OHIO AUDITOR OF STATE
KEITH FABER

CCAO Winter Conference
"Potential Ramifications of Property Tax Elimination"

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The Property Tax in Ohio

- Background
  - Article XII Section 2 – Limitation on Tax Rate
  - Section 2a – Classification
- The Proposal
- The Numbers
- "The Property Tax Crisis"
    - How did this happen?
- HB 920 and the tax reduction factor

Property Taxes in Ohio

- Real Property (land and improvements thereon)

Personal Property	
Tangible	Public Utility Tangible Personal Property is the only
Intangible	remaining personal property subject to taxation in Ohio

- Governed by the Ohio Constitution and the Ohio Revised Code
  - Article XII Sections 2 and 2a
  - Article II Section 3b
- Ohio's oldest tax
  - Since 1825 Ohio has taxed property based on value
  - Prior to 1825 (during statehood and as a territory) land was classified and taxed based on agricultural fertility
- Numerous changes to the tax base and rates and the administration and imposition over the years

Constitutional Provisions

Article XII Section 2

- No (*unvoted*) property tax in excess of one percent true value in money
- Taxes above one percent require vote of the people or placement in municipal charter
- Must be taxed by uniform rule
  - except reduction in value for permanently/totally disabled, over 65 years, and surviving spouses (**Homestead Exemption**)
  - exemptions of certain property used for religious, charitable, or public purposes

Article XII Section 2a

- Classifying property (Class I and Class II)
- Reduction factors (HB 920)
- "tax rate floor" (school 20 mill floor)

Article II Section 36

- Forestry and agriculture exemptions allowed
- Current Agricultural Use Valuation (CAUV)

The Proposal
Language presented to the Ballot Board on May 14, 2025

FULL TEXT OF THE PROPOSED AMENDMENT

Be it Resolved by the People of the State of Ohio that the Constitution of Ohio is hereby amended to add Section 14 to Article XII to read as follows:

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.

This Amendment shall take effect on the first day of the year after it passes.

