled or included in these estimates:

The cost estimates below assume that all growth from 2019 is deferred for all eligible taxpayers. Actual cost would depend on taxpayer participation.

Tax Year	Estimated cost to State
2020	-$21 million
2021	-$27 million
2022	-$81 million
2023	-$121 million
2024	-$144 million

13. Property tax exemptions should be regularly reviewed and evaluated.

The Property Tax Working Group recommends that the regular review and evaluation of various property tax exemptions, on their effectiveness and impact to Ohioans. This review and evaluation could be done by either the General Assembly, or another entity designated by the General Assembly. The Group recommends that tax exemptions failing to meet their original purpose be reconsidered or rolled back to increase revenue for local services and to ensure exemptions remain aligned with today's property tax landscape. Increased revenue should be used by the General Assembly to provide further property tax relief for Ohioans.

14. Sexennial Reappraisal and Triennial Update schedule to balance reassessments across counties and years.

The Property Tax Working Group believes that equity is a key component to property tax relief. Currently, Ohio requires a sexennial reappraisal and triennial update to ensure that property values are current for tax purposes. The Group understands that the current cycle leads to uneven distributions of reappraisal work and impacts taxpayers differently based on their country's specific cycle.

Therefore, the Group recommends that the Department of Taxation rearrange when counties experience their sexennial reappraisal and triennial update to provide this balance and equity for Ohio's taxpayers.

15. Support House Bill 154. Require that Ohio's school districts have the ability to disapprove of a Community Reinvestment Area (CRA) program that will impact the school district.

The Property Tax Working Group has found in their review of pending legislation before the General Assembly that many bills exist to provide property tax relief for Ohioans. The Property Tax Working Group understands that providing residential property tax exemptions encourages investment in specific areas. However, such economic growth must be reviewed by the school district that will be impacted by the residential growth.

Therefore, the Group recommends support of House Bill 154, sponsored by Representatives David Thomas and Chris Glassburn. The bill would ensure school districts have the ability—like they already do for commercial and industrial projects—to disapprove of a residential CRA under those same circumstances used for commercial and industrial developments. Without providing this voice to school districts, current property taxpayers and negatively impacted and incur additional costs to make up for the loss of property tax revenue these CRAs are exempted from contributing is included in House Bill 154, sponsored by Representatives David Thomas and Chris Glassburn.

16. Codify limits for the creation of Residential Stability Zones.

The Property Tax Working Group understands that the General Assembly is considering establishing Residential Stability Zones, which is a tool for local governments to designate specific areas where homeowners can receive partial property tax exemptions.

This concept is designed to address property value increases and the rise in declining homeownership, and has been included in Senate Bill 42, sponsored by Senators Michele Reynolds and Hearcel Craig.

Therefore, the Group recommends support of Senate Bill 42, with an amendment that limits for county, city, and home rule township residents to limit their property tax by 50% reduction in assessed value. Specifically, the program should:

1. Target seniors below 80% of Area Median Income (AMI) in owner occupied homes that have been owned and lived in the home by that owner for 20 years.
2. Give school board veto power.
3. Providing limits on the number of census tracts for those included in the program.

17. Encourage the Governor to form a working group to look at and analyze the efficiencies of the various levels of government.

The Property Tax Working Group recognizes that the State of Ohio has one of the largest amounts of taxing jurisdictions in the country that all contribute to the property tax issue Ohioans face today.

Therefore, the Group recommends that the Governor convene a working group to analyze and study various levels of government in Ohio with the goal of providing recommendations to incentivize efficiencies and sharing resources among government entities.

18. Housing

The Property Tax Working Group recognizes Ohio faces a severe housing shortage, estimated at more than 350,000 units statewide in 2023. In fast-growing regions like Central Ohio, only about 13,000 new permits are issued annually despite a need for 18,000 new homes each year. This persistent undersupply drives up home prices and rents, which in turn inflate property tax valuations and burden both families and businesses. Rising construction costs, local zoning restrictions, and community resistance further constrain the market, while rural areas also struggle to attract builders due to limited infrastructure. Without action to increase housing supply, Ohio will continue to see affordability challenges, worker shortages, and mounting property tax pressures.

Therefore, the Group recommends that as the General Assembly continues to examine property tax relief, the role that housing supply plays in driving valuations higher should be a consideration. Legislative hearings, such as those conducted by the Senate Select Committee on Housing, and recent budget proposals like the Housing Accelerator Fund and the Residential Development Linked Deposit Program, have already highlighted the link between supply constraints and property tax growth. A fuller understanding of this connection can help lawmakers evaluate how zoning reforms, streamlined permitting, and reduced infrastructure barriers at the local level could complement property tax reform by addressing one of its root causes.

19.Abuse of Property Tax Credit

The Property Tax Working Group understands that abuse exists for property tax credits provided by the state being claimed on more than one allowable residence, including the owner-occupied tax credit and the homestead exemption. Such abuse reduces funds for local governments and school districts. Therefore, the Group appreciates the General Assembly's inclusion of provisions in the state operating budget that direct the Ohio Department of Taxation to develop a system to review the abuse of owner-occupied property tax credits. The group encourages the Ohio Department of Taxation to move swiftly to implement this budget provision.

20.Consideration of expanding the Homestead Exemptions and/or Implementing a Property Tax Circuit Breaker.

The Property Tax Working Group recognizes that there are many programs in Ohio and other states that can help provide immediate property tax relief to older Ohioans, including Homestead Exceptions and Circuit Breakers.

The Group recommends that the General Assembly consider increasing both the valuation that would be exempt from property taxes and the income threshold so that more individuals can qualify for the Homestead Exemption program. The Group also recommends that General Assembly consider implementing a property tax circuit breaker program in a similar way that other states have. The Group believes the General Assembly identify a way to pay for these programs. This will allow some of our most vulnerable Ohioans to stay in their homes. The Ohio Department of Taxation has run models on both expanded homestead exemptions and property tax circuit breakers that can be found in Appendix C.

Appendix

Scan or click the QR code below to access the appendix.

Scan or Click

Appendix A

Ohio Department of Taxation scoring House Bill 156 as described in Recommendation #7

HB 156 Style Property Tax Growth Credit		
Freeze not anchored to a base year; credit for growth lasts one year delaying the tax change for the impacted group.		
Fiscal Year	**GRF**	
FY 2021	$	(30.1)
FY 2022	$	(51.2)
FY 2023	$	(44.6)
FY 2024	$	(87.8)

Appendix B

Potential considerations for improving penalty and interest processes on delinquent property taxes

Property tax payment reform options:

The State of Ohio has functioning statutes in place for the support of property tax payments such as delinquent tax contract, pre-payment agreement for budgeting, penalty and interest for the cost of delinquent collection to the political entity. Below is a brief overview of those existing policies and suggestions to improve property tax payment reform while balancing existing statute components that work effectively.

Currently offered in Statute:	Potential Change:
Late penalty is currently calculated on anything not received or post marked by the United States Postal Service by the due date. Penalty is 5% on days 0-10 after the due date and then 10% after the 10th day past due.	Potential option to remove the 5% late penalty time frame, building in a 10 day grace period. We caution any further changes to penalty than this suggestion, as there would be no incentive for ontime payment, which could result in entities not receiving timely funding to operate. This is also decreasing a funding source for townships, Prosecutors, and Treasurers. There is also a possibility for an additional settlement each installment, if a majority of payments are received later.
Repayment Contracts to Owner Occupied Residential and Agricultural Properties. Taxpayers can repay a delinquency over a period of up to 5 years. All additional late penalties and interest is deferred if the repayment contract is fulfilled. ORC 323.31	No changes to offer on this item, as County Treasurer's already have the authority to offer repayment contracts and this applies to all owner occupied residential properties and agricultural. This is already existing and we do not need to complicate it further. Instead we need to bring attention to this existing option that taxpayers might not be aware of.
Agreements for payment of current taxes (Pre-Payments). County Treasurer's may enter into a written agreement with any taxpayer for the payment of current taxes, upon mutually agreed terms and conditions, under which both of the following occur: taxpayer agrees to tender payments and Treasurer agrees to accept payments. ORC 321.45	Potential change to update ORC 321.45 from Treasurer **may offer to shall offer** a prepayment option. The pre-payment option allows a budgeting tool for current tax amounts to all taxpayers.
Delinquent property tax interest rates are set by the Ohio Tax Commissioner annually as 3% on top of the current Federal Short-Term Rate. ORC 323.121, 5703.47 & 5721.41.	Potential option for the State to update ORC 323.121, 5703.47 & 5721.41; reducing the 3% added to 2% added to provide some relief on delinquencies accumulating, while also balancing the deterrent factor of interest. Interest payments go to the political entities that were due the funding.

Appendix C

Ohio Department of Taxation scoring on expanded homestead exemptions and circuit breakers

Ohio Department of Taxation			9/2/2025
Governor's Property Tax Reform Working Group			
Proposal Scoring - Impact to State GRF			
Proposal ID	**Description**	**Notes**	**Estimated approximate annual cost to the State (millions of dollars)***
Circuit Breaker A**	Circuit breaker for residential Class 1 real property: Property tax limit set to 6% of owner and spouse income for owners age 67 (Social Security full retirement age) or fully disabled owners. No relief for owners with incomes greater than **$150,000**. Relief limited to $1,000 per year and for up to one acre of land.	Estimate assumes that "property tax", as defined for the circuit breaker limit calculation, means property tax after reduction factors, "not used in business" credit, "owner occupancy" credit, and homestead exemption.	Estimated impact of circuit breaker had it been in effect in prior tax years: FY22 -$330, FY23 -$350, FY24 -$380
Circuit Breaker B**	Circuit breaker for residential Class 1 real property: Property tax limit set to 6% of owner and spouse income for owners age 67 (Social Security full retirement age) or fully disabled owners. No relief for owners with incomes greater than **$100,000**. Relief limited to $1,000 per year and for up to one acre of land.	Estimate assumes that "property tax", as defined for the circuit breaker limit calculation, means property tax after reduction factors, "not used in business" credit, "owner occupancy" credit, and homestead exemption.	Estimated impact of circuit breaker had it been in effect in prior tax years: FY22 -$315, FY23 -$335, FY24 -$365
Circuit Breaker C**	Circuit breaker for residential Class 1 real property: Property tax limit set to 6% of owner and spouse income for owners age 67 (Social Security full retirement age) or fully disabled owners. No relief for owners with incomes greater than **$67,769 (median household income in Ohio 2023)**. Relief limited to $1,000 per year and for up to one acre of land.	Estimate assumes that "property tax", as defined for the circuit breaker limit calculation, means property tax after reduction factors, "not used in business" credit, "owner occupancy" credit, and homestead exemption.	Estimated impact of circuit breaker had it been in effect in prior tax years: FY22 -$285, FY23 -$295, FY24 -$325
Circuit Breaker D**	Circuit breaker for residential Class 1 real property: Property tax limit set to 6% of owner and spouse income for owners age 67 (Social Security full retirement age) or fully disabled owners. No relief for owners with incomes greater than **$50,000.** Relief limited to $1,000 per year and for up to one acre of land.	Estimate assumes that "property tax", as defined for the circuit breaker limit calculation, means property tax after reduction factors, "not used in business" credit, "owner occupancy" credit, and homestead exemption.	Estimated impact of circuit breaker had it been in effect in prior tax years: FY22 -$250, FY23 -$270, FY24 -$285
Circuit Breaker Deferral	Same as "Circuit Breaker" - However the property tax benefit is not reduced and paid by the state. Instead the state loans the taxpayer the benefit amount without interest, to be repaid upon sale of the property or death.	Repayment to the state could be delayed significantly and may not be possible in all circumstances. It is not possible to determine how much repayments would offset costs per year.	See Scores for Circuit Breaker A-C proposals

HB 103	Increases the standard homestead exemption (HE) amount for TY 2025 from $29,000 to $50,000. Increases the income threshold for the standard HE for TY 2025 from $40,000 to $45,000.		-$310
HB 143	Creates an enhanced homestead exemption (HE) of $56,000 (inflation adjusted) for taxpayers that qualify for the current general HE and have continuously owned and occupied the homestead for twenty or more years.		-$190
HB 143 A1	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $67,769 (median Ohio income in 2023, adjust for inflation), and who have continuously owned and occupied the homestead for twenty or more years.	Assumes that taxpayers cannot qualify for and received both the existing HE and this enhanced HE.	-$168
HB 143 A2	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $67,769 (median Ohio income in 2023, adjust for inflation), and who have continuously owned and occupied the homestead for twenty or more years.	Assumes that taxpayers can qualify for and receive both the existing HE and this enhanced HE.	-$320
HB 143 AC1	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $51,608 (median senior income in 2023, adjust for inflation), and who have continuously owned and occupied the homestead for twenty or more years.	Assumes that taxpayers cannot qualify for and received both the existing HE and this enhanced HE.	-$140
HB 143 AC2	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $51,608 (median senior income in 2023, adjust for inflation), and who have continuously owned and occupied the homestead for twenty or more years.	Assumes that taxpayers can qualify for and receive both the existing HE and this enhanced HE.	-$293
HB 143 B1	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $67,769 (median Ohio income in 2023, adjust for inflation), ~~and who have continuously owned and occupied the homestead for twenty or more years~~ and who own and occupy the home~~.~~	Assumes that taxpayers cannot qualify for and received both the existing HE and this enhanced HE.	-$232
HB 143 B2	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $67,769 (median Ohio income in 2023, adjust for inflation), ~~and who have continuously owned and occupied the homestead for twenty or more years~~ and who own and occupy the home~~.~~	Assumes that taxpayers can qualify for and receive both the existing HE and this enhanced HE.	-$456

HB 143 BC1	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $51,608 (median senior income in 2023, adjust for inflation), ~~and who have continuously owned and occupied the homestead for twenty or more years~~ and who own and occupy the home~~.~~	Assumes that taxpayers <u>cannot</u> qualify for and received both the existing HE and this enhanced HE.	-$190
HB 143 BC1	Creates an enhanced homestead exemption (HE) of $42,000 (inflation adjusted) for taxpayers 67 years old or older, with incomes up to $51,608 (median senior income in 2023, adjust for inflation), ~~and who have continuously owned and occupied the homestead for twenty or more years~~ and who own and occupy the home~~.~~	Assumes that taxpayers <u>can</u> qualify for and receive both the existing HE and this enhanced HE.	-$414
HB 156**	Creates a new credit for property owners 65 years of age and older that have continuously owned and occupied a homestead valued at less than $500,000 for two or more years with total income not more than $50,000 (adjusted for inflation). The credit is equal to the amount by which the current taxes for the current tax year exceed the current taxes for the proceeding year.	The cost in each year depends on multiple factors including the change in property valuations and the interaction of rates and the 20 mill floor. Each year's cost is compounded with the cost from the previous year.	Estimated impact of freeze if the first year was tax year 2020: FY21 -$30, FY22 -$82 FY23 -$128, FY24 -$212
SB 81	Creates a new credit for property owners 65 years of age and older that have owned and occupied a homestead for a year or longer with total income not more than $70,000. The credit is equal to the amount by which the current taxes for the current tax year exceed the current taxes or the proceeding year. The reduction does not apply for the tax year in which title to the homestead is conveyed to another person.	The cost in each year depends on multiple factors including the change in property valuations and the interaction of rates and the 20 mill floor. Each year's cost is compounded with the cost from the previous year. **Not reimbursed by the state**.	

*Assumes full year impact of programs.

**Due to the nature of the best available data source (Census data) there is an increased degree of uncertainty around these estimates.

Sources: US Census: American Community Survey (2021 - 2023) and records of Ohio Department of Taxation.

Appendix D

Ohio Department of Tax response to technical questions

TO: Property Tax Working Group Members
RE: Responses to Technical Questions
DATE: August 6, 2025

1. Does the tax levy restrictions provisions on which the General Assembly overrode the Governor's veto include a ban on renewal-with a-increase levies?

- The provision on which the House overrode the Governor's veto entailed school districts and certain education-related entities that levy taxes under R.C. 5705.21, .212, .217, .2111 and .2114.
- Non-school subdivisions may still renew-and-increase a levy.

2. Instead of repealing or renaming emergency levies, can their use be confined to tightly defined emergency conditions, principal among which would be natural disasters or avoidance of being imminently placed in fiscal emergency status warranting state intervention, and can this be drafted so that such levies, as redefined, do prospectively count towards the 20-mill floor?

- Statutory language defining emergency conditions and the prospective application of such levies toward the 20-mill floor could be drafted.
- Administratively, the challenge would be defining who or what entity determines that the defined emergency conditions exist.
- Additionally, sufficient information would have to be provided to the Tax Commissioner and County Auditor to denote whether or not a specific levy counted toward the 20-mill floor calculation.

3. Does the County Budget Commission provision require that the CBC wait any definite period of time following voter approval of a levy to utilize its newfound power to reduce or eliminate levies that it deems unnecessary or excessive, e.g., 2 or 3 years following passage of the levy must elapse before CBC intervention?

- No. Additionally, HB 96 contains no effective date language regarding those provisions.

4. Does the CBC provision provide any definition of "unnecessary" or "excessive" or is that solely a subjective determination by the CBC? Corollary question: can such terms be defined in an objective way (e.g., revenues more than sufficient to pay associated bond indebtness, audit findings of misappropriated or unaccounted for spending or spending on items not squarely within the purposes stated when voters voted to approve the levies?)

- Neither "unnecessary" or "excessive" are defined terms in the Code and such determinations would presumably be made by the CBC.
- Additional statutory language could define these terms, with the CBC determining whether or not the proposed collections meet those definitions.

5. How, exactly, does the CBC provision increase the powers of the CBC beyond its previously statutorily authorized powers (e.g., CBC's never had authority to eliminate a levy, did they?)

- The CBC cannot eliminate a levy, but it can reduce the levy's collection rate to zero in certain circumstances.

- Historically, CBC authority has been limited to addressing inside millage rates, with the CBC required to approve all voted levies as well as all debt levies "without modification".
- The CBC provisions within HB 96 expand the CBC's authority to reduce the millage on voted levies when it finds it reasonably necessary or prudent to do so to avoid "unnecessary" or "excessive" collections for any taxing authority (not just school districts).
- HB 96 also included language in proposed section R.C. 5705.316 that required the CBC to reduce the millage rates on voted levies when a school district's carry-over balance exceeded certain thresholds.

6. Does the CBC provision requiring ODT to calculate rates for fixed sum levies that are now addressed by county officials at the county level provide a way for ODT to get this information from county auditors, and does the operation of that provision provide enough time for ODT to meet the requirement without resulting in delays for taxpayers to make their required tax filings?

- It does not provide a way for the Ohio Department of Taxation (ODT) to obtain this information from county auditors.
- As drafted, it does not provide enough time for ODT to calculate such rates for tax year 2025 and certify them to the county auditor by September 1.
- Moreover, even if ODT had the required information in hand, substantive programing changes are required within ODT systems to accommodate this requirement.
- HB 96 does not include any uncodified language regarding the effective date for this provision; given that the September 1 deadline occurs prior to the effective date of HB96, ODT has interpreted this provision to first be applicable for TY 2026. (Notably, the rate for any levy affected by this change would be the same whether it was calculated locally or by ODT.)

7. What effect does the 20-mill floor provision have on the school funding formula? Because the formula relies on property values to determine the local share (and not on property tax collected on those values), wouldn't this provision result in the resurrection of the "phantom revenue" problem that was a clear flaw in the prior funding formula?

- The school funding formula uses a local capacity measure that looks at both the value of property (60% of the calculation) as well as the income of the residents who live an pay taxes in the district (40% of the calculation).
- A local capacity percentage is adjusted based on the relative position of the district's median income.
- This results in the poorest districts in the state having an income adjusted local capacity percentage of 1.25% or approximately 12.5 mills, to 2.5% or 25 mills for the 40th highest income districts in the state.
- The formula assumes the existence of both the 20-mill floor and the fact that many districts will levy local funds in excess of 20 mills (through property or income taxes).
- This is an acknowledgment that higher wealth districts have higher capacity to raise revenues locally.
- If there was not a 20 mill floor, there might be value in shifting from a capacity to raise revenues locally to actual revenues raised.

- However, a formula using actual local revenues vs. the potential to raise revenues would need to ensure there wasn't an incentive for local districts to shift responsibility of school funding from the local taxpayer to the state by simply lowering the amount of local property tax collections.

8. If the 20-mill floor provision is enacted, its proponents claim that over 200 districts will immediately exceed the 20-mill floor at the next revaluation date. Are there administrative or financial consequences if that happens all at once to a third or more of our school districts?

- As a result of the Governor's veto, substitute and emergency levies remain outside of the 20 mill floor.
- The Auditor of State's Office has prepared information **(attached)** that shows that of the districts at the 20 mill floor (400 last year, 371 this year) of 295 of those districts have additional operating mileage through an income tax, emergency levies, substitute levies, or both.
- Moving emergency and substitute levies inside the calculation of the 20 mill floor will not result in an immediate reduction of property tax revenue for local schools.
    - o Instead the result is flat revenue until the district passes new property tax levies or return to the 20 mill floor.
- The law impacting the calculation of the 20 mill floor would need to be in effect and districts would need to submit updated forecasts to determine the financial impact and the potential for more districts to face fiscal distress and oversight.
- Similarly, it's difficult to know what voter behavior may be.
    - o However, with districts who have substitute and emergency levies and have been through reappraisal recently, their taxpayers may have seen significant increases in taxes, and as a result, the school may be able to operate for a longer period of time without seeking additional local property taxes.
- And with the veto of the 40% carryover limitation, schools with healthy cash resources may be able to extend those funds for a longer period of time and avoid local property tax measures.
- Over the next several years, as emergency or substitute levies expire, districts will determine if these levies are replaced with operating levies or if they are permitted to expire.
    - o The timing of each district's levy cycle influences the impact of this provision.

9. Is it constitutional to apply the new 20-mill floor provisions to existing levies that are now considered outside the 20-mill floor, if such levies would have remained in effect for years following the first revaluation until such time as they expire?

- As drafted, the new 20-mill floor provisions are likely constitutional.
- In ODT's opinion, prior iterations of this idea (e.g. SB 66, HB 129) did raise constitutional concerns however and included SDIT and other, non-current expense taxes in the calculation.

10. Would any of the 3 vetoed provisions now being considered for a legislative override provide any property tax reductions that could be reflected on the January, 2026 tax bills, especially considering that all (or virtually all) of the tax rates for that bill will have been

established by the county auditors by October, prior to the time when these provisions, even if overridden, could have taken effect? Related question: how can legislation enacted at the close of 2025 constitutionally apply to January, 2026 tax bills which are for the first half of 2025, which has already passed?

- Item 55, regarding CBC authority related to "unnecessary" or "excessive" collections under R.C. 5705.32 and requiring the Tax Commissioner to calculate the rates for fixed sum levies does not have uncodified language regarding its implementation.
    - The shift from having fixed sum levy rates calculated locally to instead being calculated by the Tax Commissioner would not provide direct tax relief as the calculation itself is simply being moved to another, less local governmental agency.
    - ODT's position is that this change first applies to TY2026.
    - A late-2025 override of this item regarding CBC authority would occur after the rates for TY2025 have been set and after any certification by the budget commission occurred under R.C. 5705.34.
        - Any subsequent revision of this certification would again be subject to appeal under R.C. 5705.341.
        - The CBC authority to reduce unnecessary or excessive collections is less clear as to TY2025.
        - The uncodified language for Item 63 requires the CBC to meet by 10/31 to address school district certifications under R.C. 5705.316 but it does not provide any specific authority to address other items or taxing authorities.
- Item 63, regarding CBC authority over school district levies under R.C. 5705.316 would first apply to TY 2025 under Sec. 757.110.
    - Under this language, the CBC must convene by October 31 to address TY2025. The uncodified language specifically provides that the CBC address the certifications made by a school district under R.C. 5705.316.
    - It is also possible the CBC could also take an expansive view of its authority and also examine any collections it may deem unnecessary or excessive (see Item 55).
    - Again, any action by the CBC under this provision would be appealable under R.C. 5705.341.
    - In reality, a CBC's action under this provision could impact 2025 tax bills but given the timing of first-half tax bills, such changes may not be reflected on the first half bills and instead would be reflected on the second-half billings.
- Item 65, regarding the 20-mill floor changes would first apply to TY 2026 under 801.280 and consequently would not be reflected on any tax bills until calendar year 2027.

