



**House Ways and Means Committee
House Bill 186
Ohio Association of School Business Officials
May 7, 2025**

Chair Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the Ohio House Ways and Means Committee, thank you for the opportunity to provide testimony on House Bill (HB) 186. My name is Katie Johnson, and I serve as Executive Director of the Ohio Association of School Business Officials (OASBO). Our organization represents the treasurer/CFOs and other school business officials who manage the finances and operations of Ohio's public school districts in support of high-quality education.

Joining me today in representing our members and answering questions is OASBO Board Member Terrah Stacy, Treasurer/CFO of Springboro Community City Schools in Warren County.

On behalf of our members, we respectfully ask this committee to carefully consider the proposed property tax changes and their potential impact on property taxpayers, public school districts, and—most importantly—the students we serve.

House Bill 186 would create a property tax credit for property owners in school districts on the 20-mill floor, with the stated goal of limiting revenue growth to inflation rates. While this may appear to provide tax relief to certain property owners, our analysis indicates that this bill would have serious negative consequences for public education funding while also raising significant constitutional concerns.

The Context of Ohio School Funding

We recognize that HB 186 arises amid broader discussions about Ohio's school funding system and property tax relief. Ohio school district leaders are committed to both responsible fiscal management and the educational success of our students. Our districts rely on a state-local partnership, where community-approved levies work alongside state funding to ensure stable, predictable resources for student learning.

We acknowledge and appreciate the important work of the Joint Committee on Property Tax Review and Reform in studying Ohio's property tax system. School district leaders across Ohio support targeted, means-tested relief to help residents remain in their homes, particularly as valuations rise. However, we believe HB 186's approach would undermine both taxpayer equity and educational stability.

Financial Impact on School Districts

House Bill 186 would have a substantial and widespread negative financial impact:

- **Revenue Losses:** According to the Legislative Service Commission (LSC), property tax credits would total approximately \$41.9 million in tax year 2025, increasing to \$64.4 million in tax year 2026. These credits represent direct revenue losses for public schools.
- **Insufficient State Offset:** While the bill includes a mechanism to adjust state funding calculations, LSC estimates that this would offset only 30-40% of the local revenue lost. Furthermore, this offset

mechanism would not begin until fiscal year (FY) 2027, creating a significant gap between when districts lose revenue (tax year 2025/2026) and when compensation begins. This creates a substantial and unmanageable funding gap that many districts would be unable to close without new levies or service reductions.

- **Statewide Impact:** More than two-thirds of Ohio school districts are at or approaching the 20-mill floor, meaning this legislation would have broad and systemic consequences across the state.
- **Temporary Valuation Trend:** It is important to note, as highlighted in the Legislative Service Commission’s Fiscal Note, that the recent sharp increases in property values are not expected to continue. The Fiscal Note states that while valuation increases outpaced inflation from Tax Year (TY) 2020 through TY 2024, projections for TY 2026 and beyond show that property value growth will be much closer to inflation rates. In fact, no counties reappraising in TY 2027 are expected to see credits under HB 186, and credits in TY 2028 are expected to fall dramatically. This suggests that Ohio is emerging from a period of unusually high valuation increases.

Constitutional Concerns

The proposed changes in HB 186 raise significant constitutional issues and could face serious legal challenges. The bill violates two key provisions of the Ohio Constitution:

1. Violation of Article XII, Section 2 -- Uniform Taxation

The Ohio Constitution requires that real property be taxed “by uniform rule according to value.” In a series of Ohio Supreme Court decisions known as the *Park Investment* cases (1964-1972), the Court established that property must be valued and assessed in a uniform manner for property tax purposes.

Specifically, the Ohio Supreme Court held that property must be assessed at the same uniform percentage of actual value throughout the state, stating that “if the ratio between sales price and assessed value in general differs to any appreciable extent, either throughout the state as a whole or as to various classes of property in particular, then property is not being taxed by uniform rule as required by Section 2, Article XII of the Ohio Constitution.” *State ex rel. Park Inv. Co. v. Board of Tax Appeals*, 175 Ohio St. 410, 412-413 (1964).

