



STATEHOUSE REPORT

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209 East State Street • Columbus, Ohio 43215-4309
Phone: 614-221-5627 • Fax: 614-221-6986 • www.ccao.org

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Overview of CCAO property tax reform positions

As the constitutional amendment to eliminate property taxes gathers signatures, the legislature navigates veto overrides, and Governor DeWine's working group on property tax continues its work, property tax reform continues to dominate discussions across the state. *Statehouse Report* this week provides an overview of CCAO's positions on property tax reform in both the Legislative Platform and through additional motions adopted by the Board of Directors.

Property Valuations

Under the current process for conducting sexennial valuation appraisals and reappraisals and triennial updates, the Department of Taxation reviews the valuations used by the county auditor and may require the auditor to increase or decrease the aggregate value of any class of property in a taxing district if the Department thinks it is incorrectly valued. In the review, the Department uses "sales ratio" studies to compare sales prices and assessed values, using data selected by the Department.

CCAO's platform calls for this process to be changed to require the data used for sales ratio studies to be selected by the county auditor. This simple change will give more local control over the valuation process by entrusting the data-gathering duties to the county auditor and their staff. State level oversight is still provided through allowing the Department to bring appeals to the Board of Tax Appeals if it disagrees with decisions made by the county auditor.

Additionally, CCAO calls for giving the county auditor the authority to utilize either a three-year average of sales or the most recent year of sales when determining a property's valuation, whichever is more favorable for the taxpayer. Using a three-year average will help reduce large valuation spikes by allowing for the inclusion of more years to "smooth" out the valuation increase. Authorizing the auditor to use whichever is more favorable for the taxpayer provides additional protection by switching to a valuation based on the most recent year when including the prior years would cause the taxpayer to face a higher bill.

There is precedent for the state to use a mechanism like this. The school funding formula, in determining a school district's capacity to raise local revenue, uses either the most recent year of certain tax data or a three-year average of the tax data, whichever would result in more state funding for the district. If a mechanism can be used to distribute state funding, it should be used to ensure taxpayers' property valuations are less subject to sudden shocks.

The 20-Mill Floor

One of the most important components of Ohio's property tax system are tax reduction factors. These were created in House Bill 920, passed in 1976, and work to prevent unvoted increases in property tax bills by reducing the effective millage of levies when inflation occurs and property values change.

There are two exceptions to tax reduction factors: inside millage and school district operating levies if the district is on the 20-mill floor.

If a district levies less than or equal to 20 effective mills of property tax for operating purposes, the district's operating levies are exempted from the 20-mill floor in the same manner as inside millage, allowing full inflationary and valuation growth. While the 20-mill floor's goal of ensuring districts can maintain an adequate amount of operating funding is a noble one, the floor has become broken. More than 400 of Ohio's 610 school districts are currently "on the floor."

CCAO supports a wholesale re-examination of the floor. Proposed modifications include eliminating the floor, including more elements in the floor's calculation to reflect changes in levy types that districts can put in place, capping revenue growth from the floor to inflation, and other smaller technical changes.

Preserve and Improve Credit Programs

Ohio offers three property tax relief programs: the homestead exemption, the 10% non-business credit, and the 2.5% owner-occupancy credit.

CCAO supports improving the homestead exemption by increasing the exempted amount for low-income seniors and disabled homeowners. CCAO has also joined with the County Auditors Association of Ohio in calling for reform of other two credits by eliminating the non-business credit and increasing the owner-occupancy credit to 12.5%. Eliminating the non-business credit and increasing the owner-occupancy credit will ensure that the relief finds its true intended target: Ohioans who live in their own homes.

CCAO also supports creating other relief options, such as a circuit breaker program that limits property tax payments to a specified percentage of household income. The exact functioning of property tax circuit breakers can vary but prior proposals in Ohio would have given refundable income tax credits to individuals filing income tax returns whose property tax burdens exceed 5% of their income (or as a direct rebate if the individual does not file an income tax return).

Some states that have put in place a circuit breaker program offer eligibility to renters as well as homeowners, while others only offer it to homeowners. CCAO does not have a position on extending eligibility to renters.

Another potential new program CCAO supports exploring is a property tax deferral program. These programs often function by allowing the state to pay a portion of a homeowner's property tax bill in exchange for a lien on the property that is then extinguished when the property was sold or transferred.

CCAO also supports the concept of property tax freezes for certain homeowners. A property tax freeze would reduce eligible homeowners' tax bill by the difference between the calculated bill for a given year and the amount paid in the first year they received the freeze.

Public Utility Personal Property Taxes

CCAO opposes further reductions on personal property taxes paid by public utilities. While these reforms may not appear to affect the burden of property taxes on homeowners, they are a piece of the full puzzle. Public utility tangible personal property (PUTPP) is in the property tax base, meaning reductions in their tax rate or an exemption of taxation shifts more of the property tax burden to homeowners.

Utilities may apply directly to the Department of Taxation for a reduction in their TPP value. CCAO supports enacting legislation that would require notice to be given to affected taxing entities and giving them, including boards of county commissioners, standing to appeal any valuation reduction decisions made by the Tax Commissioner.

The Association also supports clarifying the scope of PUTPP tax law to clarify that pipeline companies that transport gasoline and natural gas liquids are subject to taxation in the same manner as those transporting natural gas, oil, and coal.

LLC Transfers

CCAO supports legislation that would ensure that real estate transferred through a limited liability company (or similar entity) transaction is properly valued. Since these are not traditional property sales, the county auditor may not be made aware that the transfer took place. This hinders the accuracy of the sales data that the auditor would use to set valuations and updates.

If you have questions about these positions, please contact CCAO Research Analyst Nick Ciolli (nciolli@ccao.org).

Corrected local property tax relief data table

In last week's *Statehouse Report*, CCAO included a data table with county-by-county figures of state reimbursements for homestead exemptions and owner-occupancy credits for both real property and manufactured homes. The data was provided to give context on the potential aggregate amount of tax revenue that would be foregone within each county if the commissioners decide to adopt the permissive homestead exemption and/or the permissive owner-occupancy credit.

After publication, it was found that the columns for the owner occupancy credits awarded for real property and for manufactured homes were mislabeled. The table has been corrected and is available through the link in last week's issue and the link below. A final column with the total amount granted by both relief mechanisms in each county has also been added.

[County-by-county figures are available here.](#)

Thank you to Portage County Commissioner Jill Crawford for spotting the error!

Legislative Activity

Introduction of Bills

The following bill(s) that may be of interest to counties were introduced this week:

- [House Bill 404](#) (Representatives Jack Daniels and Brian Lorenz): To authorize a sales tax credit for the trade-in value of portable electronics or home appliances for another similar item.
- [House Bill 412](#) (Representative D.J. Swearingen): To allow a village to contract with the county prosecutor for legal services.