Levy Planning & Local Funding Solutions for Challenging Times

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Be...

oasbo Annual Conference & Expo

Recent Property Tax Reform Legislation

Property Tax Reform Legislation

Five bills signed by the Governor on December 19, 2025 (all effective March 20, 2026)

- House Bill 124 – Increases County Auditor control of property valuations
- House Bill 129 – Includes fixed-sum levies in the 20-mill floor; limited renewals of emergency & substitute levies
- House Bill 186 – Inflationary increase limitation to **outside (voted)** millage for districts on the 20-mill or 2-mill floors; modification of credits (rollbacks)
- House Bill 309 – Expands authority of County Budget Commissions
- House Bill 335 – Inflationary increase limitation to **inside (unvoted)** millage collections

HB 96 Vetoes

- 2025 Budget Bill – Amended Substitute H.B. 96
- Governor's Vetoes
  - #65 – counting fixed-sum levies in the 20-mill floor calculation
    - Functionally overridden by HB 129
  - #66 – elimination of replacement levies and most school district fixed-sum levies
    - Overridden by the General Assembly as of Oct. 1, 2025
    - However, subsequently modified by HB 129
  - #55 – partial veto of expanded County Budget Commission authority to reduce levies
    - Functionally overridden by HB 309

House Bill 124 – County Auditor Control of Property Valuations

- Gives County Auditors more control over property valuations during reappraisals and updates
  - Dept. of Taxation used to select property sales data from each county that would be included in its sales ratio studies. Now, Taxation must use a sample provided by each county auditor beginning with TY 2026/CY 2027.
- Taxation may challenge the property sales included or excluded in the samples

House Bill 129 – Calculation of the Floor

- Revenue from emergency and substitute levies will be included in the calculation of the 20-mill floor going forward
  - First year this change could be implemented is tax year 2026 (collection year 2027)
  - Does not apply until a county in which a school district has territory has a reappraisal or update (does not have to be the dominant county to trigger the new floor calculation!)
- Functional override of veto #65 of HB 96

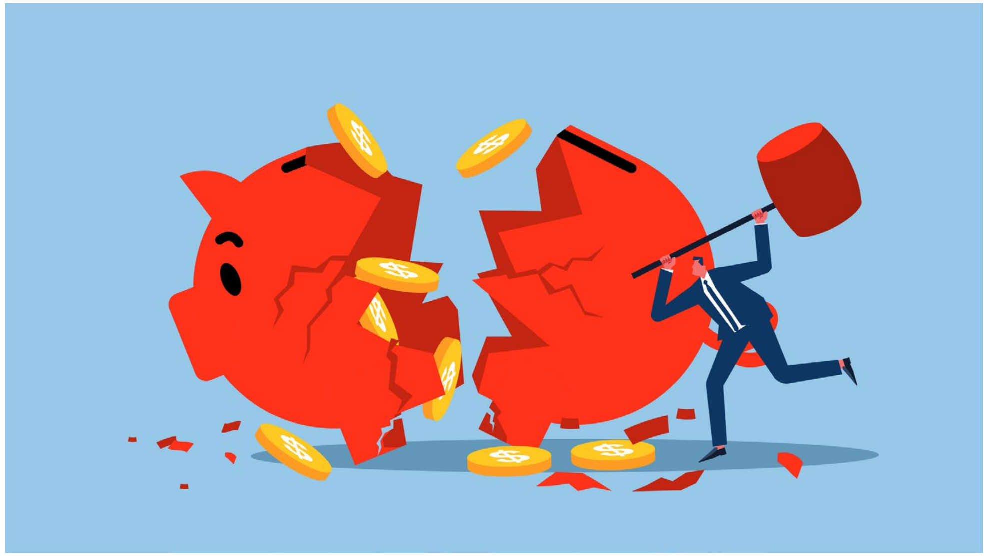
House Bill 129 – Calculation of the Floor

- Other rare fixed-sum levies will count towards the 20-mill floor starting with tax year 2026 (collection year 2027)
  1. Growth levies (increasing by dollar amounts or percentages) under ORC § 5705.213
  2. Fixed-sum levies paired with an income tax under ORC § 5748.09
  3. Conversion levies under ORC § 5705.219 – allowed districts above the 20-mill floor to repeal and re-levy their taxes in excess of the floor as a single, fixed-sum levy (very rare – only permitted in 2010-2014, although existing levies can be renewed)

** Based on LSC & ODT data/research, it appears that there may not be any (a) combined income tax & property tax levies or (b) conversion levies currently in effect. (see LSC Final Fiscal Note & Local Impact Statement on HB 129)*

House Bill 129 – Financial Impact

- LSC's Final Fiscal Note & Local Impact Statement for HB 129 estimates:
  - Slower annual property tax revenue growth for an estimated **211** school district's during the first three tax years beginning with tax year 2026 (collection year 2027)
  - School district revenue losses statewide estimated to be:
    - **$162** million for TY 2026
    - **$223** million for TY 2027
    - **$224** million for TY 2028



House Bill 129 – Fixed-Sum Levy Renewals

- Emergency levies can now be renewed as **fixed-sum levies**, ***<u>however</u>***:
  - Purpose is now only "**current operating expenses**" – no more "emergency requirements" or "to avoid an operating deficit" purposes
  - Can only be renewed for up to **five years** (10 years used to be the maximum)
  - Cannot be increased, but can be decreased
  - Cannot combine multiple emergency levies in one renewal
  - Still can renew at any election in the final two years of collection of the levy

House Bill 129 – Fixed-Sum Levy Renewals *(cont.)*

- Term-limited substitute levies can also be renewed as fixed-sum levies, *however*:
  - Subject to most of the same limitations of renewing an emergency levy
    - Max five-year term; purpose is only "current operating expenses;" no combination option; no ability to increase fixed-sum amount but can decrease, *BUT*:
    - **First renewal** limited to just the elections in the last year of collection & the general election in the prior year

House Bill 129 – Fixed-Sum Levy Renewals (cont.)

- A term-limited substitute levy cannot be renewed for more than it collected in the final year of its existing term
  - **The revenue growth benefits of term-limited substitute levies terminate once renewed**

- Continuing substitute levies currently continue unaffected other than counting against the 20-mill floor (LSC estimates 53 school districts have a continuing substitute or incremental growth levy)

House Bill 129 – Fixed-Sum Levy Renewals (cont.)

