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136th General Assembly

Regular Session

2025-2026

Sub. H. B. No. 503

To amend section 718.04 and to enact section
718.041 of the Revised Code to require voter
approval to reduce or repeal a municipal income
tax reciprocity credit and to allow a voter
initiative to enact or increase such a credit.

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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 718.04 be amended and section
718.041 of the Revised Code be enacted to read as follows:

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Sec. 718.04. (A) Notwithstanding division (A) of section
715.013 of the Revised Code, a municipal corporation may levy a
tax on income and a withholding tax if such taxes are levied in
accordance with the provisions and limitations specified in this
chapter. On or after January 1, 2016, the ordinance or
resolution levying such taxes, as adopted or amended by the
legislative authority of the municipal corporation, shall
include all of the following:

(1) A statement that the tax is an annual tax levied on
the income of every person residing in or earning or receiving
income in the municipal corporation and that the tax shall be
measured by municipal taxable income;

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(2) A statement that the municipal corporation is levying the tax in accordance with the limitations specified in this chapter and that the resolution or ordinance thereby incorporates the provisions of this chapter;	20 21 22 23
(3) The rate of the tax;	24
(4) Whether, and the extent to which, a credit, as described in division (D) of this section, will be allowed against the tax;	25 26 27
(5) The purpose or purposes of the tax;	28
(6) Any other provision necessary for the administration of the tax, provided that the provision does not conflict with any provision of this chapter.	29 30 31
(B) Any municipal corporation that, on or before March 23, 2015, levies an income tax at a rate in excess of one per cent may continue to levy the tax at the rate specified in the original ordinance or resolution, provided that such rate continues in effect as specified in the original ordinance or resolution.	32 33 34 35 36 37
(C) (1) No municipal corporation shall tax income at other than a uniform rate.	38 39
(2) Except as provided in division (B) of this section, no municipal corporation shall levy a tax on income at a rate in excess of one per cent without having obtained the approval of the excess by a majority of the electors of the municipality voting on the question at a general, primary, or special election. The legislative authority of the municipal corporation shall file with the board of elections at least ninety days before the day of the election a copy of the ordinance together with a resolution specifying the date the election is to be held	40 41 42 43 44 45 46 47 48

and directing the board of elections to conduct the election. 49
The ballot shall be in the following form: "Shall the Ordinance 50
providing for a ___ per cent levy on income for (Brief 51
description of the purpose of the proposed levy) be passed? 52

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	FOR THE INCOME TAX
	"

AGAINST THE INCOME TAX

In the event of an affirmative vote, the proceeds of the 54
levy may be used only for the specified purpose. 55

(D) A municipal corporation may, by ordinance or 56
resolution, grant a credit to residents of the municipal 57
corporation for all or a portion of the taxes paid to any 58
municipal corporation, in this state or elsewhere, by the 59
resident or by a pass-through entity owned, directly or 60
indirectly, by a resident, on the resident's distributive or 61
proportionate share of the income of the pass-through entity. A 62
municipal corporation is not required to refund taxes not paid 63
to the municipal corporation. 64

A municipal corporation granting such a credit shall not 65
reduce the amount, percentage, or rate limit of the credit or 66
repeal the credit without having obtained the approval of the 67
reduction or repeal by a majority of the electors of the 68
municipal corporation voting on the question at a general 69
election. The legislative authority of the municipal corporation 70
shall file with the board of elections at least ninety days 71
before the day of the election a copy of the ordinance together 72
with a resolution specifying the date the election is to be held 73
and directing the board of elections to conduct the election. 74
Upon transmission of the ordinance to the board of elections, 75

the municipal corporation shall notify the tax commissioner in 76
writing of the question to be submitted to electors. The 77
question of modifying the credit shall be submitted to the 78
electors as a separate question and shall not be combined in a 79
single ballot question with any question regarding the rate of 80
tax proposed under division (C) (2) of this section. The ballot 81
shall be in the following form: "Shall the Ordinance providing 82
for (a repeal or reduction) of a tax credit to residents 83
of (the applicable municipal corporation) for (all or 84
a portion of, as applicable) the taxes paid to any other 85
municipal corporation be passed? (If a modification, language 86
shall be added here stating the amount, percentage, or rate 87
limit of the modified credit compared to the amount, percentage, 88
or rate limit of the current credit.) 89

