STATEHOUSE REPORT

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Property Tax Overview: Abolishment's Effect on County Finances

This week is the second issue taking a deep dive into property taxation. Last week, Statehouse Report laid the groundwork by establishing the tax year 2025 baseline data. This issue, discussion moves to the fiscal implications of abolishment on counties.

Abolishment Implications

While the sales and use tax is the main source of revenue for the county general fund, property taxation contributes significant funding to other county entities. In 2025, property tax generated an estimated $4.1 billion for counties, compared to the $3.0 billion raised from sales taxes. However, as discussed below, the $4.1 billion total includes revenue from certain levies for county entities not directly controlled by the board of commissioners. For these entities, the commissioners serve only as the taxing authority.

Damage to Service Funding

The loss of $4.1 billion would have a severe impact on the ability of counties to provide services, some of which are mandated by state law.

The table below shows the revenue generated by each levy purpose classification for which the commissioners are the taxing authority.

Estimated County Revenue Generated by Levy Purpose Classification, TY 2025		
Levy Purpose Classification	**Estimated Revenue**	**Share of Total Estimated Revenue**
Human Services	$2.5 billion	61.4%
General Operations	$832 million	20.2%
Health	$364 million	8.8%
Recreation	$175 million	4.3%
Safety Services	$98 million	2.4%
Bonds and Debt Service	$34 million	0.8%

Community Colleges	$33 million	0.8%
Library	$26 million	0.6%
Roads & Bridges	$11 million	0.3%
Capital	$8 million	0.2%
OSU Extension	$5 million	0.1%
Natural Resources	$546,370	0.0%
Total	***$4.1 billion***	***100%***

Commissioners are the taxing authority for approximately 61 levy purpose classifications. That role does not necessarily give commissioners operational control over the entity receiving the revenue. This is particularly true for the Health, Recreation, Community Colleges, and Library classifications.

Human services purposes represent the significant majority of property tax revenue raised by counties. This category includes ADAHMS boards, boards of developmental disabilities, children services, county homes, and senior services.

General operations purposes are often inside millage levies. Counties may also ask voters to approve an additional current-expense levy under R.C. 5705.19(A), although few counties rely on such levies for general operations. In 2025, across all counties, property taxes (through inside millage) contributed $832.4 million.

Safety services levies provide funding for, among other purposes, 9-1-1 systems, county jails, emergency medical services, and supplemental funds for county sheriffs. Public safety is the largest expenditure category out of the general fund, and these levies can provide some relief.

If property taxes are abolished, counties will face an immediate and unprecedented budget crisis. The services funded mentioned above will either go away or be forced to secure alternative revenue streams.

County Services and General Fund Exposure

County property taxes support a broad mix of county responsibilities, including general operations, human services, public safety, debt service, roads and bridges, capital needs, and locally supported programs. As discussed above, eliminating this revenue would remove approximately $832 million now directed to general operations, along with dedicated levy revenue that supports services across counties.

Some county functions are required by state law, while others are authorized locally or approved by voters. At the clearest ends of the spectrum, funding programs like for soil and water conservation districts and senior services is not statutorily required, while outstanding bond and debt-service payments must be made and core county jail and child protection functions must continue. Other programs, particularly in human services and public safety, may involve both state-required responsibilities and locally determined service levels. Funding and governance arrangements can also vary by county.

If property taxes were eliminated without a replacement, counties would still be responsible for carrying out statutory duties and meeting outstanding debt obligations. Revenue now provided by dedicated levies could need to be replaced from county general funds at the same time those funds are already losing property tax support. Where sufficient replacement resources are not available, counties could be forced to divert money from other operations or reduce services.

Services that are not statutorily mandated would also be at risk. These programs often reflect voter-approved local priorities and address needs that do not disappear when the funding source does. Counties may have to scale back service levels, reduce staffing, postpone maintenance and capital investments, or discontinue programs entirely. Even services that are legally discretionary may be difficult to unwind quickly and could create additional short-term costs or community impacts.

