Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform

An Ohio Education Policy Institute Analysis

OHIO EDUCATION POLICY INSTITUTE
INFORMING EDUCATION PUBLIC POLICY

September 2025

by Dr. Howard Fleeter and Dr. Greg Browning

Executive Summary

The attached Ohio Educational Policy Institute (OEPI) real property tax policy analysis provides the following ideas and insights relative to addressing Ohio's real property tax problems.

Compared to other states, Ohio's well-established culture of local control has resulted in the state delivering a higher proportion of public services at the local level than is typically the case. Within that context, most school and local government budgets in Ohio are financed by a combination of state and local resources. However, this essential partnership has fallen increasingly out of balance over the past 20 years, with Ohio's state tax burden falling while Ohio's local tax burden has increased.

At the same time, the composition of who pays local taxes has also been changing, with a series of state tax policy changes over the past 20+ years shifting the local property tax burden more towards homeowners and farmers and less on business taxpayers.

Ohio has had one of the country's most stringent property tax limitation provisions in place since 1976 (HB 920). However, recent historically atypical increases in home values have caused the protections enacted in HB 920 to be rendered less effective.

As a result, Ohio has found its fragile system of reliably funding and delivering local services to be pushed near the breaking point in recent years.

The confluence of four forces has propelled Ohio's residential property tax plight:

- Rapidly escalating home values.
- A relatively slow-growth Ohio economy with below average per capita income making it harder for many to pay their rising property tax bills.
- Twenty years of state tax policy changes that have diminished state and local resources available for schools and local government funding, including a reduction in the share of local residential property taxes paid by the state and, separately, by businesses and public utilities, thus placing a greater burden on local residential and agricultural property owners. And to the extent that these are good ideas, this underscores the difficulty of addressing real property tax problems.

- Local citizens dutifully and repeatedly supporting real property tax increases forced on them by a system that is overly constraining as it relates to limiting certain property tax growth

These crosscutting forces have produced a powerful, unrelenting pressure system on local residential property taxpayers. In 2002, Ohio ranked 19th in state plus local taxes per capita; however, by 2021, Ohio's rank had fallen to 30th, and Ohio's state plus local tax revenues per capita were 12% below the national average.

At the same time, the burden on state-only taxpayers has been reduced, landing Ohio in 42nd (with 50th as lowest) place nationally in per capita state taxation. Yet addressing state-level tax problems has helped produce local property tax problems with Ohio's local tax rank — historically in the top third of the nation — increasing over time. As a result, Ohio currently has the 8th highest property tax rate in the nation.

In the process, the proportional partnership between state and local support for schools and local governments has shifted in a number of ways. A leading example is the share of school property taxes paid by Class 1 residential and agricultural real property owners. This share was 46.1% in 1975, and the business property tax share was 53.9%. In 2023, Class 1 was 67.5% and business property was only 32.5%. This is a dramatic shift: it's one thing to help businesses be more competitive, but it becomes problematic when the price is higher residential property taxes.

Additionally, state tax revenue growth since 2005 has not kept pace with inflation as revenues have increased 48.3% while inflation has increased at 66.5% rate. The relatively slow state revenue growth has in turn placed downward pressure on state expenditures. Over this timeframe, Ohio has fallen from 35th nationally in the state share of K-12 revenue in 2002 to 45th in 2023. The relative decline in state funding for K-12 education has obviously placed more pressure on school districts to fill the gap through increased local funding, which for Ohio school districts primarily means the local property tax. However, since 2002, Ohio has fallen from 15th to 20th nationally in per-pupil spending on K-12 education and has gone from 5% above the national average to slightly below the national average in 2023.

Six Property Tax Reform Principles

A state-local partnership can change these patterns without destabilizing local governments. The way forward includes policies based on reasonable principles as follows:

- Fix what is broken in the current residential property tax model while maintaining fiscal stability for local governmental entities

- Utilize an approach that includes both state and local government fiscal reforms
- Target assistance to low-income Ohioans most in need of assistance, including seniors and those with disabilities and eligible veterans
- Enhance tax fairness by limiting property tax growth to inflation in 20-mill floor school districts, thereby addressing a central cause of property tax increases
- Provide local governments with additional tools to voluntarily limit property tax increases
- Identify effective ways to increase local government productivity improvement, including a more robust shared services strategy

Property Tax Reform Policy Options

The OEPI's eight real property tax policy options — policy ideas that deserve serious consideration and further analysis — are designed to address identified shortcomings in Ohio's real property tax system. The combined focus of these options is:

- Limit and reduce the residential real property tax burden for low-income seniors, people with disabilities and qualifying veterans, making this a less regressive tax in the process.

