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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 503
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 503's Bill Analysis](#)

Version: As Passed by the House

Primary Sponsors: Reps. Roemer and Workman

Local Impact Statement Procedure Required: No

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Highlights

- The bill has no direct fiscal effect to the state and local governments.

Detailed Analysis

Municipal income tax credit

The bill requires a municipality, that grants its residents a full or partial municipal income tax credit for such tax paid to another municipal corporation, to obtain voters' approval to reduce or repeal the credit, including for a proposed decrease to the rate limit of an existing reciprocity credit. The bill also specifies procedures for municipalities to reduce or repeal the credit, including the voter initiative to adopt or increase the reciprocity credit. Based on municipal income tax data published in a spreadsheet, [LG-11: Municipal Income Tax – Tax Rates and Amounts Collected, by Municipality](#), derived from surveys conducted by the Ohio Department of Taxation, in calendar year (CY) 2024, 671 municipalities levied an income tax with rates ranged from 0.1% to 3.0%.

Since municipal income taxes are administered by individual municipalities or third-party administrators, such as the [Regional Income Tax Agency](#) and the [Central Collection Agency](#), a complete list of municipalities offering a reciprocity credit, whether full or partial, is not currently available. However, LBO staff has partially aggregated this information using data from third-party administrators and some individual municipalities. Based on this partial aggregation, out of 435 municipalities that levy a municipal income tax, 196 offer a full reciprocity credit, 113 offer a partial credit, and 126 offer no credit.

The bill has no direct fiscal effect to the state and local governments. However, contingent upon voter approval, it may increase revenue for any municipalities that choose to reduce or

repeal their municipal income tax reciprocity credit or otherwise initiates an increase in the amount or percentage of the credit.

Department of Taxation – municipal income tax study and report

The bill requires the Department of Taxation to conduct a study on municipal income tax uniformity, including convening relevant stakeholders, and issue a report to the General Assembly not later than December 31, 2026. The report must cover the amount of municipal income tax collected annually statewide, 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 stakeholder proposed reforms to the existing municipal income tax system. The bill does not include any compensation for applicable stakeholders that would participate in the study. In addition, any increase in the Department’s administrative costs associated with the study would likely be paid for from its existing budget.