11. With reference to the 21 recommendations made by the Joint Committee on Property Tax Review, are there constitutional impediments to implementing recommendations 4, 8, and 14?

<u>Recommendation #4</u>

Recommendation: The Ohio General Assembly should consider allowing counties to temporarily, for 3 years, implement a 3-year averaging for property valuations. Additionally, a mechanism should be explored to allow the usage of either the current formula or the 3-year averaging, whichever produces a better result for taxpayers.

ODT believes there may be constitutional concerns regarding whether property would be valued at its "true value in money" as required under Article XII, Sec. 2.

Under current statutes and case law from the Ohio Board of Tax Appeals and Ohio Supreme Court, the sale price of property in an arm's length transaction within a "reasonable time" of the tax lien date is considered to reflect the true value of the property.[1] In the context of a sexennial reappraisal or triennial update, ODT believes the most recent year's data is most reflective of "true value", under industry appraisal standards, are the sales closest to the tax lien date (January 1) for the reappraisal or update year.[2] The earlier years are useful in determining valuation trends but being more remote in time from the tax lien date, are given less weight in determining value for the reappraisal or update year, as an open market sale from three years ago would clearly be less reflective of current values than a sale closer to the tax lien date. Against this backdrop, ODT believes that averaging the three years' data would result in values that are likely less reflective of the true value on the tax lien date and therefore would be susceptible to constitutional challenge.

Recommendation #8

Recommendation: The Ohio General Assembly should consider adopting a property tax deferral program for homeowners.

It is ODT's opinion that this is unlikely to raise constitutional concerns, as the General Assembly has general authority to restrict the taxing power of political subdivision, including municipalities via Ohio Constitution, Article XVIII, Section 13.

Recommendation #14

Recommendation: The Ohio General Assembly should consider removing the authority of the Department of Taxation to order adjustments to county auditors' proposed property values.

Under current law, the Tax Commissioner reviews the valuation of all real property in the state to ensure there is a common level of assessment throughout the state, as constitutionally required by the uniform rule of taxation. Both the Tax Commissioner and the county auditor conduct sales studies, using data collected from arm's length sales via the DTE 100 form to determine values. In *theory*, removing ODT oversight should not result in *any* changes to values, as the same industry-accepted, IAAO sales validation criteria are used by both ODT and the county auditor.

As a practical matter however, ODT regularly recommends valuation changes in certain tax districts based on the available data and information received from the auditor. Notably, the DTE 100, the primary document from which sales data is collected, provides

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[1] True Value: The Ohio Supreme Court has also held that the "[constitutional meaning of] value, or [statutory meaning of] true value in money of property for the purpose of taxation, is that amount which should result from a sale of such property on the open market." *State ex rel. Park Inv. Co. v. Bd. of Tax Appeals, Perk V. Park Inv. Co.*, 175 Ohio St. 410, 412, 195 N.E.2d 908, 910 (1964); Ohio Constitution Article XII Section 2; R.C. 5713.01.
[2] See generally, *Reynolds v. McClain,* BTA No. 2021-120, 2022 WL 4360345 (September 14, 2022).

space for the auditor to inform the Tax Commissioner of any special circumstances regarding a given sale that might affect its validity.

In ODT's opinion, removing the Tax Commissioner's authority is likely to lead to unequal valuation of similar properties not only within the same county, but also across several counties, as the application of sales validation criteria can vary—sometimes widely—from county to county in actual practice. Consequently, it could result in properties in different locations not being assessed on their true value in money.

From a historical perspective, the Tax Commissioner's current authority was, at least in part, designed to address this very issue which led to the landmark series of *Park Investment* cases in the 1960s and 1970s.

12. Can we model the approximate annual cost to the state of adoption of a circuit breaker mechanism on residential Class 1 real property that would have the following features: Relief would apply only to the extent that the resident owner's property tax exceeds their income by more than 6%.

ODT believes that such a circuit breaker would likely have to be structured as some sort of exemption (along the lines of either the homestead or owner-occupied credit), otherwise constitutional concerns regarding uniformity could be raised. Otherwise, ODT has no additional legal concerns. It would likely require homeowners to report their income to county auditors along the lines (and likely in the same manner as) the original and continuing applications for the homestead exemption.

A. **Relief would be available only to elderly homeowners (having reached the current age at which full eligibility for retirees to collect social security exists) and fully disabled homeowners.**

   No legal concerns beyond the general observation stated above.

B. **Relief would be limited to $1,000 per year, and there would be an income ceiling such that no relief would be given to owners whose annual incomes exceed $150,000 (to be annually indexed for inflation).**

   No legal concerns beyond the general observation stated above.

C. **The amount of land that would qualify as a home residence would be limited to 1 acre.**

   No legal concerns. Homestead exemption and owner-occupied credits are similarly limited to one acre.

13. Using the same restrictions as at (12) above, if we deferred payment of the property taxes exceeding the income by more than 6%, have the state pay the deferral amount upfront, and then require such relief to be repaid upon the death of the homeowner (and their spouse) or upon the sale of the residence, wouldn't the cost to the state be limited to administrative costs and lost interest on the deferred amount of the relief payments?

Yes, which likely includes administrative costs related to reimbursing local governments for the deferment, administrative costs related to tracking the amount of deferred taxes for each property (unless that responsibility will be vested in county auditors or treasurers), administrative costs related to processing remitted tax payments to the state after death or sale of the property, and the time value of money associated with the deferment.

14. Can we legally cap the growth factor on inside millage to the rate of inflation (measured by CPI) whenever the percentage increase in property valuation exceeds the percentage increase in inflation in the previous year? This would be an amendment to HB 186.

The General Assembly could cap such increases, but ODT believes that such a cap would likely have to be structured as a credit (as within the framework of HB 186) to avoid constitutional concerns regarding uniformity. Capping the increases in tax collections due to increases in assessed value, rather than adjusting inside millage itself, appears to circumvent the issues raised by bond counsel regarding SB 335.

15. Can we reduce, from 35% of true value to 33% of true value, the amount against which property tax is assessed? Can we do that only for Class 1 residential property, or must the rate be the same for all property?

Yes, but it would have to be for both classes.

ODT believes that uniformity requires the same assessment rate to be applied to all classes of property. As long as the assessment rate is lowered for all classes of property, there is no constitutional issue. See Article XII, Sec. 2a(C)(2). The General Assembly has exercised this authority in the past (e.g., during the Park Investment cases, the assessment rate was 50%).

From a practical standpoint, this in itself would not lower current property taxes from voted levies, as the reduction factor calculation in R.C. 319.301 would operate to adjust rates to ensure the same amount was collected as the prior year. It would, however, soften the increases in future taxes.

Further, if the assessed value is reduced, this would lead to an increase in the cost of the state funding formula. The formula uses the lesser of prior year or three-year average of assessed values to determine the local capacity of each district. If that amount was lowered, districts would have a lower capacity and a higher state share. We may be able to estimate the cost of this, if there is interest.

16. The state continues to pay the 10% nonbusiness credit and the 2.5% owner occupancy credit on levies enacted prior to November 2013 and to pure renewals of such levies. Do these monies count towards the state's share under the school funding formula, the local share, or both?

These payments are independent of the school funding formula and are not part of the calculation. These revenues are reflected as state revenue in financial reporting and are noted on the five-year forecast in a line that will be called (based on changes in HB96) "state reimbursement for property tax credits."

17. Can county auditors readily determine the percentage of inside mileage that is being devoted to retirement of bonded indebtedness, versus being used for current operating expenses?

They should be able to.

This information is required to be included in the tax budget of each taxing authority required to file such a budget with the county auditor for purposes of the CBC carrying out its duties. For counties in which the budget commission waives the requirement for taxing authorities to submit tax budgets under R.C. 5705.281, such information must still be reported to allow the budget commission to apportion inside millage, as provided in R.C. 5705.04.

18. Can we get LSC fiscal estimates if we were to implement HB 103, HB 143, HB 156, or SB 81?

These are all homestead-related exemption bills:

- HB 103 - The bill increases the homestead exemption amount and income threshold for qualifying homeowners who are senior citizens, disabled persons (excluding disabled veterans), and their surviving spouses. The exemption increases from the taxes levied on up to $25,000 to up to $50,000 of the home's true value. The income threshold increases from $30,000 to $45,000.
- HB 143 - The bill increases the homestead exemption for qualifying homeowners who are senior citizens, disabled persons (excluding disabled veterans), and their surviving spouses, but only if those homeowners have owned and lived in that home for at least 20 years. The exemption increases from the taxes levied on up to $25,000 to up to $56,000 of the home's true value.
- HB 156 - The bill freezes the amount of property taxes or manufactured home taxes owed on a home for certain senior citizens. To qualify, those homeowners must be at least 65 years old, have an income that does not exceed $50,000, have owned and lived in that home for at least two years, and live in a home with a market value of less than $500,000.
- SB 81 - The bill freezes the amount of property taxes or manufactured home taxes owed on a home for homeowners who are at least 65 years old and whose income does not exceed $70,000.

19. How much of HB 309 was included in the recently enacted state budget bill?

HB 96 and HB 309 share several similar, if not identical, concepts. For the purpose of this answer, vetoed items are not included in this list. The following items were enacted in HB 96 and were included in HB 309 with similar, if not identical, language:

- Requires a public body that levies property taxes and that does not currently submit information to a different body for inclusion in its tax budget to submit a tax budget to a county budget commission (CBC) on its own behalf by changing the definition of "taxing authority" to encompass such bodies. (R.C. 5705.01(C).)

- Requires each health district that does not file an estimate of contemplated revenue and expenditures with a taxing authority for inclusion in that taxing authority's tax budget to submit a tax budget on its own behalf. (R.C. 5705.28(E).)
- Requires a tax budget to include an estimate of estimated expenses through the end of the fiscal year in which it is submitted. (R.C. 5705.29(A)(5).)
- Requires a taxing unit that anticipates increased revenue collections on inside millage due to increased valuations or because of the 20-mill floor to state in its tax budget an intent to collect or forgo the increased revenue. (R.C. 3317.01 and 5705.32(A).)
- Requires a CBC to examine the need for amounts proposed to be raised from property taxes when a tax budget is submitted. (R.C. 5705.31.)
- Authorizes a CBC to reduce a levy when the taxing unit specifically requests a lower amount and provides that a request for a lower rate with respect to voted levies applies only to the succeeding fiscal year unless specifically stated otherwise in the request. (R.C. 5705.31(A).)
- Limits approval without modification of unvoted ("inside") millage levies for debt charges to those necessary for unsatisfied debt charges and applies that standard to all levies (rather than inside millage only as under prior law). (R.C. 5705.31(B).)
- Explicitly states that a request by a political subdivision for a reduced rate or reduced guaranteed inside millage applies only to the succeeding fiscal year unless stated otherwise in the request. (R.C. 5705.31(D).)
- Places the burden of proof on a taxing unit to show the need for additional revenue when challenging any levy reductions made by the CBC before the Board of Tax Appeals (BTA). (R.C. 5705.31.)

Appendix E

Policy Matter Ohio’s Written Testimony

MEMORANDUM

To: Members of the property tax committee

From Zach Schiller, Research Director, Policy Matters Ohio

Re: Property tax solutions

Date: August 17, 2025

Thanks for the opportunity to provide some thoughts to the committee. Clearly, some Ohioans need property tax relief. Critically, this relief must be targeted to those who need it. The best way to accomplish that is what 29 states and the District of Columbia use in some form: a property tax circuit breaker that provides up to a set amount, paid by the state, to those who are spending more than a certain percentage of their income to pay property tax. This ensures that those who truly need relief get it, without damaging schools, libraries, townships, counties and all the others that depend on the property tax to deliver public services.

Policy Matters Ohio has produced a report that provides more details and testified several times to outline possible circuit breaker solutions. The General Assembly could set the parameters as it chooses, for instance: whether to cover renters, as 20 states do in some fashion and Senate Bill 22 would do; how much relief to provide; when it kicks in; and whether to phase it out gradually, as in House Bill 365.

Where would the money come from to pay for a circuit breaker?

We recommend that the General Assembly follow up on positive steps it took to reduce tax expenditures in House Bill 96 as a key means of doing so. There are many such avenues available:

- Means-test existing property-tax rollbacks, as Governors Voinovich and Taft both proposed. For example, Taft would have limited the 10% and 2.5% rollbacks to the first $1 million in market value of the property.
- Limit the Commercial Activity Tax break to suppliers of large pharmaceutical warehouses. The taxation department estimates that tax break will be worth $367.7 million this fiscal year and $404.3 million next fiscal year. In part, the cost of this tax break is a product of what is delicately known as tax planning, as the director of the Office of Budget & Management told the General Assembly in 2017. At that time, Governor Kasich proposed to limit the tax break by requiring suppliers to pay the CAT on at least 10% of the receipts they ship to these distribution centers. If that were set at 25%, it could raise roughly $100 million a year.
- Override the governor's veto of the General Assembly budget bill provision that would prohibit any new agreements for data center sales-tax exemptions. The Legislative Service Commission estimated this could save up to $20 million a year.

The cost of the sales-tax exemption for many data centers amounts to $1 million per job. For more details, see this report.

- Extend the sales tax to lobbying, public relations and debt service, which are not currently covered. Governor Taft proposed to do so in 2003, at which time this was estimated to raise $30 million a year (and that was before the increases in the sales-tax rate). The state preference for these businesses is undeserved. And lobbyists aren't going to move to Harrisburg or Lansing because of such a tax.
- Repeal other special-interest tax breaks, such as the those for pre-1972 trusts that was to be repealed in the Senate budget ($7.7 million in savings in FY2027), the $800 sales-tax cap for fractionally owned aircraft ($9.8 million in revenue forgone in FY2026, according to the state's tax expenditure report), and the CAT exclusion for qualified supply chain receipts ($3 million a year), a carve-out that goes only to a subset of businesses that operate out of a suburban Columbus business park.
- End authority for a broad sales-tax holiday and at most return to the more limited three-day one for school supplies.
- Repeal the $900 million business income deduction, or reduce it from $250,000 to $100,000, as the House did in its budget bill for the 133rd General Assembly. According to 2023 data from the Taxation Department, the latter would leave the deduction as it is for more than 626,000 business owners, or nearly 83% of those claiming the deduction.

These are not the only tax breaks that could be reined in to pay for a circuit breaker. They illustrate, however, that it is feasible. Other measures, such as expanding the homestead exemption or allowing for tax deferrals, could be positive steps to provide relief. However, the circuit breaker is the most targeted.

That's critical, because while many Ohioans badly need property tax relief, not everyone does. House Bill 920 has been effective in limiting taxes for many; in Franklin and Cuyahoga Counties, for instance, while valuations went up 41% and 32%, respectively, taxes went up 6% and 9%. Of course, some property owners in those counties saw their taxes go up more than that and need help. But it illustrates that broad caps on property taxes are not a smart solution.

Thank you again for the opportunity to provide these comments.

Appendix F

Presentation from the Fair School Funding Plan Workgroup

Tax Reform/Relief and School Funding in Ohio

THE FAIR SCHOOL FUNDING PLAN

Prepared for the Governor's Committee on Tax Reform
FSFP WorkGroup

Introduction

Ohio's tax structure and its public school funding system are deeply interconnected. The purpose of this discussion is to identify tax issues that affect everyone and work together on sustainable solutions.

Thank you for your leadership and commitment to developing a fair, transparent, and sustainable approach to tax reform.

Our Goals today:

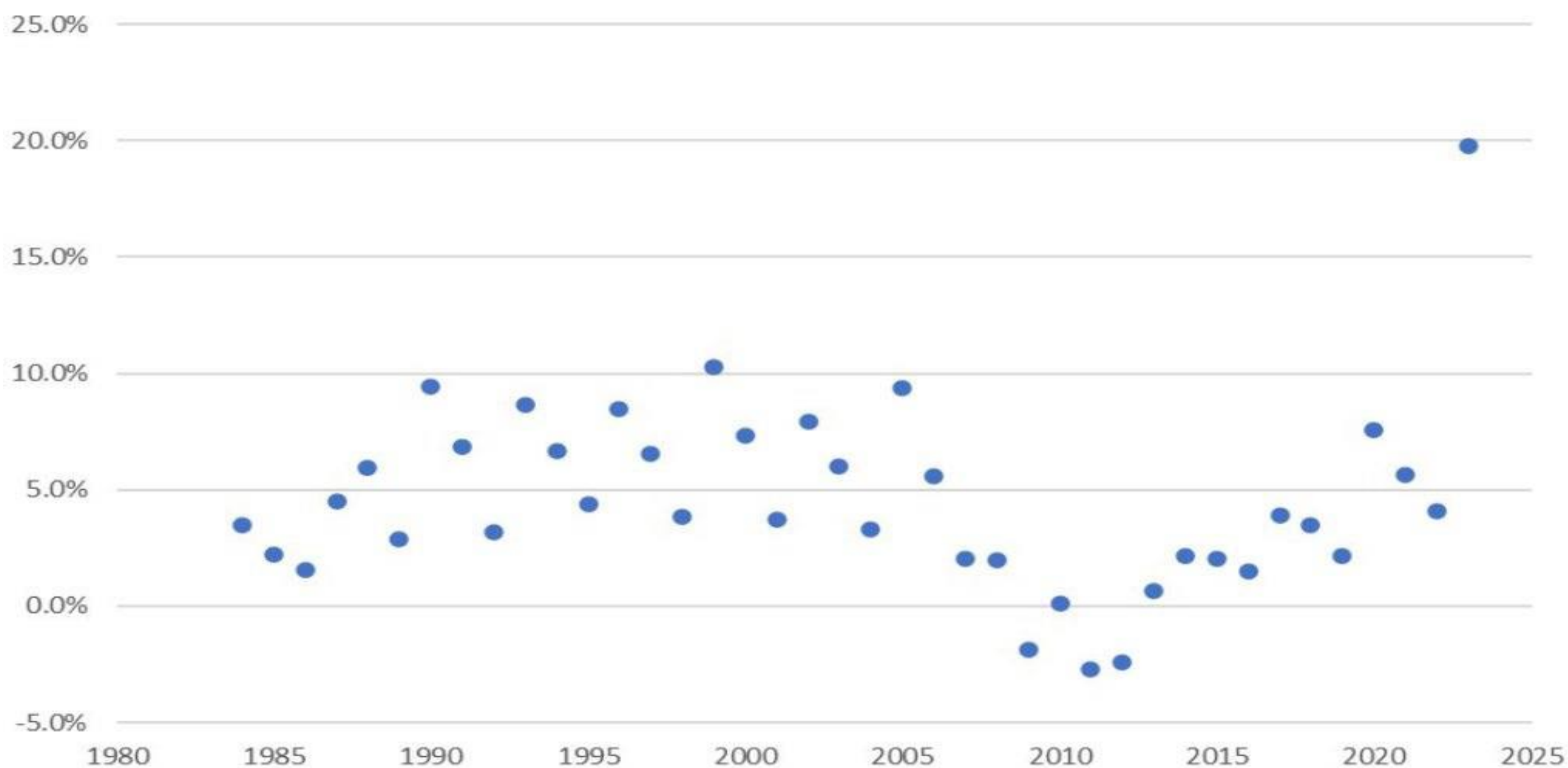
- Understand the relationship between Ohio's tax policy and school funding.
- Review current challenges affecting taxpayers, schools, and communities.
- Discuss options for improving fairness, transparency, and stability in the system.

Policy Timeline: Key Milestones

Historic policy decisions continue to shape Ohio's tax and school funding structure:

- 1976 HB 920 froze local revenue growth.
- 1977 20-mill floor created.
- 2005 Tangible Personal Property (TPP) tax repeal begins.
- 2011 Accelerated phase-out of TPP reimbursements
- 2013 Elimination of property tax rollback reimbursements on new and replacement levies
- 2021 Fair School Funding Plan (FSFP) phase in started, tied state/local share to capacity measures.
- 2023 Two-tier income tax adopted.
- 2025 Flat income tax reduced to 2.75%.

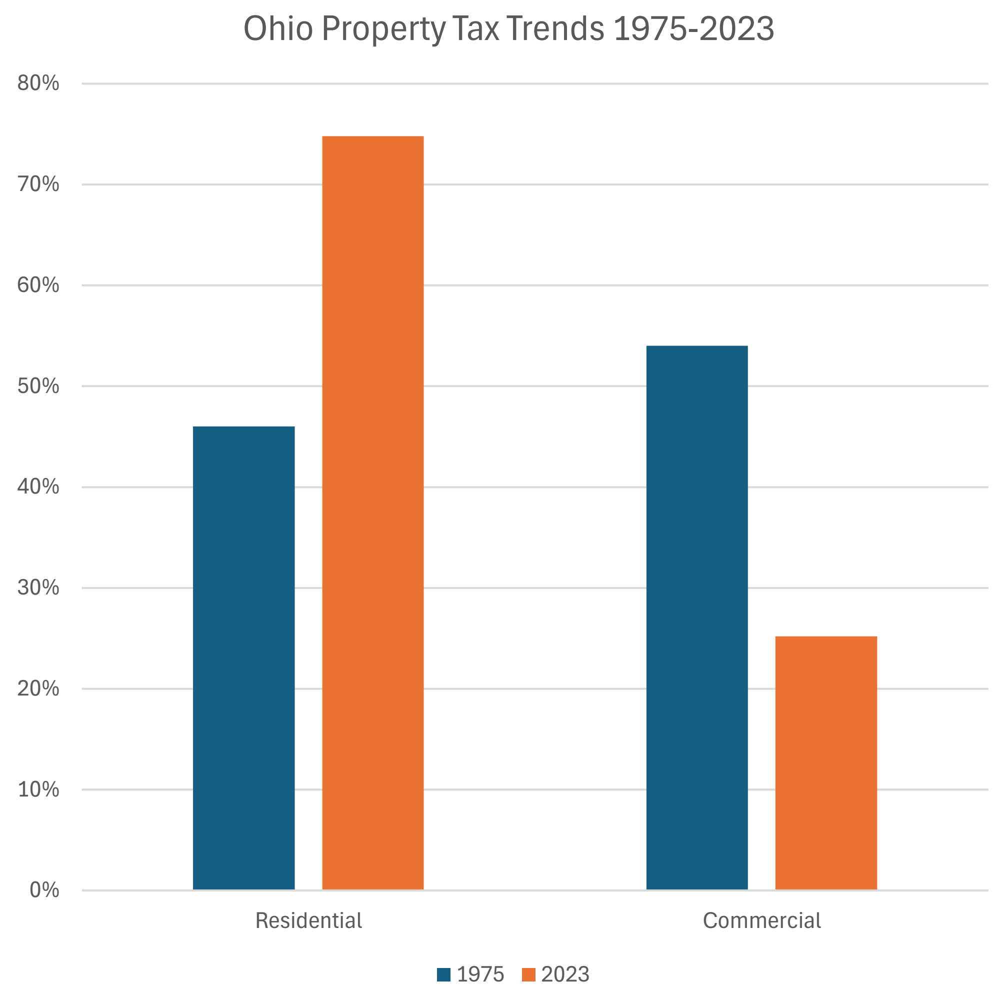
YEAR-OVER-YEAR CHANGE IN RESIDENTIAL/AGRICULTURAL VALUES



Source: Joint Property Tax Study Committee Presentation, Mike Sobul

Shift in Property Tax Burden

Residential taxpayers now carry nearly three-quarters of Ohio’s school property tax burden, compared with less than half in the 1970s.



