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## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Rep. D. Thomas

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### SUMMARY

#### School district property taxes

- Requires all current expense fixed-sum levies to be included in the calculation of a school district's 20-mill floor for property tax purposes.
- Changes the name and purpose of a school district emergency levy, such that the levy must be referred to as a "fixed-sum levy" and can expressly only be levied for the district's current expenses, rather than for "emergency" purposes.
- Disallows the renewal of an emergency levy.
- Prohibits school districts from submitting new substitute levies to voters.
- Authorizes a property tax credit for the owners of property located in a school district on the 20-mill floor property tax floor, with the goal of limiting a district's total property tax revenue growth from the floor to the rate of inflation.

#### Inside millage limits

- Prohibits a school district from shifting the purpose of its unvoted property tax millage ("inside millage") in a way that would increase the district's tax revenue.
- Expresses the General Assembly's intent to, beginning for tax year 2025, effectively repeal inside millage for most subdivisions except townships.

#### Local option homestead exemption

- Authorizes a county to offer a property tax exemption that would "piggy-back" on the existing state homestead exemption.

## County budget commissions

### CBC levy adjustment reduction authority

- With respect to certain levies that a county budget commission (CBC) is currently required to authorize without modification after confirming they are properly authorized:
  - Limits a requirement that all levies in excess of the ten-mill limitation (voted levies) be approved without modification to apply only to the first year of collection, with additional allowance for reduction of renewal levies and years when the taxing unit specifically requests a lower amount.
  - Provides that a request for a lower rate with respect to a voted levy applies only to the succeeding fiscal year unless specifically stated in the request.
  - Limits approval without modification of inside millage for debt charges to those necessary for unsatisfied debt charges, and applies that standard to all levies, rather than inside millage only, as under current law.
  - Explicitly states that a request by a political subdivision for a reduced rate or reduced guaranteed inside millage applies only to the succeeding year unless stated otherwise in the request.
- With respect to any levy for which CBC authority to reduce is not specifically limited:
  - Requires a CBC to hold a hearing anytime the unencumbered balance estimated to remain in a fund at the end of a fiscal year exceeds 30% of the estimated expenses from that fund to determine if levies deposited into the fund should be reduced to avoid excessive collections.
  - Authorizes the taxing authority to present its position as to whether the levy should be reduced and provide evidence supporting that position.
  - Allows a CBC to reduce a levy following the hearing such that collections are reduced up to the amount by which the estimated balance for a fund exceeds 30% of the estimated expenses from the fund in that year.
  - Prohibits the CBC from reducing a school district's levies for operating expenses to less than 20 mills.

### Tax budgets

- Requires a tax budget to include an estimate of estimated expenses through the end of the fiscal year in which it is submitted.
- Requires a taxing unit that anticipates increased revenue collections on inside millage due to increased valuations or because of the 20-mill floor to state in its tax budget an intent to collect or forgo the increased revenue.
- Requires the CBC to reduce levy rates accordingly if the taxing unit opts to forgo the increased revenue and prevents a school district from losing state funding if the request results in the district levying total current expense levies of less than 20 mills.

- Allows a school district to include its most recent five-year projection of operating revenue and expenditures with its tax budget and requires the CBC that receives the projection to examine those projections when reviewing the tax budget.
- Requires a public body that levies property taxes and that does not currently submit information to a different body for inclusion in its tax budget to submit a tax budget to a CBC on its own.
- Requires each health district that does not file an estimate of contemplated revenue and expenditures with a taxing authority for inclusion in that taxing authority's tax budget to submit a tax budget on its own behalf.

### **County levy procedure**

- Requires boards of county commissioners to seek the recommendation of the CBC as to whether a tax should be submitted to electors before doing so.

### **Designees**

- Allows a county auditor, prosecutor, or treasurer to appoint a designee to serve in their stead on the CBC.

### **Appeals**

- Places the burden of proof on a taxing unit to show the need for additional revenue when challenging any levy reductions made by the CBC before the Board of Tax Appeals (BTA).
- Requires the BTA to render a decision on a CBC challenge by a taxing unit within the same calendar year in which the appeal is filed.