HB 186 would create non-uniformity by applying district-specific tax credit factors based on reappraisal timing, inflation rates, and local valuation increases. This causes the effective tax rate on similarly valued properties to differ across districts.

Understanding the Tax Credit Factor with an Example:

The tax credit factor in HB 186 is calculated for each school district on the 20-mill floor when it undergoes a reappraisal or triennial update. This factor is determined by:

1. Comparing what the district would collect from its 20-mill floor in the current year to what it collected in the previous year;
2. Calculating how much that revenue would increase if limited to the rate of inflation over the preceding three years;
3. Dividing the inflation-limited collections by the collections that would be received under the current 20-mill floor; and
4. Subtracting that result from 1 to get the tax credit factor.

For example, as illustrated in the LSC analysis, if a district would collect \$30 million from the 20-mill floor after reappraisal, but the inflation-limited amount is \$25.5 million, the tax credit factor would be: $1 - (\$25.5 \text{ million} \div \$30 \text{ million}) = 0.15$ or 15%

This factor varies by district based on:

- How much property values increased in that specific district;
- The rate of inflation during the preceding three years; and
- When the county conducts its reappraisal (since inflation rates change over time).

To illustrate how this creates non-uniform taxation, consider two properties, each valued at \$200,000 and located in different 20-mill floor districts. The current effective tax rate to assess taxes on property in Ohio is 35%. To calculate taxes due before any tax credit:

- Assessed value = $\$200,000 \times 35\% = \$70,000$ for each property
- Taxes due = $\$70,000 \times 0.02$ (20 mills) = \$1,400 for each property

Applying the HB 186 tax credit mechanism to identical \$200,000 properties in different taxing districts:

Scenario	Tax Credit Factor	Tax Credit Amount	Final Tax Bill	Effective Taxed Value	Effective Assessment Rate
Current Law (Any district on 20-mill floor)	0.00	\$0	\$1,400	\$70,000 (\$1,400 \div 0.02)	35.00% (\$70,000 \div \$200,000)
Property 1 under HB 186 (District on 20-mill floor with high value growth)	0.15	\$210 (\$1,400 \times 0.15)	\$1,190 (\$1,400 - \$210)	\$59,500 (\$1,190 \div 0.02)	29.75% (\$59,500 \div \$200,000)
Property 2 under HB 186 (District on 20-mill floor with moderate value growth)	0.05	\$70 (\$1,400 \times 0.05)	\$1,330 (\$1,400 - \$70)	\$66,500 (\$1,330 \div 0.02)	33.25% (\$66,500 \div \$200,000)

Scenario	Tax Credit Factor	Tax Credit Amount	Final Tax Bill	Effective Taxed Value	Effective Assessment Rate
Property 3 under HB 186 (District on 20-mill floor with value growth \leq inflation)	0.00	\$0	\$1,400	\$70,000 (\$1,400 \div 0.02)	35.00% (\$70,000 \div \$200,000)
Property 4 under HB 186 and Current Law (District <i>not</i> on 20-mill floor <i>with 38 effective mills</i>)	0.00	\$0	\$2,660	\$70,000 (\$2,660 \div 0.038)	35.00% (\$70,000 \div \$200,000)

As shown by the examples above, this means identical \$200,000 properties across Ohio would be effectively assessed at rates ranging from 29.75% (or lower) to 35% of their true value, solely based on which taxing district they happen to be located in and how much property values increased in that district.

The Ohio Supreme Court has specifically ruled that such varying assessment ratios violate the constitutional requirement for uniform taxation according to value as required by Article XII, Section 2 of the Ohio Constitution.¹

As demonstrated by this example, HB 186 creates a patchwork of effective tax rates across the state based solely on local property value growth and reappraisal timing. This non-uniform taxation system is precisely what the Ohio Supreme Court has prohibited. Beyond these challenges with the uniform taxation requirements, the bill also presents serious equal protection concerns.