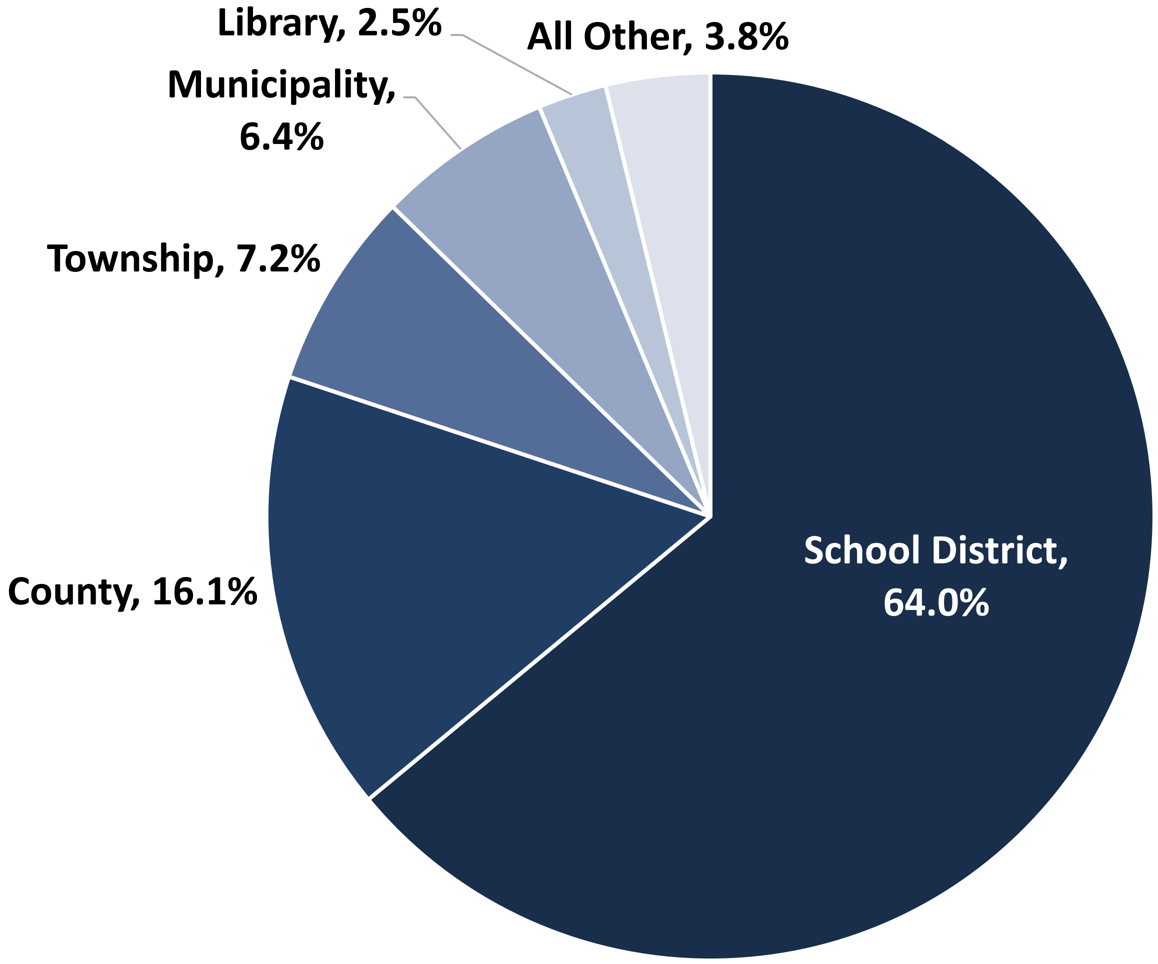
The Numbers

- Real property taxes charged and payable for 2024
  - Paid in January and June 2025

- Total amount: **$21,410,690,000** ($21.4 billion)
  - Class I (Residential and Agricultural) is $16,671,159,000
  - Class II (Commercial Industrial) is $4,739,531,000
- Total assessed value is $389 billion
  - Class I $317.9 billion
  - Class II $71.1 billion
  - By law assessed value is 35% of true value, which then implies total Ohio real property market value of $1.1 trillion

Approximate Statewide Distribution of Property Tax Revenues by Governmental Purpose

- The real property tax is exclusively a local government revenue source
  - counties, cities, villages, townships, schools, libraries, special districts (which includes park districts, fire districts, cemetery districts, etc.)
- No property taxes levied for state general fund purposes since 1902
- No property tax for any state purpose since 1968 (retirement of Korean war veteran bonus bonds)



Major State Tax Revenue Sources

Sales and Use Tax FY 2024 raised $13.9 billion (all funds)

State sales tax rate 5.75%

County permissive sales and use tax rates range from 0.5% to 2.0% and is used in all 88 counties
County transit sales tax ranges from 0.1% to 1.0% and is used by 11 RTAs

The highest cumulative county-wide sales tax rate is currently 8%

Personal Income Tax FY 2024 raised $10.0 billion (all funds)

HB 96, the biennial budget bill, enacted a flat tax rate of 2.75%

Commercial Activity Tax FY 2024 raised $2.4 billion (all funds)

“The Property Crisis”: How did this happen?

- The intersection of dramatic property valuation increases with the operation of the school district 20 mill floor
- Class I Residential and Agricultural Valuation Increases
  - Statewide values increased 19.6% in TY 23 and 9.8% in TY 24
  - From TY 19 to TY 24 the average annual increase was 9.3%
  - This compares to an average annual increase of 4.1% over the last 25 years and 1.1% over the 10 pre-pandemic years
- School district levy planning which results in approximately 400 districts at the 20 mill floor
- Since the 20 mill floor short circuits HB 920 taxpayer protections, many taxpayers across the state saw unvoted property tax increases on school mills that were significantly higher than they had seen before

Ohio House Bill 920, Enacted 1976
(ORC § 319.301)

- Reduces taxes charged to offset increases in property value.
- A "tax reduction factor" is applied to the rates of certain voted millage.
- The reduced rate at which taxes are collected is termed the "effective" millage.
- H.B. 920 applies to existing property

Important Note

In general, HB 920 prevents an increase in taxes on existing property without a vote of the people

School districts can see revenue growth on existing properties with inside mills. School districts also receive revenue growth on existing levies from new construction that adds property value.

H.B. 920 Tax Reduction Factors and School District Millage

- By law, a school district must levy at least 20 mills of property tax to receive state funding through the school foundation formula.

- In order to prevent HB 920 tax reduction factors from reducing school millage below 20 mills and disqualifying a district from State aid, the law prevents the application of tax reductions below 20 mills. This is known as the “20 mill floor”.

H.B. 920 Tax Reduction Factors and School District Millage

- However, not all levies and local funding options are ***currently*** included in the 20-mill floor:

  - Emergency*
  - Substitute*
  - Income Tax
  - Bonds
  - Permanent Improvement
  - Recreation
  - Libraries
  - Safety & Security

While the levies in the second column above are passed for a specific purpose; Emergency, Substitute Levies, & Income Tax are usually used for general operation of the district.