### **LGF and PLF alternate formula approvals**

- No longer requires the largest municipality in a county to approve use of a countywide alternate formula for distributing county allocations from the Local Government Fund (LGF) or Public Library Fund (PLF).
- Requires that only a majority of the libraries and other subdivisions fixed an allocation under the existing county PLF formula approve a new, alternate formula, instead of the majority of all townships and municipalities in the county.

### **Fixed-sum levies**

- Requires the Tax Commissioner to annually adjust the rate of a fixed-sum levy so that it will continue to raise the sum approved by voters and to certify that adjustment to county auditors.

### **County sales and use taxes**

- Authorizes a county to levy an additional sales and use tax of up to 1% for the purpose of funding its general operations.

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## DETAILED ANALYSIS

### School district property taxes

The bill makes several changes to the law governing a school district's taxation of real property. Among these changes, the bill modifies the calculation of a school district's 20-mill floor, limits the types of taxes that school districts may levy, and authorizes a tax credit for property owners that live in districts on the 20-mill floor.

## Tax reduction factor and 20-mill floor: overview

Continuing property tax law applies a “tax reduction factor” to real property, with the goal of preventing property taxes from increasing at the same rate as property values. Basically, each year when property values increase, property tax collections are adjusted downward so that taxing districts receive the same amount of revenue they received in the previous year on existing taxable property, which is referred to as “carryover property.” (Growth from new construction is excluded from the tax reduction factor.) These reductions are converted to an “effective tax rate.” Different effective rates are calculated for residential/agricultural property (“Class 1” property) and other real property (“Class 2” property). The tax reduction factor, under the Ohio Constitution, cannot apply to unvoted, or inside millage, or certain other types of operating levies, like emergency fixed-sum levies.<sup>1</sup>

There are some exceptions to the tax reduction factor – one of which is the 20-mill floor, which guarantees that a school district’s effective tax rate for operating expense levies cannot fall below 20 effective mills. Instead, the tax reduction factor can only reduce a school district’s operating levy collections to 20 mills – once that “floor” is reached in a school district, the reduction factor cannot reduce effective rates any further. Consequently, any growth in property tax values will produce a corresponding increase in taxes from those 20 mills. If property values increase 35% in a school district that is “on” the 20-mill floor, homeowners will generally see a larger tax increase than in other districts that are not on the 20-mill floor. The tax increase will very likely be less than 35%, since the tax reduction factor will still apply to other local tax levies (e.g., county and township levies), but since school district levies typically make up a majority of a homeowner’s property taxes, the 20-mill floor could have a significant impact.

Under continuing law, a similar two-mill floor applies to joint vocational school districts (JVSDs).

### 20-mill floor calculations

Under current law, the calculation of a school district’s 20-mill floor includes only inside millage used for operating expenses and voted, “fixed-rate” operating expense levies. (Fixed-rate levies are those approved by voters at a specified rate of taxation.) In contrast, “fixed-sum” levies are not included in the calculation, even if the revenue from those levies is used for operating expenses. (Fixed-sum levies are approved by voters at whatever rate is necessary to collect a specified sum of revenue.)

The bill requires that current expense fixed-sum levies be included in the calculation of a school district’s 20-mill floor or a joint vocational school district’s two-mill floor. This includes school district emergency levies, substitute levies (see “**Emergency and substitute levies**,” below), and three other types of less common fixed-sum levies:

- A growth levy, which collects a fixed amount in its first year, and then an additional percentage or amount of revenue in each following year.

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<sup>1</sup> Ohio Constitution, Article XII, Section 2a.

- A property tax that collects a fixed amount each year, levied in combination with a school district income tax. The school district income tax portion is not included in the floor.
- A conversion levy, which may no longer be submitted to voters after 2014, though existing levies may be renewed. This levy allowed school districts above the 20-mill floor to repeal and re-levy their taxes in excess of the floor as a single fixed-sum levy, with the express purpose of dropping the district onto the 20-mill floor.