- Provide tax fairness and lower tax costs for Ohioans living in school districts at the 20-mill funding floor, of which there are currently 381 out of 609 K-12 school districts.

- Provide limited discretion for school districts to provide local residential real property tax exemptions, such as a voter-approved local homestead exemption.

- Enhance local government productivity and cost efficiency. A leading example is more strategic shared service partnerships, including more joint purchasing of employee health insurance.

Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform

An Ohio Education Policy Institute Analysis

September 2025

I. Introduction

Ohio has hit a real property[1] tax tipping point. At the heart of the story are local residential property taxpayers who, according to the Tax Foundation, are living in a state with the 8th highest real property tax effective rate (averaging 1.31% of housing value) in the nation. After dutifully paying their property taxes — which totaled $16.7 billion in 2024 —to support schools and other local governmental services, Ohio's homeowners and farmers find themselves at the confluence of four forces. These forces have worked in combination to raise their property taxes to burdensome, and in some cases, impossible levels. How this happened is the subject of this analysis.

This historically and contextually focused document is being offered by the nonprofit, nonpartisan Ohio Education Policy Institute (OEPI). The Institute provides this analysis in an effort to help policymakers better understand the relevant contextual realities that have shaped Ohio real property tax rates. This information can lead to necessary policy changes that lessen the property tax burden in targeted and strategic ways while allowing schools and other local services to be funded adequately and effectively. Using a medical metaphor, this approach amounts to a public policy version of the Hippocratic oath: first do no harm.

The referenced four forces are both powerful and interrelated. They include the perennial problem of addressing one set of public policy problems without inadvertently creating new problems in the process. Plainly stated, these forces include:

- **Recent sustained and historically anomalous escalation of home prices** and related residential property tax bills without fully effective state policy protections in place to address this problem.
- **A relatively slow-growth Ohio economy** with below average per capita income, making it more difficult for many to pay their property taxes, which have often grown faster than their incomes.
- **State tax rate reductions and related policy changes** that have reduced the growth in state tax receipts, thus creating downward

[1] Note: the term "real property" refers to the value of land and buildings. This is in contrast to "tangible personal property", which is the value of machinery and equipment and other such "tangible" items.

pressure on state funding growth for schools and local governments. A large part of this picture is the elimination of certain business property taxes; however, a reduction in state property tax relief (commonly known as the "rollback") designed to pay a portion of residential real property taxes has also been a contributing factor.

- **Local property tax levy increases for essential school and local government services.** This is mostly for continuation of existing services, but also, at times, includes targeted service expansions, such as all-day kindergarten and better EMS emergency services. While the difficulty of amassing levy data from other states makes quantification impossible, it has long been understood that Ohio has far more local tax initiatives than any other state. This is in large part the result of Ohio's uniquely restrictive property tax limitation provision known as HB 920, which will be discussed in more detail below.

The analysis also includes a problem definition that focuses pragmatically on fixing what is broken after explaining what that is and what it is not. The analysis concludes with a short list of tax reform principles that, taken together, can make a meaningful and measurable difference in easing residential property tax burdens across Ohio, along with a series of policy options that provide examples of meaningful steps that policymakers could take.

II. Real Property Taxes and the Impact of Ohio's Fiscal and Economic Environment

Ohio's real property tax issues sit within a broader state policy, fiscal and economic context that has a direct bearing on these tax policy questions. This context is of particular significance with regard to state taxation and expenditure growth.