2. Violation of Article I, Section 2 -- Equal Protection

Ohio's equal protection clause prohibits arbitrary classifications in tax law. The Ohio Supreme Court has stated that any differential treatment must be based on a rational, consistent classification and must apply uniformly within that class (*State ex rel. Swetland v. Kinney*, 1980).

The Court emphasized in *Kinney* that the terminology used—whether “exemption,” “reduction,” or “rollback”—is constitutionally insignificant.² What matters is whether the effect creates a lack of uniformity or violates equal protection.

In comparing HB 186 to previously upheld tax reductions, there are critical differences:

The Owner Occupancy Credit (2.5% rollback) was upheld in *Kinney* because it:

¹ *State ex rel. Park Inv. Co. v. Bd. of Tax Appeals*, 175 Ohio St. 410, 413 (1964) (holding that varying assessment ratios across properties or classes violate the uniform taxation rule of the Ohio Constitution).

² In *State ex rel. Swetland v. Kinney*, 62 Ohio St.2d 23 (1980), the Court emphasized that what matters is the *effect* of a provision on uniformity, not the label given: “We attach no mystical significance to the term ‘exemption’... any distinction is constitutionally insignificant.”

- Had a rational basis (providing tax relief in a distressed economy);
- Established a reasonable, concrete classification (“homesteads”); and
- Applied the tax reduction equally at 2.5% to all members of the class.

HB 186, by contrast:

- Creates a classification (taxpayers in districts on the 20-mill floor) that fluctuates as districts approach or rise above the floor;
- A property owner could be a member of this class in one year but not the next, or in one taxing district but not in another;
- Provides variable credits depending on reappraisal cycles, inflation, and district-specific value changes; and
- Fails to apply a uniform rate within the class it creates.

This shifting, inconsistent application violates both the equal protection clause and the standards set by Ohio Supreme Court precedent in *State ex rel. Swetland v. Kinney*, 62 Ohio St.2d 23 (1980).

Practical Concerns

In addition to legal and financial issues, HB 186 presents several practical challenges:

- **Administrative Burden:** The district-level calculations, tracking of credit factors, and communication to taxpayers would create confusion and administrative complexity.
- **Revenue Unpredictability:** School districts would face highly volatile funding environments, complicating multi-year budgeting and long-term strategic planning.
- **Levies and Community Trust:** The bill may force districts to place more levies on the ballot to replace revenue losses—undermining the intended tax relief and straining relationships with voters.

Alternative Approaches to Property Tax Relief

We understand and share legislators’ concerns about property tax burdens on Ohio residents, particularly in communities experiencing rapid valuation increases. School district leaders are committed to working with the General Assembly on constitutional, sustainable approaches to property tax relief.

We believe that targeted, means-tested relief programs—such as the “circuit breaker” approach outlined in Senate Bill 22 or the expanded homestead exemptions for seniors, veterans, or income-qualified homeowners—would provide more equitable assistance to those who truly need it without disrupting the uniform taxation principles established in our constitution or impacting school funding stability. Such



approaches would ensure relief reaches those most burdened by property taxes while maintaining educational quality for Ohio students.

Conclusion

In summary, due to the system of school funding as prescribed by the Ohio Constitution and the Ohio Revised Code, schools rely on property taxes and the willingness of their voters to pass levies to maintain educational programming for students. The proposed changes in HB 186 would make this task even more challenging, as property taxpayers may be less inclined to approve new levies when faced with confusing and inconsistent taxation.

Districts will be forced to address the significant local revenue lost due to this bill, with LSC projections showing that state funding adjustments would replace only about a third of the lost revenue. Whether directly or indirectly, HB 186's proposed changes will negatively impact districts' ability to raise necessary funds at the local level, which could have a devastating impact on our students, our schools, and ultimately, our communities.

We appreciate the Committee's willingness to consider these concerns. We remain committed to finding sustainable solutions that balance taxpayer equity with educational stability.

Thank you for your consideration. We are happy to address your questions.