

As Passed by the House

136th General Assembly

Regular Session

2025-2026

Sub. H. B. No. 503

Representatives Roemer, Workman

Cosponsors: Representatives Daniels, King, Newman, Thomas, D., Williams, Click, Abrams, Craig, Fischer, Fowler Arthur, Gross, Lear, Mathews, A., Peterson, Plummer, Robb Blasdel, Swearingen, Young

To amend section 718.04 and to enact section 1
718.041 of the Revised Code to require voter 2
approval to reduce or repeal a municipal income 3
tax reciprocity credit, to allow a voter 4
initiative to enact or increase such a credit, 5
and to require the Department of Taxation to 6
conduct a study of municipal income taxation. 7

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

Section 1. That section 718.04 be amended and section 8
718.041 of the Revised Code be enacted to read as follows: 9

Sec. 718.04. (A) Notwithstanding division (A) of section 10
715.013 of the Revised Code, a municipal corporation may levy a 11
tax on income and a withholding tax if such taxes are levied in 12
accordance with the provisions and limitations specified in this 13
chapter. On or after January 1, 2016, the ordinance or 14
resolution levying such taxes, as adopted or amended by the 15
legislative authority of the municipal corporation, shall 16
include all of the following: 17

(1) A statement that the tax is an annual tax levied on 18

the income of every person residing in or earning or receiving 19
income in the municipal corporation and that the tax shall be 20
measured by municipal taxable income; 21

(2) A statement that the municipal corporation is levying 22
the tax in accordance with the limitations specified in this 23
chapter and that the resolution or ordinance thereby 24
incorporates the provisions of this chapter; 25

(3) The rate of the tax; 26

(4) Whether, and the extent to which, a credit, as 27
described in division (D) of this section, will be allowed 28
against the tax; 29

(5) The purpose or purposes of the tax; 30

(6) Any other provision necessary for the administration 31
of the tax, provided that the provision does not conflict with 32
any provision of this chapter. 33

(B) Any municipal corporation that, on or before March 23, 34
2015, levies an income tax at a rate in excess of one per cent 35
may continue to levy the tax at the rate specified in the 36
original ordinance or resolution, provided that such rate 37
continues in effect as specified in the original ordinance or 38
resolution. 39

(C) (1) No municipal corporation shall tax income at other 40
than a uniform rate. 41

(2) Except as provided in division (B) of this section, no 42
municipal corporation shall levy a tax on income at a rate in 43
excess of one per cent without having obtained the approval of 44
the excess by a majority of the electors of the municipality 45
voting on the question at a general, primary, or special 46

election. The legislative authority of the municipal corporation 47
shall file with the board of elections at least ninety days 48
before the day of the election a copy of the ordinance together 49
with a resolution specifying the date the election is to be held 50
and directing the board of elections to conduct the election. 51
The ballot shall be in the following form: "Shall the Ordinance 52
providing for a___ per cent levy on income for (Brief 53
description of the purpose of the proposed levy) be passed? 54
55

	FOR THE INCOME TAX	
	AGAINST THE INCOME TAX	"

In the event of an affirmative vote, the proceeds of the 56
levy may be used only for the specified purpose. 57

(D) A municipal corporation may, by ordinance or 58
resolution, grant a credit to residents of the municipal 59
corporation for all or a portion of the taxes paid to any 60
municipal corporation, in this state or elsewhere, by the 61
resident or by a pass-through entity owned, directly or 62
indirectly, by a resident, on the resident's distributive or 63
proportionate share of the income of the pass-through entity. A 64
municipal corporation is not required to refund taxes not paid 65
to the municipal corporation. 66

A municipal corporation granting such a credit shall not 67
reduce the amount, percentage, or rate limit of the credit or 68
repeal the credit without having obtained the approval of the 69
reduction or repeal by a majority of the electors of the 70
municipal corporation voting on the question at a general 71
election. The legislative authority of the municipal corporation 72
shall file with the board of elections at least ninety days 73

before the day of the election a copy of the ordinance together 74
with a resolution specifying the date the election is to be held 75
and directing the board of elections to conduct the election. 76
Upon transmission of the ordinance to the board of elections, 77
the municipal corporation shall notify the tax commissioner in 78
writing of the question to be submitted to electors. The 79
question of modifying the credit shall be submitted to the 80
electors as a separate question and shall not be combined in a 81
single ballot question with any question regarding the rate of 82
tax proposed under division (C) (2) of this section. The ballot 83
shall be in the following form: "Shall the Ordinance providing 84
for (a repeal or reduction) of a tax credit to residents 85
of (the applicable municipal corporation) for (all or 86
a portion of, as applicable) the taxes paid to any other 87
municipal corporation be passed? (If a modification, language 88
shall be added here stating the amount, percentage, or rate 89
limit of the modified credit compared to the amount, percentage, 90
or rate limit of the current credit.) 91