Source: Dr. Howard Fleeter (OEPI)

School District Cash Balances

FY2024 Cash Balance % of Expenses

83	Between 0% & 25%	13.6%
234	Between 25% & 50%	38.3%
189	Between 50% & 75%	30.9%
57	Between 75% & 100%	9.3%
38	Between 100% & 150%	6.2%
10	Greater than 150%	1.6%
611		100.0%

Source: ODEW Five-Year Forecast Data

FY2025 Cash Balance % of Expenses

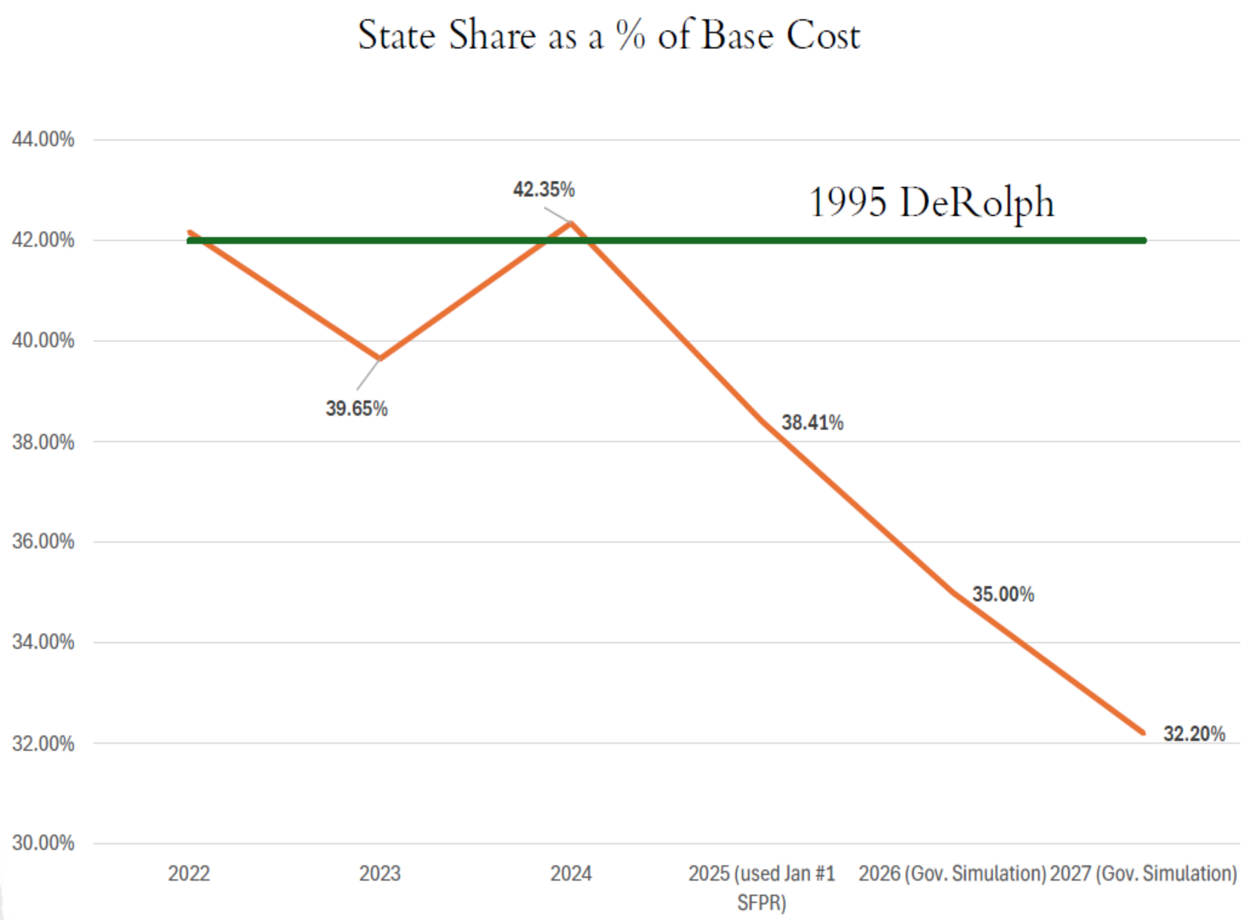
40	Between 0% & 15%	6.6%
190	Between 15.01% & 30%	31.5%
207	Between 30% & 50%	34.3%
116	Between 50% & 75%	19.2%
32	Between 75% & 100%	5.3%
13	Between 100% & 150%	2.2%
5	Greater than 150%	0.8%
603		100.0%

Source: ODEW Five-Year Forecast Data

School Funding

State Share of School Funding

- The state's share of school funding has fallen from 47% in 1999 to 38% in 2025, and is projected to decline further to 32% by 2027.



School Funding

Base Cost

Maintaining = Property Tax Relief

State/Local Share

Maintaining = Property Tax Relief

Categoricals

Base Costs

Why Updating FSFP Components Matters

- **Keeps pace with actual costs:** Teacher salaries, benefits, transportation, and support services rise with inflation. Without updates, the formula lags behind reality.
- **Reduces reliance on guarantees:** When components are outdated, more districts are pushed onto temporary guarantees. Regular updates make funding more transparent and equitable.
- **Protects taxpayers:** Accurate inputs ensure that both the state and local communities contribute their fair share, preventing hidden cost-shifts onto homeowners.
- **Promotes stability and trust:** Legislators, districts, and taxpayers can plan with confidence when the funding system reflects current, evidence-based data.

Base Costs

Base Cost Inputs		FY18	FY19	FY20	FY21	FY22	FY23	FY24	% change between FY18 and FY24	Annual Average Increase FY18 - FY24
Statewide Average Salary	Superintendent	$115,615.69	$117,788.55	$120,119.93	$122,841.98	$123,639.30	$127,089.94	$129,863.34	12.32%	2.46%
	Other District Administrator	$95,727.51	$96,982.11	$98,259.94	$99,225.83	$100,368.71	$101,682.30	$102,884.97	7.48%	1.50%
	Principal	$91,720.36	$93,457.69	$95,405.07	$96,538.15	$97,627.89	$99,281.09	$100,529.45	9.60%	1.92%
	Teacher	$62,696.18	$64,225.25	$65,839.10	$67,117.78	$68,022.22	$69,001.14	$69,908.60	11.50%	2.30%
	Counselor	$63,263.80	$64,787.46	$66,630.50	$68,100.87	$68,712.57	$70,039.32	$71,342.36	12.77%	2.55%
	Librarian and Media staff	$68,139.33	$69,544.82	$71,843.08	$73,020.72	$74,063.83	$75,209.54	$77,078.68	13.12%	2.62%
	EMIS Support Staff Employee	$53,695.26	$53,878.88	$54,182.26	$54,802.55	$55,972.97	$58,809.13	$58,044.19	8.10%	1.62%
	Bookkeeping and Accounting Employee	$45,387.82	$46,317.55	$47,638.00	$48,306.26	$49,696.52	$52,123.49	$53,814.00	18.56%	3.71%
	Administrative Assistant	$44,955.10	$44,733.92	$45,013.26	$44,352.41	$45,333.05	$46,047.42	$47,320.96	5.26%	1.05%
	Clerical Staff	$32,997.90	$33,041.67	$33,890.37	$34,004.64	$34,356.24	$34,876.02	$35,191.27	6.65%	1.33%
Salary Related	Insurance Cost	$14,265.53	$15,995.31	$16,395.74	$16,930.91	$17,152.68	$18,341.83	$19,408.15	36.05%	7.21%
	Teacher Benefits	$10,031.39	$10,276.04	$10,534.26	$10,738.84	$10,883.56	$11,040.18	$11,185.38	11.50%	2.30%
Statewide Average Cost Per-Pupil	Academic Co-Curricular Activities	$42.13	$44.15	$44.47	$41.05	$48.09	$52.66	$56.20	33.39%	6.68%
	Athletic Co-Curricular Activities	$163.28	$172.11	$172.68	$179.28	$192.21	$208.23	$223.17	36.68%	7.34%
	Building Safety and Security	$23.29	$30.69	$32.30	$34.41	$36.20	$53.31	$80.12	244.07%	48.81%
	Supplies and Academic Content	$220.35	$227.52	$222.44	$231.31	$243.81	$294.12	$316.75	43.75%	8.75%
	Building Square Feet Per-Pupil	239.36	268.43	267.38	274.76	278.07	278.96	192.76	-19.47%	-3.89%
	Cost Per Square Foot	$4.72	$4.61	$4.50	$4.45	$5.10	$5.55	$8.79	86.23%	17.25%
	Building	$1,129.78	$1,237.73	$1,202.85	$1,223.28	$1,418.16	$1,548.23	$1,694.36	49.97%	9.99%

Results

Guarantees

	FY22	FY23	FY24	FY25	FY24 % of Districts	FY25 % of Districts
Districts on FY20 Guarantee	208	232	154	196	25.2%	32.1%
Districts on FY21 Guarantee	325	262	113	134	18.5%	21.9%
Districts on FY20 Transportation Guarantee	167	156	42	55	6.9%	9.0%
Supplemental Targeted Assistance	36	36	36	36	5.9%	5.9%
Aggregate # of Districts on at Least 1 Guarantee	422	388	220	261	36.0%	42.7%

Minimum State Share

# of Districts on the Funding Formula Minimum						
	FY22	***FY23***	***FY24***	***FY25***	***FY26***	***FY27***
5%	46	56				
10%			63	75	103	131
Between 10% & 15%			9	18	20	26

Guarantees

Declining Enrollment: Funding drops as student numbers decrease.

Changes in Funding Formulas: Transition periods may need guarantees to prevent sudden funding losses.

Increased Local Wealth: Higher local revenue capacity can reduce state aid, triggering guarantees.

Limited State Funding Growth: Stagnant or minimal increases in state budgets can lead to guarantees.

Special Financial Conditions: Unique challenges like high transportation costs or transient student base.

Guarantees

- Guarantees are projected to exceed $800 million by FY27, reflecting structural underfunding and outdated inputs

See handout

20-Mill Floor

Key Points About the 20-Mill Floor:

- **Purpose**: It was implemented to maintain a minimum level of funding for school districts and to align property tax revenue with state funding formulas.
- **Revenue Growth**: When districts are at the 20-mill floor, any increase in property valuations (such as through reappraisal or updates) can lead to increased revenue from property taxes because the effective rate cannot be reduced below the 20-mill threshold.
- **State Aid Requirement**: Historically, districts needed to levy at least 20 mills of taxes to qualify for basic state aid, which is why the 20-mill floor was put in place.
- **Uniform Application**: The 20-mill floor applies uniformly across all school districts, ensuring consistency in the minimum amount of property tax revenue collected for current expenses.

This provision helps to stabilize school district funding and ensure that districts maintain a basic level of revenue to support their operations, regardless of fluctuations in property values.

20-Mill Floor

Typology	# of Districts	# At Floor
Unclassified	5	5
Rural - High Student Poverty & Small Student Population	123	113
Rural - Average Student Poverty & Very Small Student Population	106	104
Small Town - Low Student Poverty & Small Student Population	110	94
Small Town - High Student Poverty & Average Student Population Size	89	68
Suburban - Low Student Poverty & Average Student Population Size	77	35
Suburban - Very Low Student Poverty & Large Student Population	46	9
Urban - High Student Poverty & Average Student Population	47	18
Urban - Very High Student Poverty & Very Large Student Population	8	1
	611	**447**

Tax Reform / Relief

- HB 186
- Targeted Exemptions (Homestead and Rollback
- Circuit Breaker, limits growth
- Taxes billed and payable, for state/local share calculation
- Minimum state share percentage
- School Funding formula
- Constitutional Amendment – allow growth
- Partial shift to income-based taxation?

Appendix G
Buckeye Institute Written Testimony

THE BUCKEYE INSTITUTE

Property Taxes: Untying Ohio's Gordian Knot

Testimony Before the
Ohio Property Tax Reform Working Group

Greg R. Lawson, Research Fellow
The Buckeye Institute

September 18, 2025

As Submitted

Chairs Tiberi and Seitz, and members of the Working Group, thank you for the opportunity to submit written testimony regarding the financial burden imposed by Ohio's property taxes and the reforms needed to address it.

My name is Greg R. Lawson. I am a research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Ohio's property tax system has become like the mythical Gordian Knot that was so intricately woven that no one could untie it for centuries. Tired of trying, legend holds that Alexander the Great drew his sword and cut the knot. His reward was eternal glory.

Similar knot-cutting efforts are currently underway here in Ohio with activists petitioning and some elected **officials** supporting a constitutional ballot initiative to **eliminate property taxes** entirely. If successful, that misguided effort would gut local public services with no reasonable revenue replacement—but the sentiment is understandable and the public's outrage over **skyrocketing property taxes** should not be ignored.

A perennial and paramount problem has been the ever-rising cost of maintaining Ohio's extraordinarily complicated local government structure. Forty-nine different types of taxing authorities and more than 6,500 local government authorities can levy taxes in Ohio, including the generally known municipalities, townships, school, and libraries, and the lesser-known local councils, workforce investment boards, and community land reutilization corporations. According to the Ohio Department of Taxation, these sundry authorities imposed the **8th highest local tax burden** as a percentage of income in the nation in fiscal year 2022—a worse finish than Ohio's **12th place ranking** in fiscal year 2021. And there is no reason to believe the situation has improved.

But rather than abolishing local property taxes as some have proposed, The Buckeye Institute suggests 10 **policy solutions** to consider instead.

For short-term taxpayer relief, the General Assembly should clarify statutory ambiguities and authorize local budget commissions to prospectively reduce their property tax rates when localities are projected to collect more than necessary to meet funding requirements. Many school districts, for example, maintain large **carry-over balances** at the end of the school year, sometimes more than a year's worth of spending. And they are not alone. Other local governments keep large cash hoards while taxing residents at higher-than-needed rates. Voters may not always be aware of these local surpluses, so county boards and budget commissions should be explicitly authorized to align property tax rates with local fiscal realities. The governor vetoed this authorization in the recent budget and the General Assembly should override it.

For medium-term relief, the General Assembly should eliminate or amend the **20-mill floor** for public schools, and cap the **inside millage** growth rate at inflation's pace. These measures would likely put more school levies on the ballot, but at least they would give local voters a voice rather than raise taxes without their consent. Removing the 20-mill floor limit for schools would return control over property taxes to homeowners in more than half of Ohio's 600-plus school districts.

In the longer run, Ohio must finally address its over-complicated, byzantine patchwork of more than 6,500 local governments and special districts with varying taxing authorities. In Cuyahoga County alone there are 105 different taxing authorities, and Ohio has more than 600 school districts—each the single largest driver of local property taxes. Florida, **by contrast**, has fewer than 100 school districts despite having a much larger population and a faster-growing economy. Without transformational change to Ohio's antiquated local government structure, homeowners will continue to suffer rising, unsustainable property taxes even if the state adopts short- and medium-term reforms. Accordingly, Ohio policymakers should incentivize efficiencies to reduce local government expenses, encourage localities to **share more public services**, and then **consolidate** local jurisdictions to minimize administrative redundancies and improve resource allocation.

Finally, local levies in Ohio should be streamlined and simplified, and every local government should join the **Ohio Checkbook** so that their spending and operations are transparent and accountable to voters. Without fiscal transparency, local taxpayers cannot know how their tax dollars are spent. Instead, they confront an ever-tighter tangle of bureaucracy, political finger-pointing, and automated property tax hikes. Local communities cannot afford the public services to which they are accustomed without property taxes, so their abolition would be a mistake. But neither can homeowners afford the rising price of Ohio's multi-layered mass of local government. This working group and the General Assembly must pursue bold reforms to relieve taxpayer burdens quickly and responsibly untie the Gordian Knot that binds them.

Thank you for the opportunity to submit written testimony.

WHO CAN TAX YOU

THE ROOT CAUSE OF RISING PROPERTY TAXES

THE NUMBER OF **LOCAL** GOVERNMENT BODIES THAT CAN TAX OHIOANS HAS GROWN TO MORE THAN → **6,500**

THE PROBLEM

TYPES OF ENTITES WITH TAXING POWER HAS EXPLODED

11
1803-1900
Early Statehood

+7

18
1900-1940
Turn of the Century & Depression

+6

24
1940-1960
Postwar

+13

37
1960-1980
Great Society

+12

49
1980-2013
Regionalism

THE SOLUTION

HOW TO LOWER PROPERTY TAXES

- Require approval for most property tax levies to go on the ballot.
- County budget commissions can reduce taxes if excess property taxes are collected.
- Eliminate or modify the 20-mill floor to end tax hikes without a vote.
- End or limit millage growth to end property tax increases without a vote.
- Link state funding to performance to lower costs and improve services.
- Consolidate local gov'ts to reduce redundancies and improve resource allocation.
- Require local gov'ts to enhance transparency by joining Ohio Checkbook.
- Eliminate tax abatements that hurt families and small businesses.
- Require local gov'ts to spend state tax dollars on specific, critical needs.
- Share state tax funds with local communities in dire need to keep critical services.

For more on The Buckeye Institute's recommendations, visit: **BuckeyeInstitute.org/LocalGovReform**.

THE BUCKEYE INSTITUTE

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

The Buckeye Institute is a non-partisan, non-profit, and tax-exempt organization defined by section 501(c)(3) of the Internal Revenue Code. As such, it relies on support from individuals, corporations, and foundations that share a commitment to individual liberty, free enterprise, personal responsibility, and limited government. The Buckeye Institute does not seek or accept government funding.

Appendix H

Ohio Education Policy Institute Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform

Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform

An Ohio Education Policy Institute Analysis

OHIO EDUCATION POLICY INSTITUTE
INFORMING EDUCATION PUBLIC POLICY

September 2025

by Dr. Howard Fleeter and Dr. Greg Browning

Executive Summary

The attached Ohio Educational Policy Institute (OEPI) real property tax policy analysis provides the following ideas and insights relative to addressing Ohio's real property tax problems.

Compared to other states, Ohio's well-established culture of local control has resulted in the state delivering a higher proportion of public services at the local level than is typically the case. Within that context, most school and local government budgets in Ohio are financed by a combination of state and local resources. However, this essential partnership has fallen increasingly out of balance over the past 20 years, with Ohio's state tax burden falling while Ohio's local tax burden has increased.

At the same time, the composition of who pays local taxes has also been changing, with a series of state tax policy changes over the past 20+ years shifting the local property tax burden more towards homeowners and farmers and less on business taxpayers.

Ohio has had one of the country's most stringent property tax limitation provisions in place since 1976 (HB 920). However, recent historically atypical increases in home values have caused the protections enacted in HB 920 to be rendered less effective.

As a result, Ohio has found its fragile system of reliably funding and delivering local services to be pushed near the breaking point in recent years.

The confluence of four forces has propelled Ohio's residential property tax plight:

- Rapidly escalating home values.
- A relatively slow-growth Ohio economy with below average per capita income making it harder for many to pay their rising property tax bills.
- Twenty years of state tax policy changes that have diminished state and local resources available for schools and local government funding, including a reduction in the share of local residential property taxes paid by the state and, separately, by businesses and public utilities, thus placing a greater burden on local residential and agricultural property owners. And to the extent that these are good ideas, this underscores the difficulty of addressing real property tax problems.

- Local citizens dutifully and repeatedly supporting real property tax increases forced on them by a system that is overly constraining as it relates to limiting certain property tax growth

These crosscutting forces have produced a powerful, unrelenting pressure system on local residential property taxpayers. In 2002, Ohio ranked 19th in state plus local taxes per capita; however, by 2021, Ohio's rank had fallen to 30th, and Ohio's state plus local tax revenues per capita were 12% below the national average.

At the same time, the burden on state-only taxpayers has been reduced, landing Ohio in 42nd (with 50th as lowest) place nationally in per capita state taxation. Yet addressing state-level tax problems has helped produce local property tax problems with Ohio's local tax rank — historically in the top third of the nation — increasing over time. As a result, Ohio currently has the 8th highest property tax rate in the nation.

In the process, the proportional partnership between state and local support for schools and local governments has shifted in a number of ways. A leading example is the share of school property taxes paid by Class 1 residential and agricultural real property owners. This share was 46.1% in 1975, and the business property tax share was 53.9%. In 2023, Class 1 was 67.5% and business property was only 32.5%. This is a dramatic shift: it's one thing to help businesses be more competitive, but it becomes problematic when the price is higher residential property taxes.

Additionally, state tax revenue growth since 2005 has not kept pace with inflation as revenues have increased 48.3% while inflation has increased at 66.5% rate. The relatively slow state revenue growth has in turn placed downward pressure on state expenditures. Over this timeframe, Ohio has fallen from 35th nationally in the state share of K-12 revenue in 2002 to 45th in 2023. The relative decline in state funding for K-12 education has obviously placed more pressure on school districts to fill the gap through increased local funding, which for Ohio school districts primarily means the local property tax. However, since 2002, Ohio has fallen from 15th to 20th nationally in per-pupil spending on K-12 education and has gone from 5% above the national average to slightly below the national average in 2023.

Six Property Tax Reform Principles

A state-local partnership can change these patterns without destabilizing local governments. The way forward includes policies based on reasonable principles as follows:

- Fix what is broken in the current residential property tax model while maintaining fiscal stability for local governmental entities

- Utilize an approach that includes both state and local government fiscal reforms
- Target assistance to low-income Ohioans most in need of assistance, including seniors and those with disabilities and eligible veterans
- Enhance tax fairness by limiting property tax growth to inflation in 20-mill floor school districts, thereby addressing a central cause of property tax increases
- Provide local governments with additional tools to voluntarily limit property tax increases
- Identify effective ways to increase local government productivity improvement, including a more robust shared services strategy

Property Tax Reform Policy Options

The OEPI's eight real property tax policy options — policy ideas that deserve serious consideration and further analysis — are designed to address identified shortcomings in Ohio's real property tax system. The combined focus of these options is:

- Limit and reduce the residential real property tax burden for low-income seniors, people with disabilities and qualifying veterans, making this a less regressive tax in the process.

- Provide tax fairness and lower tax costs for Ohioans living in school districts at the 20-mill funding floor, of which there are currently 381 out of 609 K-12 school districts.

- Provide limited discretion for school districts to provide local residential real property tax exemptions, such as a voter-approved local homestead exemption.

- Enhance local government productivity and cost efficiency. A leading example is more strategic shared service partnerships, including more joint purchasing of employee health insurance.

Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform

An Ohio Education Policy Institute Analysis

September 2025

I. Introduction

Ohio has hit a real property[1] tax tipping point. At the heart of the story are local residential property taxpayers who, according to the Tax Foundation, are living in a state with the 8th highest real property tax effective rate (averaging 1.31% of housing value) in the nation. After dutifully paying their property taxes — which totaled $16.7 billion in 2024 —to support schools and other local governmental services, Ohio's homeowners and farmers find themselves at the confluence of four forces. These forces have worked in combination to raise their property taxes to burdensome, and in some cases, impossible levels. How this happened is the subject of this analysis.

This historically and contextually focused document is being offered by the nonprofit, nonpartisan Ohio Education Policy Institute (OEPI). The Institute provides this analysis in an effort to help policymakers better understand the relevant contextual realities that have shaped Ohio real property tax rates. This information can lead to necessary policy changes that lessen the property tax burden in targeted and strategic ways while allowing schools and other local services to be funded adequately and effectively. Using a medical metaphor, this approach amounts to a public policy version of the Hippocratic oath: first do no harm.

The referenced four forces are both powerful and interrelated. They include the perennial problem of addressing one set of public policy problems without inadvertently creating new problems in the process. Plainly stated, these forces include:

- **Recent sustained and historically anomalous escalation of home prices** and related residential property tax bills without fully effective state policy protections in place to address this problem.
- **A relatively slow-growth Ohio economy** with below average per capita income, making it more difficult for many to pay their property taxes, which have often grown faster than their incomes.
- **State tax rate reductions and related policy changes** that have reduced the growth in state tax receipts, thus creating downward

[1] Note: the term "real property" refers to the value of land and buildings. This is in contrast to "tangible personal property", which is the value of machinery and equipment and other such "tangible" items.

pressure on state funding growth for schools and local governments. A large part of this picture is the elimination of certain business property taxes; however, a reduction in state property tax relief (commonly known as the "rollback") designed to pay a portion of residential real property taxes has also been a contributing factor.