- The fixed-sum levy renewal options soften one of the worst parts of HB 96 (included in the General Assembly's override of veto #66)
- Renewing emergency and substitute levies preserves rollbacks if they currently qualify for them
  - Qualifying levies had to have been originally approved prior to September 29, 2013

House Bill 129 – New Fixed-Sum Levies

- Permits school districts to propose new fixed-sum levies in disaster or fiscal distress situations
  - Disaster – requires a declaration by the U.S. President or the Governor that an emergency exists
  - Fiscal distress – district is in fiscal caution, fiscal watch, or fiscal emergency
  - Term of up to five years
  - **Not able to be renewed**

House Bill 129 – 20-Mill Floor Calculation

Common School Property Tax Levies and Their Treatment under Tax Reduction Factors and the 20-Mill Floor

Levy Type	Subject to Reduction Factors	Factored in 20-Mill Floor Calculation
Inside Millage – Current Expenses	No	Yes
Inside Millage – Permanent Improvements	No	No
Inside Millage – Bond	No	No
Outside Millage – Current Expenses	Yes	Yes
Outside Millage – Permanent Improvements	Yes	No
Outside Millage – Bond	No	No
Outside Millage – Fixed-Sum Levies	No	Yes

HB 335 affects

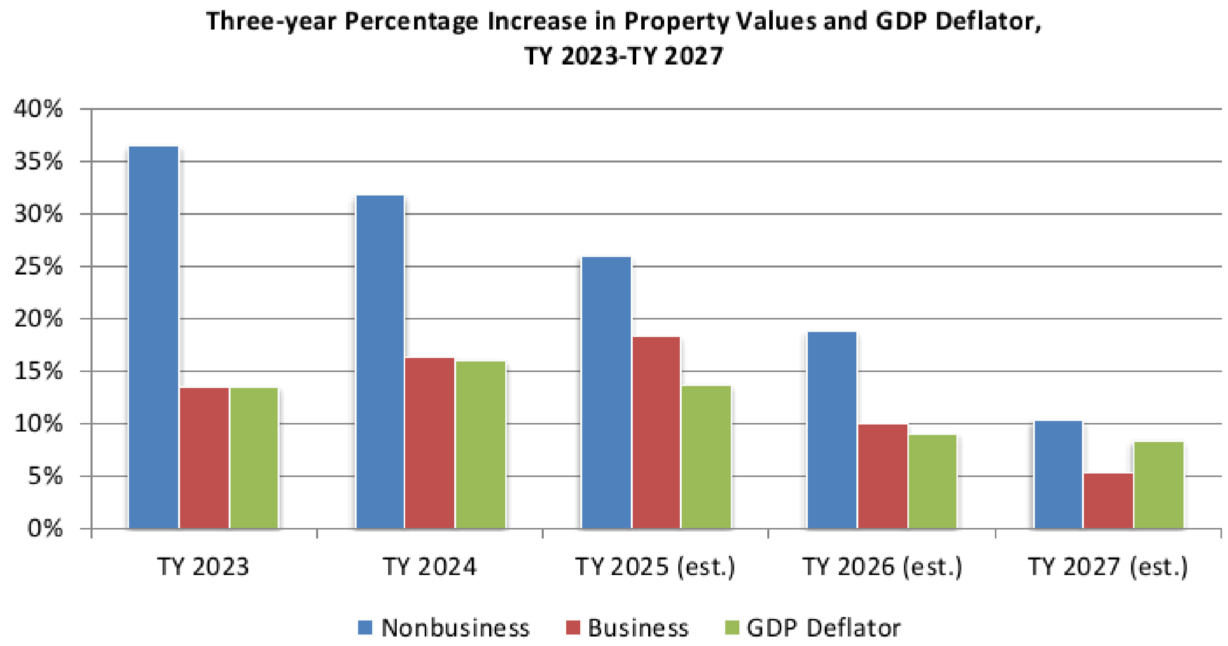
HB 129

House Bill 186 – Limitation on Floor Increases

- Caps property tax growth related to the 20-mill/2-mill floor to the rate of inflation (GDP deflator) to prevent large spikes in tax bills
- **Only impacts/limits property taxes from voted (outside) millage**
- Authorizes a property tax credit for properties located in a school district or JVSD that is on the 20-mill or 2-mill floor, respectively
- Separate credits calculated for "**nonbusiness property**" (Class 1 minus ponds & lakes) and "**business property**" (Class 2 minus vacant property)
- The credit is recalculated every 3 years when a county goes through a reappraisal or update
- No credit if growth at the floor is less than the inflation cap or if the district is no longer on the floor

House Bill 186 – Recent Inflation vs. GDP Deflator

- LSC estimates that about 97% of the estimated property tax savings from the inflation cap credit is expected to benefit nonbusiness (Class 1) property owners



- Rates of inflation are actual values for the years prior to the year listed in the table. For TY 2026 and TY 2027, all values are projected by Moody's Analytics.

Source: Ohio Legislative Service Commission, Legislative Budget Office (2026)

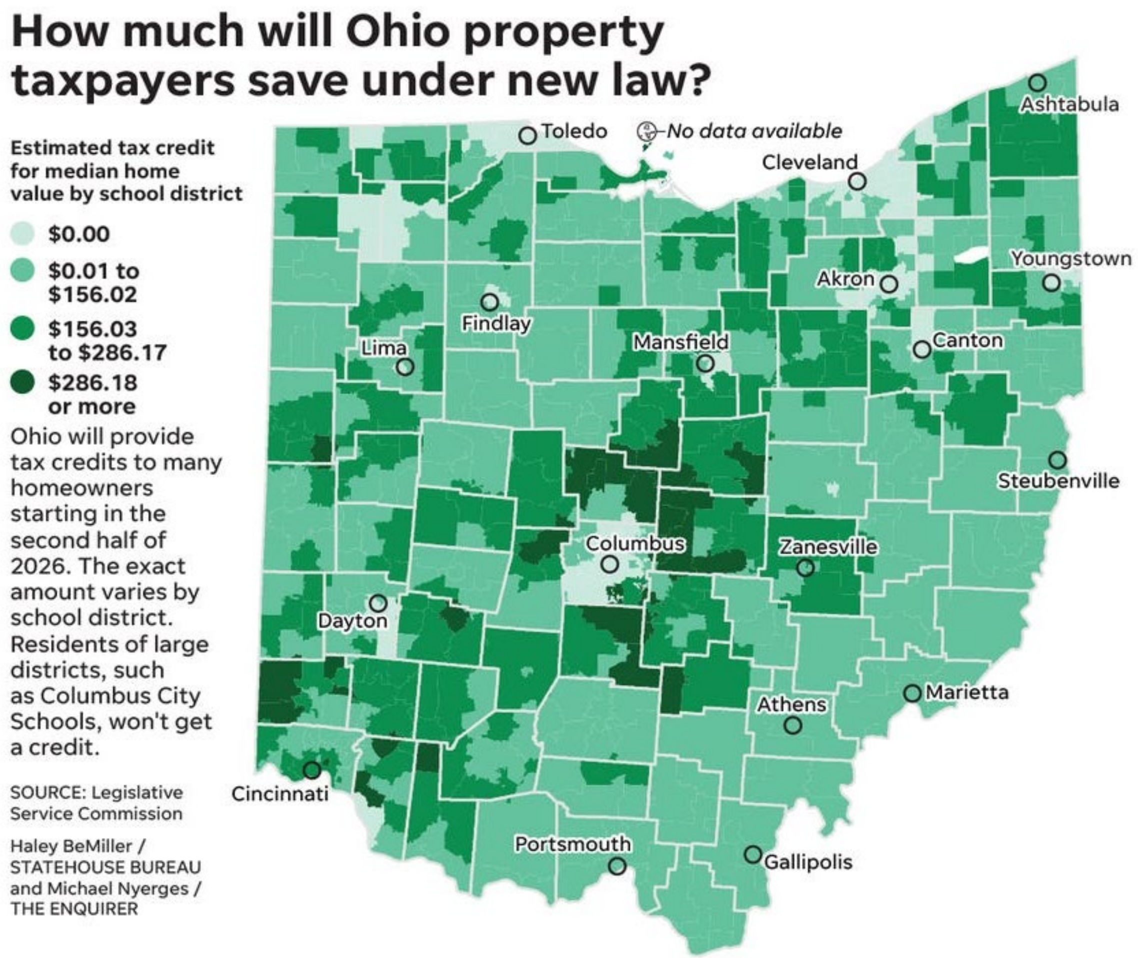
House Bill 186 – Property Tax Credits

- Applies to all eligible real property beginning with tax year 2025 (collection year 2026)