Since 2005, when serious, multiyear efforts began to modify Ohio's system of state taxation, there have been multiple reductions in state and state-controlled local taxation. A leading example is the state's personal income tax. Formerly the primary source of state tax receipts, and with nine rate brackets with a maximum rate of 7.5%, the rate of this progressive tax has been cut repeatedly and further reduced and changed to a flat tax of 2.75% beginning in 2026. Other state tax changes have also been made over the course of the past two decades, including a half percentage point increase in the state sales tax, which partially offset state tax reductions and has been the largest source of state tax receipts since 2014.

Additionally, significant modifications were made to business taxation in HB 66 passed in 2005. HB 66 eliminated the state corporate franchise and replaced it with a new gross receipts tax known as the commercial activity tax. At the same time, HB 66 eliminated over a 4-year period the local business tangible personal property tax which at the time accounted for nearly 20% of school property tax revenue. Initially, 70% of the new state commercial activity tax was earmarked for primary and secondary education to help offset the loss of business tangible personal property tax revenue to schools. However, this educational earmark was quickly eliminated as part of an effort to address state fiscal problems created by the Great Recession (2007-2009). Finally, beginning in 2001, the assessment percentages on electricity generation personal property and natural gas tangible personal property were both reduced by over two-thirds, from 88% to 25%, as a result of utility deregulation. This reduction reduced local property tax revenues accordingly.

The impact of eliminating and reducing these business property taxes was to further increase the share of property taxes paid for by residential and agricultural (Class 1) property owners. In fact, over decades, this shift has been significant. Table 1 below shows that in 1991, Class 1 property owners paid 46.1% of real property taxes. By 2023, this statewide number had risen to 67.5%.

Table 1: Percent of Total School Property Taxes by Type of Property, 1975-2023

Type of Property	**1975**	**1983**	**1991**	**1999**	**2007**	**2011**	**2015**	**2023**
Class 1 Real % of Taxes	**46.1%**	47.1%	47.5%	52.4%	65.0%	69.9%	**69.0%**	**67.5%**
Class 2 Real % of Taxes	18.8%	18.6%	20.4%	20.3%	22.3%	24.3%	23.7%	21.0%
Total TPP % of Taxes	35.1%	34.4%	32.1%	27.3%	12.7%	5.7%	7.3%	11.5%
Business TPP % of Taxes	23.2%	22.3%	19.2%	17.7%	8.0%	0.0%	0.0%	0.0%
PU TPP % of Taxes	11.9%	12.0%	13.0%	9.6%	4.7%	5.7%	7.3%	11.5%
Total Business Property % of Taxes	**53.9%**	52.9%	52.5%	47.6%	35.0%	30.1%	**31.0%**	**32.5%**

Overall, these tax changes, advanced in the name of enhancing tax fairness and economic growth, have both reduced state tax receipt growth and placed downward pressure on state expenditure growth. State tax cutting has been so relentless that Ohio's per capita state taxation now stands at 42nd nationally (2022), according to the Federation of Tax Administrators. Yet when state and local taxes are combined, the state's per-capita ranking is 30th (2021), with Ohio's total state and local revenue per capita roughly 12% below the national average. ***This underscores the fact that local taxation is relatively heavy in Ohio — and, importantly, that there is a direct relationship between state and local tax and expenditure policies.*** Furthermore, in 2002, Ohio ranked 19th in state and local taxes per capita, indicating that Ohio's overall tax burden has fallen compared to other states over that 20-year period.

The story can be seen in the numbers. Comparing state tax receipt growth from FY 2005 to FY 2025, the most recently completed state fiscal year, reveals that tax revenue growth has not kept pace with inflation. In fact, tax receipts have increased by 48.3% since 2005, while inflation as measured by the CPI has increased at a 66.5% rate. This means that tax receipts have grown at only 72% of the inflation rate. This may be good news for state taxpayers, but it comes at a price. The price, in part, relates to the downward pressure this fiscal condition places on state appropriations, including those for local governmental services, including schools, that are also paid for, in part, through local real property taxes. Additionally, it is worth noting that the cost of the package of goods and services purchased by state and local government tends to grow faster than the general inflation rate (consumer price index/CPI) because the mix is different and, especially at the state level, it is heavily weighted toward health care services the cost of which grows at a faster rate than the CPI.