These levies will continue to be excluded from the tax reduction factors, since that mechanism cannot reduce the amount of money raised from fixed-sum levies. The effect of the change, for school districts that currently levy a current expense fixed-sum levy, is to increase the total millage that is compared to the 20-mill floor. If the district was previously on the floor, the new calculation may push the district above the floor, with the result that the district will not see full revenue growth from its voted levies that are affected by the tax reduction factor until the district falls back to the 20-mill floor.<sup>2</sup>

JVSDs are also authorized to levy an emergency or substitute levy, even though it appears that currently none of them do. Regardless, the bill also includes any emergency or substitute levies in the computation of a JVSD's two-mill floor.

The bill's millage floor changes apply to tax years beginning on and after the bill's 90-day effective date.<sup>3</sup>

### **Effect of additional floor-eligible current expense millage**

Under continuing law, a school district whose effective rate has been fixed at 20 mills by operation of the 20-mill floor, for either or both property classes, is still able to levy additional current expense taxes. In general, because effective rates are based off of taxes collected on carryover property in the preceding tax year, levying additional current expense millage will likely "raise" the school district's effective millage rate off of the 20-mill floor. For example, if voters in a school district that is on the floor approve a five-mill operating levy, then, for the first year the levy is added to the tax list and all other factors being equal, the effective rate of the district will be close to 25 mills (20 "floor" mills plus the five additional mills). Once at that higher threshold, the district's effective rates will gradually reduce back to 20 mills as property values increase in the district.

A similar dynamic will happen under the bill when operating levies currently not considered when calculating the floor become part of the floor computation. For instance, if a district on the floor has a five-mill fixed-sum levy, in 2026, the total millage included in the district's 20-mill floor calculation would increase to around 25 mills. This rate would gradually decrease as the district's effective operating millage subject to the tax reduction factor, i.e., voted

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<sup>2</sup> R.C. 319.301(E)(1).

<sup>3</sup> Section 3(A).

fixed-rate levies, is reduced as property values increase. The bill expressly codifies this dynamic to the extent any ambiguity exists under the current statutory language.<sup>4</sup>

### **Emergency and substitute levies**

Under current law, school districts can propose a fixed-sum emergency levy either (a) for the emergency requirements of the school district or (b) to avoid an operating deficit. The bill replaces these two authorized purposes with a single purpose – to pay the district’s current expenses. Correspondingly, the bill renames these levies as “fixed-sum levies” in ballot language to reflect this change in purpose.

The bill also disallows the renewal of current emergency levies and prohibits school districts from submitting new substitute levies to voters. Substitute levies substitute for an existing emergency levy and raise a fixed sum in their first year, with that sum growing each year as new real property is added to the tax base.<sup>5</sup>

### **Tax credit for property in school districts on the 20-mill floor**

The bill would authorize a property tax credit for property owners located in a school district or JVSD on the 20-mill or two-mill floor, respectively. The goal of the credit is to limit the increase in tax revenue that the district would receive as a result of the floor. If the floor would result in collections exceeding a specified inflation rate, each property owner is granted a credit so that the district’s revenue from 20 mills (or two mills) does not exceed that rate.

The credit is re-calculated every three years, when a county undergoes a reappraisal or triennial update. A district’s revenue growth from the 20-mill or two-mill floor in one of those years may not exceed the rate of inflation over the preceding three years. To measure inflation, the bill compares the district’s tax collections from the floor to increases in the GDP deflator, a national measurement of inflation in the prices of all goods and services published by the United States Bureau of Economic Analysis.

### **Example**

To illustrate the operation of the bill’s credit, consider a local school district that is on the 20-mill floor. Of this 20-mill floor, there are **five mills** of inside millage, which cannot be reduced by the tax reduction factor, and **15 mills** of outside millage. Assume that the total taxable value of all property in the district in tax year 2025 is **\$1 billion**. In 2026, due to a reappraisal, that total taxable value increases to **\$1.5 billion**.