- For property that went through a reappraisal or update in tax years 2023 and 2024, the act authorizes a temporary credit that applies until the next year the county goes through a reappraisal or update
  - For TY 2025 / CY 2026, the full credit for the year will be applied to the second-half tax bills because the act was not effective when the first-half bills were sent out

House Bill 186 – Property Tax Credits

For individual homeowners, the tax credit savings are expected to be relatively modest.



House Bill 186 – Revenue Guarantee

- The act provides a revenue guarantee to districts that would otherwise receive less revenue in TY 2025 than in TY 2024 due to the temporary credit so that they are made whole
- For TY 2023 reappraisal or update counties, the revenue guarantee applies to TY 2025
- For TY 2024 reappraisal or update counties, the revenue guarantee applies to TYs 2025 and 2026
- Payments will be made by DEW in August 2026 and, if applicable, August 2027
- Act funds this by cancelling an expanded sales tax holiday in 2026 and possibly also in 2027

House Bill 186 – Financial Impact

Legislative Budget Office's Final Fiscal Note & Local Impact Statement for HB 186 estimates:

- Tax credit costs estimated to be:
  - **$432** million for TY 2025
  - **$608** million for TY 2026
  - **$633** million for TY 2027
- If property taxes collectively account for about $24 billion in revenue annually (ODT/OBM), $633 million is **2.6%** of total property tax revenue but **4.4% of total school district revenue** (assuming approx. 60% of total property tax revenue going to schools) and not spread equally among all school districts
- Revenue guarantee payments are estimated to cost the State $360 million in FY 2027 & $105 million in FY 2028

House Bill 186 – Modification of Rollbacks

- Tax Credit ("Rollbacks") Changes – Rate phase-in for levies approved before September 2013 (reimbursed by the State to political subdivisions):

Phase-In Schedule for Property Tax Credit Changes for Non-Agricultural Property			
Tax Year	Non-Business Credit Rate	Owner-Occupancy Credit Rate	Total Credit Rate
TY2025	10.00%	2.50%	12.50%
TY2026	7.50%	5.70%	13.20%
TY2027	5.00%	8.92%	13.92%
TY2028	2.50%	12.15%	14.65%
TY2029 Onwards	0%	15.38%	15.38%

- Beginning September 29, 2013, rollbacks do not apply to new levies, replacement levies, and the increase portion of a renewal levy combined with an increase

House Bill 309 – Expanded Authority of County Budget Commissions

- Allows county budget commissions to reduce voter-approved levies deemed as "unnecessary" or "excessive" **after a public hearing**
- Restricts reductions during the **first year** after voter approval for **new levies only**

House Bill 309 – Expanded Authority of County Budget Commissions

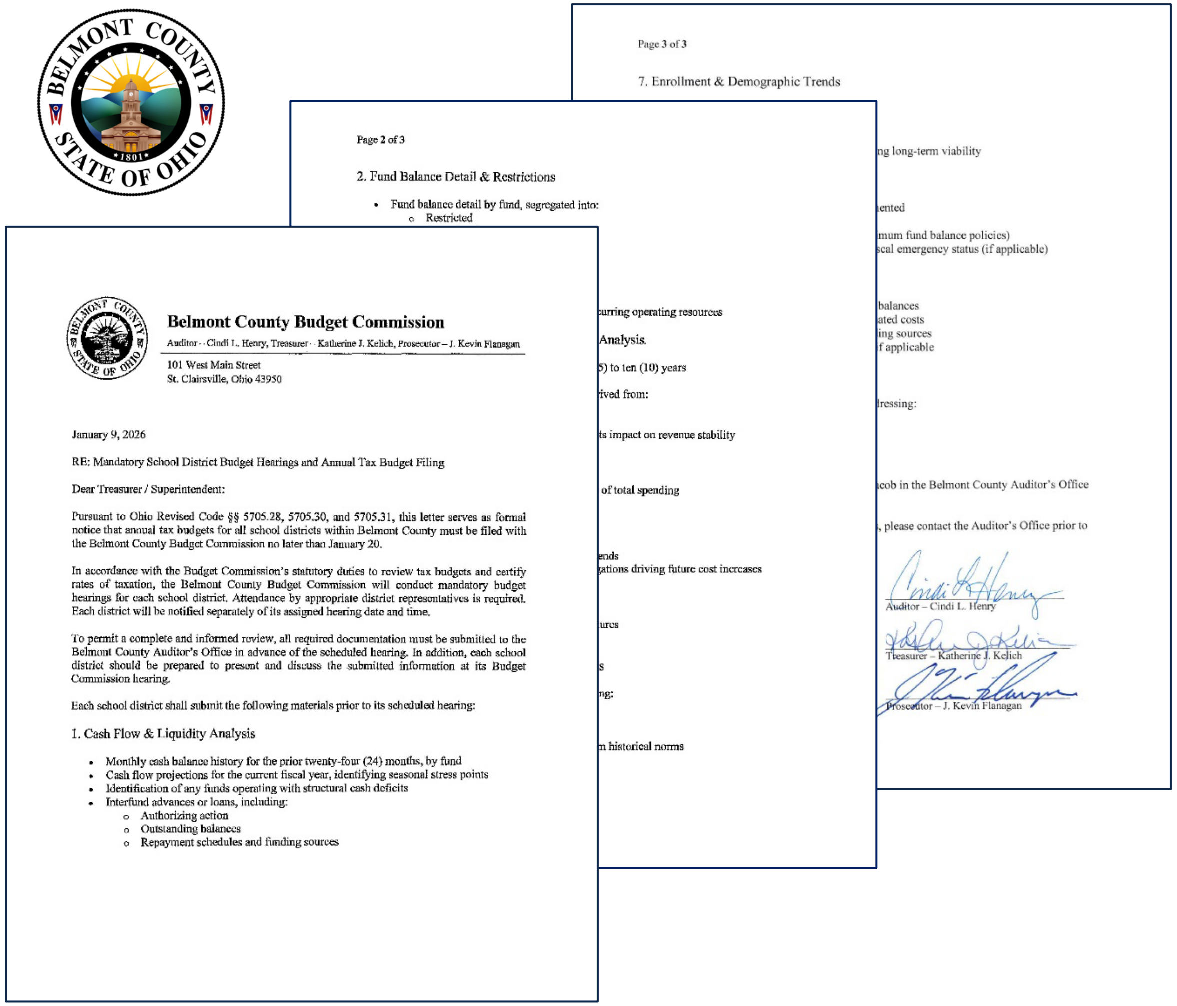
- HB 309 defines "**unnecessary collections**" as "collections from a tax beyond the reasonably anticipated financial needs of the taxing authority for the specific purposes of the tax after accounting for current fund balances, projected expenditures, and other available funding sources"
- HB 309 defines "**excessive collections**" as "collections from a tax in an amount or at a rate that exceeds what is required to provide services at a level that is consistent with statutory obligations"
- Lots of discretion for county budget commissions to evaluate and apply these standards – **may end up being applied very differently from one county to another**

