COUNTY ADVISORY BULLETIN

CAB

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COUNTY PROPERTY TAX RELIEF OPTIONS

BACKGROUND

Throughout the 2020s, rising property tax valuations and bills have forced property tax reforms and policy solutions to the forefront in Ohio. As the General Assembly and the DeWine-Tressel Administration consider and debate reforms, this County Advisory Bulletin (CAB) provides county commissioners, county executives, and county council members (referred to generally as "board of county commissioners" throughout) an overview of authorities that counties possess to provide limited property tax relief to their residents.

Property valuations have increased drastically in each reappraisal and update cycle, putting more school districts on the 20-mill floor. The combination of these factors has resulted in significant unvoted property tax increases for Ohioans.

Unvoted tax increases come from two sources: inside millage and the school district 20-mill floor. Inside millage is limited to 10 mills shared among the county, townships, municipalities, and some special districts. The typical county uses about 2.5 mills of inside millage. Revenue generated by these mills grow 1:1 with inflation and valuation changes, while other levies ("outside" or "voted" levies) are limited by reduction factors.

The school district 20-mill floor is a mechanism where school districts are required to levy at least 20 mills for operating purposes. If a district levies less than or equal to 20 mills for operating expenses, the district receives 1:1 growth with inflation and valuation changes in the same manner as inside millage.

One of the property tax relief options counties can pursue, detailed below, is rolling back a portion or all of their inside millage. While this would certainly provide relief, the scale would be relatively low compared to relief that could be achieved by addressing the 20-mill floor. County inside millage typically accounts for about 2% to 4% of a tax bill, while school districts often account for 60% or more of tax bills.

In addition to discussing inside millage, the CAB includes new powers granted in House Bill 96, the state operating budget, which will become effective on September 30, 2025. Any subsequent legislative changes will be reflected in updated versions of this CAB.

Commissioners should review their financial resources and their need to provide essential and mandated services when considering whether to pursue any of these options.

ROLLING BACK INSIDE MILLAGE

Inside millage is the county's only form of property tax revenue that adjusts with inflation and valuation changes. Inside millage is capped at 10 mills, shared among taxing entities in each taxing district within a county. The median county charges about 2.5 mills of inside millage, typically for the general fund and debt service. Other statutory mandates involving inside millage include up to 0.5 mills for county veteran services commissions and up to 0.2 mills for the Program for Children and Youth with Special Health Care Needs.

The board of county commissioners automatically receives this revenue but may consider whether it is necessary to collect some, or all, of its inside mills. Through a procedure established in R.C. 5705.313, the county can reduce its inside millage rate without having its allotment reallocated by the County Budget Commission to other local governments.

A board of county commissioners may voluntarily reduce the county's guaranteed inside millage for current expenses in two ways:

1. When a county is increasing its permissive sales and use tax, it may adopt an accompanying resolution reducing inside millage (R.C. 5705.313(A)(1)).

OR

2. After a sales or use tax has been enacted and is in effect, the commissioners may adopt a resolution reducing inside millage (R.C. 5705.313(A)(2)).

Thus, to voluntarily reduce inside millage, commissioners must either be increasing the rate of a permissive sales tax or already have a sales tax in effect. It does not matter whether the sales tax has been enacted under R.C. 5739.021 or R.C. 5739.026.

Since all counties currently levy a permissive sales tax, the authority effectively exists for all counties.

The key factor for commissioners to consider when rolling back inside millage is that the amount of estimated revenue foregone from the inside mill rollback may not exceed the estimated revenue generated from the sales tax. Practically speaking, this limitation is only applicable if a county generates more revenue from inside millage than it does from its sales tax. In CY 2024, this restriction would only have applied to three counties (Carroll, Monroe, and Vinton counties).

To reduce inside millage, the commissioners must adopt a resolution which includes the following:

1. The current inside millage rate;

2. The number of guaranteed inside mills, if any, that are currently not being levied because of previous rollbacks;

3. The number of inside mills that will be reduced;

4. Either specify the number of years the reduction will be in effect or state that the reduction will occur until the commissioners' levy or re-impose all or part of the reduction in the future; and

5. The tax year when the reduction will first apply.

A copy of the resolution must be certified to the county auditor.

The resolution can be adopted at ***any time***. Other than the requirement that the resolution include the tax year the reduction will apply (or begin), the Revised Code is silent on when that tax year is. This may allow resolutions to apply to the current tax year. Commissioners should consult with their county prosecutor for specific guidance.

The county commissioners may, at any time, reimpose the inside millage that was reduced with the adoption of a resolution and certification to the county auditor.

Any reduction or elimination of inside millage does not change the statutory funding complications counties have for veterans services commissions and the Program for Children and Youth with Special Health Care Needs.

(R.C. 5705.313)

LOCAL PERMISSIVE HOMESTEAD EXEMPTION

House Bill 96, the state operating budget for FY 2026 and FY 2027, granted two new property tax relief mechanisms. One of these is the creation of a local permissive ("piggyback") homestead exemption.

The homestead exemption is a form of property tax relief where a portion of the taxable ("assessed") value of one's property is reduced by a set amount. There are two types of exemption: the standard exemption and the enhanced exemption. For TY 2026, the standard exemption is a $28,000 reduction in taxable value and the enhanced exemption is a $56,000 reduction in taxable value. Both amounts are indexed to inflation for future years.