Under current law, the 20-mill floor ensures that the taxes collected for operating expenses would equal **\$20 million** in 2025 (2% of \$1 billion) – **\$5 million** from inside millage and **\$15 million** from voter-approved millage. In 2026, collections would normally increase to **\$30 million** (2% of \$1.5 billion).

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<sup>4</sup> R.C. 319.301(E)(4).

<sup>5</sup> R.C. 5705.194 and 5705.199; Section 3(C).

The bill would limit this increase with respect to the district's voter-approved millage (i.e., the millage subject to both the tax reduction factor and 20-mill floor). Assume that, over the three years before the 2026 reappraisal, the inflation rate is **20%**. When compared to the previous year's tax collections, the bill would apply a collections limit for 2026 of **\$25.5 million** (\$7.5 million from inside millage (5 mills x \$1.5 billion), plus \$15 million increased by 20%).

The bill achieves this limit by calculating a tax credit amount for each property. A property's credit will be based upon a "tax credit factor," which equals one minus the result obtained by dividing the inflation-limited collections (**\$25.5 million**) by the collections that would be received under the 20-mill floor (**\$30 million**). In this case, the factor would be **0.15**.

To calculate each property's tax credit, the property's tax liability is multiplied by this credit factor. Assume that, without the reduction, a home with an appraised value of **\$200,000** would have a property tax liability of **\$1,400**. Under the bill, this property would receive a credit equal to **\$210** (\$1,400 x 0.15).

This credit amount would be re-calculated every three years, when the county undergoes a reappraisal or triennial update. The credit amount may fluctuate, or be entirely erased, after each cycle, depending on the relationship between the rate of inflation and the district's property value growth. Generally, if the district's property values continue to grow more than inflation, the credit will increase. Alternatively, if the district's property values grow less than inflation, property in that district will see a lesser credit or no credit.

### **Total credit computation**

The bill requires separate tax credit calculations for two groups of property – "nonbusiness property," which includes residential and agricultural property, other than ponds and lakes, and "business property" which includes all other property, except for vacant property. Both calculations only take into account property that was taxable in the district for the most recent appraisal or triennial update, not new construction.

These classes are similar, but not identical, to the Class I (residential/agricultural) and Class II (other) property classifications used when applying the tax reduction factor. As discussed above, under continuing law, the reduction factor and 20-mill floor adjustment are applied separately to Class I and Class II property. Consequently, a district may be on the 20-mill floor with respect to one class, but not the other. The bill uses slightly different categories because the Ohio Constitution specifies that property can only be divided into those two classifications for purposes of the tax reduction factor.<sup>6</sup>

Under the bill, separate credit amounts are also calculated for JVSDs, because of their separate two-mill floor.<sup>7</sup>

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<sup>6</sup> Ohio Constitution, Article XII, Section 2a.

<sup>7</sup> R.C. 319.301, 319.303, 323.08, 323.152, 323.155, 323.158, 4503.06, 4503.065, and 4503.0610.

## **Application date**

The credit applies beginning in tax year 2025, in the case of real property, and tax year 2026, in the case of manufactured and mobile homes that are taxed like real property.<sup>8</sup>

## **Inside millage changes**

Under the Ohio Constitution, property taxes must generally be approved by voters, with certain exceptions. One of these exceptions is that taxing authorities may, collectively, levy unvoted property taxes that do not exceed 1% (10 mills) of a property's true value.<sup>9</sup> Typically referred to as inside millage, these taxes may be levied for one or more of several purposes, including operating expenses, debt, and certain special purposes.<sup>10</sup>

## **Inside millage shifting**

The bill prohibits a school district from changing the purpose of its inside millage in any way that would increase its real property tax revenue. This effect could be achieved if a district specifies that its inside millage currently used for operating expenses (and, therefore, included in the district's 20-mill floor) will instead be used for permanent improvements (and, consequently, excluded from the floor). As a result, the district would experience revenue growth both from its other 20-mill floor levies and from the inside permanent improvement millage.