House Bill 309 – CBC Limitations

- For majority-elected taxing authorities, such as boards of education, there are **two** more restrictions to this expanded CBC authority:
  - A levy cannot be reduced to an amount that would collect less than the preceding year unless there are reserve amounts, nonexpendable trust funds or **carryover amounts** to offset the reduction
  - No school district can be reduced below the 20-mill floor unless requested by the school district
    - If a school district were to so elect, the act includes a safe harbor to prevent a loss of State foundation funding

Belmont CBC Example

- Jan. 9, 2026 CBC letter required all of the school districts in the County to submit voluminous records by Jan. 20 & have a public hearing to justify their taxes (**7 business day response time**)
- **Approx. 44 types/categories of data <u>required</u>**
- <u>**Plus**</u> a written narrative addressing:
  - —Current financial condition
  - —Identified risks & uncertainties
  - —Long-term financial sustainability
- Dwarfs the scale of a rating presentation by comparison



Belmont County Budget Commission
Auditor – Cindi L. Henry, Treasurer – Katherine J. Kelich, Prosecutor – J. Kevin Flanagan
101 West Main Street
St. Clairsville, Ohio 43950

January 9, 2026

RE: Mandatory School District Budget Hearings and Annual Tax Budget Filing

Dear Treasurer / Superintendent:

Pursuant to Ohio Revised Code §§ 5705.28, 5705.30, and 5705.31, this letter serves as formal notice that annual tax budgets for all school districts within Belmont County must be filed with the Belmont County Budget Commission no later than January 20.

In accordance with the Budget Commission's statutory duties to review tax budgets and certify rates of taxation, the Belmont County Budget Commission will conduct mandatory budget hearings for each school district. Attendance by appropriate district representatives is required. Each district will be notified separately of its assigned hearing date and time.

To permit a complete and informed review, all required documentation must be submitted to the Belmont County Auditor's Office in advance of the scheduled hearing. In addition, each school district should be prepared to present and discuss the submitted information at its Budget Commission hearing.

Each school district shall submit the following materials prior to its scheduled hearing:

1. Cash Flow & Liquidity Analysis

- Monthly cash balance history for the prior twenty-four (24) months, by fund
- Cash flow projections for the current fiscal year, identifying seasonal stress points
- Identification of any funds operating with structural cash deficits
- Interfund advances or loans, including:
  - Authorizing action
  - Outstanding balances
  - Repayment schedules and funding sources

Belmont CBC Letter – Information Requested

1. Cash Flow & Liquidity Analysis
   - Monthly cash balance history for the prior twenty-four (24) months, by fund
   - Cash flow projections for the current fiscal year, identifying seasonal stress points
   - Identification of any funds operating with structural cash deficits
   - Interfund advances or loans, including:
     - Authorizing action
     - Outstanding balances
     - Repayment schedules & funding sources
2. Fund Balance Detail & Restrictions
   - Fund balance by detail by fund, segregated into:
     - Restricted
     - Committed
     - Assigned
     - Unassigned
   - Explanation of:
     - Large carryover balances
     - Unusually low or declining balances
     - Identification of one-time balances versus recurring operating resources
3. Levy Performance & Revenue Dependency Analysis
   - Historical levy collections for the prior five (5) to ten (10) years
   - Effective millage versus voted millage
   - Percentage of total General Fund revenue derived from:
     - Property taxes
     - State foundation aid
   - Analysis of valuation growth or decline and its impact on revenue stability
4. Expenditure Drivers & Cost Structure
   - Major expenditure categories as a percentage of total spending
   - Staffing levels (FTEs), categorized as: (a) Instructional, (b) Administrative, and (c) Support
   - Health insurance, pension, and benefit cost trends
   - Identification of contractual or statutory obligations driving future cost increases
5. Debt & Long-Term Obligations
   - Debt service as a percentage of total expenditures
   - Future bond or note issuance plans
6. Forecast Assumptions & Sensitivity Analysis
   - Key assumptions used in the forecast, including:
     - Enrollment trends
     - State funding assumptions
     - Property valuation growth
   - Identification of assumptions that deviate from historical norms
7. Enrollment & Demographic Trends
   - Five-year historical enrollment trends
   - Open enrollment in/out data
   - Charter school and voucher impacts
   - Demographic or population changes affecting long-term viability
8. Corrective Actions & Fiscal Controls
   - Cost containment measures already implemented
   - Prior reductions or staffing changes
   - Board-adopted financial policies (e.g., minimum fund balance policies)
   - History of fiscal caution, fiscal watch, or fiscal emergency status (if applicable)
9. Capital & Maintenance Planning
   - Permanent Improvement Fund activity & balances
   - Deferred maintenance inventory with estimated costs
   - Planned capital projects and identified funding sources
   - Use of inside millage for capital purposes, if applicable
10. Management Narrative – a written narrative from district administration addressing:
    - Current financial condition
    - Identified risks & uncertainties
    - Long-term financial sustainability

House Bill 309 – Fixed-Sum Levies

- For school districts with fixed-sum levies (such as emergency and substitute levies), the act switches the calculation of the millage rate necessary to raise the fixed sum to the Department of Taxation from the county auditor (same Sept. 1 deadline for Taxation to certify tax reduction factors)

House Bill 335 – Limitation of Inside Millage Increases

- Initially eliminated inside millage entirely
- Bill was revised to **require** County Budget Commissions to adjust inside millage during reappraisals & updates to cap revenue growth to the rate of inflation (same GDP deflator as HB 186)
    - Applies to all inside millage, including real property and PUPP
    - Effectively creates reduction factors for inside millage
    - Property not subject to taxation in the previous year is excluded (typically means new construction & expiration of abatements)
    - Adjusted rate applies until next reappraisal or update
    - CBC prohibited from reallocating reduced inside millage to any other subdivision
    - Safe harbor for voluntary millage reductions - not used as the future baseline
- First applies to TY 2026 (CY 2027) for counties that have a reappraisal or update in 2026

House Bill 335 – Example Calculation

LSC Example:

- Current inside millage levy of 5 mills
- $1 billion in total AV = $5,000,000 in total taxes
- TY 2026 reappraisal – total AV increases by 20% to $1.2 billion
- Half (10%) of the increase is attributable to new construction or expired tax abatements
- Inflation rate (GDP deflator) over prior 3 years is 8%
- Collection rate limitation = 18% (10% due to excluded increases + 8%)
- Yields $5,900,000 in tax revenue ($5 million x 118%)
- New inside millage rate is 4.92 mills ($5.9 million / $1.2 billion), which will be the new baseline rate until the triennial update
- Lost revenue = $100,000