- **Local property tax levy increases for essential school and local government services.** This is mostly for continuation of existing services, but also, at times, includes targeted service expansions, such as all-day kindergarten and better EMS emergency services. While the difficulty of amassing levy data from other states makes quantification impossible, it has long been understood that Ohio has far more local tax initiatives than any other state. This is in large part the result of Ohio's uniquely restrictive property tax limitation provision known as HB 920, which will be discussed in more detail below.

The analysis also includes a problem definition that focuses pragmatically on fixing what is broken after explaining what that is and what it is not. The analysis concludes with a short list of tax reform principles that, taken together, can make a meaningful and measurable difference in easing residential property tax burdens across Ohio, along with a series of policy options that provide examples of meaningful steps that policymakers could take.

II. Real Property Taxes and the Impact of Ohio's Fiscal and Economic Environment

Ohio's real property tax issues sit within a broader state policy, fiscal and economic context that has a direct bearing on these tax policy questions. This context is of particular significance with regard to state taxation and expenditure growth.

Since 2005, when serious, multiyear efforts began to modify Ohio's system of state taxation, there have been multiple reductions in state and state-controlled local taxation. A leading example is the state's personal income tax. Formerly the primary source of state tax receipts, and with nine rate brackets with a maximum rate of 7.5%, the rate of this progressive tax has been cut repeatedly and further reduced and changed to a flat tax of 2.75% beginning in 2026. Other state tax changes have also been made over the course of the past two decades, including a half percentage point increase in the state sales tax, which partially offset state tax reductions and has been the largest source of state tax receipts since 2014.

Additionally, significant modifications were made to business taxation in HB 66 passed in 2005. HB 66 eliminated the state corporate franchise and replaced it with a new gross receipts tax known as the commercial activity tax. At the same time, HB 66 eliminated over a 4-year period the local business tangible personal property tax which at the time accounted for nearly 20% of school property tax revenue. Initially, 70% of the new state commercial activity tax was earmarked for primary and secondary education to help offset the loss of business tangible personal property tax revenue to schools. However, this educational earmark was quickly eliminated as part of an effort to address state fiscal problems created by the Great Recession (2007-2009). Finally, beginning in 2001, the assessment percentages on electricity generation personal property and natural gas tangible personal property were both reduced by over two-thirds, from 88% to 25%, as a result of utility deregulation. This reduction reduced local property tax revenues accordingly.

The impact of eliminating and reducing these business property taxes was to further increase the share of property taxes paid for by residential and agricultural (Class 1) property owners. In fact, over decades, this shift has been significant. Table 1 below shows that in 1991, Class 1 property owners paid 46.1% of real property taxes. By 2023, this statewide number had risen to 67.5%.

Table 1: Percent of Total School Property Taxes by Type of Property, 1975-2023

Type of Property	**1975**	**1983**	**1991**	**1999**	**2007**	**2011**	**2015**	**2023**
Class 1 Real % of Taxes	**46.1%**	47.1%	47.5%	52.4%	65.0%	69.9%	**69.0%**	**67.5%**
Class 2 Real % of Taxes	18.8%	18.6%	20.4%	20.3%	22.3%	24.3%	23.7%	21.0%
Total TPP % of Taxes	35.1%	34.4%	32.1%	27.3%	12.7%	5.7%	7.3%	11.5%
Business TPP % of Taxes	23.2%	22.3%	19.2%	17.7%	8.0%	0.0%	0.0%	0.0%
PU TPP % of Taxes	11.9%	12.0%	13.0%	9.6%	4.7%	5.7%	7.3%	11.5%
Total Business Property % of Taxes	**53.9%**	52.9%	52.5%	47.6%	35.0%	30.1%	**31.0%**	**32.5%**

Overall, these tax changes, advanced in the name of enhancing tax fairness and economic growth, have both reduced state tax receipt growth and placed downward pressure on state expenditure growth. State tax cutting has been so relentless that Ohio's per capita state taxation now stands at 42^{nd} nationally (2022), according to the Federation of Tax Administrators. Yet when state and local taxes are combined, the state's per-capita ranking is 30^{th} (2021), with Ohio's total state and local revenue per capita roughly 12% below the national average. ***This underscores the fact that local taxation is relatively heavy in Ohio — and, importantly, that there is a direct relationship between state and local tax and expenditure policies.*** Furthermore, in 2002, Ohio ranked 19^{th} in state and local taxes per capita, indicating that Ohio's overall tax burden has fallen compared to other states over that 20-year period.

The story can be seen in the numbers. Comparing state tax receipt growth from FY 2005 to FY 2025, the most recently completed state fiscal year, reveals that tax revenue growth has not kept pace with inflation. In fact, tax receipts have increased by 48.3% since 2005, while inflation as measured by the CPI has increased at a 66.5% rate. This means that tax receipts have grown at only 72% of the inflation rate. This may be good news for state taxpayers, but it comes at a price. The price, in part, relates to the downward pressure this fiscal condition places on state appropriations, including those for local governmental services, including schools, that are also paid for, in part, through local real property taxes. Additionally, it is worth noting that the cost of the package of goods and services purchased by state and local government tends to grow faster than the general inflation rate (consumer price index/CPI) because the mix is different and, especially at the state level, it is heavily weighted toward health care services the cost of which grows at a faster rate than the CPI.

As to education specifically, state General Revenue Fund (GRF) funding for primary and secondary education, exclusive of the cost of the 10% rollback and 2.5% owner-occupied credit on residential real property taxes, which are both paid by the state, grew by only 59% between FY 2005 and FY 2025, when the inflation rate was 66.5%. This is part of a broader pattern that has resulted in Ohio falling from 35th nationally on the state share of K-12 revenue in 2002 to 45th in 2023. Similarly, in 2002, Ohio ranked 15th nationally in per-pupil spending on K-12 education and was $399 above the national average. However, in 2023, Ohio ranked 20th and is now slightly below the national average in per-pupil spending on K-12 education[2].

It is important to note that the significance of this gap is to some extent diminished by a decline in enrollment over this same period. However, previous OEPI analysis of data contained in a November 2024 Ohio Auditor of State School Finance Special Report showed that K-12 expenditures per pupil from 2002 through 2022 increased by an average of only 0.71% annually when adjusted for inflation. ***Thus, the point stands that relatively slow state primary and secondary education funding growth is not sufficient to alleviate the fiscal pressure on local school districts to continually raise real property taxes***. Of course, an important part of this story also relates to the implementation of tax credits and other statutory mechanisms which date back to the enactment of HB 920 in 1976, which substantially limit the growth in residential property taxes, largely limiting this growth to ten inside mills.

[2] Source: US Census Bureau, Public Elementary & Secondary Education Revenue and Expenditure Sources by State, 2002 and 2023.

Support for local schools was also impacted by a 2013 state policy change to stop paying one-eighth of residential real property taxpayers' bills when it comes to new and replacement tax levies. This decision helped the state address fiscal problems by reducing state outlays, but it placed more pressure on local real property taxpayers. The same can be said for the fact that the Local Government Fund was cut in half well over a decade ago and has since increased at below inflationary levels because it is an earmark (1.7%) of GRF tax receipts. In addition, repealing the business tangible personal property tax in 2005 cost schools and other local governments over $1.6 billion in foregone local property tax revenue once the phaseout of hold harmless payments to schools and other local governments began in FY 2012. From FY 2011 through FY 2025, state funding for K-12 districts and JVSDs — including the phaseout of tangible personal property replacement payments — has increased by only 22.7% while inflation over that time period has been nearly double at 43.7%.

Primary and secondary education is not the only area of state spending that has landed below the inflation rate. Another area is higher education. State GRF funding for Ohio's public colleges and universities has arguably been reduced by a combination of slow tax receipt growth and other social contract-related state fiscal commitments for health and primary and secondary education. The result has been a state higher education GRF funding increase of only 22% from FY 2005 through FY 2025. Again, as with primary and secondary education, the gap between this increase and inflation is offset somewhat by a reduction in higher education enrollment during this period. Yet it is also true that a small state funding increase over 20 years helps explain why higher education tuition increases are so significant and why Ohio ranks only 27th nationally in educational attainment.

This state fiscal story, in turn, sits within a broader national picture that shows how Ohio stands with regard to key metrics. In brief, Ohio, the seventh largest state in terms of population, has relatively weak economic rankings and a relatively slow-growth economy. For example, Wallet Hub's 2025 ranking of best and worst state economies shows Ohio ranking 36th overall, 46th in terms of economic health and 37th in per capita income.

Ohioans' per capita income rank stands at only 88% of the national average. In the middle of the 20th century, this number was over 100%. This fact alone helps explain why many Ohio real property taxpayers find it particularly difficult to afford ever-escalating real property tax bills.

These national rankings are also reflected in a longstanding *State Economic Momentum Index* originally created by a former Director of the Ohio Office of Budget and Management. This quarterly survey compares states based on their respective personal income, employment and population growth. Year after year, Ohio places below the national average. A recent index lands Ohio just below this average at 22nd out of the 50 states. This middling ranking exists despite hard and often effective work by state policymakers and others to make Ohio more economically competitive by lowering taxes, investing more to encourage private business growth, and attempting to strengthen the state's educational and social service infrastructure.

Despite these economic challenges, Ohio, along with most of the nation, is still experiencing major increases in home values. In fact, just since August 2020, according to the Zillow Home Value Index, "typical" home values in Ohio have escalated from $167,287 to $243,907, an increase of nearly 46%, nearly twice the inflation rate.

III. Real Property Tax Problem Definition

This fiscal and economic framework and the interplay between state and local tax and expenditure dynamics spotlight problems. Distilled to its essence, the definition of this problem is as follows:

Reducing Ohio's per capita state tax burden while also eliminating the tangible personal property tax, substantially reducing the Local Government Fund and the state cost of the property tax rollback appropriation have been successful tactics for lowering the <u>state</u> tax burden and reducing growth in <u>state</u> expenditures. However, this has been done at a price. ***And the price is relatively less state spending on essential public services and, in particular, less financial support for schools and local governments. This policy approach means more fiscal and political pressure to raise taxes locally to pay for local services — over 70% of which are paid for through real property tax collections.*** *Meanwhile, Ohioans' ability to pay these escalating costs is hampered by per capita income being well below the national average.*

Furthermore, related economic challenges have encouraged local efforts to provide more real property tax abatements, which translate into fewer property tax dollars and require higher millage rates from other taxpayers to generate a given amount of tax revenue. Table 2 shows the increase in the value of abated property in 5-year increments from 2004 through 2024. In 2004 the total value of abated property in Ohio was $5.7 billion. By 2024 this had increased by nearly 5 times to $26.6 billion.

Table 2: Value of Real Property Exempted by Tax Abatements, 2004-2024

	2004	**2009**	**2014**	**2019**	**2024**
Value of Abated Property	**$5.7 Billion**	$9.4 Billion	$9.7 Billion	$14.6 Billion	**$26.6 Billion**
% Increase		64.9%	3.2%	50.5%	82.2%

As mentioned above, as these tax changes have been occurring, Ohio's total per-pupil school operating expenditures are slightly <u>below</u> average nationally (2023). The primary reason Ohio falls below average relates to state funding. In 2023, on average, states provided $9,077 per pupil, but Ohio's state-only funding only averaged $6,405, which was 29.4% below the national average and ranked 41st. At the same time, on average, states provided $8,662 per pupil in local funding while Ohio provided $10,150 per pupil from local sources — 17.1% above the national average and ranking 12th.[3] ***This data, along with Ohio's below-average per-pupil spending, shows that the state's high property taxes (ranked 8th nationally) are not leading to relatively high school spending but, instead, are largely working to offset low state spending on primary and secondary education***.

In the midst of this situation are a sustained period of fast-growing home values and the fact that the residents of nearly 400 of Ohio's 609 K-12 school districts are at the 20-mill floor and are therefore no longer protected against automatic property tax increases tied to rising home values on voted levies (also known as "outside" millage). Statewide average reappraisal increases in Class 1 (residential and agricultural) property values in 2022, 2023 and 2024 have been 2 to 3 times as high as even the highest annual reappraisal increases in other years from 2003 through 2020. Furthermore, these historically large reappraisal increases have been a primary determinant of the significant increase in the number of school districts at the 20-mill floor in recent years.

Taken together, this picture reveals policy and economic problems for state and local government in Ohio and for their residential and agricultural property taxpayers. Furthermore, the property taxpayers hurt most by these developments are those least able to pay. *This means low-income Ohioans with adjusted gross incomes below $40,000, including many elderly and disabled citizens who are on fixed incomes. Existing ways to provide them with targeted tax relief rely upon a narrowly-focused homestead exemption that exempts from property taxation only the first $28,000 of (primary residence) assessed home value for the elderly and people with disabilities. Disabled military veterans and the families of those killed in line of duty are eligible for a $56,000 homestead exemption. While meaningful, these exemptions, which were applied to 764,000 properties in 2020, are relatively small compared with the growing size of their property tax bills.*

Addressing this multi-dimensional problem requires awareness of the ecology of public policy: Often, one set of problems can have a broader effect that can create related but separate problems. Certainly, the state's tax and expenditure policy decisions did not, by themselves, cause the escalation of real property taxes, but they are a contributing factor that has become more powerful given the circumstance of historic and sustained increases

[3] Source: US Census Bureau, Public Elementary & Secondary Education Per Pupil Revenue and Expenditure Sources by State, 2023.

in home values through most of the state and by the fact that Ohio's real property taxes are both historically high and among the highest in the nation.

Yet it is noteworthy that Ohio's real property tax system is representative of mainline tax policy — policies that have been in place throughout U.S. history and policies that still, in the main, work well to fund local government services. So, the job ahead is to enhance the system by enacting policies that address identified problems and shortcomings and not by eliminating the real property tax model as is being suggested by anti-tax advocates currently in the process of gathering signature for a constitutional amendment, which would lead to substantially defunding essential public services and creating chaos in the process — to say nothing of the likely fact that such turmoil would produce a host of relative winners and losers.

IV. Property Tax Reform Principles

OEPI understands that Ohio has a twofold challenge: ***How, in the midst of historically significant increases in home values that are driving up property taxes, to reduce the burden of residential property taxes while, at the same time, finding solutions that are both sustainable and allow schools and local governments to continue to provide adequate levels of service to local citizens.*** The fact that fixing the tax side of this challenge creates fiscal problems for local public entities cannot be forgotten.

The previously referenced four forces that continue to create a pressure system on local real property taxpayers are still in place. So, what are the guiding policy principles that property tax reforms should be anchored in?

OEPI's answer to this important question assumes a pragmatic approach that aims to fix what is broken while maintaining the real property tax as a functional, longstanding way to fund local public services. Though often unpopular, these taxes are voter-approved and are part of a long Ohio history of local control that, despite frustrations at times, has largely worked well for citizens across the state. These taxes are a central, but not the sole, component of a system of state and local government finance that makes local services possible and affordable.

Lastly, in reforming Ohio's property tax system, it is imperative to understand that the state's average effective real property tax rate (2023) is, on average, 1.31% of a residential home's market property value. According to the National Association of Home Builders, the average for the nation is approximately 0.91%; thus, Ohio's average, which ranks it 8th nationally, is roughly 44% above the national average.

With this in mind, OEPI's real property tax reform principles are as follows:

1. Make reforms that maintain and enhance the stability of Ohio's property tax structure and related funding of essential public services.
2. Consistent with the state/local partnership employed to fund schools and other local governmental entities, the solution to Ohio's residential property tax problems should involve manageable and actionable state *and* local government fiscal reforms.
3. Support and substantially expand state statutes that protect low to moderate-income seniors, people with disabilities, and eligible veterans from onerous real property taxes so they can stay in their homes.
4. Support workable ways to address the failure of the existing real property tax system to equitably protect all taxpayers from automatic, unlimited property tax increases when property increases in value due to reappraisal.
5. Provide local public entities, including schools, with additional tools to use voluntarily to further limit local property tax increases for the same citizens (in their respective political subdivisions) who are eligible for the state's homestead exemption and other targeted property tax relief policies.
6. Identify effective ways to increase local government productivity improvement that will result in more efficient, cost-effective service delivery and that are replicable and scalable.

V. Residential Real Property Tax Policy Options

Listed below are actionable policy <u>options</u> designed to address shortcomings in Ohio's residential real property tax system. The combined focus of these options is threefold:

- Limit and reduce the residential real property tax burden for low-income seniors, people with disabilities and qualifying veterans making this a less regressive tax in the process;
- Provide tax fairness and lower tax costs for Ohioans living in school districts at the 20-mill funding floor, of which there are currently 381 out of 609 K-12 school districts; and
- Provide limited discretion for school districts to provide local residential real property tax exemptions.

<u>Options that would require state reimbursement to local governments</u>

1. **Reshape Ohio's homestead exemption to mirror Michigan's model.** Utilize Michigan's homestead property tax law to create a "circuit breaker" that targets residential real property tax relief to both homeowners and renters with incomes below $70,000. Home value eligibility is capped (2024) at $160,700. According to

Zillow, the average home value in Ohio is approximately $240,000. The state would create a tax credit worth up to $1,800. Taxpayers with property taxes that exceed 3.2% of household income would be eligible for a 60% tax credit. Seniors with household income below $30,000 (2018) could receive a 100% credit. The state would reimburse the tax savings/loses to schools and local governments. The state cost is estimated to be $520 million for homeowners. Additionally, Michigan's law also provides a credit for renters. This provision would require further study for adoption in Ohio.

2. **Expand Ohio's homestead exemption.** Modify Ohio's homestead exemption for senior citizens and people with disabilities to make it more generous. Current eligibility is income under $40,0000. The tax exemption is the first $28,000 of true (i.e. "market" or "assessed") value of owner occupied homes. Because Ohio applies a 35% assessment percentage to determine taxable value, this exempts the first $9,800 in taxable value. State Senator Louis Blessing has a proposal (Senate Bill 215) to expand this benefit to seniors 65 and over (and disabled) up to the 90th percentile in income. Persons below the median (50th percentile) would get a 20% reduction in their taxes (state reimburses local government) with a tiered scale down to 4% for persons with incomes between the 80th and 90th percentile. No cost estimate has yet been completed, but this proposal will be much less costly to the state than the circuit breaker option outlined above.

3. **Property tax freeze for senior citizens.** Recently introduced bill HB 156 would freeze property taxes for Ohio residents who are 65 and older, have incomes less than $50,000, have lived in their homes for 2 years or more, and the value of their home is less than $500,000. Unlike other proposals that would defer property taxes until the home is sold or the taxpayer dies (which basically amount to state-sponsored reverse mortgages), under HB 156 the state would pay the additional taxes above the freeze level to schools and other local governments, and taxpayers benefiting from this provision would not face a future bill. LSC estimates that 721,000 Ohioans would qualify under the terms of this provision and the cost to the state in the first year of implementation would be $211 million.

<u>Options that would reduce future revenue growth for school and local governments</u>

4. **Place an inflationary cap on revenue growth in 20 mill floor districts.** Place an inflationary limit on property tax growth in 20-mill floor districts. This would limit tax revenue growth to the inflation rate over the 3-year period since the prior reappraisal or statistical update. If reappraisal values increase by 25% but inflation is only 10% then taxes would only rise 10% in 20-mill floor districts. This option provides a compromise position where taxpayers are protected from undue

increases, and 20-mill floor districts still receive tax revenue growth commensurate with inflation. Additionally, Ohio's school funding formula could be adjusted so that the reduction in local tax revenue would be fully or partially offset by an increase in state funding.

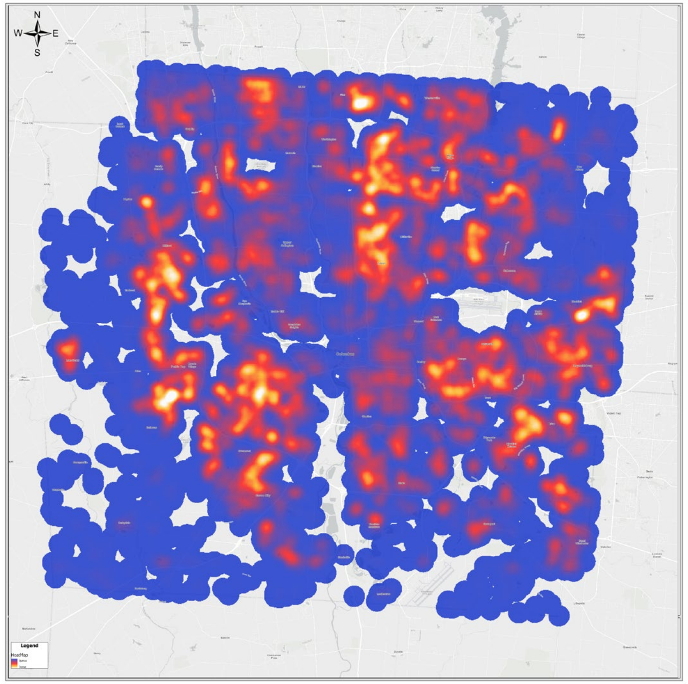
5. **Limit residential property tax rate to an overall maximum for eligible low-income Ohioans.** Cap (statutorily) owner-occupied residential property tax effective rate at 1% of home value for eligible people 65 or older and eligible veterans and people with disabilities. Eligibility limits should be studied more carefully; however, one example would be to limit this benefit to those with household incomes that fall below $50,000, which is about 150% of the federal poverty level for a family of four. A 1% cap approximates the national average effective rate for residential real property taxes and is well below Ohio's current (2023) average of 1.31%. This cap would be in *addition* to any other current and/or proposed property tax reforms as listed above. There would be no state reimbursement of taxes beyond the cap amount that are no longer owed.

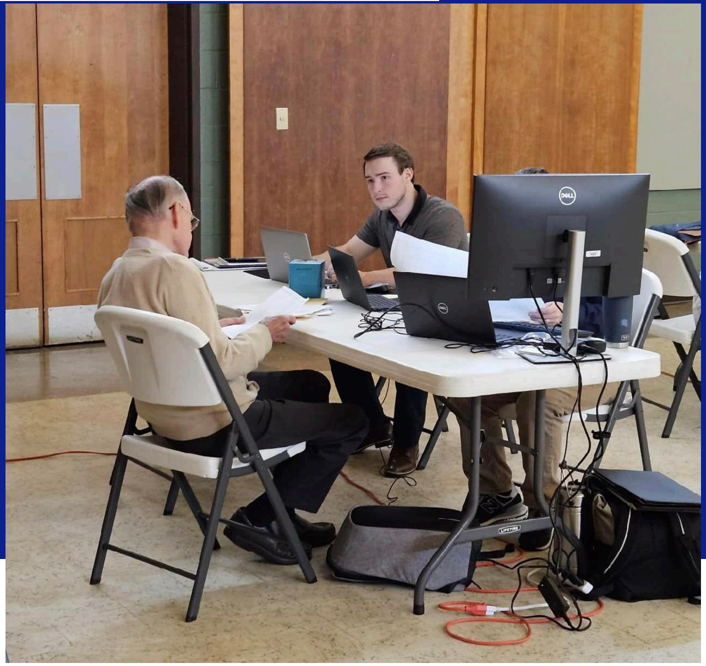
   <u>Other Options</u>

6. **Create new local homestead exemption option that would require local voter approval.** Provide a new real property tax reform policy tool that schools and local governments could use on a discretionary basis and with voter approval. The tool would provide an additional (local) homestead exemption for people who are eligible for the state's homestead exemption and/or other residential real property tax exemptions or credits. Lost local revenues could be partially offset by additional state funding per the state's current school funding formula.
7. **State Study of Property Tax Abatements and Exemptions.** In light of the sharp increase in the value of abated property over the past 20 years and the additional tax burden placed on other taxpayers, the state should consider a moratorium on new abatements and exemptions. The state should use the moratorium period to study the overall effectiveness and optimal utilization of these economic development tools.