The effect would differ by county, but the central tradeoff would be the same: preserve state-required services by increasing pressure on the county general fund, or make painful reductions elsewhere. Abolishing property taxes without stable replacement funding would therefore do more than remove a revenue source. It would shift costs, constrain local decision-making, and force counties to choose between essential obligations and other valued services.

Recovering Inside Millage

As discussed in the prior section, counties would lose $832 million of general fund revenue and would see the obligations on the general fund increase. Since the funding amount that the general fund would need to replace mandatory service functions is speculative, this section will only focus on the $832 million that is generated for the general fund.

As a note, Columbiana County and Erie County do not collect inside millage for the general fund. These counties are excluded from the analysis below.

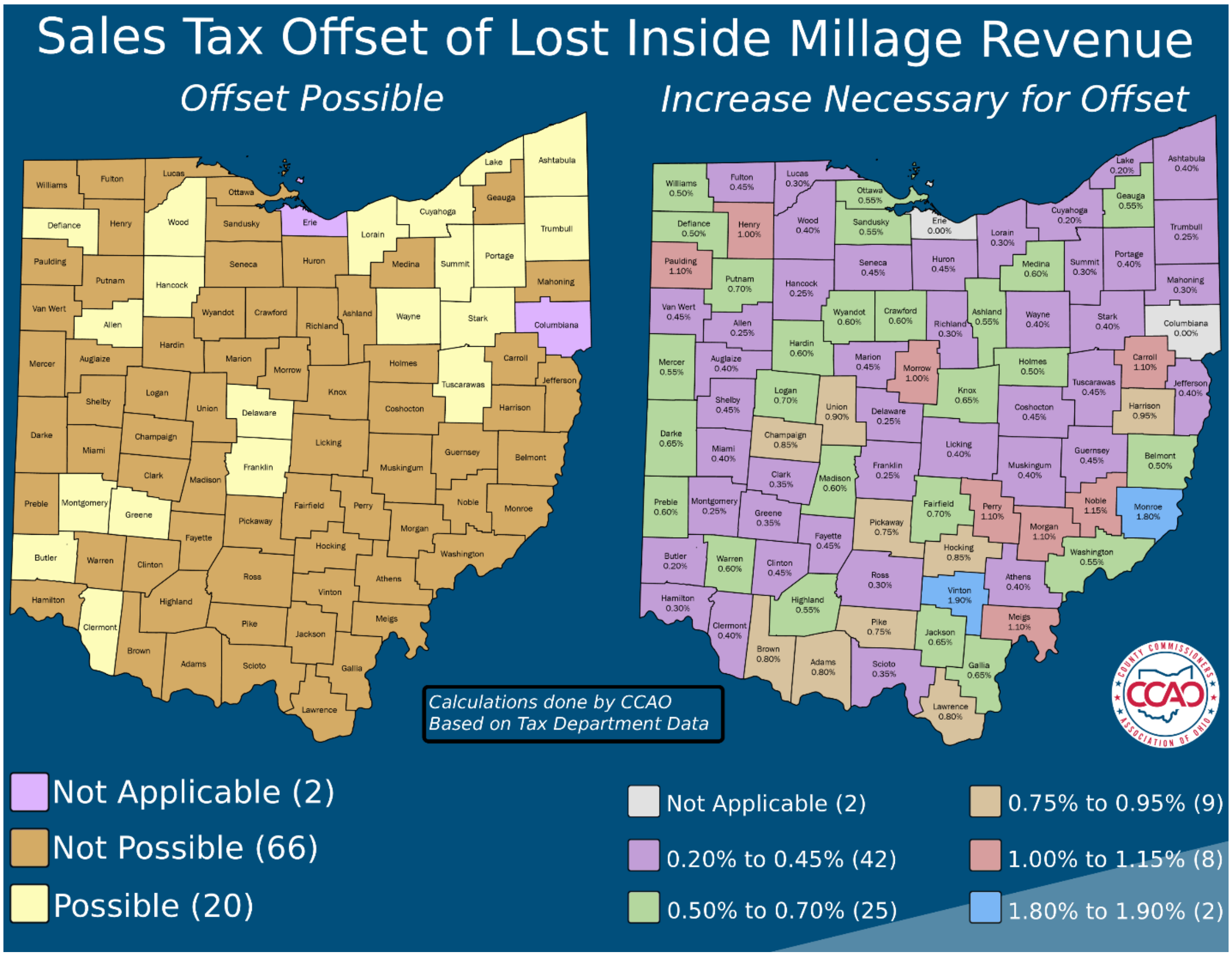
The general fund's main source of tax revenue is the sales tax. In CY 2025, counties generated an aggregated $2.97 billion from the sales tax. Counties can levy a piggyback sales tax of up to 1.50%, in increments of 0.05%. There exists special authority to levy an additional 0.50% for jail construction if the transit authority in the county is not using its full authority. Only Coshocton County has utilized this special authority.