House Bill 335 – Deflationary "Revenue Stability"

- Provides potential for "revenue stability" (LSC description) in a deflationary environment (see ORC § 5705.316(E))
- In a reappraisal or update year, **if tax revenues decrease for an inside millage levy**, county auditor required to calculate by September what the millage rate would need to be to collect the same amount of taxes as the prior year (still capped by 10-mill limitation)
- Subdivision may then adopt legislation by November 1 of that reappraisal or update year requesting that the levy be levied up to the rate certified; required to include information demonstrating need for the higher rate
- CBC may then approve, partially approve, or deny the request based on its evaluation of the subdivision's need for the rate increase
- Approved inside millage rate applies until the next reappraisal or update

House Bill 335 – Financial Impact

LSC's Final Fiscal Note & Local Impact Statement for HB 335 estimates statewide inside millage revenue losses for all local governments:

Estimated Inside Millage Revenue Loss by Taxing Unit from TY 2026-TY 2028 ($ in millions)			
Category	TY 2026	TY 2027	TY 2028
County Governments	$27.0-$30.0	$45.0-$55.0	$80.0-$91.0
School Districts	$60.5-$66.0	$95.0-$125.0	$140.5-$182.0
Joint Vocational School Districts	$0.0	$0.0	$0.0
Other Jurisdictions*	$33.0-$39.0	$55.0-$70.0	$85.0-$105.0
Statewide Total	**$120.5-$135.0**	**$195.0-$250.0**	**$305.5-$378.0**

*Other Jurisdictions includes townships, municipalities, and special taxing districts.

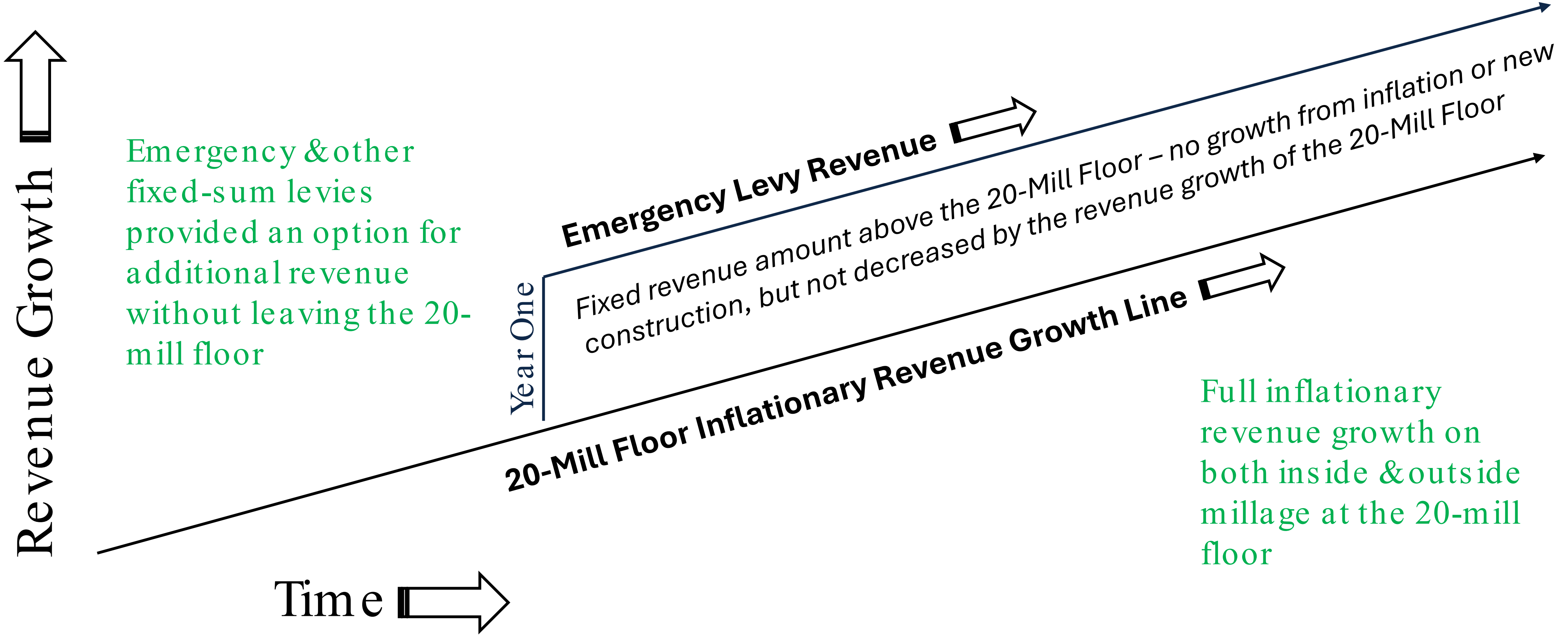
Source: LBO tabulations using Property Tax Rate (composite report DTE 515) and Real and Public Utility Personal Property Tax Abstract files for TY 2024, as published on the Ohio Department of Taxation website. Amounts in TY 2025 and thereafter were estimated using growth assumptions sourced from Moody's as well as prior-year observations about variability of growth within a given year across Ohio's nearly 4,500 unique taxing districts.

46%-48% of total estimated revenue loss borne by school districts

LSC previously estimated that the statewide average inside millage levy for school districts is ~ 4.7 mills.