Appendix I

Auditor Stinziano Presentation on Residential Stability Zones





Background

On average, residential property values in Franklin County increased 41% as a result of the 2023 Reappraisal. While not all homeowners experienced a property tax increase, of all owner-occupied properties in Franklin County, about 10% experienced a tax bill increase of more than $1,000 and more than 25% of owner-occupied properties' tax bills increased by $500-$1,000. Without accounting for any new levies, these changes resulted in a total of $128,136,836.99 in new property tax liability for more than 100,000 Franklin County households.

Tax bill increases were felt county wide, but burdened low- and moderate-income households and those on fixed incomes most significantly.

Housing Cost Burden

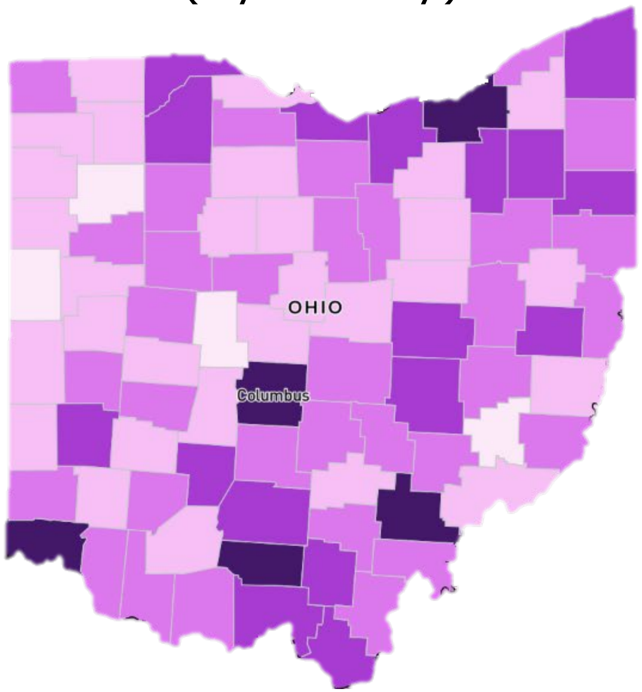
When households spend more than 30% of their income on housing, they are considered "housing cost burdened." Households with higher housing cost burdens are more likely to experience some form of material hardship, including an inability to pay for their housing costs, like property taxes, in full.

21% of Franklin County mortgage holders spend 30% or more of their income on housing costs.

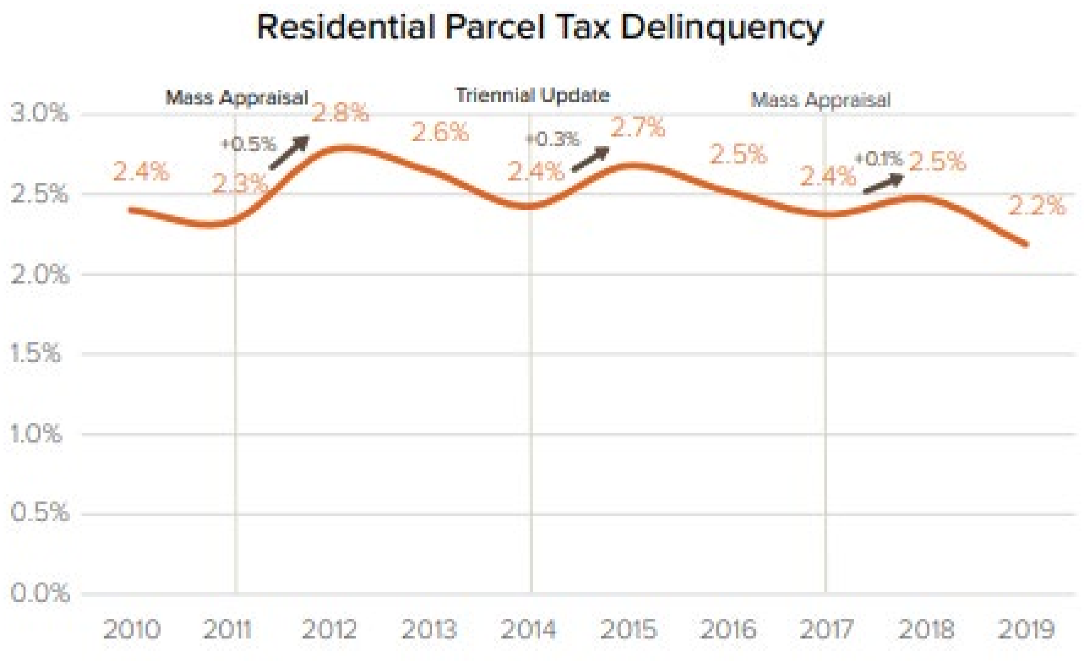
24% of Columbus homeowners aged 65 and older pay more than 30% of their income on housing costs, despite an average median income of $50,000 per year among this population.

$48,120 is the minimum annual income homeowners in Franklin County must earn to spend less than 30% of their income on the average monthly mortgage payment.

Severe Housing Cost Burden in Ohio
(By County)



Property Tax Delinquency



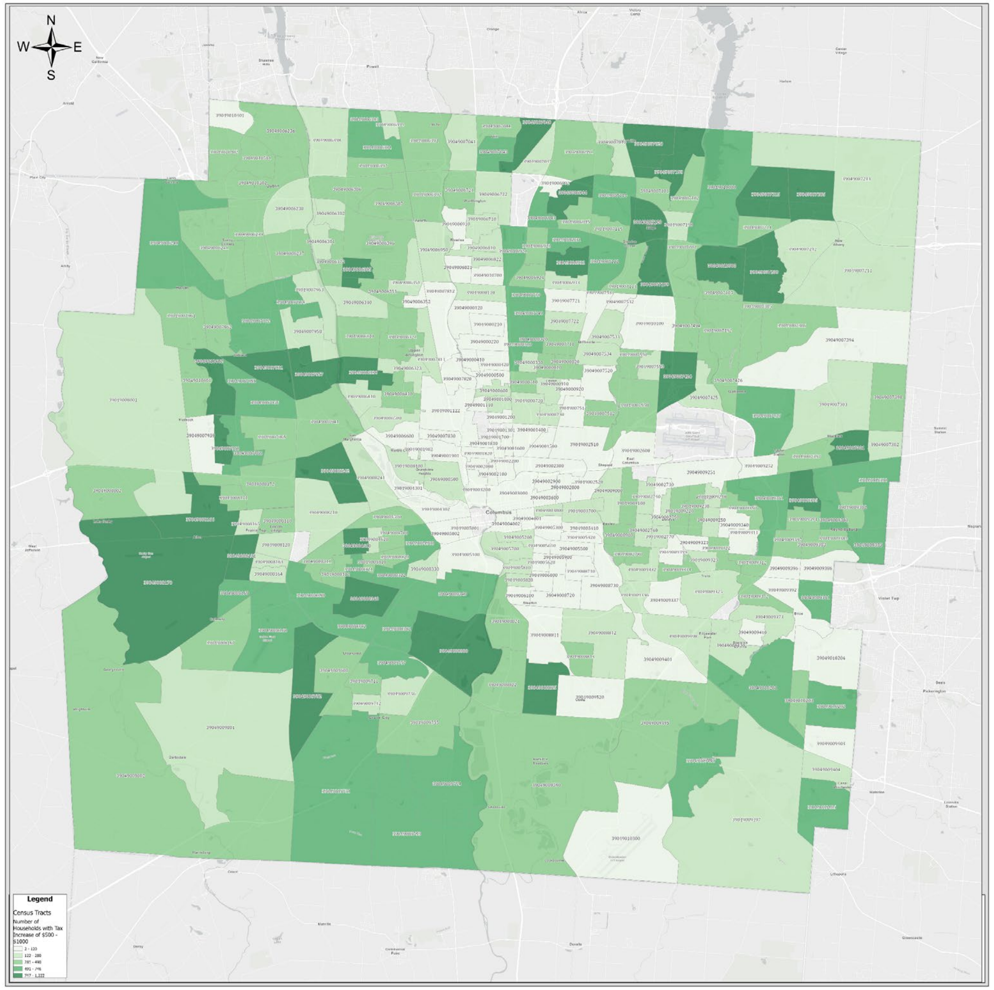
- ★ Tax delinquencies are correlated with economic conditions, like cost of living and mortgage rate increases.
- ★ Countywide, residential property tax delinquencies rise after every mass reappraisal.
- ★ The delinquency rate increases following a reappraisal becomes less significant during stronger economic times.
- ★ These trends, along with historic property value increases, created an increase in both delinquencies and foreclosures in 2024 in Franklin County.

The following zip codes account for nearly 60% of Franklin County's current delinquent property taxes:

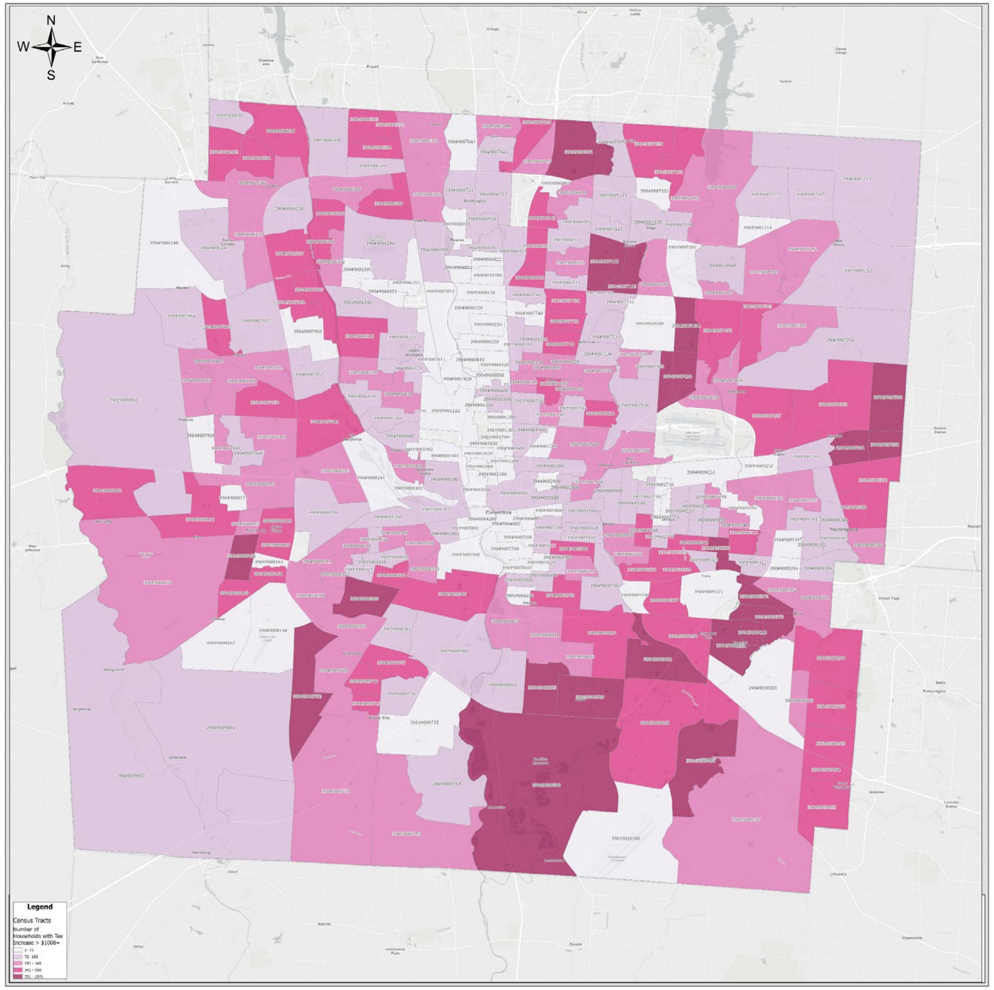
43211, 43219, 43223, 43207, 43224, 43204, 43232, 43230, 43213, 43081

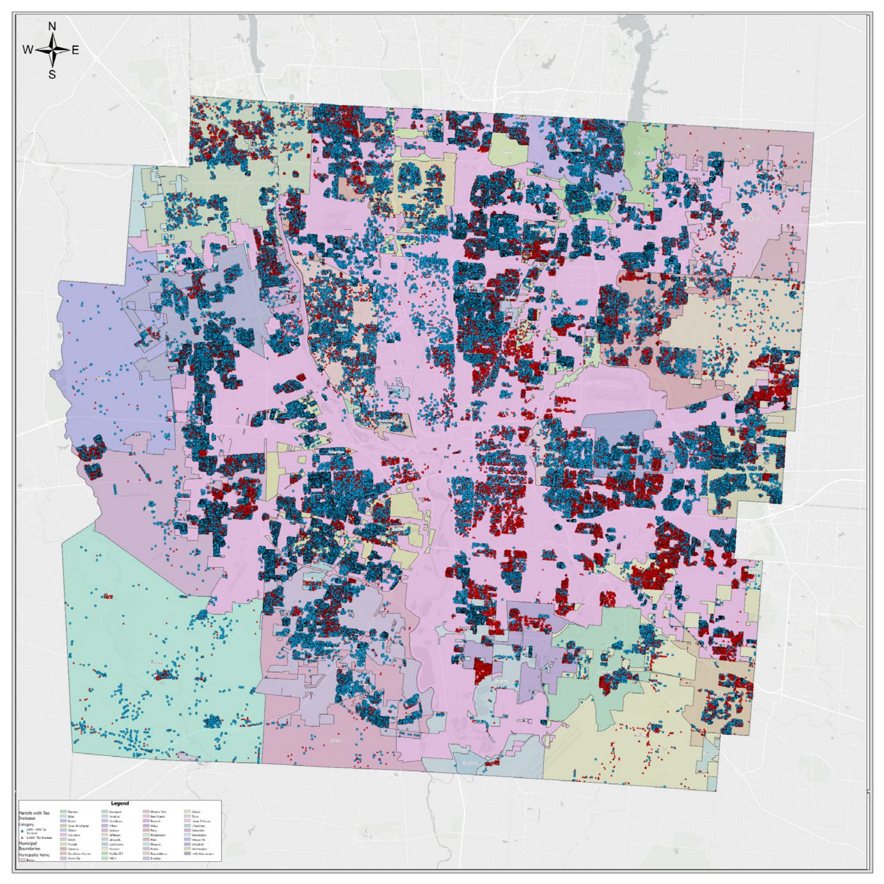
2023 Tax Increases by Census Tract

Franklin County tax bills increased by $500-$1000 from 2023 to 2024.



Franklin County tax bills increased by more than $1000 from 2023 to 2024.





Need for Local Property Tax Support

In connection with the 2023 Reappraisal, the Franklin County Auditor's Office fielded more than 8,000 calls and met with nearly 10,000 residential property owners to discuss tentative values. Staff have reported widespread concern about the impact values will have on property taxes, even among those homeowners who felt their new values are fair and accurate.

Current state law provides no flexibility for local governments to provide need-based relief on the tax bill. Direct assistance like we saw in response to covid is the only option in current law.

Residential Stability Zone

- **Grant permissive authority** to cities, towns, counties, and home-rule townships
  - Create a **Residential Stability Zone** in which the program operates
  - Tie relief to the homeowner and home for a **6-year period**
  - Apply a **percentage reduction to increases in assessed value**
  - Allow jurisdictions to create other **eligibility criteria**
  - Immediate termination of relief if/when the home changes ownership

- **Limit eligibility to 80% Area Median Income** (AMI) ceiling
- **Lock property tax relief to the assessed value at a point in time**, but not affecting market value in future sexennial/triennial appraisals
- <u>**No state replacement** of foregone revenue</u>.

Residential Stability Zones

If they existed today this is how a property could receive an RSZ Abatement:

- The city, village, home rule township, or county (for unincorporated areas) where the property is located would create a Residential Stability Zone and set parameters through resolution or ordinance.
- The property owner would apply to the housing officer for that local government entity with income and any other eligibility requirements the local government requires.
- The local government would grant the exemption of future value increases at the percentage set for the RSZ.
- The local government would certify the exemption to the county auditor who would then exempt from taxation future value increases until the exemption expired without being renewed.

Shared Cost inside millage and 20-mill floor millage would be forgone under RSZ exemptions, outside millage would equalize up, and levies would still be assessed.

Impact would be felt almost entirely during triennial and reappraisal cycles- minimizing sticker shock and minimally adjusting all rates accordingly.

Local Control Levers of Relief

- Create geographic boundaries called "Residential Stability Zones" to target the program – just like CRAs for tax abatement
- Reduce percentage AMI, which is capped at 80% in the legislation or include asset limitations
- Require a certain length of homeownership
- Restrict based on age
- Create different parameters for disability

Appendix J

Tax Deferral Article by FinanceBuzz

12 States Where Seniors Can Defer Their Property Taxes

When your budget is tight, it is possible to postpone paying property taxes in these places.

By **Heather Bien**

Edited by **Chris Kissell**
Updated Feb. 15, 2025

Lowering your tax bill can be one way to maximize your retirement savings. Luckily, some states offer property-tax deferral programs that allow those who qualify to postpone paying property taxes.

Postponement ranges from as little as a year and to as long as the entire length of the time you own the home.

Many of these programs are targeted toward seniors on relatively modest incomes who may need to access cash. Here are 12 states where seniors can take advantage of these programs.

California

If you live in California and are a senior, you can apply to defer current-year property taxes on your principal residence, assuming you meet specific criteria. Residents who are blind and or have a disability may also qualify.

Among other requirements, you will need to have at least 40% equity in your home and have an annual income of $53,574 or less.

The state notes that a lien against your property secures the deferment and that this must eventually be paid. The need to pay the property taxes at some point is common to most state programs that let you defer paying property taxes.

Colorado

Seniors 65 and older who live in Colorado can defer property taxes on an owner-occupied principal residence.

There is a list of requirements, including that any mortgage or liens must be less than or equal to 75% of the property's value.

Idaho

Idaho lets residents defer their property taxes on a home and up to one acre of land.

Those eligible had to have an income of $60,170 or less in 2024 to qualify

Illinois

Seniors in Illinois can defer their property taxes via a state loan with a 3% simple interest rate.

To qualify, you must meet a list of requirements, including that you must be 65 years old as of June 1 of the year of the deferral and have a total household income of $65,000 or less.

The deferred taxes are required to be repaid within one year of the resident's death, or the sale or transfer of the home. Those ineligible for the program will have to pay the deferred amount within 90 days.

Massachusetts

If you are 70 years of age or older by July 1 of a tax year — or 65, depending on the city or town — then you can apply for the Massachusetts property tax exemption for seniors.

To qualify, your income and assets cannot exceed a specific amount established by the state.

For specific inquiries, make sure to contact your local board of assessors.

Michigan

Homeowners in Michigan can defer property taxes if they meet specific requirements.

Such requirements include being at least 62 years of age or having a gross household income of $40,000 or less in the year prior but no later than December 31, 2006 (with more income brackets listed on the Michigan sliding scale).

Various demographics such as eligible widows, veterans, or those with a disability may also qualify. Make sure to check with your local representatives for more information.

Minnesota

In Minnesota, seniors may qualify for property-tax deferral if they are 65 years or older, have a household income of $96,000 or less, and have owned and lived in their home for at least the last five years. You also must meet a handful of other requirements.

Those who qualify are eligible to pay 3% of their total household income on property taxes. The rest is paid via the state as a loan. Eventually, the loan must be paid back with interest.

Oregon

Oregon residents can apply for property-tax deferral. To qualify, you must be 62 years of age or older by April 15 and own the property. Those of any age who are eligible to receive federal Social Security disability benefits also might qualify.

Your net worth must be less than $500,000, not including the value of the home. You won't need to apply every year. However, every two years, you will need to recertify that you meet the qualifications.

Tennessee

In Tennessee, you can freeze property taxes on a principal residence at a base tax amount and keep the taxes there as long as you continue to qualify.

Those qualifications include owning a principal residence in a participating city or county, being 65 years or older by the end of the year in which you file the application, and having an income that does not exceed the county income limit for the applicable year.

Utah

Utah residents can defer property taxes if they are at least 75 years old and had a household income of $81,680 or less in 2023. You also must meet other qualifications.

You are required to reapply each year, and your deferred tax amount will accrue interest at half the normal rate. You must pay the deferred taxes if you fail to reapply, sell the home, or transfer ownership to anyone but a surviving spouse.

It is also possible to get your taxes reduced by $1,259 if you are at least 66, had an income of less than $40,840 in 2023, and meet other requirements.

Washington

Washington residents who are at least 61 years old may qualify for a reduction in their property taxes.

To be eligible, you must meet several qualifications, including living in your house for more than six months of the year and having an income that is "the greater of the previous year's threshold or 70% of the county median household income," according to the state.

You might also qualify if you meet other qualifications.

Wyoming

Homeowners in Wyoming are eligible for tax deferral if they own a principal residence on 40 acres or less, are more than 62 years of age, have an income under the threshold set by the state or county, and bought property a decade before applying for the property tax deferral.

Although you must pay the taxes at some point, interest does not accrue on the taxes you defer. Others who meet qualifications also might be eligible for property-tax deferral in Wyoming.

Bottom line

Moving to a state that helps you postpone paying property taxes — or that offers other tax breaks — can help set you up for a stress-free retirement. Make sure you look carefully at the requirements and stipulations of such programs.

Some states may require you to reside there for several years before you qualify for tax-deferral programs. It is also important to meet all the other qualifications for your state's program and to follow the rules carefully.

Appendix K

The Share Services Center; Impact of Counting Emergency Levies Toward the 20 Mill Floor

Impact of Counting Emergency Levies Toward the 20 Mill Floor

By The Shared Resource Center

Following the passage of the 2026-2027 biennium budget, Governor DeWine appointed a committee to study property tax reform in Ohio. The Shared Resource Center has been serving school districts, cities, townships, counties and other local governments in Southwest Ohio for more than a decade. We have a unique perspective having served clients in every type of local government who utilize a multitude of funding mechanisms to provide public services.

The SRC has been asked to to analyze one of the proposals surrounding property tax reform and provide the results to the Governor's Property Tax Reform Committee: counting emergency levies toward the 20-mill floor. This paper will explore the impact on schools that are currently on the 20-mill floor, and have an emergency and/or substitute levy, if the fixed sum levies were added to the 20-mill floor calculation. We will not analyze other property tax reform proposals in this paper, however, there are other solutions that could protect the taxpayer and public service providers.

Counting emergency/substitute levies toward the 20-mill floor would have the effect of moving many districts across Ohio off the floor and would allow HB920 reduction factors to reduce rates when future reappraisals increase property values. There are currently 236 Ohio school districts on the floor (or within one mill of the floor) that also have emergency and/or substitute levy millage. This would result in a reduction in *future* increases in tax bills following a property revaluation process. It is important to note that this will not reduce the baseline amount of property taxes collected. It will only lower (not eliminate) the future increase in taxes due to value changes.

To show the impact across a full spectrum of school types, we examined eight school districts across four counties. They include a large urban school district, a small rural school district, and various sized suburban districts. Even though the characteristics of the school districts vary, the result is consistent: adjusting the 20-mill floor calculation in this way would cause a significant decrease in future revenue growth for all the schools involved.

Our methodology looked at the next two reappraisal cycles for these school districts. All four counties are on the same cycle, tax year 2026 payable calendar year 2027 and tax year 2029 payable calendar year 2030. We made a baseline assumption of 20% class I growth and 5% class II growth for each cycle. We then calculated what revenue would be generated with the 20-mill floor as law stands today and what the revenue would be if counting the emergency/substitute millage took the district off the floor.

In six of the eight examined school districts the addition of the emergency and substitute levies to the calculation caused those schools to stay above the floor through both reappraisal cycles. In the case of Tri County North and Oak Hills they were projected to be on the floor again by the second reappraisal. By the next cycle these two schools would begin gaining revenue from the 20-mill floor, ceteris paribus. Examining districts across Ohio, there are 85 districts on the 20-mill floor, but with emergency/substitute levy millage under four mills. It is likely that these districts would revert to the 20-mill floor after one reappraisal cycle.

Table A (page 3) shows each school district examined and their annual revenue lost by calendar year. There is a total cumulative loss column as the lost revenues would accumulate over time, year after year. We also show the yearly as a percentage of the district's property tax revenue to give a sense of the district's size.