Under current law, if a school district proposes any change in its inside millage usage that would increase taxes levied by the district, the district must hold the public hearing on the proposed change. The bill maintains this requirement for an inside millage change, other than a change in the levy's purpose, that would result in a property tax revenue increase. This meeting requirement would, for example, still apply to a situation in which the district is proposing to levy an increased rate of inside millage.

The bill's prohibition applies to inside millage authorized for tax years beginning on and after the bill's 90-day effective date.<sup>11</sup>

## **Intent to repeal**

The bill also expresses the General Assembly's intent to amend the bill to effectively repeal inside millage for most subdivisions beginning for tax year 2025. The amendment will disallow any inside millage except for such taxes levied by townships, which will be permitted to continue such levies at the same aggregate rate the township levied in tax year 2024. Townships will continue to be able to allocate the revenue from those unvoted property taxes to any purpose authorized under current law.<sup>12</sup>

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<sup>8</sup> Section 3(D).

<sup>9</sup> Ohio Const., art. XII, sec. 2.

<sup>10</sup> R.C. 5705.04, 5705.05, and 5705.06, not in the bill.

<sup>11</sup> R.C. 5705.314; Section 3(B).

<sup>12</sup> Section 4.

## Local option homestead exemption

The bill allows counties to offer a property tax exemption that would “piggy-back” on the existing state homestead exemption. The exemption would be available to the same qualifying homeowners, and offer the same benefit amount, as the state exemption.

### Homestead exemption: overview

Under continuing law, the state provides a property tax credit for the residence, or “homestead,” of homeowners who are 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. The credit essentially exempts \$28,000 of the value of a homestead from taxation. To qualify, an eligible homeowner’s income cannot exceed an annual limit – \$40,000 for tax year 2025 – unless the individual received the exemption before 2014. This exemption is often referred to as the “standard” homestead exemption.

Special “enhanced” exemptions of \$56,000 of a homestead’s value are available for homes of military veterans who are totally disabled and for the homes of surviving spouses of public service officers killed in the line of duty. There is no income limit for these enhanced exemptions.

The program’s exemption amounts and income limit increase for inflation each year. The state reimburses local governments for the revenue lost due to both exemptions.

### Local option homestead exemption

To authorize a local option homestead exemption, a board of county commissioners must adopt a resolution authorizing the benefit. The board must certify the resolution to the county auditor and Tax Commissioner within 30 days of its adoption, and the exemption would apply beginning in the tax year in which that 30-day period expires. A county may later rescind this authorization.

An eligible homeowner that resides in a county that has approved the exemption would essentially double their homestead exemption amount. For example, a homeowner who received a standard \$28,000 exemption for tax year 2024 would have been eligible for a total exemption of \$56,000 for that year if the county had authorized the local option exemption for that year. The one significant difference between the state and local option homestead exemptions is that, in order to qualify for a local option exemption, a homeowner must meet the income threshold applicable to nongrandfathered homeowners. In other words, someone who has over \$40,000 in income but qualifies for the standard state homestead exemption would not be eligible for a local option exemption.

### Homeowner application

A homeowner that qualifies for the state homestead exemption would not need to submit a separate application for a local option exemption, unless the homeowner has received the standard homestead exemption without verifying the person’s income, i.e., because the person was grandfathered under the pre-2014 law. The bill requires these grandfathered homeowners to apply for the local option homestead exemption in order to verify the homeowner’s total

income. Under continuing law, county auditors send qualifying homeowners a continuing application each year to report changes in income.

### **State reimbursement**

Unlike with the state homestead exemption, local governments would not be reimbursed for their revenue loss from a local option exemption.<sup>13</sup>

### **County budget commissions**

Every Ohio county has a county budget commission (CBC) consisting of the prosecutor, auditor, and treasurer. CBCs are discussed in detail in the LSC Member's Brief, *Political Subdivision Budgeting Process*.<sup>14</sup> Generally, they are responsible for annually reviewing local government tax budgets, adjusting those budgets if property tax revenue is insufficient to fund them, and approving properly authorized property tax levies with limited options to adjust their rates.