By deriving each county's retail base (dividing their total CY 2025 sales tax revenue by their sales tax rate), we can estimate the rate increase that each county would need to offset their inside millage loss.

The estimated needed sales tax rate increase ranges from 0.20% (Butler, Cuyahoga, and Lake counties) to 1.90% (Vinton County). Counties with larger retail bases, which typically tend to be urban and suburban counties, would need a smaller rate increase since they can generate more revenue from a smaller rate and are also generally less dependent on inside millage.

In addition to the size of the needed sales tax rate increase itself, the other key factor is how much permissive authority a county has remaining. Of the 86 counties that use inside millage for general fund revenue, 50 are at the maximum rate. Thus, these counties cannot generate any additional revenue from the sales tax. An additional 16 counties do not have enough remaining authority to raise their rate to the offset rate.

The maps below show the increased rate each county would need and the counties that have remaining authority to reach the increased rate (click the map to download the full sized image).



The 66 counties that do not have enough authority remaining to reach their offset rate would need a legislative change to increase the maximum allowable permissive rate. However, even with an increase in the maximum rate, the ability to offset inside millage loss with sales tax increases faces two practical challenges: consumer behavior changes and the obstacle at the ballot.

Consumer Behavior Changes

The sales tax rate increases the price of taxable goods and services. As with any cause, when prices increase people change their consumption patterns. That could mean purchasing cheaper options or entirely foregoing certain purchases. There is not a 1:1 increase in sales tax revenue from rate increases.

This effect is especially acute for border counties. Consumers in border counties may travel the extra distance to cross stateliness to make purchases if the rate is lower.

Passing an Increased Sales Tax
As shown above, 86 counties would need a sales tax rate increase of some magnitude. Increasing county piggyback sales tax authority would require an act of the General Assembly and, dependent upon the legislation, may require a public vote to increase

Since at least 2020, there have not been any successful sales tax increases at the ballot, and there have been multiple failed continuation/renewal sales tax levies.

Review
We have only been considering the county inside millage loss. However, with full abolishment, counties would lose more than $3 billion in other revenue for services that, to varying degrees, are state mandated.

Those concepts also do little for lost property tax revenue experienced by other local governments (county inside millage revenue is only 3.5% of all property tax revenue).

The state and local governments would need to take a multi-pronged approach to reckon with property tax abolition should it come to pass, the breadth of which is beyond the scope of this issue of *Statehouse Report*.

What's Next
The last two issues of *Statehouse Report* have shown the scale of property tax revenue across the state and what it would take to offset just a portion of the county revenue loss that would occur if property taxation is abolished.

Next week will review the reforms that have been enacted to ease the property tax burden going forward and give an update on the campaign to place an abolishment amendment on the November 2027 ballot.

Legislative Activity

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

- House Bill 997 (Representative Brian Lorenz): Regarding recovery housing residences and zoning.
- House Bill 998 (Representative Jason Stephens): To make an appropriation to reimburse county auditors for recent property tax changes
- House Bill 999 (Representative Dan Troy): To prohibit property tax exemptions for data centers.

Fun fact: Representative Jim Hoops introduced House Bill 1000 this week. The 136th General Assembly became the first since the 116th General Assembly (1985-1986) to see an HB 1000. That General Assembly topped out at HB 1062.