As to education specifically, state General Revenue Fund (GRF) funding for primary and secondary education, exclusive of the cost of the 10% rollback and 2.5% owner-occupied credit on residential real property taxes, which are both paid by the state, grew by only 59% between FY 2005 and FY 2025, when the inflation rate was 66.5%. This is part of a broader pattern that has resulted in Ohio falling from 35th nationally on the state share of K-12 revenue in 2002 to 45th in 2023. Similarly, in 2002, Ohio ranked 15th nationally in per-pupil spending on K-12 education and was $399 above the national average. However, in 2023, Ohio ranked 20th and is now slightly below the national average in per-pupil spending on K-12 education[2].

It is important to note that the significance of this gap is to some extent diminished by a decline in enrollment over this same period. However, previous OEPI analysis of data contained in a November 2024 Ohio Auditor of State School Finance Special Report showed that K-12 expenditures per pupil from 2002 through 2022 increased by an average of only 0.71% annually when adjusted for inflation. ***Thus, the point stands that relatively slow state primary and secondary education funding growth is not sufficient to alleviate the fiscal pressure on local school districts to continually raise real property taxes***. Of course, an important part of this story also relates to the implementation of tax credits and other statutory mechanisms which date back to the enactment of HB 920 in 1976, which substantially limit the growth in residential property taxes, largely limiting this growth to ten inside mills.

[2] Source: US Census Bureau, Public Elementary & Secondary Education Revenue and Expenditure Sources by State, 2002 and 2023.

Support for local schools was also impacted by a 2013 state policy change to stop paying one-eighth of residential real property taxpayers' bills when it comes to new and replacement tax levies. This decision helped the state address fiscal problems by reducing state outlays, but it placed more pressure on local real property taxpayers. The same can be said for the fact that the Local Government Fund was cut in half well over a decade ago and has since increased at below inflationary levels because it is an earmark (1.7%) of GRF tax receipts. In addition, repealing the business tangible personal property tax in 2005 cost schools and other local governments over $1.6 billion in foregone local property tax revenue once the phaseout of hold harmless payments to schools and other local governments began in FY 2012. From FY 2011 through FY 2025, state funding for K-12 districts and JVSDs — including the phaseout of tangible personal property replacement payments — has increased by only 22.7% while inflation over that time period has been nearly double at 43.7%.

Primary and secondary education is not the only area of state spending that has landed below the inflation rate. Another area is higher education. State GRF funding for Ohio's public colleges and universities has arguably been reduced by a combination of slow tax receipt growth and other social contract-related state fiscal commitments for health and primary and secondary education. The result has been a state higher education GRF funding increase of only 22% from FY 2005 through FY 2025. Again, as with primary and secondary education, the gap between this increase and inflation is offset somewhat by a reduction in higher education enrollment during this period. Yet it is also true that a small state funding increase over 20 years helps explain why higher education tuition increases are so significant and why Ohio ranks only 27th nationally in educational attainment.

This state fiscal story, in turn, sits within a broader national picture that shows how Ohio stands with regard to key metrics. In brief, Ohio, the seventh largest state in terms of population, has relatively weak economic rankings and a relatively slow-growth economy. For example, Wallet Hub's 2025 ranking of best and worst state economies shows Ohio ranking 36th overall, 46th in terms of economic health and 37th in per capita income.

Ohioans' per capita income rank stands at only 88% of the national average. In the middle of the 20th century, this number was over 100%. This fact alone helps explain why many Ohio real property taxpayers find it particularly difficult to afford ever-escalating real property tax bills.

These national rankings are also reflected in a longstanding *State Economic Momentum Index* originally created by a former Director of the Ohio Office of Budget and Management. This quarterly survey compares states based on their respective personal income, employment and population growth. Year after year, Ohio places below the national average. A recent index lands Ohio just below this average at 22nd out of the 50 states. This middling ranking exists despite hard and often effective work by state policymakers and others to make Ohio more economically competitive by lowering taxes, investing more to encourage private business growth, and attempting to strengthen the state's educational and social service infrastructure.

Despite these economic challenges, Ohio, along with most of the nation, is still experiencing major increases in home values. In fact, just since August 2020, according to the Zillow Home Value Index, "typical" home values in Ohio have escalated from $167,287 to $243,907, an increase of nearly 46%, nearly twice the inflation rate.