In other words, under current law and traditionally, CBCs have had broad authority to limit local government spending to available revenue but have had little authority to adjust revenue itself. The bill expands CBC authority to reduce revenue from property tax levies in two principal ways. First, it amends a list of levies that currently cannot be adjusted by CBCs so long as they are properly authorized. Second, it requires CBCs to hold hearings when property tax carryover balances expected to remain from one year to the next exceed a certain threshold and allows reductions to avoid excessive collections.

The bill also provides more explicit authority to local governments to request lower tax rates with specific parameters for how long those requests apply, typically only one fiscal year at a time. It makes additional changes to the information local governments must provide CBCs and deadlines for decisions on appeal.

### **Levy approval and adjustment**

While CBC responsibility to review and approve levies occurs in the middle of the local government budgeting process, the bill's changes to the process are largely focused there. As noted above, these changes are in two related ways. First, the bill expands the types of levies that CBCs are able to revise. Second, the bill provides new and specific authority to reduce levies, either in response to a request from a local government or due to carryover balances expected to exceed a certain threshold.

#### **Narrowed mandatory approvals**

Under current law, once a CBC determines that the following levies have been properly authorized it must approve the levies without modification:

- Voted levies;

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<sup>13</sup> R.C. 319.304, with conforming changes in R.C. 323.152, 323.155, 323.158, 4503.06, and 4503.0610.

<sup>14</sup> LSC [Political Subdivision Budgeting Process \(PDF\)](https://lsc.ohio.gov/Publications) Members Brief, which is available on LSC's website: [lsc.ohio.gov/Publications](https://lsc.ohio.gov/Publications).

- Inside millage for debt charges;
- Inside millage to fund police and fire pensions;
- A minimum levy of inside millage to each subdivision or taxing unit for current expenses and debt service unless the subdivision or unit requests a lower amount than the minimum levy. This is often referred to as guaranteed millage and is based on an amount received by the subdivision or unit between 1929 and 1933;
- Special levies for general health districts.

The bill modifies the mandatory nature of all of these levies except for the pension levies by:

- Limiting the prohibition on adjustment of voted levies to the first year they are levied, excluding renewal levies, which may be adjusted even in the first year following renewal;
- Allowing adjustment of voted levies in response to a request for a lower rate from the political subdivision or taxing unit for which the levy is collected, which applies to only one fiscal year unless the request states otherwise;
- Limiting the mandatory approval of debt levies to those that remain necessary to pay unsatisfied debts, and applying the provision to all debt levies, whether inside or voted millage;
- Providing that a request for a lower rate on guaranteed millage applies only to the following fiscal year unless specifically stated otherwise;
- Allowing taxing units and political subdivisions to forgo increased revenue from inside millage, including guaranteed millage, due to increased valuations or as a result of the 20-mill floor, applicable only to the following fiscal year unless specifically stated otherwise (see “**Tax reduction factor and 20-mill floor: overview,**” above);
- Eliminating the prohibition on adjustment of special levies for general health districts.<sup>15</sup>

### **Levy adjustment**

In addition to expanding the types of levies that CBCs can adjust, the bill expands the methods of adjustment. Currently, for levies that do not have mandatory approval without adjustment, the CBC is required to adjust amounts required from the general property tax for each fund (continuing law, unaffected by the bill, mandates which funds each political subdivision must create). The responsibility for adjusting those amounts is guided only by the directive that they be brought “within the limitations specified in section 5705.01 to 5705.47 of the Revised Code” but not “be reduced below a minimum fixed by law.” These provisions operate alongside CBC responsibility, unchanged by the bill, to set the amount of appropriations that may be made from each fund. As a result, CBCs may prohibit spending beyond what fund balances will support. This is unchanged by the bill.

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<sup>15</sup> R.C. 5705.31.

Levy adjustment responsibility is specifically expanded in two ways. First, when a taxing unit has elected to forgo increased revenue resulting either from increased property valuations raising inside millage revenue or from operation of the 20-mill floor (see “**Tax reduction factor and 20-mill floor: overview**,” above), the CBC is specifically required to adjust the rate of each levy to result in the requested reduction. Second, when a tax budget shows that any fund is estimated to have an unencumbered balance at the end of the fiscal year that is at least 30% of the expenses from that fund for the year, the CBC must hold a public hearing to consider adjustments to any property tax levies that support the fund.