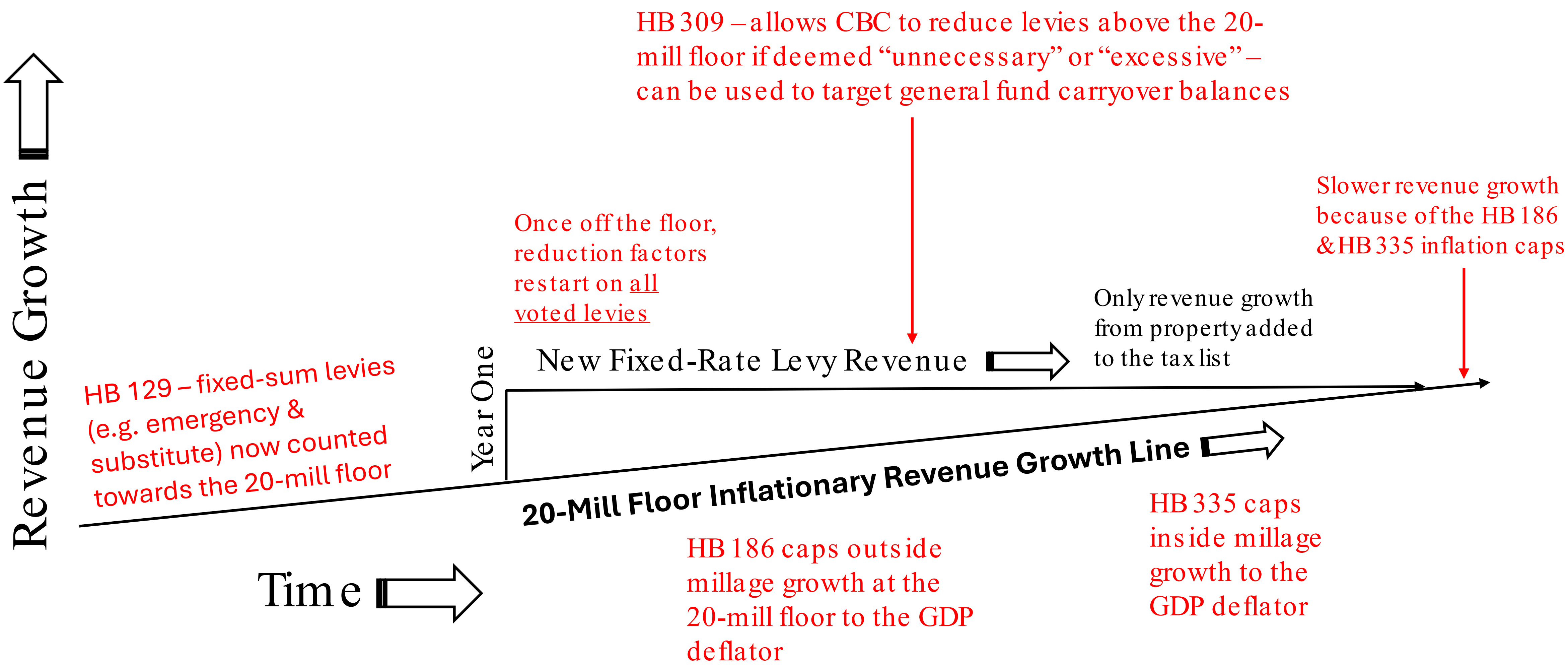
Previous Revenue Expectations

Emergency & other fixed-sum levies provided an option for additional revenue without leaving the 20-mill floor



Full inflationary revenue growth on both inside & outside millage at the 20-mill floor

Revenue Impact from Property Tax Reform



Budget Bill (HB 96) Review

“Piggyback” Homestead Exemption

- Allows qualifying homeowners to exempt some of the <u>market value</u> of their homes from local property taxes
- For TY 2025/CY 2026, base homestead exemption is $29,000
- Added a local option enabling counties to **double** the property tax savings for seniors, disabled residents, and surviving spouses who already qualify for the State’s homestead exemption (*see* ORC § 319.304)
- **Shifts the cost of this additional tax reduction to local governments**
- Butler County is the most populous county to have adopted this piggyback so far

TY 2025/CY 2026 counties:

- Butler
- Erie
- Holmes
- Knox
- Lake
- Lorain
- Medina
- Miami
- Pickaway

Source: Cleveland.com

"Piggyback" Rollback

- Standard owner-occupied rollback credit paid by the State has been 2.5% (now modified by HB 186)
- Counties given the option of giving **up to an additional 2.5%** tax exemption on "qualifying levies" (same qualifying levies as State-funded rollbacks) (*see* ORC § 323.152(B)(3))
- **Shifts the cost of this additional tax reduction to local governments – no State reimbursement**
- County resolution has to be adopted by July 1st to apply to current tax year (same as the piggyback homestead exemption)

TY 2025/CY 2026 counties:

- Erie
- Lake
- Lorain
- Richland

Source: Cleveland.com

HB 96 Operating Levy Changes

- New ORC § 5705.17 requires ballot language & election notices for school district current expense/operating levies to contain the general fund carryover balance language certified under ORC § 5705.03(B)(2)(f)
- School districts prohibited from submitting any **new** current expense levy if the district's carryover balance is **100% or more** of prior year general fund expenditures (see ORC § 5705.03(B)(3))
  - Renewals are still permitted even if this threshold is exceeded
  - Issues with county auditors certifying $0/0% (or other inconsistencies) for anything less than 100%
  - Now acts as a gate – resolution to proceed for a new operating levy cannot be approved until the county auditor certifies less than 100%

Other HB 96 Levy Changes

- Eliminated renewal with an increase option under ORC § 5705.21
  - Affects term-limited current expense and permanent improvement levies
  - Fortunately, most such levies are already continuing
- Eliminated replacement levies
- Eliminated renewal with an increase option under ORC § 5705.212 for incremental millage levies

Other HB 96 Provisions

- For school districts with a traditional (all income) income tax, eliminated its applicability to estates
- Requires county budget commission (CBC) approval of an inside millage move that would increase taxes (e.g. moving inside millage to PI) because of the 20-mill floor
  - Each CBC in which the school district has territory required to have a separate public hearing
  - School district required to present evidence demonstrating need at hearing
  - CBC has to approve by majority vote
- "Appraised value" changed to "market value" for ballot forms & election notices

Other Developments

Appraisal Schedule Rebalancing

- January 2026 – Ohio Department of Taxation announces moving back the sexennial reappraisal schedule for 16 counties by one year for each group

2028 Tax Year	2030 Tax Year	2031 Tax Year
Lucas	Clinton	Crawford
	Delaware	Cuyahoga
	Franklin	Lake
	Geauga	Muskingum
	Hamilton	Stark
	Jackson	
	Mahoning	
	Mercer	
	Morrow	
	Pike	

HB 140 Review

- First election impacted was May 2023
- Added annual levy revenue estimates to the ballots for millage-based levies
- Changed the cost shown from dollars for $100 of taxable value to dollars for each $100,000 of county auditor's appraised market value
  - Example – a 5.00-mill levy that had previously shown on the ballot at a cost of **$0.50** per $100 of taxable value now shows as **$175** per $100,000 of market value

Ottawa Hills Case

- 2023 *Ottawa Hills Local School District* Ohio Supreme Court decision –
  - Typo in the resolution to proceed – incorrect cost per $100,000 of market value
  - Board of Elections refused to place the levy on the ballot due to the typo
  - Board of Education passed a "confirming" resolution after the 90-day pre-election filing deadline
  - Board of Elections refused to accept
  - Supreme Court unanimously sided with the Board of Elections
  - **<u>Conclusion</u>: no leeway to fix errors in election proceedings after the applicable filing deadline**
  - **<u>Application</u>: delaying action on election proceedings until close to the filing deadline leaves no margin for error**

Remaining Levy Options

Levy Options Chart

LEVY TYPE	PERMITTED	ELIMINATED
Traditional (Millage Based) Property Taxes	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by less than 100%	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by 100% or more
	New levies for permanent improvements and other permitted purposes (other than current expenses)	All replacement, replacement with an increase and replacement with a decrease levies
	Renewal and renewal with a decrease levies	Renewal with an increase levies
Traditional Emergency (Fixed Sum) Property Taxes	Renewal levies for up to a five-year period for current operating expenses with revenues now included in the calculation of the 20-mill or 2-mill floor	New levies for any district not in fiscal caution, fiscal watch, fiscal emergency or is impacted by an emergency that is the subject of a disaster declaration
	New levies for any district in fiscal caution, fiscal watch, fiscal emergency or is impacted by an emergency that is the subject of a disaster declaration with revenues included in the calculation of the 20-mill or 2-mill floor	
Substitute (Emergency) Property Taxes	Substitute (renewal) levies for up to a five-year period with revenues included in the calculation of the 20-mill or 2-mill floor	New levies