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<u>Yes</u>	<u>For the (repeal or</u> <u>reduction)</u>
<u>No</u>	<u>Against the (repeal or</u> <u>reduction)</u>

(E) Except as otherwise provided in this chapter, a 92
municipal corporation that levies an income tax in effect for 93
taxable years beginning before January 1, 2016, may continue to 94
administer and enforce the provisions of such tax for all 95
taxable years beginning before January 1, 2016, provided that 96
the provisions of such tax are consistent with this chapter as 97
it existed prior to March 23, 2015. 98

(F) Nothing in this chapter authorizes a municipal 99
corporation to levy a tax on income, or to administer or collect 100

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such a tax or penalties or interest related to such a tax, 101
contrary to the provisions and limitations specified in this 102
chapter. No municipal corporation shall enforce an ordinance or 103
resolution that conflicts with the provisions of this chapter. 104

(G) (1) Division (G) of this section applies to a municipal 105
corporation that, at the time of entering into a written 106
agreement under division (G) (2) of this section, shares the same 107
territory as a city, local, or exempted village school district, 108
to the extent that not more than thirty per cent of the 109
territory of the municipal corporation is located outside the 110
school district and a portion of the territory of the school 111
district that is not located within the municipal corporation is 112
located within another municipal corporation having a population 113
of four hundred thousand or more according to the federal 114
decennial census most recently completed before the agreement is 115
entered into under division (G) (2) of this section. 116

(2) The legislative authority of a municipal corporation 117
to which division (G) of this section applies may propose to the 118
electors an income tax, one of the purposes of which shall be to 119
provide financial assistance to the school district described in 120
division (G) (1) of this section. Prior to proposing the tax, the 121
legislative authority shall negotiate and enter into a written 122
agreement with the board of education of that school district 123
specifying the tax rate; the percentage or amount of tax revenue 124
to be paid to the school district or the method of establishing 125
or determining that percentage or amount, which may be subject 126
to change periodically; the purpose for which the school 127
district will use the money; the first year the tax will be 128
levied; the date of the election on the question of the tax; and 129
the method and schedule by which, and the conditions under 130
which, the municipal corporation will make payments to the 131

school district. The tax shall otherwise comply with the 132
provisions and limitations specified in this chapter. 133

Sec. 718.041. (A) (1) The electors of a municipal 134
corporation may initiate a question to enact a credit authorized 135
under division (D) of section 718.04 of the Revised Code or to 136
increase the amount, percentage, or rate limit of an existing 137
credit by filing a petition with the board of elections of the 138
county in which the municipal corporation is located. If the 139
municipal corporation has territory in more than one county, the 140
petition shall be filed with the board of elections of the 141
county in which the most populous portion of the municipal 142
corporation is located. 143

(2) The petition shall be on a form prescribed by the 144
secretary of state, shall state the proposed amount, percentage, 145
or rate limit of the credit or the amount of the proposed 146
increase in the amount, percentage, or rate limit of the credit, 147
and shall be signed by qualified electors of the municipal 148
corporation equal in number to at least ten per cent of the 149
total number of votes cast in the municipal corporation for the 150
office of governor at the most recent general election for that 151
office. 152

(3) If the board determines that the petition is 153
sufficient and valid, the question shall be submitted to the 154
electors of the municipal corporation for their approval at the 155
next general election held at least ninety days after the 156
petition is filed with the board. 157

(B) The board of elections shall publish notice of the 158
election in a newspaper of general circulation in the municipal 159
corporation once a week for two consecutive weeks before the 160
election, or as provided in section 7.16 of the Revised Code. 161

The board of elections of each county in which the municipal corporation has territory, if it operates and maintains a web site, shall post notice of the election on its web site for thirty days before the election. The notice shall state the time and place of the election. 162
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(C) If the question is approved by a majority of the electors voting on it, for taxable years beginning on and after the first day of January following the election, the municipal corporation shall administer the credit at the approved amount, percentage, or rate limit. 167
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(D) The procedures of this section apply notwithstanding any contrary provision of Chapter 731. of the Revised Code. 172
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Section 2. That existing section 718.04 of the Revised Code is hereby repealed. 174
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