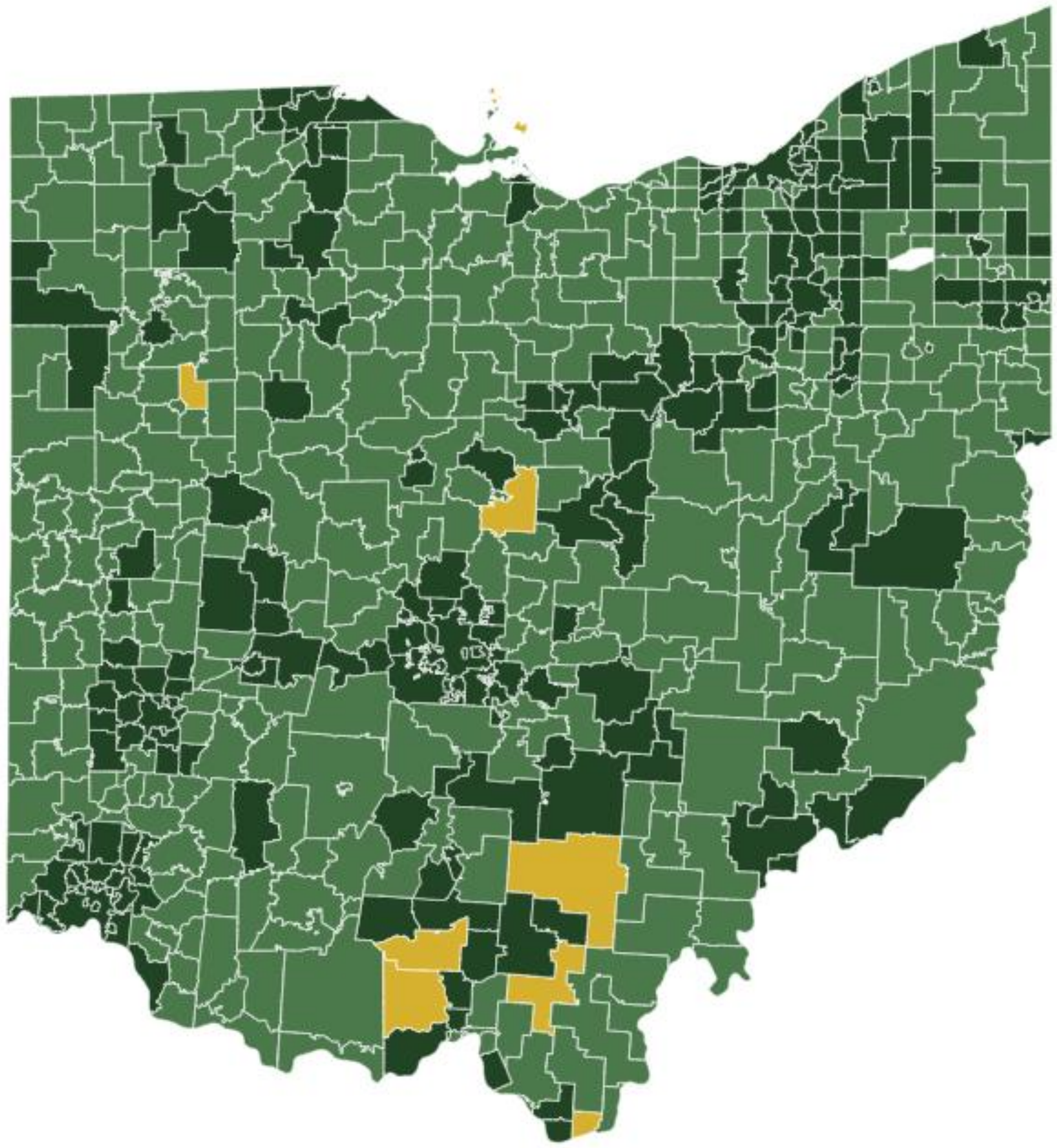
* Signifies pending legislation

20 mill Floor Status Summary - CY 2024

as Calculated under ORC § 319.301

Note: Map includes the 10 school districts with “Less than 20 mills” are either special island districts or school districts that rely on JVS millage to meet the 20-mill qualification for foundation formula.

