



House Ways & Means Committee

Interested Party Testimony

House Bill 335

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on behalf of the Ohio Taxpayer Protection Coalition**

Chair Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the House Ways and Means Committee, on behalf of the *Ohio Taxpayer Protection Coalition*, thank you for inviting us to provide testimony as an interested party with regard to House Bill (“H.B.”) 335.

The *Ohio Taxpayer Protection Coalition* was formed to address real problems with Ohio’s local tax system, from the grass roots up, and its members include the Ohio Chamber of Commerce, the Ohio REALTORS®, and the County Auditors Association of Ohio. The Ohio Taxpayer Protection Coalition supports bold, commonsense solutions to restore fairness, simplify compliance, and ensure Ohio remains competitive with other states, especially with respect to the property and municipal income tax systems.

With respect to real property taxation, the Coalition only advocates bold initiatives that do not reduce current revenues of local jurisdictions that rely on property taxes. Instead, our focus is on tamping down the inflationary growth driving large unvoted property tax increases.

With respect to government spending, the Coalition avoids taking positions on whether local governments are spending too much money or need to decrease spending—we leave that decision to legislators and local officials. Correspondingly, the Coalition also avoids recommending solutions that require new taxes to replace existing taxes. We heard much opposition during last week’s hearing that suggested H.B. 335’s expansion of other local revenue sources is simply shifting the tax burden from one pocket to the other (i.e., “tax shifting”). While we appreciate that argument, the same argument equally applies to any proposal to use state tax dollars to fund local tax cuts—each scenario involves “tax shifting.” The Coalition’s goal is to support solutions that improve the current property tax system without exacerbating other parts of the state or local tax system.

As a result, because H.B. 335 could take away current revenue of local jurisdictions by eliminating inside millage and encourage the use of replacement tax revenues, the Coalition is testifying today on H.B. 335 as an Interested Party.

What the Bill Does

H.B. 335 certainly takes a comprehensive approach to boldly reform Ohio's real property tax system, and the Coalition applauds the House for proposing such broad reforms. The bill adds transparency, simplifies the tax levy system, and protects Ohio taxpayers from unvoted tax increases. Many of the concepts in H.B. 335 flow from bills that have already been debated before this Committee, many of which the Coalition has supported.

During prior Committee hearings, the Coalition has expressed its support for:

- **H.B. 129**, which counts existing emergency and substitute levies toward the 20-mill floor.¹
- **H.B. 186**, which provides a cap on revenue growth for school districts at the 20-mill floor. The bill allows some growth of future revenues, but limits the growth to general inflation.
- **H.B. 309**, which clarifies county budget commission authority and enhances its ability to provide oversight of local taxing jurisdictions, further protecting taxpayers from unvoted tax increases.

To the extent H.B. 335 incorporates these concepts, the Coalition applauds that result.

H.B. 335 also adds tools to the toolbox for local officials to provide direct tax relief in the form of a piggy-back local homestead exemption without burdening Ohio's general revenue fund system. This tool is not mandatory, but elective, allowing local officials and taxpayers to decide if the tool should be used.

Elimination of All Inside Mills

For the reasons explained earlier, the Coalition will not take a position on the H.B. 335's proposal to eliminate existing inside mills. We do, however, make the following observations:

- The proposal to eliminate inside mills will raise significant concerns for bondholders, especially depending on the current financial situation of the bond issuing authority. This could lead to extensive litigation and uncertainty, effectively putting immediate tax relief for taxpayers at risk.
- The likelihood of Constitutional challenges can be mitigated by mandating in the bill that local bond issuing jurisdictions comply with existing bond covenants and by allowing for a delayed elimination of inside millage pledged for current bond holders until the bonds are satisfied or otherwise defeased. Any litigation will likely result in this outcome anyway. A starting point is the guidance provided by the Ohio Supreme Court in *Ohio National Bank of Columbus v. Hudson*², as referenced by the Minority Leader during last week's hearing on H.B. 335.