Our estimates using this methodology show that this change would reduce future revenues to these eight school districts by more than $250 million. The losses fall in a range of five to ten percent of the district's total property tax revenue. Again, this is revenue the districts would have gained under current law but would not gain under the proposed change. This would not provide any immediate relief to taxpayers.

The SRC suggests that any law changes allow school districts a long runway to adjust to the new environment. Districts on the 20-mill floor using emergency levies have set their strategy according to current law so that their revenue keeps pace with inflation when there is a reappraisal. Immediately removing this tool would cause financial hardship to districts counting on revenue increases on the reappraisal cycle. It is best to give districts some time to adjust their strategy for adding revenue to keep pace with inflation.

Removing school districts with emergency/substitute levies from the 20-mill floor will lessen the impact of reappraisals in select districts, allowing HB 920 reduction factors to lower effective tax rates. This is a reduction in future revenue but will have no immediate impact on property taxes. This change stands to harm school districts that depend on reappraisal increases to keep up with inflation, reducing future revenues over $250 million in the eight districts we studied. Furthermore, many school districts would revert to the floor after one reappraisal cycle. We believe there are better and more immediate measures to help homeowners struggling with increasing property tax bills.

Table A

School	County	Revenue Loss 1st Cycle			Revenue Loss 2nd Cycle			Total Loss	% of Prop Tax Rev
		2027	2028	2029	2030	2031	2032		
Beavercreek	Greene	(6,766,250)	(6,766,250)	(6,766,250)	(8,162,404)	(8,162,404)	(8,162,404)	(44,785,963)	-7.7%
Cincinnati	Hamilton	(19,179,424)	(19,179,424)	(19,179,424)	(23,015,309)	(23,015,309)	(23,015,309)	(126,584,202)	-5.3%
Miamisburg	Montgomery	(3,008,789)	(3,008,789)	(3,008,789)	(3,534,609)	(3,534,609)	(3,534,609)	(19,630,195)	-7.8%
Northwest Local	Hamilton	(6,018,666)	(6,018,666)	(6,018,666)	(7,222,399)	(7,222,399)	(7,222,399)	(39,723,197)	-9.3%
Norwood	Hamilton	(1,087,607)	(1,087,607)	(1,087,607)	(1,715,264)	(1,715,264)	(1,715,264)	(8,408,613)	-6.5%
Oak Hills	Hamilton	(4,831,064)	(4,831,064)	(4,831,064)	(105,679)	(105,679)	(105,679)	(14,810,231)	-6.1%
St. Bernard	Hamilton	(313,441)	(313,441)	(313,441)	(376,129)	(376,129)	(376,129)	(2,068,712)	-4.5%
Tri-County North	Preble	(522,102)	(522,102)	(522,102)	(468,863)	(468,863)	(468,863)	(2,972,895)	-8.9%
Total		**(41,725,318)**	**(41,725,317)**	**(41,725,316)**	**(44,598,628)**	**(44,598,627)**	**(44,598,626)**	**(258,984,007)**	

Appendix L

Commercial Real Estate Development Association (NAIOP) Written Testimony

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
NAIOP OF OHIO

September 3, 2025

The Honorable Bill Seitz
Co-Chair, Governor's Working Group on Property Tax Reform

The Honorable Pat Tiberi
Co-Chair, Governor's Working Group on Property Tax Reform
President & CEO, Ohio Business Roundtable

RE: Entity Transfer Impact on Commercial Real Estate

Dear Co-Chairs Seitz and Tiberi,

On behalf of NAIOP of Ohio and our more than 500 members representing the commercial real estate industry statewide, thank you for the opportunity to provide input to the Governor's Working Group on Property Taxation. Our members are deeply committed to advancing economic development, job creation, and sustained growth across Ohio. We write to share our concerns regarding a proposal to require taxation and reporting of certain entity transfers that involve real property.

For a variety of reasons, many transactions that involve commercial real estate are completed by way of entity acquisitions or transfers. Thus, a major change to Ohio law on that subject would have immediate harmful effects on the commercial real estate market in Ohio. NAIOP of Ohio, the Ohio Association of Realtors, and the Ohio State Bar Association previously opposed a Bill that was introduced that would have required taxation and reporting of entity transfers. Some of the main reasons for NAIOP of Ohio's opposition are set forth below.

Legitimate Business Purposes of Entity Transfer Transactions

For legitimate business purposes, businesses and individuals regularly purchase entities that own real estate. Such transactions serve legitimate purposes that extend well beyond taxation considerations, including:

1. Many agreements essential to operations, such as electric service arrangements, service agreements, business operating agreements, vendor contracts, or supply chain obligations, are tied to the entity rather than the real estate itself.
2. Development projects often involve assembling multiple parcels, stakeholders, or operating entities. Entity transfers may streamline these transactions and enhance parties' abilities to assemble mega sites and other large development sites that enhance our state's competitiveness and bring about meaningful improvements to our communities.

3. Commercial investors often prefer entity acquisitions because they shield personal or proprietary information that might otherwise become publicly available. Privacy protection is particularly important in competitive markets.
4. Entity acquisitions also allow businesses to manage liabilities, financing structures, and partnership allocations in ways that promote capital investment and redevelopment.

Although sometimes referenced, conveyance fee avoidance is a minor and usually non-existent factor compared to the broader and much bigger picture operational and business reasons noted above.

Potential Harm of Taxing Entity Acquisitions as Real Estate Purchases

If Ohio were to require taxation and reporting of entity purchases and other entity transfers as purchases of real estate, the consequences would be significant and harmful:

1. Investors may redirect capital to states with more business-focused transaction structures, reducing Ohio's competitiveness for new projects and redevelopment.
2. Commercial projects drive construction jobs, long-term employment, and substantial local tax revenue. Increased uncertainty or transaction costs would deter projects that support Ohio's growth.
3. Developers, lenders, and businesses would face increased costs and legal complexity, slowing down deals and undermining Ohio's attractiveness as a place to conduct business.

Transparency and Oversight

Concerns about lost tax revenue have been raised. However, it is important to note that:

1. County auditors already have tools to identify properties that warrant reassessment and to reassess those properties.
2. Ohio case law allows increases in real property tax value for entity transfers that only involve real estate, when warranted under that case law.
3. Entity acquisitions remain a practical and efficient approach for acquiring not only business entities, but the real estate that they own.

NAIOP of Ohio urges the Working Group to recognize that entity acquisitions should not be treated as purchases of real estate. Doing so would undermine Ohio's efforts to foster economic development, attract new business, and sustain job growth. We respectfully encourage the Working Group to support policies that enhance Ohio's competitiveness, rather than impose additional barriers to investment. Because taxation and reporting of entity transfers relates to an issue that calls for a much broader solution and because it does so in a way that is fraught with a multitude of potential business, practical, and legal problems, NAIOP of Ohio opposes this concept, and instead recommends a more holistic approach to reform Ohio's real property taxation system.

Thank you for your leadership on these critical issues, and please let us know what else we can do to serve as a resource on this very important subject.

Sincerely,

Michael J. Sikora III.
Board President, NAIOP of Ohio

Appendix M

Ohio Association of County Behavioral Health Authorities Written Testimony

Ohio Association of County Behavioral Health Authorities

Understanding Ohio's ADAMH Board Levies

Ohio's Alcohol, Drug Addiction, and Mental Health (ADAMH) Boards are statutorily empowered under Chapter 340 of the Revised Code to plan, develop, fund, administer and evaluate their local systems of mental health and addiction services. Ohio's 50 ADAMH Boards, covering all 88 counties, provide community members with access to a statutorily defined continuum of care that includes prevention, treatment, and recovery supports.

Of Ohio's 50 ADAMH Boards, 31 are single-county ADAMH Boards and 19 are joint-county ADAMH Boards. The number of counties that comprise a joint-county ADAMH Board ranges from two to six counties.

Ohio's ADAMH Boards

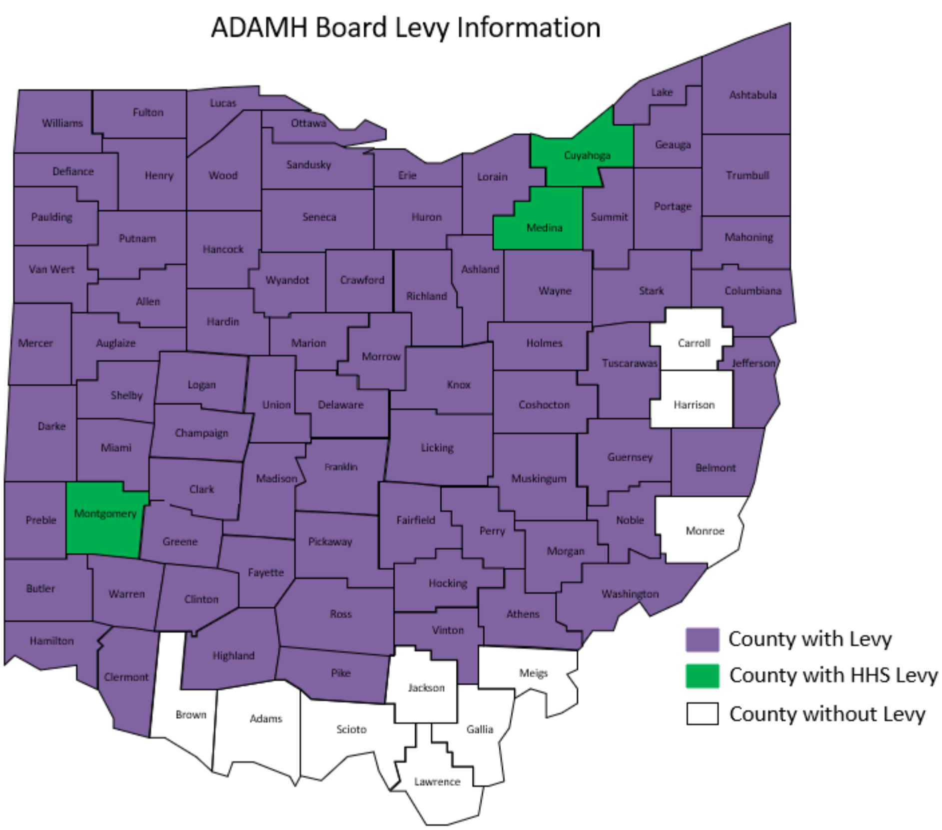
ADAMH Boards have a statutory duty under Chapter 340 of the Revised Code to “recruit and promote local financial support for addiction services, mental health services, and recovery supports from private and public sources”. One way that ADAMH Boards fulfill this mandate is by seeking approval of property tax levies, however the way a property tax levy that benefits an ADAMH Board is sought differs for single-county and joint-county Boards.

For a single-county ADAMH Board, the board of county commissioner is the “taxing authority” that may seek a levy pursuant to O.R.C. 5705.221 for the benefit of the ADAMH Board. Levies sought under this section may be for a period of up to ten years.

A multi-county ADAMH Board is both a “taxing authority” and a “subdivision” and may seek a levy on its own behalf under O.R.C. 5705.19(A). Levies sought under this section may be for a period of up to five years. A multi-county ADAMH Board also has the option to request that a board of county commissioners seek a levy pursuant to O.R.C. 5705.221, for that county’s contribution to the multi-county ADAMH Board, for a period of up to ten years.

All ADAMH Board property tax revenues are from voter-approved levies. They do not receive any inside millage.

Today, 78 of Ohio’s 88 counties support property tax levies that fund local mental health and addiction services.



From 2020 through the 2025 primary, fifty (50) levies to support ADAMH Board services have been on primary and general ballots. Of those levy campaigns -

- Forty-nine (49) were affirmatively passed by local voters and only one (1) failed.
- Thirty-nine (39) of those levies collect one (1) mill or less, with seven (7) more collecting less than two (2) mills.
- Twenty-seven (27) of those levies were approved for five-year terms, twenty-one (21) were approved for ten-year terms, and two (2) HHS levies were approved for eight-year terms.
- The average voter approval rate for the forty-nine (49) levies that passed was just over 65%.

Community members throughout Ohio continue to vote to support local ADAMH Board levies and the critical mental health and addiction services funded with those revenues.

In FY 24, ADAMH levies collectively generated just over $425 million to fund prevention, treatment, and recovery support services throughout Ohio. The funding from ADAMH levies is vital to the health and stability of communities. These dollars provide for services, including:

- Crisis response services such as mobile crisis teams, walk-in crisis centers, and behavioral health urgent care facilities.
- Prevention programs that help young people build resilience and reduce the risk of future substance misuse or mental illness.
- Support for families, including caregiver education, peer support, and housing for individuals transitioning out of treatment.
- Specialized programs for populations with unique needs, such as veterans, older adults, or individuals involved in the criminal justice system.

Appendix N

County Commissioners Association of Ohio, County Auditors Association of Ohio, and County Treasurers Association of Ohio property tax recommendations

County Auditors' Association of Ohio | County Commissioners Association of Ohio | County Treasurers Association of Ohio | Ohio Council of County Officials

Now is the time to act to address the property tax crisis facing many Ohioans:

1. **Expand the Homestead Program**
   Current law exempts taxes on the first $26,200 of property valuation for individuals 65 or older or permanently disabled who have an Ohio Adjusted Gross Income of $36,100 or less. CAAO, CCAO, CTAO, and OCCO propose increasing both the valuation that would be exempt from property taxes and the income threshold so that more individuals can qualify for the program. This will allow some of our most vulnerable Ohioans to stay in their homes.

2. **Eliminate the Non-Business Credit and Expand the Owner Occupancy Credit**
   The State of Ohio pays a portion of qualifying property tax levies on behalf of residential and agricultural property owners, providing a 10% credit. The Non-Business Credit provides a 10% credit to all property owners with residential or agricultural properties, and the Owner Occupancy Credit provides a 2.5% credit to properties that are both owned and occupied as the individual's primary residence. CAAO, CCAO, CTAO, and OCCO propose eliminating the Non-Business Credit as it often benefits for-profit owners, while expanding the Owner Occupancy Credit to a meaningful credit that would provide real tax relief to those homes that are owner-occupied.

3. **Limit the Growth in Revenue Received by School Districts Due to Reappraisal Changes**
   Under Ohio law, school levies are subject to a floor that will not allow the tax rate to be adjusted downward when reappraisal increases occur. CAAO, CCAO, CTAO, and OCCO propose eliminating this hard cap on rate reductions and, instead, limiting growth on certain school levies to an inflationary index, containing revenue growth for districts operating at the 20-mill floor. As a result of this most recent valuation increase, many of the school districts operating at the floor received revenue increases in excess of 20%.

4. **Create a Menu of Targeted Relief**
   Create tax relief programs aimed to protect low to moderate income residents. These programs could include tax deferrals, income tax credits, or abatements based on a long-term resident's inability to pay the ever-increasing tax burden.

CAAO, CCAO, CTAO, and OCCO acknowledge that there is not a single solution to solve the property tax issues we are facing, and even all of our proposed solutions don't address all of the issues. However, implementing the proposed solutions above would lessen the burden for millions of Ohioans.

County Auditors' Association of Ohio • 66 E. Lynn St. - Columbus, Ohio 43215 • (614) 228-2226 • caao.org
County Commisioners Association of Ohio • 209 E. State St. • Columbus, Ohio 43215 • (614) 221-5627 • ccao.org
County Treasurers Association of Ohio • 17 S High St. Ste 750 • Columbus, Ohio 43215 • (614) 221-7157 • ohiocountytreasurers.org
Ohio Council of County Officials • Fairfield County Clerk of Courts • 224 E. Main St. • Lancaster, Ohio 43130 • ohiocountyofficials.org

Appendix O

Ohio Farm Bureau Federation Written Testimony

Working together for Ohio farmers to advance agriculture and strengthen our communities.

Co-Chairman Pat Tiberi
41 South High Street, Suite 2240
Columbus, OH 43215

Co-Chairman Bill Seitz
255 E. Fifth Street
Suite 1900
Cincinnati, OH 45202

Co-Chairman Seitz, Co-Chairman Tiberi, and the esteemed members of the Governor's Property Tax Reform Committee, my name is Leah Curtis, and I serve as Associate General Counsel for the Ohio Farm Bureau. In my role, I work with our members to understand important legal concepts that affect their homes, property, and business - including property taxes. We appreciate the opportunity to provide information about the Current Agricultural Use Valuation Program and thoughts on property tax reform as you undertake this important task of reviewing the Ohio property tax system.

History and Basics of Current Agricultural Use Valuation

The Current Agricultural Use Valuation program is not a tax exemption or a tax credit. Instead, it is a different method of valuing property. Instead of using the property's fair market value for property tax purposes, land that enrolls and qualifies for the CAUV program is valued for its agricultural producing potential only. This was a choice made by Ohio's voters and authorized through a constitutional amendment in 1973 - with over 75% of the vote. Today, nearly every state in the country has a similar program that provides for a differential assessment of agricultural land.

The CAUV program serves as the front-line defense to preserve Ohio's farmland and open space. CAUV values do not consider the development potential of land, and that is precisely the point of the program (and programs like it in nearly every other state of this country). By removing the upward value pressure development places on farmland, farmers are able to continue producing food, feed, fiber and fuel and are not taxed off their land.

While CAUV uses a different method of valuing property, once that value is set, it operates as the market value does for other properties. While a market value is always determined for a property on CAUV, the CAUV value stands in for market value for determining the taxes. The value is reduced to 35% to determine the taxable value and the Class 1 millage rate is applied to that taxable value. Because of this, any changes to the taxing process - particularly to the valuation side - must also consider how it will affect the unique aspect of CAUV land.

Working together for Ohio farmers to advance agriculture and strengthen our communities.

Components of the CAUV Formula

CAUV land takes its value from a calculation that is performed by the Ohio Department of Tax. That calculation is done for every one of Ohio's 3500+ soil types, considering the yield, crop prices, input prices and cropping pattern to determine a net income from Ohio's top crops - corn, soybeans and wheat. That net income number is then divided by a capitalization rate. The data used in the formula is averaged over multiple years and obtained from reliable government sources. Additional deductions are made from the values to determine soil values for property that is used as woodland. A minimum value is also set by the Tax Department as a floor for CAUV values - though there is no corresponding ceiling or cap on values. The county auditor applies the values to a landowner's property based on the soil types that are present.

In 2017, Ohio Farm Bureau and other agricultural groups like the Ohio Farmers' Union, lobbied for changes to the CAUV calculation to ensure its accuracy. The changes made largely dealt with the capitalization rate, which at that time was based upon interest rates and assumptions not tied to agriculture. Those changes resulted in a more accurate capitalization rate in the CAUV formula. Additionally, the law was changed so that land that qualified as conservation land and certified as such would be valued at the minimum value as set by the Tax Department.

Who can enroll in CAUV?

Landowners must apply, qualify and be approved by their county auditor to participate in the CAUV program. There are statutory requirements as to who can qualify, including that the land must be used for commercial agriculture, be over 10 acres, or produce over $2500 in gross agricultural income. CAUV can only apply to farmland - so it does not change the value of homes, homesites, or buildings present on the land. It is the statutory duty of the county auditor to approve CAUV enrollment and to annually inspect properties to ensure they qualify. In our experience, most auditors do a good job of maintaining a balance of ensuring qualified land is on the program and assisting landowners.

And, CAUV provides both a carrot-and-stick approach. If a landowner fails to renew their CAUV status or converts the land from agricultural use, they are levied a recoupment penalty that is equal to three years worth of tax savings. Essentially, the auditor looks at what the landowner paid in taxes on the CAUV program, and what they would have paid had they not been - and charges the landowner three years worth of that difference. Depending on fair market values in an area, recoupment can easily top 10s of thousands of dollars.

The Current State of CAUV Values

Many property owners saw their property values increase in the most recent round of reappraisals and updates. You have heard of 40 or 50% increases in residential home values. But, CAUV landowners in 41 counties saw their CAUV property values double or more in the 2023 and 2024 reappraisal years.. Those on the 2025 reappraisal cycle will likely see increases of 50% on average. While almost unheard of in residential or commercial real estate, increases of this nature have not been uncommon for CAUV in the last 20 years. In many cases, their taxes have also doubled or more as a result. While the formula does a good job of valuing farmland for productive potential, as you have heard from others, applying the current tax system to those values does result in a very high property tax burden. Additionally, the CAUV calculation was designed to follow a farm economy, but the farm economy of the 1970s is one that no longer exists. Instead, today farmers operate in a global marketplace and we have an incredibly volatile farm economy - where prices and costs can change dramatically not just from day to day but from minute to minute. Where the actions of a country halfway across the world will throw our industry into a tailspin in a moments notice. One flaw in the property tax system is that CAUV values are based upon the farm economy that was a year and up to 7 years back, but we pay taxes in the present. By the time the tax bill comes due, the farm economy could be very different than the one the calculation considered. Additionally, because of the three-year cycle of updating values, the farm economy can change wildly from the time the values are calculated to the last year of those values application for tax purposes three years later. Our farmers are happy with the purpose and philosophy of the CAUV program, but all would prefer some more predictability in their values and more importantly, their tax bill.

And CAUV creates an important nuance that must be considered in any property tax reform. Changes to how fair market values are calculated, or changes to rates, can often result in no relief for CAUV property taxpayers or, at worse, create a significant shift of the property tax burden and significant increase in taxes charged to CAUV taxpayers. This is particularly a concern when changes are made that do not contemplate the workings of HB920 and its requirements to collect a certain amount.

CAUV, HB 920 and Tax Credits

As the HB920 reduction applies to the collection side, it applies to CAUV just as any other property. OFBF does strongly support the HB920 tax reduction factors that help to reduce inflationary aspects of the property tax system. However, the inflation attributable to the inside 10 mills and the 20 mill floor often result in large property tax increases when applied to significant increases in property value.

As to the other credits, they generally do apply to CAUV properties when those credits apply to land. However, as the homestead credit applies to home values, and CAUV does not apply to homes or buildings, the homestead credit is not applicable to the CAUV context. The owner-occupied credit does apply where the owner occupies that parcel of land. CAUV landowners, like any other, would only benefit from those credits where their house is located. The non-business credit applies to most CAUV land, but in a strange caveat, is not permitted to apply to woodland, including that enrolled in CAUV.

Board of Revision

Ohio farmers on the CAUV program largely do not engage in the Board of Revision process as to appeals of their values. As the auditor does not set their values, and instead they are set by a calculation run by the Tax Department, any appeal of value is often an exercise in futility. CAUV landowners have largely been instructed through court cases and precedent that challenging CAUV values requires a challenge to the Tax Commissioner's order setting the soil values and the methodology of the calculation.

Farmers do use the Board of Revision process to appeal CAUV enrollment. If a landowner is denied CAUV, they have the opportunity to appeal that denial through the Board of Revision. Landowners can also challenge if they believe their soil types have been inaccurately recorded, or if their acreage has not been properly attributed to the different agricultural uses that may affect valuation (cropland vs. woodland vs. conservation land).

Additional Options

It is sometimes lost that Ohio does have a property tax control already in place on the collection side. HB 920 (and language inserted into the Ohio Constitution) controls the collection of fixed-rate levies to the previous collection amount, while fixed-sum and bond levies are also held to a certain level of collection. Inflation does occur from the inside ten mills and the 20 mill floor, but only to the extent that property values inflate. Ohio law does not contain any limitation on changes in the property's taxable value, and with property values rising significantly in recent years, many of the increases in property taxes stem in large part from the higher taxable values themselves. Other states do employ limitations on changes in taxable value, either individually or on the classes of property. This may be another option to explore. Limiting taxable value changes moving forward could allow for some growth to still result from the 10 mill and 20 mill floor and maintain funding for levies already in place. It would allow for more predictable value changes for property owners. And, if the limitation is placed on the taxable value's growth, it will not upset or harm the accuracy of market valuations.