The required hearing must be for the purpose of determining whether levies should be adjusted for the following fiscal year to avoid excessive collections. The taxing authority that levies the tax must be given the opportunity to present its position as to whether the levy should be adjusted and to present evidence supporting its position. If the CBC determines an adjustment is necessary to avoid excessive collections, it may reduce one or more levies by an amount, or a rate that results in an amount, up to the amount by which the estimated carryover balance in the fund exceeds 30% of the fund’s estimated expenses for the year. But, in no case, can an adjustment cause a school district to levy less than 20 mills for current operating expenses.<sup>16</sup>

## **Tax budgets**

To facilitate the operation of its changes regarding CBC authority to approve and adjust levies, the bill also modifies requirements for tax budgets. Under continuing law, each taxing authority is generally required to annually submit a tax budget for the succeeding fiscal year to the CBC.

The taxing authority is the local body that has the legal authority to levy taxes on behalf of a political subdivision or other taxing unit in the state. For most taxing authorities, which have fiscal years aligning with the calendar year, the budgets are due on July 15. Cincinnati and school district fiscal years align with the state’s fiscal year, and their tax budgets are due on February 15.<sup>17</sup>

Under current law, tax budgets must include specific information required by statute, in the detail prescribed by the Auditor of State. The statutorily required information includes statements, to the extent possible, for the fiscal year during which the budget is submitted and the two preceding fiscal years, showing corresponding expenditure items. The bill adds a requirement that estimated expenses through the end of the fiscal year be included. It also adds a requirement that any taxing unit that estimates it will collect more revenue in the succeeding fiscal year from inside millage because of increased valuations or on any taxes as a result of the 20-mill floor must declare its intent to collect or forgo that increased revenue. An additional provision allows, but does not require, school districts to include their most recent five-year projections of revenue and expenses with their tax budgets – a document each school is required to produce annually for the Auditor of State and the Department of Education and Workforce

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<sup>16</sup> R.C. 5705.32(A) and (B).

<sup>17</sup> R.C. 5705.28(A).

under continuing law. CBCs that receive such projections must review them when considering the budgets.<sup>18</sup>

Finally, the bill expands the category of local bodies that must submit tax budgets. It does so in one case by specific reference and in another through a general catch-all provision. For health districts, the bill specifically requires every health district that does not file tax budget information with another taxing authority for inclusion in that authority's budget to file a tax budget on its own behalf. The catch-all provision changes the definition of taxing authority to include every governing body responsible for levying a tax for a taxing unit for which the law does not already define a taxing authority. Because all taxing authorities must submit a tax budget, this encompasses all tax levying bodies that do not currently file one.<sup>19</sup>

### **County levy procedure**

The bill adds a new procedural step before a board of county commissioners may submit a levy to voters. Under the bill, before submitting a levy to the voters, a board of county commissioners must direct the CBC to hold a public hearing to consider whether it should be submitted. The CBC must then schedule a hearing between 10 and 30 days after the request.

At the hearing, the board of county commissioners, or a county department, authority, commission, or board designated by the commissioners, must present evidence demonstrating the need for the levy. The CBC then makes a recommendation on a majority vote. The recommendation need not be followed, but if the board of commissioners decide to proceed with the levy, it must certify the CBC's recommendation to the county board of elections with the other materials required to place the levy on the ballot.<sup>20</sup>

### **Designees**

The bill allows any member of a CBC, that is the auditor, prosecutor, and treasurer, to appoint a designee to serve in that member's place on the commission.<sup>21</sup>

### **Appeals**

Continuing law allows local governments to appeal from decisions of the CBC. The bill places the burden of proof on a taxing unit to show the need for additional revenue when challenging any levy reductions made by the CBC before the Board of Tax Appeals (BTA). It also requires the BTA to render a decision on a CBC challenge by a taxing unit within the same calendar year the appeal is filed.<sup>22</sup>

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<sup>18</sup> R.C. 5705.25, 5705.29(B)(5) and (E), 5705.31, 5705.391, 5705.35, and 5705.36.