¹ H.B. 335 may be ambiguous regarding the requirement that existing emergency and substitute levies are counted toward the 20-mill floor and should be clarified to include such existing levies. S.B. 66 contains similar provisions as H.B. 129.

² *State ex rel. Ohio Nat. Bank of Columbus v. Village of Hudson*, 134 Ohio St. 150 (1938); see also *State ex rel. Ohio National Bank of Columbus v. City of Parma*, 132 Ohio St. 257 (1937).

- The Coalition reminds the Committee that the amount of unvoted “inside mills” has evolved over the decades, especially during the first half of the 1900s. In spite of those many changes, the local bond financing world did not collapse (see the attached chart).

Providing Immediate and Substantial Tax Relief

It is the Coalition’s understanding that H.B. 335 marks an effort by the House to prioritize the need for immediate and substantial taxpayer relief this coming January. Limiting the amount of inflationary growth on next January’s tax bills is an immediate and substantial form of tax relief, which the Coalition strongly encourages and supports. Methods to provide immediate and substantial relief in January without impacting current revenues include the following:

1. Counting emergency and substitute levies toward the 20-mill floor calculation, as proposed in H.B. 129.
2. For school districts and joint vocational districts that would remain at the 20-mill floor after that change, cap unvoted growth as proposed in H.B. 186.
3. Instead of eliminating inside millage, consider freezing inflationary growth of inside mills or otherwise capping it, similar to the approach proposed in H.B. 186.
4. Eliminate the 20-mill and 2-mill floor on a prospective basis.³ No other types of taxing jurisdictions enjoy the benefits of a floor, and the floors are the single biggest reasons for inflationary unvoted property tax increases in Ohio.

Importance of Data

A significant amount of data is available on the Auditor of State (“AOS”) website⁴ which provides some transparency into local revenue levels, spending areas, and cash carry-over balances—not just for school districts, but for municipalities, libraries and other local jurisdictions, as well. We have heard the horror stories about the potential impacts of curbing local funding. However, we encourage lawmakers and taxpayers to also review this AOS data to get a different perspective. While a \$6 million cut in a jurisdiction’s revenue could result in the elimination of front-line safety forces or teachers, it is hard to understand why elimination of such positions is the only option for jurisdictions that also have carryover cash balances many times that amount.

Chair, thank you for inviting the Ohio Taxpayer Protection Coalition to provide this testimony.⁵ We are happy to address any questions.

³ The 20-mill floor has not always been in existence—it was first enacted in 1977. See Ohio Department of Taxation 2024 Annual Report, p. 131.

⁴ See AOS Hinkle System page: <https://ohioauditor.gov/financialreporting/default.html>

⁵ For more information on the *Ohio Taxpayer Protection Coalition*’s efforts is available on its website: <https://ohiotaxpayerprotectioncoalition.com/>.

Attachment

Summary of changes to inside millage over the years.

- **1911** – The General Assembly imposed an overall 10-mill limit for unvoted levies; tax levies up to 15 mills were permitted with a vote of the people.
- **1927** – The General Assembly repealed the overall 10-mill limit and replaced it with a 15-mill limit on unvoted levies; tax levies above 15 mills were permitted through a vote of the people.
- **1929** – Ohioans amended the Constitution to limit unvoted levies to 15 mills, effective on January 1, 1931.
- **1933** – Ohioans amended the Constitution again to reduce the previous 15-mill limit to a 10-mill limit, effective on January 1, 1934.
- **1934** – The General Assembly amended the statute to reduce the 15-mill limit on unvoted levies to 10 mills.

Source: Ohio Department of Taxation 2024 Annual Report, <https://tax.ohio.gov/help-center/communications/publications/annual-reports/2024annualreport>; see also *State ex rel. Ohio Nat. Bank of Columbus v. Village of Hudson*, 134 Ohio St. 150, 161 (1938).