Conclusion

The CAUV program recognizes that while farmland is part of the system that pays property taxes, it provides less of a burden on the services provided by those taxes. In 2008, a cost of community services study was completed by the American Farmland Trust focusing on Madison Township in Lake County and found that for every $1 agricultural land pays in property taxes, it receives about 30 cents in services. CAUV property represents a net good to the community from a funding context - because farmland does not send children to schools, it does not need police, fire or paramedic services at the same rate as densely populated areas, it does not access mental health or addiction or health services but the property taxes farmers pay on this land still pays for all of those important programs and services. In contrast, that study found that residential taxpayers receive approximately $1.24 in services for every $1 spent in property taxes. I would also note that this study was done during a time when CAUV values were at some of their lowest levels.

Ohio agriculture would not be the number one industry it is today in Ohio without the Current Agricultural Use Valuation program. The unchecked urban sprawl of the 1970s would have continued, driving up farmland property values and pushing farmers off of their land through increases in property taxes. Instead, Ohio enjoys some of the best and most productive farmland in the country - if not the world. The food security provided by Ohio agriculture is not just good for farmers, or good for the economy, but is a matter of national security. Still over 400,000 acres of Ohio farmland has been lost or compromised in 2022 alone, according to the most recent data from the U.S. Department of Agriculture. Ohioans of all areas - urban, suburban, and rural - want farms in their communities. However, that can only be maintained if farmers can afford to pay their property taxes while also supporting their businesses.

Thank you for your time and consideration. Ohio Farm Bureau stands ready to help review any policy considerations and provide input on the possible impacts to Ohio agriculture and our communities.

Appendix P

Tom Zaino Testimony to General Assembly’s Joint Committee on Property Tax Review and Reform

Joint Committee on Property Tax Review and Reform
Testimony of Zaino Hall & Farrin LLC/ZHF Consulting LLC
Thomas M. Zaino, Stephen K. Hall & Brian M. Perera
February 28, 2024

Co-Chair Blessing, Co-Chair Roemer, and Members of the Joint Committee on Property Tax Review and Reform, thank you for inviting us to speak today about Ohio's property tax system.

My name is Tom Zaino. I served as Ohio Tax Commissioner under Governor Bob Taft many years ago and I currently serve as managing member of Zaino Hall & Farrin LLC, a boutique law firm with offices in Columbus and Cincinnati. We focus our practice on tax and economic development matters. Through our wholly-owned subsidiary, ZHF Consulting LLC, we provide policy and government affairs consulting services. Supporting me with this testimony today are Steve Hall and Brian Perera. Steve's legal practice includes representing property owners with respect to their personal and real property tax matters. Brian's consulting practice leverages his decades of experience in dealing with tax issues and state budget issues, having served as Senate Budget director for more than 20 years. At your request, our goal today is to provide the Committee with some historical perspective on the property tax system, highlight problem areas with the current property tax system which hurt Ohio, and describe some options to address those problem areas.

While we are not representing any particular client today, for transparency purposes, you should know that we represent all sized taxpayers, from the smallest to the largest, before government tax and economic development authorities and in the court system.

A Perspective on Property Tax Reform – Change Takes Time

This committee has heard testimony from the Legislative Service Commission describing the history of the real property tax system, including the H.B. 920 and related constitutional enactments in the 1970s and 1980. We will provide some additional historical and data driven perspectives.

On March 1, 2003, the bipartisan *Committee to Study State and Local Taxes* ("CSSLT") issued a report that examined Ohio's tax system in light of the five elements of a quality tax system and identified obstacles and options for Ohio tax reform. The five elements of a quality tax system used by the Committee were:

1. Simplicity
2. Equity
3. Stability
4. Neutrality
5. Competitiveness.

These five elements are generally accepted by policy makers and economists as representing essential components of a quality tax system.[1]

CSSLT's Report identified and examined many obstacles in Ohio's tax system, including property taxes, and provided 39 options to overcome all those obstacles. Before creation of your committee, Ohio had acted upon 33 of the 39 options.[2] The formation of this Committee adds the opportunity to address two of the remaining six options called for in 2003:

- Establish a special committee to examine the real property tax; and
- Explore eliminating the differences in the property taxation of public utilities as compared to other businesses.

I draw the Committee's attention to Attachments C and D, which are excerpts from the CSSLT report. It is fascinating because the issues faced in 2003 have not changed much, if at all.

I realize that the focus of the committee has, so far, been on the real property tax system, but I would like to point out that Ohio still retains some uncompetitive vestiges of the archaic tax on personal property. The enabling legislation creating this committee did not limit the committee's work to real property--division (B) of uncodified section 757.60 of Am. Sub. H.B. 33, provides in relevant part:

> (B) The Committee shall review the history and purposes of <u>all aspects</u> of Ohio's property tax law . . ..

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[1] See Attachment A which provides a description of each element as used by CSSLT.
[2] See Attachment B which lists each option recommended by the CSSLT and the status of each recommendation.

This committee is well-positioned to address the problems remaining in Ohio's real and personal property tax system and keep Ohio on a trajectory of positive economic growth. In the early 2000s, Ohio recognized the inherent problems with the tangible personal property tax and moved to eliminate most of those taxes. However, the tax still applies to public utilities at an overly burdensome rate. For example, while real property is taxed at 35% of true value, pipeline property is taxed at 88% of true value and electric transmission and distribution property is taxed at 85% of true value. This significantly high assessment rate increases the tax liability on this property. Because these taxes are passed-on to rate payers, this high tax is ultimately paid by Ohio consumers.

According to the Department of Taxation's 2022 Annual Report, this tax resulted in $2.2 billion of tax revenue in tax year 2021, up 3.5 per cent from 2020. By comparison, the tax on real property (not including manufactured homes which are generally taxed like real property) generated $18.5 billion of revenue in tax year 2021, up 1.6 per cent from tax year 2020.

The following chart illustrates the disparity of the listing percentages applied to tangible personal property of different types of public utilities.

Ohio Property Tax Assessment Percentages[3]	
Type of Property	Assessment Percentage (i.e., % of Fair Market Value subject to tax)
Pipeline company property	88%
Electric transmission and distribution property	85%
Energy companies (all property except taxable production eqpt.)	85%
Rural electric company property	50%
Real property (all)	35%
Natural Gas, Waterworks, and Water transportation property	25% (or 88% for pre-2017 property)
Electric generation property	24%
Energy companies (taxable production equipment)	24%
All other general business tangible personal property	0%

[3] Ohio Department of Taxation Annual Report, 2022.

These high listing percentages are an obstacle for Ohio-based investment in the infrastructure maintained by these public utilities. If new investment is made in Ohio infrastructure, then the cost of doing business in Ohio, or living in Ohio, is increased.

House Bill 920 Reduction Factors – Is the System Working?

While this Committee is tasked with reviewing and considering reform of Ohio's entire property tax system, a catalyst for its formation was certainly the recent substantial increases in taxes impacting Ohio's citizenry. Please note that I referred to "increases in taxes" not "increases in value." The reason this distinction is important is that property owners generally like their property to increase in value, but they also want to be protected from unbudgeted and unvoted inflationary increases in real property taxes. In 1976, the General Assembly enacted H.B. 920. The purpose of H.B. 920 was to protect all Ohio real property taxpayers from experiencing an increase in real property taxes on existing property simply because the value of the property increases. The concept was that if a jurisdiction wanted more revenue, the jurisdiction had to explain the benefits of the revenue increase to the voters who would then approve and pay the tax increase. In 1980, Ohio voters passed a constitutional amendment which separated Class I from Class II property for purposes of the H.B. 920 protections against unvoted inflationary tax increases.[4]

So, why are some Ohio property owners experiencing dramatic increases in property taxes? Based on research and available data, we believe school districts have done their own type of "tax planning," by utilizing levies that have been enacted over the last 48 years but which are exempt from H.B. 920. As a result, H.B. 920 is broken. We will show why H.B. 920 is broken and why it no longer works to protect Ohioans from inflationary increases in property taxes.

The goal of H.B. 920's protections is to reduce the effective tax rate in order to offset inflationary increases in property values that existed on the date a levy was enacted.[5] Some important characteristics should be understood about the H.B. 920 protections, as well as some trends that have occurred which impact the effectiveness of H.B. 920.

[4] Ohio Constitution, Article XII, Section 2a.

[5] Note: The H.B. 920 tax reduction factors do not apply to limit growth on inside mills or on new construction occurring after a levy is enacted. Therefore, all local political subdivisions, including school districts, can experience revenue growth from both inside mills and from new construction.

- Under law, 20 mills or a 20-mill equivalent is a minimum requirement to qualify for state aid from the school foundation formula.[6] Therefore, school district millage cannot be effectively "reduced" below 20 mills (i.e., the 20-mill floor) via the tax reduction factors created by H.B. 920.
- Only Current Expense Levies and Permanent Improvement Levies can be reduced by the H.B. 920 protections (i.e., the tax reduction factors).
    - However, only Current Expense Levies are included in the calculation of the 20-mill floor.
- Once a school district's millage on Current Expense Levies is rolled back to the 20-mill floor, H.B. 920's protections no longer apply to protect property owners from inflationary increases in property values.
    - At that point, school districts benefit from unrestrained growth in tax revenues for those current expense levies merely due to inflationary values of real property.
- The Levy Loophole Incentive: Because school districts benefit from unrestrained growth when at the 20-mill floor, schools in need of additional revenue that are also reasonably close to, or at, the 20-mill floor are incentivized to only offer new levies to voters that are not included when determining whether the district is at the 20-mill floor.
- The following levies are not included when determining the 20-mill floor:

Levies Not Factored into the 20-mill Floor[7]	
General Operation Levies	**Specific Purpose Levies**
Emergency	Bonds
Substitute	Permanent Improvement
School District Income Taxes (millage equivalent)	Recreation
	Libraries
	Safety & Security

[6] R.C. 3317.01(A).
[7] *Property Taxation and School Funding*, Ohio Department of Taxation, Meghan Sullivan and Mike Sobul, Updated February 2010. https://tax.ohio.gov/researcher/tax-analysis/tax-data-series/school-district-data/publications-tds-school/publications-tds-school.

- Data shows that schools are being influenced by this incentive to plan around H.B. 920's taxpayer protections. The following chart illustrates that 70% of school districts are at, or closing in on, the 20-mill floor.

School District Mills – 2022[8]				
	Number of School Districts	Percentage of School Districts	Cumulative Percentage	Number with additional millage not subject to H.B. 920
Less than 20 mills	10	2%	2%	N/A[9]
At 20-mill floor	333	54%	56%	264 (79% of the 333)[10]
Near 20-mill floor	84	14%	70%	N/A
22.01-25 mills	52	8%	78%	N/A
More than 25 mills	132	22%	100%	N/A

Ohio's Real Property Tax System Lacks Simplicity

Simplicity is generally recognized as one of the five elements of a quality tax system. The idea is that the tax system be easy to understand and easy to administer. I would suggest to the committee that Ohio's real property tax system fails on this element. You have been policy makers for quite some time, and you have been involved in the state budgeting process. You have heard from experts from the Legislative Service Commission, the Ohio Department of Taxation, the Ohio Auditors Association and the Board of Tax Appeals. After all that, I rhetorically ask you to consider

[8] 2022 Aggregate Property Tax Rates by School Districts, Ohio Department of Taxation, https://tax.ohio.gov/researcher/tax-analysis/tax-data-series/school-district-data/publications-tds-school/publications-tds-school.

[9] These 10 school districts are either special island districts or school districts that rely on JVS millage to meet the 20-mill minimum.

[10] In 2022, 131 school districts had between 0.01 to 10 additional mills or equivalents (such as income tax); 133 school districts had an additional 10 or more mills or equivalents. As a result, although 264 districts are at the "20-mill floor," those districts are, in reality, levying more than 20 mills via emergency, substitute and/or income taxes!

whether you feel that you understand Ohio's real property tax system? If the answer to this question is "no," I ask you to consider what the everyday taxpayer can possibly be expected to understand.

Simplicity Gone Awry: When originally enacted in 1971, emergency levies were fixed sum levies (and, therefore, not subject to the H.B. 920 inflationary protections) that could be enacted for one of the following purposes:

- To provide for the emergency requirements of the school district; or
- To prevent the temporary or permanent closing of one or more schools within the district.

On May 11, 1971, during a state Senate Committee hearing on the bill proposing emergency levies, Cincinnati School Board member, Mrs. Virginia K. Griffin, who was testifying said that allowing school boards to submit limited-time levies to meet emergencies "is going to make the situation worse." She further raised her concern that this type of levy, if enacted, would create a circumstance where "there would be a series of emergencies." As you will see in the chart on the next page, Mrs. Griffin's view was prescient.[11]

In 1980, the second possible purpose was replaced with a purpose of avoiding an operating deficit. I suggest that all general levies are intended to avoid an operating deficit. The change of the second purpose seems to have been interpreted as an expansion of the types of expenses for which such levies may be used.

Over the years, Ohio has enacted many other changes to the emergency levy provisions, enhancing the appeal of such levies for school districts, including the following:

- 1983 – authorizing the renewal of a single expiring emergency levy.
- 1985 – excluding emergency levies from the calculation of the 20-mill floor.
- 1992 – allow multiple emergency levies to be renewed as a single emergency levy.
- 2008 – allow one or more emergency levies to be converted to substitute levies.
- 2008 – increase maximum term for an emergency levy from five to ten years.

[11] The Columbus Dispatch, (published as Columbus Evening Dispatch) – May 12, 1971 – page 31.

As alluded to above, the following chart illustrates how prescient Mrs. Griffin was when she testified. Since at least 1994, emergency levies appear to now be routine and no longer indicate a true state of emergency.[12]

Chart Illustrating Routine Emergencies Since 1994				
Type of Levy	No. of School Districts Imposing such Levy		Percentage of School Districts Imposing such Levy	
	1994	2022	1994	2022
Emergency Only	192	199	31.3%	33.0%
Substitute Only	N/A	52	N/A	8.0%
Both	N/A	13	N/A	2.0%
Total Levies	192	264	31.3%	43.0%

<u>Substitute Levies</u>: The fact that emergency levies may be "substituted" creates additional problems for taxpayers. Although taxpayers may think they know what it means to "substitute" a levy, I don't believe they do--there are important consequences to substitution. After the first year, the substitute levy raises the fixed sum of an emergency levy and imposes additional tax on new construction. Also, unlike emergency levies, substitute levies may be levied for a continuing period of time. In truth, a "substitute levy" is really much more than a mere substitute of the emergency levy.

I note that Ohio's Deceptive Trade Practices law[13] prohibits a person from representing that services have characteristics that those services do not actually have. Through no fault of school districts (at all), the use of the terms "emergency levy" and "substitute levy" come close to giving taxpayers an impression that a new levy has characteristics that those levies do not actually have. This obviously violates "simplicity," but also negatively impacts the other characteristics of a quality tax system—including equity, stability, neutrality and competitiveness.

[12] For this chart, 1994 data is used because it is the earliest data that was publicly available on the Ohio Department of Taxation's website. Also, note that substitute levies were not available until 2008.
[13] R.C. 4165.02 – Ohio's Deceptive Trade Practices law.

We believe H.B. 920 is broken. Because 343 of Ohio's 611 school districts (56%) were at or below the 20-mill floor in 2022, many Ohio property owners are experiencing unexpected, dramatic, and unvoted tax increases.

Other Elements of a Quality Tax System: Ohio's real property tax on property owners and personal property tax on public utilities also fail to meet other important elements of a quality tax system. In order to save time, I encourage this committee to see Attachment A, which is an excerpt from the actual 2003 Committee to Study State & Local Taxes which has concise review of how these taxes measure up to the quality elements.

Options to Fix Ohio's Property Tax System

The following list provides some reform options the Committee may want to consider as it completes its review of Ohio's property taxes.

1. Fix H.B. 920: H.B. 920 can work to prevent inflationary pressures from increasing property tax values. It needs to be strengthened to fulfill its intended purpose.
    a. Factor in emergency and substitute levies when determining whether a district is at the 20-mill floor.
        i. Example: If a school is currently at the 20-mill floor and has a 7-mill emergency levy, treat the district as having 27 mills and, therefore, not generating inflationary growth on any mills (except the inside millage, of course).
    b. Similarly, factor in school district income taxes toward the 20-mill floor.

2. Truth in Advertising: The real property tax system is confusing for taxpayers and not "simple."
    a. Rename "emergency levies" and "substitute levies" to make sure taxpayers truly understand the implications of supporting such levies.
    b. Limit emergency levies and their related substituted levies to true emergency situations with a limited time frame.
    c. Clarify other terminology and simplify the tax levy system.

3. Smooth Out the Valuation Process. Jumps in property taxes every three or six years can stun property owners with higher taxes. One way to address this problem is to revalue property on a more frequent basis.
    a. Consider requiring more frequent revaluations.
        i. Annual or bi-annual.
        ii. Portions of counties.

4. Address Equity and Neutrality: Property rich individuals, such as older Ohioans on fixed incomes or low-income Ohioans living in gentrifying neighborhoods, may not be able to pay inflationary property taxes. This can force them to make decisions to sell their property simply because of taxes. I draw your attention to the attached Policy Brief from the Lincoln Institute of Land Policy which highlights some options to address these problems.
    a. Enhanced homestead credits.
    b. Circuit breakers based on income.
    c. Property tax deferral programs.
    d. Monthly payment of real property taxes.

5. Address Competitiveness: High and unexpected property taxes create competitiveness hurdles for Ohio when competing in a global environment.
    a. Ohio's remaining tangible personal property tax system imposed on public utilities is a disincentive to new investment in Ohio's energy infrastructure and increases the cost of doing business in Ohio and of living in Ohio.
    b. Unexpected and inflationary increases in real property taxes create an environment of uncertainty that puts Ohio at a disadvantage.

We appreciate the opportunity to present this testimony and are happy to answer any questions the Co-Chairs or other members of the Committee may have.

Attachment A

Excerpt from the Report of the Committee to Study State & Local Taxes
March 1, 2003

II. Elements of a Quality Tax System

Am. Sub. S.B. 261 directs the Committee to consider five elements of a quality tax system (simplicity, equity, stability, neutrality, and competitiveness) in making its recommendations. These five elements are widely accepted as the key elements of a quality tax system. While no tax system is perfect, the use of these principles of tax policy helps to achieve an effective and balanced tax system. The Committee recognizes that these five elements can conflict with each other and, therefore, the elements must be prioritized in order to achieve the best result. A summary of the five elements is provided below.

Simplicity – The tax system should facilitate taxpayer compliance by being easy to understand and easy to administer. Taxpayers, both businesses and individuals, pay two distinct "costs" with respect to tax compliance. The first cost, of course, is the expense of the actual tax. The second cost is the compliance cost of comprehending and properly complying with the tax system. By reducing a taxpayer's compliance cost, the taxpayer's overall tax burden is effectively reduced with no impact on government revenues. Finally, a simple tax system reduces the taxing authority's cost of administering the tax.

Equity – Two types of equity exist: Horizontal Equity and Vertical Equity. Horizontal Equity exists when the tax system imposes similar burdens on similarly situated taxpayers. Vertical Equity exists when the tax system recognizes differing abilities of various taxpayers to pay. For example, wealthy individuals are generally able to pay more taxes than less wealthy individuals.

Stability – The tax system exists to fund essential government services and should provide adequate revenue to fund those services in both good and bad economic times. For example, an economic downturn may force a business to lay off employees due to decreased demand for its products. However, a bad economy generally creates new demands for state services. Therefore, a stable funding of government services is essential.

Neutrality – The tax system should not unduly influence economic behavior. The economy and the marketplace, not the government's tax policy, should drive business decisions.

Competitiveness – The tax system is a meaningful part of a state's living, working, and business environment. It should not impose an excess burden on taxpayers, particularly as compared to the tax systems of other states and, more and more, as compared to other parts of the world.

Attachment B

Committee to Study State & Local Taxes
List of Recommendations and Results

✓ = Achieved

× = Not achieved

M = Mixed results

CORPORATION FRANCHISE TAX OPTIONS – *The tax was phased out from 2005 through 2009.*

- ✓ Adopt a Combined/Unitary Income Tax Base
- ✓ Broaden the Tax Base, Eliminating a Substantial Portion of Special Interest Deductions and Tax Credits
- ✓ Adopt a Throwback Rule for Sales Factor Apportionment Purposes
- ✓ Increase the Net Worth Cap
- ✓ Adopt UDITPA Treatment of Business and Nonbusiness Income
- ✓ Retain Net Operating Loss Deductions
- ✓ Lower the Top Corporation Franchise Net Income Tax Rate and Eliminate the Brackets

PERSONAL INCOME TAX OPTIONS

- ✓ Reduce the Number of Low-Income Taxpayers
- ✓ Remove Trust Tax Sunset
- ✓ Lower Personal Income Tax Rates

MUNICIPAL INCOME TAX OPTIONS

- M Create a Uniform Tax Base for Net Profits Tax Purposes [*still needs work*]
- ✓ Create a Uniform Withholding Base
- ✓ Provide Appeals to the Board of Tax Appeals and the Ohio Supreme Court
- ✓ Create Uniform Net Operating Loss ("NOL") Carryover Treatment
- M Provide Uniform Treatment of Pass-Through Entities [*still needs work*]
- ✓ Provide a Centralized, Web-Based Filing and Payment Option on *Ohio Business Gateway*
- ✓ Provide a Centralized Web-Based Tax Return Extension Site for Business
- ✓ Revise the Due Date of Municipal Income Tax Returns and Extensions
- ✓ Eliminate Three-Year Requirement for Reporting for Withholding Tax Purposes

SALES & USE TAX OPTIONS

- ✓ Broaden the Sales and Use Tax Base in Order to Capture the Broader Economy
- ✓ Ohio Should Participate in the Streamlined Sales Tax Project
- × Broaden the Sales and Use Tax Base by Eliminating Special Carveouts to the Tax
- × Do Not Increase the County Permissive Tax Rate Authority
- × Lower Tax Rates

TANGIBLE PERSONAL PROPERTY TAX OPTIONS

- ✓ Eliminate the Tangible Personal Property Tax and Replace It with a Broad-Based, Low Rate Tax [*i.e., the CAT*]
- ✓ Accelerate Elimination of the Inventory Tax Base
- ✓ Eliminate Filing Requirements Associated with the $10,000 Exemption
- ✓ Phase Out Reimbursement of the cost of the $10,000 Exemption
- ✓ Expand Abatement of Penalty Circumstances

REAL PROPERTY TAX OPTIONS

- × Establish a Special Committee to Examine the Real Property Tax – This is YOU!
- ✓ Expand Abatement of Penalty Circumstances

GENERAL PUBLIC UTILTIY TAX OPTIONS

- × Explore Eliminating the Differences in the Taxation of Public Utilities as Compared to Other Businesses as the Barriers to Competition Break Down

TELECOMMUNICATIONS TAXATION OPTIONS

- ✓ Tax Local Telephone Companies in the Manner of Other Telecommunications Companies

GENERAL FINANCIAL SERVICES INDUSTRY OPTIONS

- ✓ Perform Industry-by-Industry Examination for Change

DEALERS IN INTANGIBLES TAX OPTIONS

- ✓ Eliminate the Dealers in Intangibles Tax

OPTIONS RELATED TO TAX ADMINSTRATION AND OHIO'S BUDGET

- ✓ Rebuild Ohio's Rainy Day Fund [*Still needs work*]
- M Increase Funding of the Department of Taxation to Ensure Fair Compliance by All Taxpayers [*Done initially, but dramatically reversed in the 20teens.*]
- ✓ Enhance Enterprise Zone Agreement Enforcement Provisions and Tools
- ✓ Limit Enterprise Zone Benefits to New Investments Involving Interstate Competition

Attachment C

Excerpt from Report of the Committee to Study State and Local Taxes
March 1, 2003

REAL PROPERTY TAX OBSTACLES

Simplicity: Ohio's real property tax system is so complicated that it is not understood by taxpayers. This leads to frustration with the tax. Tax relief initiatives, particularly the tax reduction factor law (H.B. 920), have broken down the relationship between the tax rates approved by the voters and the taxes actually due. The tax reduction factor law, with its many complications and ramifications, is difficult even for experts to fully comprehend. Other examples of areas of confusion are the use of "mills" rather than percentages for tax rates, the difference between fair market value and assessed value, the existence and purposes of the 2.5% and 10% rollbacks, the current agriculture use valuation law, and the difference between replacement levies, continuing levies, and renewal levies.