<sup>19</sup> R.C. 5705.01(C)(3) and 5705.28(E).

<sup>20</sup> R.C. 5705.03(B)(3).

<sup>21</sup> R.C. 5705.27.

<sup>22</sup> R.C. 5705.37.

## LGF and PLF alternate formula approvals

Under continuing law, counties receive allocations from the Local Government Fund (LGF) and the Public Library Fund (PLF). Counties may opt to distribute those funds to local governments and libraries pursuant to a statutory formula or a CBC may adopt an alternate formula. The bill modifies the parties that must approve an alternate LGF or PLF formula.

Under current law, alternate LGF formulas are required to be approved by the county, the largest municipality in that county, and the majority of other municipalities and townships in the county. In certain, narrow instances, based largely on population, the largest municipality is not required to approve the formula. The bill, for all counties, no longer requires the largest municipality to approve the formula – instead, that municipality is aggregated with townships and other municipalities subject to the majority-approval requirement.<sup>23</sup>

Currently, alternate PLF formulas are subject to the same approval process as alternate LGF formulas – required approval by the county and, for most counties, largest city and by the majority of the townships and other municipalities. The bill instead only requires approval from the county and the majority of libraries or other subdivisions that has been fixed a PLF allocation under the county’s previous formula. (PLF revenue predominately is paid to libraries – a very small share is allocated to certain other subdivisions that had historically collected intangible property taxes.)<sup>24</sup>

## Fixed-sum levy adjustment

In addition to new CBC responsibility for rate adjustment, the bill makes a provision for adjustment of a fixed-sum levy. Under continuing law, these levies are given an initial estimated rate in the ballot language, but that rate is supposed to adjust each year to ensure the fixed sum is collected.

The bill requires the Tax Commissioner to annually adjust the rate of a fixed-sum levy such that the levy collects the same amount, even in years when property values change due to an appraisal or update. The Commissioner is required to certify each adjustment for the current tax year to each county auditor no later than September 1, which is the day by which the Commissioner is required, under continuing law, to certify tax reduction factor adjustments to county auditors.<sup>25</sup> Upon receipt of the Commissioner’s adjustments, the county auditor is required to adjust the rates of fixed-sum levies accordingly, after computing any adjustment for tangible personal property tax replacement payments made by the state for such a levy, as required under continuing law.<sup>26</sup> Under current law, the county auditor is required to adjust the rate of fixed-sum levies.<sup>27</sup>

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<sup>23</sup> R.C. 5747.53.

<sup>24</sup> R.C. 5705.321.

<sup>25</sup> R.C. 319.301(D)(2).

<sup>26</sup> R.C. 5705.60.

<sup>27</sup> R.C. 5705.34, not in the bill.

## County sales and use taxes

The bill authorizes every county to levy an additional sales and use tax of up to 1% for the purpose of funding its general operations. This increase is available regardless of the rate currently levied by the county – even if it is levying the maximum statutory rate allowed under current law. Voters are required to approve any rate increase before it may take effect.<sup>28</sup>

Under continuing law, counties and transit authorities are authorized to levy sales and use taxes. Transit authorities may levy up to a 1.5% rate.<sup>29</sup> Currently, most counties are limited to an aggregate rate of 1.5%, though certain noncharter counties may levy up to a 2% rate. The county tax comprises potentially multiple levies for various purposes, some of which may require voter approval.<sup>30</sup> The bill would effectively raise each county’s rate cap by an additional 1%, up to a total of 2.5% or, in some counties, 3%.

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### HISTORY

Action	Date
Introduced	06-04-25

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<sup>28</sup> R.C. 5739.026.

<sup>29</sup> R.C. 5739.023, not in the bill.

<sup>30</sup> R.C. 5739.021, not in the bill, and R.C. 5739.026.