- Above the Floor
- At Floor
- Under the Floor



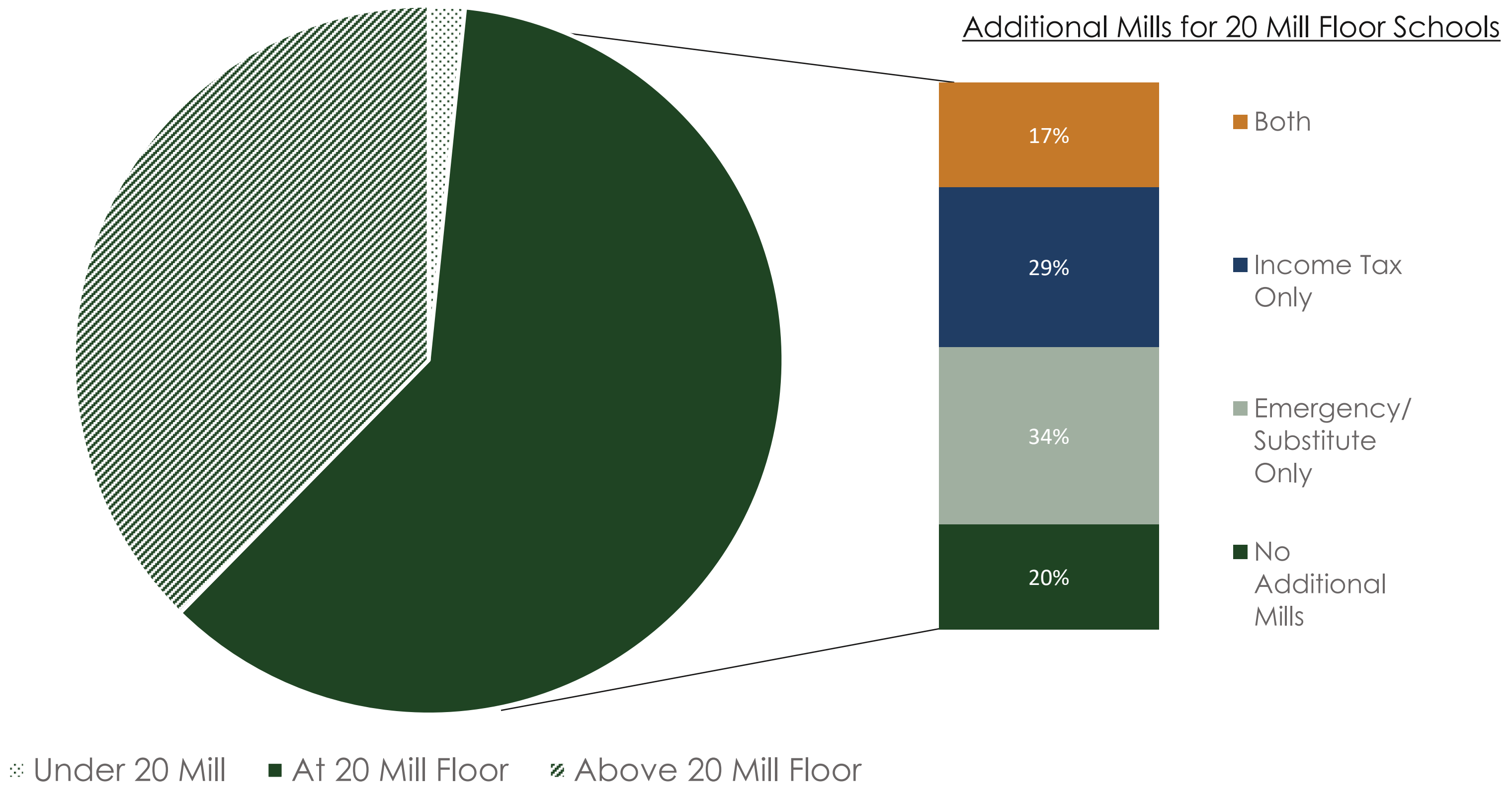
Accounting for Additional Millage Beyond the 20-Mill Floor

(Including Income Tax Millage Equivalent)

- *Emergency and Substitute rates are not factored into the 20-mill floor**. Neither is income tax millage equivalent.
- The 20-mill floor is intended to ensure school districts meet the minimum qualifying millage for participation in the State's school foundation formula.
- *School districts at the 20-mill floor receive growth on those levies as property values rise**. Millage at the floor short circuits taxpayer protections afforded by the HB 920 reduction factors.
- The focus of the analysis is to highlight number of school districts who are at this 20-mill floor, yet may have additional local sources of revenue and the extent of those other mills and income tax millage equivalents.

* Signifies pending legislation

Additional Mills for 20 Mill Floor Schools Summary - CY 2024



Takeaway

Of the 611 districts, 371 or 61% of total school districts are at the 20-mill floor

Of the 371 districts at the 20-mill floor, 295 districts have additional millage.

While 76 school districts truly have no additional millage.

Of the 295 districts with additional millage: 126 districts have emergency/substitute levies, 106 with income tax, and 63 with both.

Questions and Discussion