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H.B. 261
(1_136_0880-3)
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 261's Bill Analysis](#)

Version: In House Ways and Means

Primary Sponsors: Reps. Richardson and Lorenz

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2027	FY 2028	Future Years
State General Revenue Fund			
Expenditures	Increase up to \$92 million	Increase up to \$182 million	Increasing amounts

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill requires the state to reimburse half of the local option homestead exemption and increases the income eligibility limit for the homestead exemption to \$55,000. It would reduce taxpayers' amount owed up to an estimated \$345 million for tax year (TY) 2026, and \$329 million for TY 2027, if all 88 counties adopted a resolution to grant the optional exemption.
- The state GRF would reimburse 50% of these taxpayer savings, with additional reimbursement payments equaling \$92 million in FY 2027 and \$182 million in FY 2028 due to property taxes being paid in arrears and the semiannual reimbursement structure. The associated payments would increase expenditures from GRF line item 200903, Property Tax Reimbursement – Education, and GRF line item 110908, Property Tax Reimbursement – Local Government.

Detailed Analysis

The bill requires the state to partially reimburse local taxing authorities for the local option homestead exemption available to elderly homeowners, homeowners with a permanent

and total disability, and their qualifying surviving spouses. Specifically, the bill requires the state to reimburse 50% of the local homestead exemption. The bill also expands eligibility for the homestead exemption by increasing the income threshold, currently \$41,000 in modified Ohio adjusted gross income, to \$55,000. The bill applies to taxable years ending on or after the effective date of the bill, which LBO assumes to be tax year (TY) 2026 and years thereafter.

Under current law, the exempted market value of a qualifying property is estimated to be \$29,700 in TY 2026, with that amount indexed annually for inflation. If a board of county commissioners authorizes the local option homestead exemption, the amount of the exemption must equal the statewide homestead exemption amount. This exemption applies to homeowners who are totally and permanently disabled, 65 years of age or older, or surviving spouses of such persons that are age 59 or older on the date the deceased spouse dies. The bill's partial reimbursement requirement also applies to an enhanced exemption for totally disabled veterans, their surviving spouses, and the surviving spouse of public service officers killed in the line of duty.

Fiscal effect

The bill both expands eligibility for the homestead exemption and increases the maximum exemption amount available to all eligible homeowners. The precise fiscal impact depends on how many of Ohio's 88 counties choose to authorize the local option homestead exemption. If all counties authorize it, the bill would reduce eligible homeowners' tax liability by up to an estimated \$345 million in TY 2026 and \$329 million in TY 2027. Under the bill's 50% reimbursement requirement, local taxing authorities would bear only half of the reduction authorized by the local option homestead exemption, with the remaining half reimbursed from the GRF. The smaller taxpayer savings estimated for TY 2027 reflects the ongoing long-term decline in the number of homeowners eligible for the exemption.

The bill would increase expenditures from GRF line item 200903, Property Tax Reimbursement – Education, and GRF line item 110908, Property Tax Reimbursement – Local Government. Because property tax payments and the associated GRF reimbursements are paid in arrears, half of the first-year increase in the exemption would be reimbursed in FY 2027, and half in FY 2028. As a result, GRF reimbursements are estimated to increase by \$92 million in FY 2027 and by \$182 million in FY 2028. The cost of the bill to the GRF is expected to decrease in subsequent years, though the pace of that decline will depend on the rate of inflation and demographic trends among Ohio's senior citizen population.

According to the County Commissioners Association of Ohio, as quoted in a Cleveland.com [article](#), the following counties adopted the local option homestead exemption for TY 2025:

1. Lake County
2. Lorain County
3. Medina County
4. Knox County
5. Holmes County
6. Miami County

7. Erie County
8. Butler County
9. Pickaway County

The county commissioners' resolution authorizing the local option homestead exemption will remain in effect for subsequent tax years unless the county stipulates that it should cease. The following table itemizes the estimated GRF fiscal effect under the bill. The first two rows reflect GRF expenses that will occur under the bill. Since the income eligibility expansion also applies to the state homestead exemption, spending on that homestead exemption will increase. GRF spending will also increase based on the nine counties listed as already authorizing the local option homestead exemption for TY 2025. The third row reflects a potential GRF expense that depends on whether additional counties choose to authorize the local option exemption in future tax years.

Estimated GRF Expenses under H.B. 261, FY 2027-FY 2028 (in millions)		
GRF Expense	FY 2027	FY 2028
Statewide income-eligibility expansion	\$12	\$27
Reimbursement for nine current local option counties	\$10	\$19
Reimbursement if 79 additional counties adopt	\$70	\$136
Total	\$92	\$182