<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 94
municipal corporation that levies an income tax in effect for 95
taxable years beginning before January 1, 2016, may continue to 96
administer and enforce the provisions of such tax for all 97
taxable years beginning before January 1, 2016, provided that 98

the provisions of such tax are consistent with this chapter as 99
it existed prior to March 23, 2015. 100

(F) Nothing in this chapter authorizes a municipal 101
corporation to levy a tax on income, or to administer or collect 102
such a tax or penalties or interest related to such a tax, 103
contrary to the provisions and limitations specified in this 104
chapter. No municipal corporation shall enforce an ordinance or 105
resolution that conflicts with the provisions of this chapter. 106

(G) (1) Division (G) of this section applies to a municipal 107
corporation that, at the time of entering into a written 108
agreement under division (G) (2) of this section, shares the same 109
territory as a city, local, or exempted village school district, 110
to the extent that not more than thirty per cent of the 111
territory of the municipal corporation is located outside the 112
school district and a portion of the territory of the school 113
district that is not located within the municipal corporation is 114
located within another municipal corporation having a population 115
of four hundred thousand or more according to the federal 116
decennial census most recently completed before the agreement is 117
entered into under division (G) (2) of this section. 118

(2) The legislative authority of a municipal corporation 119
to which division (G) of this section applies may propose to the 120
electors an income tax, one of the purposes of which shall be to 121
provide financial assistance to the school district described in 122
division (G) (1) of this section. Prior to proposing the tax, the 123
legislative authority shall negotiate and enter into a written 124
agreement with the board of education of that school district 125
specifying the tax rate; the percentage or amount of tax revenue 126
to be paid to the school district or the method of establishing 127
or determining that percentage or amount, which may be subject 128

to change periodically; the purpose for which the school 129
district will use the money; the first year the tax will be 130
levied; the date of the election on the question of the tax; and 131
the method and schedule by which, and the conditions under 132
which, the municipal corporation will make payments to the 133
school district. The tax shall otherwise comply with the 134
provisions and limitations specified in this chapter. 135

Sec. 718.041. (A) (1) The electors of a municipal 136
corporation may initiate a question to enact a credit authorized 137
under division (D) of section 718.04 of the Revised Code or to 138
increase the amount, percentage, or rate limit of an existing 139
credit by filing a petition with the board of elections of the 140
county in which the municipal corporation is located. If the 141
municipal corporation has territory in more than one county, the 142
petition shall be filed with the board of elections of the 143
county in which the most populous portion of the municipal 144
corporation is located. 145

(2) The petition shall be on a form prescribed by the 146
secretary of state, shall state the proposed amount, percentage, 147
or rate limit of the credit or the amount of the proposed 148
increase in the amount, percentage, or rate limit of the credit, 149
and shall be signed by qualified electors of the municipal 150
corporation equal in number to at least ten per cent of the 151
total number of votes cast in the municipal corporation for the 152
office of governor at the most recent general election for that 153
office. 154

(3) If the board determines that the petition is 155
sufficient and valid, the question shall be submitted to the 156
electors of the municipal corporation for their approval at the 157
next general election held at least ninety days after the 158

petition is filed with the board. 159

(B) The board of elections shall publish notice of the 160
election in a newspaper of general circulation in the municipal 161
corporation once a week for two consecutive weeks before the 162
election, or as provided in section 7.16 of the Revised Code. 163
The board of elections of each county in which the municipal 164
corporation has territory, if it operates and maintains a web 165
site, shall post notice of the election on its web site for 166
thirty days before the election. The notice shall state the time 167
and place of the election. 168

(C) If the question is approved by a majority of the 169
electors voting on it, for taxable years beginning on and after 170
the first day of January following the election, the municipal 171
corporation shall administer the credit at the approved amount, 172
percentage, or rate limit. 173

(D) The procedures of this section apply notwithstanding 174
any contrary provision of Chapter 731. of the Revised Code. 175

Section 2. That existing section 718.04 of the Revised 176
Code is hereby repealed. 177

Section 3. The Department of Taxation shall conduct a 178
study on municipal income tax uniformity, convening relevant 179
stakeholders including, but not limited to, the Ohio Mayors 180
Alliance, the Ohio Municipal League, the Ohio Chamber of 181
Commerce, the Ohio Business Roundtable, the National Federation 182
of Independent Business Ohio, the Ohio Council of Retail 183
Merchants, the Regional Income Tax Authority, the Central 184
Collections Agency, and the Ohio Society of Certified Public 185
Accountants, and issue a report to the General Assembly not 186
later than December 31, 2026, in accordance with division (D) of 187

section 101.68 of the Revised Code. The report shall cover the 188
amount of municipal income tax collected annually statewide, the 189
impact of current law on taxpayers and tax preparers, as well as 190
the financial impact of potential changes to current law on 191
statutorily required municipal services. The report shall also 192
evaluate stakeholder proposed reforms to the existing municipal 193
income tax system. 194