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H.B. 503
136th General Assembly

Bill Analysis

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Version: As Passed by the House

Primary Sponsors: Reps. Roemer and Workman

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SUMMARY

- Requires voter approval to decrease or repeal an existing municipal income tax reciprocity credit.
- Allows a voter initiative to authorize or increase a reciprocity credit.
- Requires the Department of Taxation to conduct a study on municipal income taxes, with a variety of stakeholders, and issue a report to the General Assembly.

DETAILED ANALYSIS

Municipal income tax

Ohio municipalities may, pursuant to their constitutionally granted home rule authority, levy taxes on the income of both residents and, with some limitations, nonresidents. According to the Ohio Department of Taxation, as of 2023, 675 municipalities and joint economic development districts levied an income tax.¹ Nearly all of these jurisdictions extend the tax to the income of nonresidents earned in the municipality, as authorized by continuing law.² One consequence of this is that an individual may be subject to municipal income tax on the same income in two separate municipalities – where the income was earned and where the individual resides.

Reciprocity credits

Many municipal corporations mitigate the double taxation effect by granting their residents a full or partial tax credit for income taxed by a nonresident municipality. These credits

¹ See page 111 of the Department of Taxation's [2024 Annual Report \(PDF\)](#), which is available on the Department's website: tax.ohio.gov/researcher/publications/publications.

² R.C. 718.01(A)(1)(c), not in the bill.

are not required under state law, so not every municipal corporation offers one. According to the city of Columbus, more than half of the jurisdictions that levy a municipal income tax currently offer a credit to residents that fully offsets tax remitted to another taxing jurisdiction, while dozens more offer credits that partially offset another jurisdiction's tax.³

The bill requires a municipal corporation that does offer a reciprocity credit to obtain voter approval at a general election to repeal or to reduce the amount, percentage, or rate limit of the credit. A municipality's legislative authority may approve an ordinance or resolution seeking to place the modification on the ballot at least 90 days before the election. A question modifying or repealing a reciprocity credit cannot be combined with a question modifying the rate of the municipal income tax.⁴

Initiated reciprocity credit modification

The bill also allows a voter initiative to authorize or increase the amount, percentage, or rate limit of a reciprocity credit. To initiate the process, petitioners must gather signatures on a petition form prescribed by the Secretary of State that states the proposed amount, percentage, or rate limit of the new or revised credit. Petitioners must collect signatures equal to at least 10% of the votes cast in the most recent Governor's race. The petition must be filed with the board of elections of the county in which the most populous portion of municipality is located, if it is in more than one county. If the board validates enough petition signatures, the question will appear at the next general election held at least 90 days after the petition is submitted. The board of elections must then publish a notice of the election in a newspaper of general circulation in the municipality and on its website for two weeks preceding the election. If the initiative is approved, it applies on January 1 following the general election.

The bill specifies that the initiative procedure is not subject to the requirements applicable to general municipal initiatives authorized under continuing law. For example, under the general initiative statute, the petition must be presented to the municipality, who certifies it for the ballot. Under the bill's special initiative, the petition is submitted directly to the county board of elections.⁵

Department of Taxation study and report

The bill requires the Department of Taxation to conduct a study on municipal income taxes and issue a report to the General Assembly no later than December 31, 2026. The Department must convene relevant stakeholders for the study, expressly including the Ohio Mayors Alliance, the Ohio Municipal League, the Ohio Chamber of Commerce, the Ohio Business Roundtable, the National Federation of Independent Business Ohio, the Ohio Council of Retail Merchants, the Regional Income Tax Agency, the Central Collections Agency, and the Ohio Society of Certified Public Accountants. The report must cover such topics as the statewide

³ See the city of Columbus's [Tax Municipalities data list](#), which may be accessed by conducting a keyword "Tax Municipalities" search on the city's website: columbus.gov.

⁴ R.C. 718.04(D).

⁵ R.C. 718.041; see R.C. 731.28, not in the bill.

amount of municipal income tax collections, the impact of current law on taxpayers and tax preparers, the financial impact of potential changes to current law on statutorily required municipal services, and evaluation of any stakeholder-proposed reforms to the municipal income tax system.⁶

HISTORY

Action	Date
Introduced	10-07-25
Reported, H. Ways & Means	02-18-26
Passed House (65-27)	02-25-26

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⁶ Section 3.