Levy Options Chart (*cont.*)

LEVY TYPE	PERMITTED	ELIMINATED
Incremental (Millage) Property Taxes	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by less than 100%	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by 100% or more
	Renewal and renewal with a decrease levies	Renewal with an increase and replacement levies
Increasing (Dollar or Percentage) Property Taxes	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by less than 100%	New current expense levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by 100% or more
	Renewal levies	
Combined Current Expense & Permanent Improvement Property Taxes	New levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by less than 100%	New levies if the school district's General Fund carryover balance exceeds prior year General Fund expenditures by 100% or more
	Renewal levies	Replacement levies
Combined Income Tax & Fixed Sum Property Taxes	None	New and renewal levies
Income Taxes	New and renewal levies on traditional base (without estates) or earned income base	Collection of income tax on estates for new and existing traditional base levies

Proposed Constitutional Amendment

Proposed Constitutional Amendment

- Would add new Section 14 to Article XII of the Constitution:

Section 14 Abolishment of Taxes on Real Property

(A) **No real property shall be taxed, and no law shall impose any taxes on real property**.

(B) No other provision of the Constitution shall impose any taxes on real property.

(C) As used in this Section, "real property" includes land itself, all growing crops therein, and all buildings, structures, and improvements permanently attached to the land.

Petition Requirements

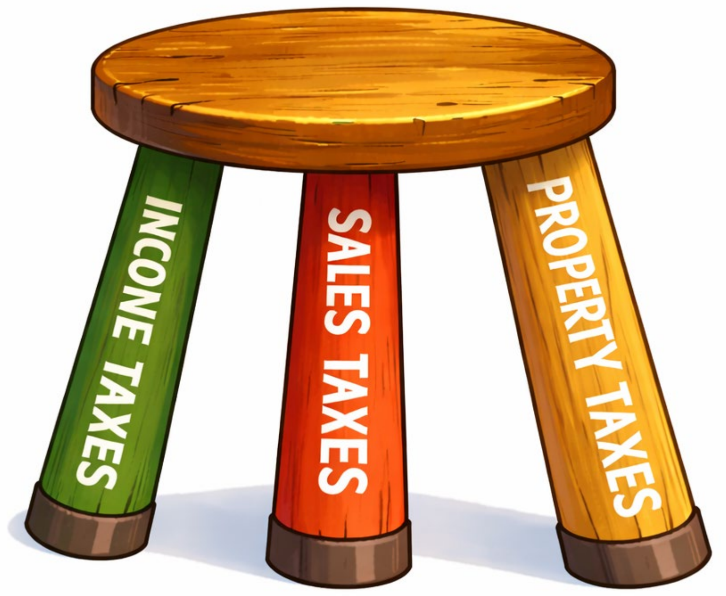
- Petition requirements for Nov. 3rd election:
  - Typo Need at least 413,487 valid signatures (equal to at least 10% of the total votes cast for governor at the last gubernatorial election – 2022)
  - Signatures must be obtained from at least half of Ohio's counties (44 of 88)
    - In each county, must obtain at least 5% of the total votes cast in last gubernatorial election
  - Deadline to submit signatures is July 1, 2026 (125 days prior to election)
  - Secretary of State has 20 days to certify signatures

Source: Ohio Secretary of State

The Three-Legged Stool of Taxation

Not an even stool – property taxes:

- Generate about **$24 billion annually**, equal to the revenue from income taxes (~ $10.5 billion in FY2025) and sales taxes (~ $14 billion in FY2025) combined
- Represent about **65%** of local tax revenue in Ohio
- Roughly **60%** of local property tax revenue goes to school districts



Source: Ohio Office of Budget & Management

Potential Consequences

- No viable replacement for property tax revenue
- If replaced by income tax, Tax Foundation analysis estimates income tax rates of **11%-15%**, potentially higher than any other state
  - OH reached a flat tax of 2.75% in 2026, the second lowest of any state that levies an income tax (9 states do not levy any income tax)
- If replaced by sales tax, OBM estimates sales tax rates of **15%-18%**, significantly higher than any other state (OH currently 21st)

Sources: Ohio Office of Budget & Management; Tax Foundation

Other Problems

- Would only decrease revenue – **no plan** to adjust the cost side of the equation
- **No plan** to address the billions in debt outstanding paid from and secured by property taxes
- Would negatively impact credit ratings for many local governments, especially school districts
- States are in competition on tax burdens – business & residents would relocate and engage in tax avoidance measures
- Generational divide on this issue ("an army of senior citizens" is gathering signatures – Journal-News)

Butler County Example

- "I get the anti-tax sentiment, I totally do, **I just don't know how you burn the whole system down and not regret it.**" Nancy Nix, Butler County Auditor in the *Journal-News*
- "I believe there's a better than 50/50 chance that it will make it on the ballot, and I'm going say better than an 80% chance it'll pass. …I believe if it gets on the ballot it'll pass by big, big numbers and that [would have] a huge effect on our operation[s]." Don Dixon, Butler County Commissioner in the *Journal-News*
- "We have to starve the beast" in reference to the public sector. Brian Massie with AxOHTax, in the *Dayton Daily News*

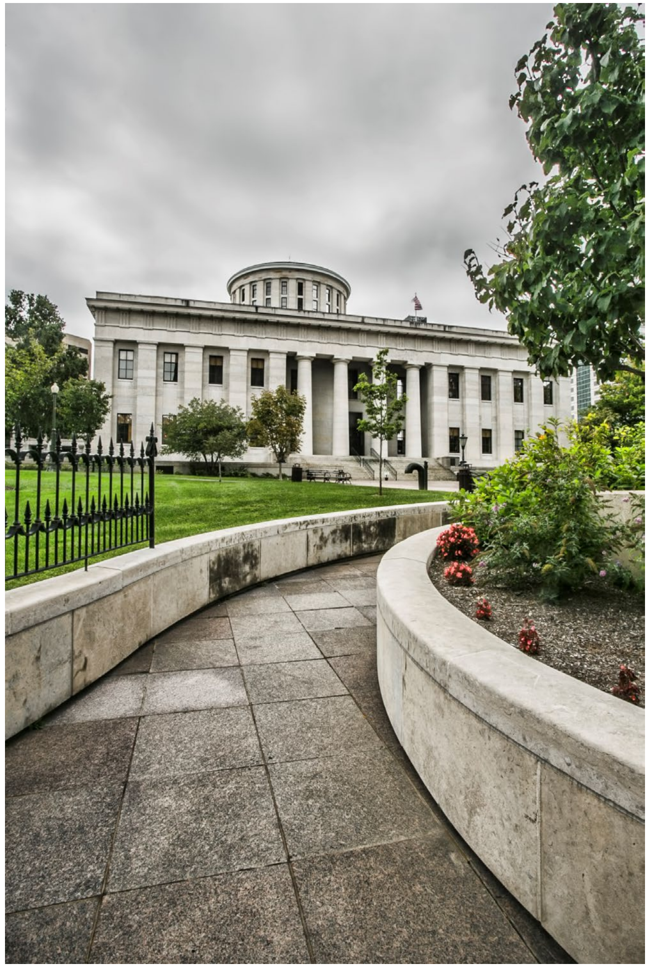
Taxing Bodies	2025 Property Tax Collections (in millions)
School Districts	$396.5 (58.2%)
Townships & Villages	$118.4 (17.4%)
County Social Svcs	$78.7 (11.5%)
Cities	$50.0 (7.3%)
County General Fund	$22.6 (3.3%)
Metro Parks	$6.9 (1.0%)
Libraries	$5.3 (0.8%)
Miami Conserv. Dist.	$3.1 (0.5%)
Total	$681.8