To be eligible for a homestead exemption, one must meet the following criteria, based on which exemption they can receive.

Standard Homestead Exemption Criteria

- Homeowners aged 65 years or older OR homeowners permanently and totally disabled.
- Have a total household income of no more than $40,000 for TY 2025.
    - Income requirement is indexed to inflation for future years.
- Individuals who began receiving the exemption before TY 2014 do not need to meet the income requirement.

Enhanced Homestead Exemption Criteria

- Homes of military veterans who are totally disabled OR homes of spouses of first responders killed in the line of duty.
- There is no income requirement for these recipients.

If authorized by a resolution, the local homestead exemption is available to the same homeowners who qualify for the state exemption. Homeowners do not need to file a separate application for the local homestead exemption, but they may need to verify their income depending on the method through which they received the initial state exemption.

The Revised Code does not prescribe a format or required information in the resolution. Any adopted resolution must be certified to the county auditor and the Ohio Tax Commissioner.

If a county authorizes the local homestead exemption, the exemption is equal to the individual homestead's applicable state exemption and is applied concurrently.

For example, in CY 2023, the total reduction in property taxes attributable to the homestead exemption in Adams County was $562,000. If the county authorized the local homestead exemption, the total reduction in property taxes would likely equal about $1.1 million.

The key difference between the new local homestead exemption and existing state homestead exemption is that reductions in property tax bills attributable to the local homestead exemption are not reimbursed to local governments.

In the Adams County example, in CY 2023 the foregone tax revenue due to the state homestead exemption was reimbursed to local taxing entities, such as the county, townships, school districts, fire districts, and any other property-taxing entity. The revenue lost to the local homestead exemption, however, would not be reimbursed. Specifically, the county does not receive reimbursement for revenue lost due to the creation of the permissive homestead exemption nor does the county have explicit authorization to reimburse other affected local governments.

If a resolution creating the piggyback is adopted before July 1 of a given year, the program begins for the tax year in progress (or the next tax year for manufactured homes). If the resolution is adopted after July 1, the program begins the following tax year (or in two tax years for manufactured homes).

For example, if a resolution is adopted on or before June 30, 2026, the exemption will begin for tax year 2026 (paid in CY 2027) for real property and tax year 2027 (paid in CY 2028) for manufactured homes. If the resolution is adopted on or after July 1, 2026, the exemption will begin in TY 2027 and TY 2028, respectively, for real property and manufactured homes.

The same timeline applies to resolutions rescinding the exemption. If adopted before July 1, the exemption will cease for the ongoing tax year; if adopted after July 1, it will cease the following tax year.

The exception to this timeline is for the remainder of 2025. Counties have between the bill's effective date (September 30) and October 31 to pass a resolution authorizing a program for TY 2025 for real property and TY 2026 for manufactured homes (for taxes payable in CY 2026 and CY 2027, respectively).

> (R.C. 319.304, 323.152, 323.153, 323.155, 323.156, 323.158, 4503.06, 4503.065, and 4503.0610)

LOCAL PERMISSIVE OWNER OCCUPANCY CREDIT

The other local property tax relief instrument that counties are given in HB 96 is a local ("piggyback") owner occupancy credit.

The owner occupancy credit is a form of property tax relief where those who own and occupy a residence as their main residence can receive a 2.5% credit on property taxes for certain levies. The credit only applies to tax levies originally passed in 2013 or earlier. Renewals of levies passed in 2013 or before still receive the credit.

Individuals can receive the owner occupancy credit on only a single property. The property they receive the credit for is the residence that they are registered to vote (or would otherwise be registered to vote if they are not an active voter or ineligible to vote) and that they declare as their residency for income tax purposes.

If authorized by a resolution, the local owner occupancy credit is available to the same homeowners who qualify for the state credit. Homeowners do not need to file a separate application for the local owner occupancy credit.

If a county authorizes the local owner occupancy credit, the credit is applied concurrently and can be set at any rate up to 2.5% (the statewide rate). The rate is set in the initial resolution. The Revised Code does not prescribe a format or, other than the rate the credit will be set at, required information in the resolution. Any adopted resolution must be certified to the county auditor and the Ohio Tax Commissioner.

The foregone property tax revenue from the local owner occupancy credit will not be reimbursed by the state, which is consistent with the approach to the permissive homestead credit discussed above. The county does not receive reimbursement for revenue lost due to the creation of the local credit nor does the county have explicit authorization to reimburse other affected local governments.

The resolution and rescission timelines for the piggyback owner occupancy credit are the same as with the piggyback homestead exemption, including the special timeline for TY 2025.

(R.C. 323.152, 323.153, 323.156, and 323.158)

NOTES ON THE LOCAL PERMISSIVE OPTIONS

House Bill 96 did not create any specific requirements for counties considering enacting either the local homestead exemption or the local owner occupancy credit. While the resolution enacting the exemption or credit must be adopted in an open session, there is no hearing requirement or a requirement to consult with other county row officers or other taxing entities in the county.

Despite the lack of a statutory requirement, commissioners may find it helpful to discuss the intent to enact one of the options with other row officers, particularly the county auditor, to get an impression of the budgetary impact the foregone revenue would have on the county's ability to carry out essential functions.

Commissioners may also find value in meeting with leaders from other taxing entities (levy agencies, townships, schools, municipalities, and/or special taxing districts) to hear their thoughts and concerns about the impact the foregone revenue would have on their operations.