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**HB 1 Income and Property Taxes
Opponent Testimony
March 14, 2023
House Ways & Means Committee**

Good afternoon, Chairman Roemer, and members of the House Ways & Means Committee. My name is Heidi M. Fought, and I am the Executive Director of the Ohio Township Association (OTA). On behalf of our members, I come before you to express our opposition to House Bill 1. Specifically, the OTA is very concerned with the impact the proposed changes in HB 1 will have on the finances of township governments statewide.

The OTA represents 1,308 townships across the State of Ohio. This equates to approximately 35% of the residents of Ohio to which townships provide local services including police, fire, emergency medical services, road maintenance, zoning, and cemetery management.

As you may know, townships have very limited funding sources with property taxes being the primary source of revenue. The elimination of the 10% property tax rollback in HB 1 affects townships disproportionately as they do not assess local income taxes or levy a local sales tax. In 2022 the 10% rollback amounted to \$1.221 billion. However, only \$416 million of that is split among political subdivisions such as townships, municipalities, villages, and other local government agencies.

Townships are primarily funded through property taxes levied on real property within the township. The property tax levies are split into two categories, inside millage (unvoted), and outside millage (voted). The Ohio Constitution allows for up to 10 inside mills which is equal to 1% of true value and shared between local government entities. As property values increase, so too will the taxes due to these 10-mills. Out of the 10 mills, on average, townships usually have between 1 - 2 ½ inside mills, the least amount for local governments.

Inside millage is a vital revenue stream and is used for items such as general operations, road maintenance, and, in approximately a third of the counties in Ohio, funding local health districts. By applying HB 920 to inside millage, a township will have no ability to keep up with inflation costs impacting operations and health district expenses.

Outside millage is voted millage. For townships to provide the necessary, essential services to 35% of the state's population, property tax levies must be enacted. Townships may levy taxes for a variety of services, as listed in R.C. §5705.19.

Voted levies have an inherent system of checks and balances currently in place. To collect revenue outside of the constitutionally allowed 10-mills, a board of township trustees must first vote to place a levy on the ballot, and then a majority of the residents must approve it. When the voters approve a tax levy, they are agreeing to pay a certain amount of money for a specific purpose, over a given amount of time period. Each property owner pays their share, in proportion to the value of their property. When property values increase due to inflation (a reappraisal or update), HB 920 kicks in. This was a property tax reform bill that was enacted in 1976 to keep inflation from increasing voted

taxes. HB 920 applies to all voted levies and levies are adjusted according to the value change over the district it covers.

House Bill 1 drastically changes the law governing how townships are funded. With the reduction to the assessment rate of real property to 31.5% from 35% and the elimination of the 10% rollback, the only recourse townships have is to put additional levies on the ballot. With recent changes to election law, coupled with the changes in HB 1, this could potentially lead to an even higher rate of levy failures for townships.

It has been stated that the goals of HB 1 are for Ohio to have a nationally competitive tax rate, attract new residents and retain current residents. Townships already set great examples for future and current residents. Over the past 18 years, West Chester township in Butler County have received more than \$3.4 billion in new investment and created more than 35,000 new jobs. Miami Township in Montgomery County drew Steiner Optics to combine its California manufacturing with its Ohio operations, creating Ohio jobs and business migration. Bath Township in Allen County seized business migration from a Proctor and Gamble facility in New Jersey, assuming production.

As for benefits to the state, on a per capita basis smaller governments levy lower local taxes than larger governments. Townships spend, tax, and borrow less in nearly all population categories and account for only 3% of expenditures and 4.8% of taxes statewide. According to Wendall Cox, an urban policy analyst, regarding larger township's (over 10,000 residents), there is a considerable advantage to the Ohio taxpayer. Larger townships based on population, are the equivalent of \$861 million less in annual spending, \$577 million less in annual taxation, and \$716 million less in long term debt.

Additionally, tax changes in House Bill 1 will lead to a significant decrease in the state's Local Government Fund (LGF). The LGF was established by the state to support local government activities. During the Great Depression local governments experienced grave financial difficulties. Property tax delinquencies were high. In the 1930's the Ohio Constitution was amended to reduce unvoted property tax millage, and the state's first sales tax was passed. The LGF was established at the same time. One of the purposes of the sales tax was to "support local government activities." The LGF initially received about 40% of the sales tax, beginning the "revenue sharing" principle between state and local governments.

Today, the LGF receives 1.66% of the state's GRF. Townships receive approximately 11% of the LGF total. In townships, this revenue is used to support mandated state and federal requirements, properly equip and train public safety service members, provide general township maintenance, care for and maintain cemeteries and park, and pay for fees associated with the Uniform Accounting Network and auditing costs.

The passing of HB 1 would cause catastrophic harm to the 1,308 townships across Ohio with consequences that may be irreversible. The fiscal sustainability of townships would be strained, and townships would have a very difficult time making up that lost revenue.

While the OTA has no position on the establishment of a flat income tax rate, we respectfully urge the General Assembly to carefully consider the financial ripple effects that any change will have on local governments, like townships. By altering the property tax methodology in Ohio, local governments and school, not the state will be financially impacted.

Mr. Chairman, I appreciate the opportunity to testify before you and the House Ways & Means Committee this afternoon. I would be happy to answer any questions you or the committee members may have.