Equity: While the tax reduction factor law has its shortcomings, it does limit tax increases arising out of appreciation of property values. This has been a key public policy of the state for many years. The 20-mill floor, below which the tax reduction factor law cannot cause school tax levies to fall, can cause taxes to increase with appreciation. In effect, the tax reduction factor law does not provide the same protections from tax increases for taxpayers in areas where the 20-mill floor has been reached that it does in other areas. This may be perceived as a horizontal equity issue if the primary policy objective is limiting tax increases arising from increased property values.

As a tax relief measure, the state pays 10% of every real property tax bill. For homesteads (owner-occupied housing), the state pays an additional 2.5% of the bill. This tax relief applies without regard to the financial circumstances of the property owner, and may be viewed as a violation of vertical equity. That is, the state assumes responsibility for 12.5% of every homesteader's property tax bill, whether that homesteader is a retiree on a fixed and limited income or whether the homesteader clearly has the financial means to pay the tax.

Stability: Ordinarily a stable tax source will provide for some expansion over time. The tax reduction factor law affects this potential expansion, by limiting the amount of revenue expansion arising from property value appreciation. Even so, the real property tax is a very stable and vital revenue source, with about two-thirds of the tax going to local school districts and the balance going to county and other local jurisdictions. Some exceptions to this general conclusion warrant mention. In areas where few additions are being made to the tax base, the tax reduction factor law may be thought to severely restrict revenue growth.

At the same time, the Committee has observed a recent trend of school districts to reduce their millage down to the 20-mill floor. As noted above, the result of this phenomenon is to short-circuit the impact of the H.B. 920 reduction factor limits on real property tax growth so that it has no impact in those districts. It is estimated that 314 school districts are currently at the 20-mill floor and that 113 more will be at the 20-mill floor within the next six years, barring passage of a new levy.[14] When the tax reduction factor law does not apply, the increases in taxes on real property can be quite dramatic, and can outstrip the amount of growth considered reasonable in order to maintain stability.

Closely tied to stability is the impact of the revaluation process every six years, with the intervening three-year update. As a result of this process, taxpayers can experience large and unexpected jumps in their tax liabilities upon revaluation.

Neutrality: Significant variations in local tax rates do exist and may affect decisions regarding where to live, although decisions may be equally driven by the level of service provided, as by the amount of tax charged. That is, taxpayers may choose to pay additional tax in order to have more services.

Competitiveness: Ohio's real property tax does not pose any significant competitiveness issues. While many Ohioans feel that the real property tax rates are very high and burdensome, Ohio's average effective tax rates are generally lower than the effective rates of its competitor states. For example, Ohio was ranked 21st when comparing effective tax rates on $100 of value in each state's largest city.[4315] Neighboring states with higher effective real property tax rates include Indiana, Michigan, and Pennsylvania. Other competitor states with higher effective real property tax rates include Florida, Georgia, Texas, and Wisconsin.

> [ZHF NOTE: The above observation on competitiveness is based on 2000 data. Using similar data in 2024, Ohio's rank in the same study when comparing effective tax rates on $100 of value in each state's largest city is 20th highest burden even though the effective rate dropped from 1.64 mills in 2000 to 1.53 mills in 2020.[16]]

REAL PROPERTY TAX OPTIONS

To overcome the obstacles described above, the Committee has identified the following options:

1. <u>Establish a Special Committee to Examine the Real Property Tax</u>. The real property tax system in Ohio is uniquely complicated. Further, it is inextricably tied to the funding of primary and secondary education, which is beyond the scope of the Committee's statutory duties. While the Committee received testimony regarding the real property tax, a more focused examination of this tax is deserved. A bi-partisan committee can focus solely on this tax and also consider the implications any change will have on school funding.

2. <u>Expand Abatement of Penalty Circumstances</u>. The powers of county auditors and the Tax Commissioner to abate penalties for underpayment of the real property tax should be expanded to be equivalent with other taxes. For example, with most state-administered taxes, the Tax Commissioner may abate penalties for "good cause."

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[14] Based on 2001 data available from the Ohio Department of Taxation.

[15] Source: District of Columbia Report, *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, 2000.

[16] Source: District of Columbia Report, *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, 2020.

Attachment D

Excerpt from Report of the Committee to Study State and Local Taxes
March 1, 2003

General Public Utility Taxation Obstacles

Public utilities were at one time easily identifiable as businesses that provided specialized services or products under specially regulated conditions. The importance of the product, its predictable delivery, and unusual market conditions contributed to the public interest in regulation and oversight. This regulation often involved the creation of state-authorized monopolies and the imposition of special or heavier taxes than apply to other businesses. In some ways these issues may have been related: in return for a monopoly franchise, the state may have imposed heavier taxes. Also, the existence of rate regulation may have made it easier to levy higher taxes on these businesses since they were theoretically guaranteed full recovery of taxes through the rate-making process. For whatever reason, a system developed that did impose heavier and different tax burdens on the public utility industry than on general businesses.

The discussion below reviews obstacles as they apply to public utilities in general. Immediately following the general discussion, the obstacles are reviewed in more detail with respect to the telecommunications industry.

Simplicity: Public utility taxes apply to a class of taxpayers—those defined as "public utilities." Public utility status affects tax liability of both the utility and its customers. In the era of deregulation and re-regulation, the term "public utility" has lost its bright-line meaning. Determining whether an entity meets the definition of a particular public utility can be difficult. It is also possible for a particular business to meet the definition of a public utility one year, but not the next. On the customer side, the taxes paid by the consumer will differ based on whether the provider of the service or product is a public utility or not.

Equity: To tax the same product or services differently depending on whether or not it is provided by a public utility is not only confusing, it is inequitable. To tax two companies differently when they provide products or services in competition with each other is also inequitable.

Stability: The public utility taxes, once a hallmark of stability, have become less reliable as public utilities have moved out of the monopoly environment and into a more competitive situation. Competitive pressures have affected both the rate-making processes and prompted legal challenges to the statutes that impose differing tax regimes than apply to general businesses. Legal challenges have already led to some refunds, and they create uncertainty for the future.

Neutrality: The disparities between general business taxation and public utility taxation have led to the creation of non-utility related entities to assume some portion of the traditional public utility role, but at a lower tax cost. An historical example best illustrates this. Formerly, electric companies were subject to higher listing percentage on inventory (like coal to be used in generating electricity) than general businesses. By transferring ownership of the inventory to a non-utility, the electric company could significantly reduce its tax.

Competitiveness: The uncertainty associated with Ohio's current tax treatment of public utilities and their competitors makes investment in these ventures risky. In some cases, businesses may defer investment until the tax questions are resolved. The central roles of these industries, once regulated in part due to their critical importance, argues for the elimination of these artificial and troubling differences in tax treatment.

Attachment E

Property Tax Relief for Homeowners
Policy Brief
Lincoln Institute of Land Policy
March 2022

PROPERTY TAX RELIEF FOR HOMEOWNERS

By Adam H. Langley and Joan Youngman

The property tax is uniquely suited for supporting the independent local governments that play a critical role in the United States federal system. Localities fund a variety of key public services that enhance quality of life for their residents, including K–12 education, public safety, parks, infrastructure, and much more. Local governments—which include cities, counties, school districts, and all other jurisdictions below the state level—are the closest to the people and most trusted by them. An important reason for this is the proximity and flexibility that allow local governments to understand and respond to the needs of residents. But independent decision making requires that local governments have the ability to raise sufficient revenues to fund their operations.

The property tax has important strengths as a local revenue source. Its immobile tax base allows localities to assemble a package of taxes and services reflecting the preferences of their citizens. It provides stable revenue over the business cycle, promotes transparency regarding fiscal decisions, and tends to impose less drag on the economy than other taxes. The property tax is also progressive compared to most alternatives; that is, it tends to take a relatively smaller share of income as incomes fall—especially when targeted tax relief options such as circuit breakers and homestead exemptions are in place.

Targeted property tax relief policies can lead to a tax system that is fair and affordable while still providing the revenue needed to support quality public services.

These strengths lead to heavy local reliance on property taxes. The property tax accounts for nearly half of all revenue raised by local governments in the United States. Local governments raise over five times more revenue from property taxes than from sales taxes, and over 10 times more than from income taxes.

Like any tax, however, the property tax faces challenges. Fiscal disparities across communities are a problem for any local tax and mean that poorer jurisdictions may struggle to provide adequate services at reasonable tax rates. Since it does not consider current income, the property tax can be unaffordable for those who are house-rich but cash-poor. In addition, property taxes can potentially increase sharply from one year to the next, they may be based on inaccurate or outdated estimates of value, and they often must be paid in large lump sums.

The good news is that there are policy options that can effectively address all of these challenges. When used together, they can lead to a tax system that is fair and affordable while still providing the revenue needed to support quality public services. But it is important to design relief programs carefully to address specific issues, because untargeted policies can cause excessive revenue losses and serious unintended consequences.

The Keys to an Equitable and Efficient Property Tax System

LINCOLN INSTITUTE OF LAND POLICY

Designing Targeted and Effective Tax Relief Policies

Research shows that most property tax revolts are a response to dramatic increases in property taxes, particularly when these result from rising home values. These political reactions have often led to some form of state-level property tax limitations, including rate limits, assessment limits, and levy limits. These limits can constrain growth in property taxes, but they may also shift the revenue mix to less reliable sources, reduce the quality of local services, and impede local governments' ability to respond to local preferences and changing circumstances.

To avoid politically unacceptable tax increases without resorting to inflexible tax limitations, it is critical that local officials reduce tax rates during periods of rapid growth in property values. Responsive rate setting, quality assessment practices, and regular revaluations are the foundation of a fair property tax system.

Targeted tax relief policies can build upon that foundation. Circuit breakers, deferrals, and homestead credits each address specific property tax challenges without undermining the strengths of this essential revenue source. Relief programs can make the property tax more progressive, offset rapid tax increases, assist homeowners who face liquidity issues, and help those who are least able to pay.

Homestead Exemptions and Credits

Homestead exemptions and credits are the most common type of property tax relief. These exemptions and credits are usually available for all owner-occupied primary residences, although some states restrict eligibility to seniors or provide seniors with additional benefits. Most jurisdictions exempt a fixed *dollar* amount from taxation, making the property tax distribution more progressive. For example, a $20,000 exemption reduces property taxes by 20 percent on a $100,000 home, 10 percent on a $200,000 home, and 5 percent on a $400,000 home. Some jurisdictions exempt a fixed *percentage* of value from taxation, leaving the property tax distribution unaffected and providing the largest dollar savings to owners of high-value homes. Homestead credits are similar to exemptions, but they reduce tax bills directly rather than reducing taxable values.

Income-Based Homestead Credits

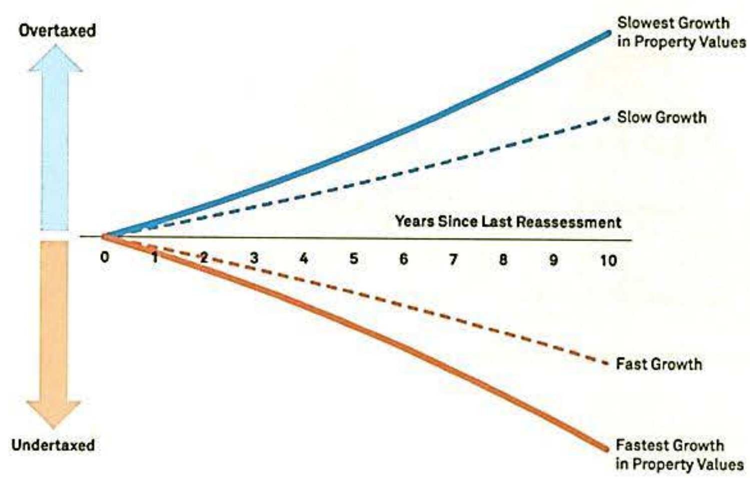
Income-based homestead credits tie the amount of property tax relief to applicants' incomes, with credits decreasing as income increases. These means-tested programs provide more targeted and cost-effective relief than homestead exemptions or credits that do not take income into account. However, means testing can also reduce participation rates and increase administrative burdens.

Quality Assessment Practices Are Essential for Tax Fairness

Accurate assessments are essential for equity under a market-value property tax system. Without them, the distribution of property taxes becomes unfair and arbitrary. Assessment accuracy depends on regular revaluations, and it is enhanced by modern valuation techniques, state oversight of local assessing offices, and effective appeals systems.

The most common cause of inaccurate assessments is that too much time has passed since the last revaluation. The longer a jurisdiction goes without reassessing property values, the greater the tax inequities. Properties with the slowest growth in values (or largest declines) become increasingly overtaxed. Properties with the fastest growth become increasingly undertaxed.

Tax Inequities Grow Without Reassessment



Recommendations

Property tax relief must be designed thoughtfully to address specific issues and avoid unintended consequences. The following recommendations promote an equitable and efficient tax system.

IMPLEMENT QUALITY ASSESSMENT PRACTICES WITH REGULAR REVALUATIONS. Accurate assessed values are the foundation of a fair property tax system, and regular revaluations are crucial to maintaining accurate assessments. Without them, taxpayers in areas of slow or declining growth will be overtaxed, subsidizing taxpayers in neighborhoods with the greatest property appreciation. Between full revaluations, assessments can be kept current by statistical adjustments and mass appraisal techniques.[1] Regular revaluations should be paired with tax rate reductions during periods of rising values.

UTILIZE WELL-DESIGNED STATE AID FORMULAS. A frequent criticism of the property tax is that poorer communities with low property values cannot supply adequate public services at affordable tax rates. However, this is not a problem with the property tax, but with local taxation generally. Areas that cannot support quality services with their local tax base require transfers from a higher level of government. State aid is the only way to address fiscal disparities across communities and ensure that all localities have the resources to provide quality services, especially public education. State aid formulas should account for socioeconomic factors that affect expenditure needs and differences in the local costs of providing public services.[2]

PROVIDE TARGETED AND COST-EFFECTIVE PROPERTY TAX RELIEF WITH CIRCUIT BREAKERS AND DEFERRALS. Circuit breakers target relief to households paying the highest share of their income in property taxes. These may include senior citizens on fixed incomes, low-income homeowners in gentrifying neighborhoods, and workers who have lost their jobs. These programs offset taxes above a threshold percentage of income and can provide effective relief to the most heavily burdened households.[3]

Tax deferrals allow homeowners to delay payment of their tax until their home is sold or inherited, at which point the deferred taxes are due, together with any interest. Deferrals provide substantial assistance to homeowners who are cash-poor but house-rich, allowing them to defer 100 percent of their tax liability and draw on their home equity to pay current property tax bills. They are particularly appropriate for senior citizens who wish to age in place.[4]

ALLOW HOMEOWNERS TO PAY PROPERTY TAXES ON A MONTHLY BASIS. Instead of requiring lump-sum payments that can create financial challenges for households and increase tax delinquency, local governments should consider alternative payment plans. This is typically done through prepayment programs that allow monthly payments to accumulate in an escrow account, which is used to pay the annual or biannual tax bill.[5]

AVOID TAX LIMITATIONS, ESPECIALLY ASSESSMENT LIMITS. Tax limits are one of the most common responses to political pressure for property tax relief, but they are generally a poor choice.[6] They are untargeted and impose a one-size-fits-all constraint on very different local governments. Limits on growth in assessed values are particularly harmful. They create unpredictable winners and losers, shift the tax burden from owners of rapidly appreciating property to those whose home values are growing slowly or even depreciating, and generate large inequities where owners of homes of similar value face very different tax bills.[7] Rather than imposing inflexible tax limits, state and local governments should provide targeted tax relief that preserves the revenue needed to maintain quality public services.

This Policy Brief is based on *Property Tax Relief for Homeowners*, a Policy Focus Report by Adam H. Langley and Joan Youngman (Cambridge, MA: Lincoln Institute of Land Policy, 2021).

1 International Association of Assessing Officers. 2017. *Standard on Mass Appraisal of Real Property.* Kansas City, MO: International Association of Assessing Officers.

2 Matthew Chingos and Kristin Blagg. 2017. "Making Sense of State School Funding Policy." Washington, DC: Urban Institute.

3 John H. Bowman, Daphne A. Kenyon, Adam Langley, and Bethany P. Paquin. 2009. *Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers.* Policy Focus Report. Cambridge, MA: Lincoln Institute of Land Policy.

4 Alicia Munnell, Anek Belbase, Wenliang Hou, and Abigail N. Walters. 2017. "Property Tax Deferral: A Proposal to Help Massachusetts Seniors." Chestnut Hill, MA: Boston College Center for Retirement Research.

5 Adam H. Langley. 2018. "Improving the Property Tax by Expanding Options for Monthly Payments." Working paper WP18AL1. Cambridge, MA: Lincoln Institute of Land Policy.

6 Joan Youngman. 2016. "Tax Restrictions and Assessment Limits." In *A Good Tax: Legal and Policy Issues for the Property Tax in the United States.* Cambridge, MA: Lincoln Institute of Land Policy.

7 Mark Haveman and Terri A. Sexton. 2008. *Property Tax Assessment Limits: Lessons from Thirty Years of Experience.* Policy Focus Report. Cambridge, MA: Lincoln Institute of Land Policy.

In Colorado, the property tax deferral option for senior homeowners has many elements of a well-designed program, imposing no income ceiling and using a low interest rate on deferred taxes equal to the latest 10-year Treasury note. Taxpayers must submit an annual application to qualify, and the state government makes payments to each county on behalf of those who have deferred their taxes.

Shoveling snow in Crested Butte, Colorado.
Source: John Terence Turner/Alamy Stock Photo.

Income-based homestead credits define several income brackets, and taxpayers within each bracket receive the same property tax reduction. For example, a state might provide a 75 percent property tax credit for households with incomes up to $10,000, a 50 percent credit for incomes of $10,001 to $20,000, and a 25 percent credit for incomes of $20,001 to $30,000. Some states provide a fixed-dollar credit for taxpayers in each income bracket, again with credits decreasing as incomes rise.

Circuit Breakers

Property tax circuit breakers are meant to prevent homeowners from being overburdened by property taxes, just as an electrical circuit breaker prevents electric current overloads. They offer relief when property taxes exceed a threshold percentage of income. Circuit breakers target property tax relief to homeowners paying the highest share of their income in property taxes, such as seniors on fixed incomes, low-income homeowners in gentrifying neighborhoods, and individuals facing a sudden reduction in earnings. These programs are more cost-effective than those that provide a small amount of tax relief to all homeowners, because they can allow significant assistance to the most heavily burdened households at a lower cost overall.

Most states impose income ceilings to restrict eligibility and benefit limits to constrain the amount of relief provided to any taxpayer. It is important to avoid income ceilings and benefit limits that are too low, to ensure that homeowners receive adequate relief.

Deferrals

Property tax deferral programs allow homeowners to delay payment of their property taxes until ownership of the home is transferred. At that point, the full amount of deferred tax becomes due, typically with interest. Deferrals directly address concerns faced by homeowners with substantial home equity but limited cash flow, allowing them to draw on their home equity to pay current property tax bills. Unlike other forms of tax relief, deferrals impose no long-term cost on other taxpayers. Yet they can also provide very substantial assistance—usually allowing homeowners to defer 100 percent of their tax liability.

Summary of Property Tax Relief Programs

Good	Homestead Exemptions and Credits
Better	Income-Based Homestead Credits
Best	Circuit Breakers Deferrals

Eligibility for deferrals is usually restricted to low-income seniors. Deferrals are an excellent solution for these households, as most seniors own their homes and have considerable home equity. In addition, most seniors prefer to age in place, and deferrals ensure that no eligible homeowner will be forced to move due to property taxes.

Appendix Q

Recommendations From the General Assembly's Joint Committee on Property Tax Review and Reform

Recommendation 1: The Ohio General Assembly should consider expanding the traditional Homestead Exemption and an enhanced exemption for disabled veterans including a means-tested increase in the benefit.

Recommendation 2: The Ohio General Assembly should review the Senate Select Committee on Housing report and consider pursuing the recommendations in which there are direct connections between housing and property taxes.

Recommendation 3: The Ohio General Assembly should consider temporarily rev1smg the Sexennial Reappraisal and Triennial Update schedule so that there are an equal number of counties or parcels being reassessed each year.

Recommendation 4: The Ohio General Assembly should consider allowing counties to temporarily, for 3 years, implement a 3-year averaging for property valuations. Additionally, a mechanism should be explored to allow the usage of either the current formula or the 3-year averaging, whichever produces a better result for taxpayers.

Recommendation 5: The Ohio General Assembly should consider lowering the acceptable percentage of market value from 90% to 85% used when calculating market value changes during a mass appraisal sales ratio assessment.

Recommendation 6: The Ohio General Assembly should consider increasing the number of public meetings required to be held by a taxing authority prior to levying a tax to promote transparency to taxpayers.

Recommendation 7: The Ohio General Assembly should consider authorizing a property tax circuit breaker as proposed in Senate Bill 271 and other bills pending before the Ohio General Assembly.

Recommendation 8: The Ohio General Assembly should consider adopting a property tax deferral program for homeowners.

Recommendation 9: The Ohio General Assembly should review the how and when LLCs transfer and record property with the county auditor.

Recommendation 10: The Ohio General Assembly should consider expanding the limitations at the board of revision on property value and tax complaints initiated by parties other than the property owner and consider limiting the options for appeal by these non-owners.
Recommendation 11: The Ohio General Assembly should review the effectiveness of property tax exemption programs and evaluate the efficacy of their use and potential misuse.

Recommendation 12: The Ohio General Assembly should consider clarifying or expanding, if needed, the powers of each County Budget Commission to oversee the application and collection of voted and unvoted millage for all jurisdictions inside the county.

Recommendation 13: The Ohio General Assembly should find ways to simplify the process of levying and collecting property taxes and investigate ways to make it easier for all Ohioans to understand. Including, but not limited to,

- Simplifying the types of levies
- Simplifying ballot language being stated in mills vs. dollars
- Simplifying the timing of property re-evaluations
- Publishing the collection and distribution amounts of all voted and unvoted millage
- Ensuring taxing billing notices contain a breakdown of all taxes charged
- Ensuring basic educational information such as the types of levies, how taxable property
- value is calculated, and availability of tax exemption and credit programs is publicly
- accessible.

Recommendation 14: The Ohio General Assembly should consider removing the authority of the Department of Taxation to order adjustments to county auditors' proposed property values.

Recommendation 15: The Ohio General Assembly should consider requiring that emergency and substitute tax levies be included in the calculation of a school district's 20-mill floor and consider requiring a public hearing before changing unvoted property tax millage in order to increase revenue as proposed in Senate Bill 308.

Recommendation 16: The Ohio General Assembly should consider reducing the maximum term and renewal options for emergency, substitute, and continuous tax levies.

Recommendation 17: The Ohio General Assembly should consider eliminating replacement tax levies.

Recommendation 18: The Ohio General Assembly should consider clarifying the terminology and narrowing the uses of emergency and substitute tax levies to prevent the use of funds for nonemergency purposes.

Recommendation 19: The Ohio General Assembly should consider reviewing current tax increment financing (TIF) law. Including, but not limited to,

- Public input prior to the creation of a TIF
- Enhanced revenue sharing and cooperation between local governments within a TIF
- Limitations on TIFs used for residential development
- The eligible uses of TIF dollars and the definition of public infrastructure as it relates to
- TIFs
- Ensuring taxing authorities have reasonable safeguards and clawback mechanisms from
- TIF non-payment and failed TIFs.

Recommendation 20: The Ohio General Assembly should consider reviewing the distribution formula for guaranteed inside millage to promote fairness based on taxing authorities' current day services and funding needs.

Recommendation 21: The Ohio General Assembly should consider reforms to the Ohio Constitution that promote transparency and predictability for the taxpayer and provide more flexibility to the Ohio General Assembly.