Sources: Butler County Auditor, Journal-News

Proposed Legislation

Proposed Property Tax Bills

- Too many to list are pending and more are still being proposed
- Leaders in both the House and Senate are signaling that there is not much appetite to do more at the moment after last year's legislative action



Proposed House Bill 420

- Proposed as part of the so-called "Taxpayer Freedom Trilogy"
- Eliminates existing continuing property tax levies after Tax Year 2029
- Eliminates new continuing property tax levy options

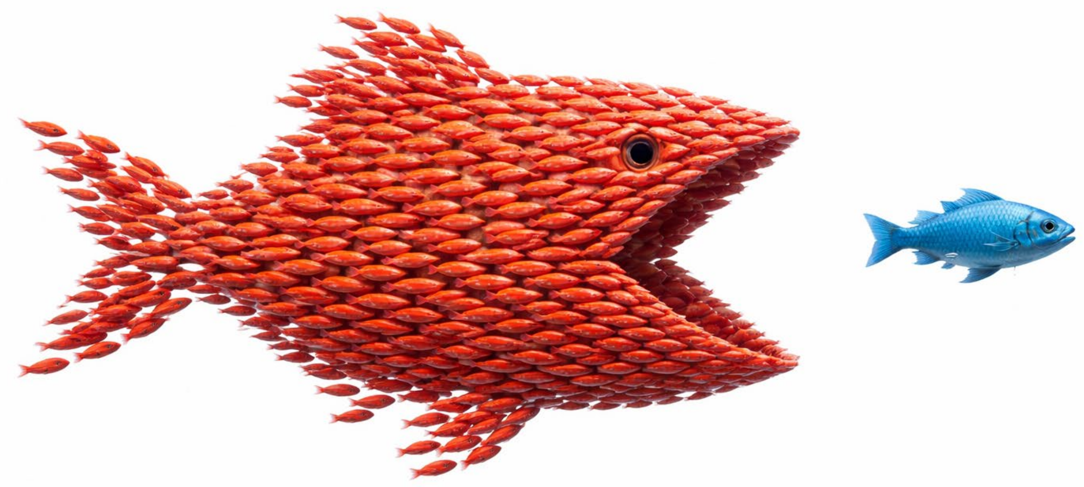
Proposed House Bills 421 & 422

- Other two bills that are part of the so-called "Taxpayer Freedom Trilogy"
- HB 421 – would allow voters to reduce unvoted property taxes (inside millage) by initiative (15% of last governor's election signature threshold)
  - Provides an exemption for millage used for debt service
  - Provides an option for the taxing authority (2/3 vote) to subsequently ask its voters to restore all or part of an inside millage reduction previously approved by voters
- HB 422 – would increase the approval threshold required for passage of certain property taxes
  - Levies up to 1.0 mill would continue to require a simple majority
  - Those greater than 1.0 but not more than 2.0 mills would require a **60%** approval
  - Those higher than 2.0 mills would need **66%** approval.

Takeaways

Takeaways

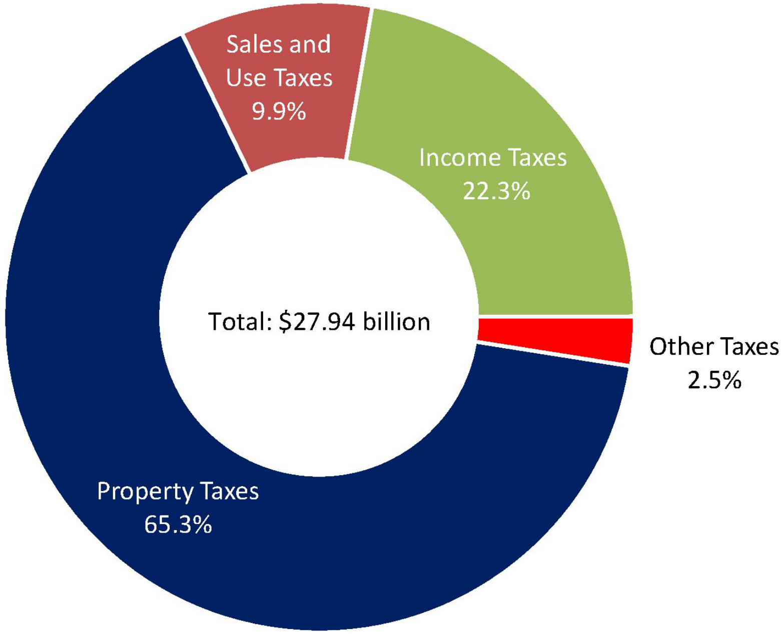
- Small tax savings for homeowners add up to large revenue losses for schools
    - OBM estimates that property tax reform will result in **$3 billion** in property tax reductions
- While individual changes may have been easier to manage, the cumulative impact is significant
- Feels like death by a thousand cuts
- Taxpayer anger is real, and the proposed constitutional amendment looms large



Takeaways

Ohio's local governments rely heavily on property taxes (from 2024 LSC report)

Ohio's Local Tax Revenue by Source, FY 2021



Source: U.S. Census Bureau's Annual Survey of Local Government Finances

- In FY 2021, local tax revenue in Ohio totaled $27.94 billion, an increase of $1.42 billion (5.4%) from FY 2020.
- Property taxes collected in FY 2021 accounted for $18.26 billion. Individual and corporate income taxes were $6.22 billion. Sales and use taxes provided $2.76 billion. Other taxes generated $0.71 billion.

Takeaways

- Ohio is not the only state dealing with a movement to abolish or significantly curtail property taxes
- Other states having some level of discussion include Florida, Texas, Georgia, Kansas, North Dakota, Indiana, Illinois, Nebraska, and Pennsylvania (not an exhaustive list)
- Nationwide, property taxes generate about 70% of all local tax revenue (Tax Foundation research)
  - **An estimated 42% of this amount is paid by businesses**
  - **Tax Foundation ranks Ohio as having the 8th highest property tax burden in the US (2023 rank – 1.31% effective tax rate)**
- Plans to replace residential property taxes generally involve raising sales and/or income taxes, which are also paid by residents
  - Replacing local property taxes with state-level taxes would subsidize existing high-tax jurisdictions

THANK YOU

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