III. Real Property Tax Problem Definition

This fiscal and economic framework and the interplay between state and local tax and expenditure dynamics spotlight problems. Distilled to its essence, the definition of this problem is as follows:

Reducing Ohio's per capita state tax burden while also eliminating the tangible personal property tax, substantially reducing the Local Government Fund and the state cost of the property tax rollback appropriation have been successful tactics for lowering the <u>state</u> tax burden and reducing growth in <u>state</u> expenditures. However, this has been done at a price. ***And the price is relatively less state spending on essential public services and, in particular, less financial support for schools and local governments. This policy approach means more fiscal and political pressure to raise taxes locally to pay for local services — over 70% of which are paid for through real property tax collections.*** *Meanwhile, Ohioans' ability to pay these escalating costs is hampered by per capita income being well below the national average.*

Furthermore, related economic challenges have encouraged local efforts to provide more real property tax abatements, which translate into fewer property tax dollars and require higher millage rates from other taxpayers to generate a given amount of tax revenue. Table 2 shows the increase in the value of abated property in 5-year increments from 2004 through 2024. In 2004 the total value of abated property in Ohio was $5.7 billion. By 2024 this had increased by nearly 5 times to $26.6 billion.

Table 2: Value of Real Property Exempted by Tax Abatements, 2004-2024

	2004	**2009**	**2014**	**2019**	**2024**
Value of Abated Property	**$5.7 Billion**	$9.4 Billion	$9.7 Billion	$14.6 Billion	**$26.6 Billion**
% Increase		64.9%	3.2%	50.5%	82.2%

As mentioned above, as these tax changes have been occurring, Ohio's total per-pupil school operating expenditures are slightly <u>*below*</u> *average nationally (2023). The primary reason Ohio falls below average relates to state funding. In 2023, on average, states provided $9,077 per pupil, but Ohio's state-only funding only averaged $6,405, which was 29.4% below the national average and ranked 41st. At the same time, on average, states provided $8,662 per pupil in local funding while Ohio provided $10,150 per pupil from local sources — 17.1% above the national average and ranking 12th.*[3] ***This data, along with Ohio's below-average per-pupil spending, shows that the state's high property taxes (ranked 8th nationally) are not leading to relatively high school spending but, instead, are largely working to offset low state spending on primary and secondary education***.

In the midst of this situation are a sustained period of fast-growing home values and the fact that the residents of nearly 400 of Ohio's 609 K-12 school districts are at the 20-mill floor and are therefore no longer protected against automatic property tax increases tied to rising home values on voted levies (also known as "outside" millage). Statewide average reappraisal increases in Class 1 (residential and agricultural) property values in 2022, 2023 and 2024 have been 2 to 3 times as high as even the highest annual reappraisal increases in other years from 2003 through 2020. Furthermore, these historically large reappraisal increases have been a primary determinant of the significant increase in the number of school districts at the 20-mill floor in recent years.

Taken together, this picture reveals policy and economic problems for state and local government in Ohio and for their residential and agricultural property taxpayers. Furthermore, the property taxpayers hurt most by these developments are those least able to pay. *This means low-income Ohioans with adjusted gross incomes below $40,000, including many elderly and disabled citizens who are on fixed incomes. Existing ways to provide them with targeted tax relief rely upon a narrowly-focused homestead exemption that exempts from property taxation only the first $28,000 of (primary residence) assessed home value for the elderly and people with disabilities. Disabled military veterans and the families of those killed in line of duty are eligible for a $56,000 homestead exemption. While meaningful, these exemptions, which were applied to 764,000 properties in 2020, are relatively small compared with the growing size of their property tax bills.*

Addressing this multi-dimensional problem requires awareness of the ecology of public policy: Often, one set of problems can have a broader effect that can create related but separate problems. Certainly, the state's tax and expenditure policy decisions did not, by themselves, cause the escalation of real property taxes, but they are a contributing factor that has become more powerful given the circumstance of historic and sustained increases

[3] Source: US Census Bureau, Public Elementary & Secondary Education Per Pupil Revenue and Expenditure Sources by State, 2023.

in home values through most of the state and by the fact that Ohio's real property taxes are both historically high and among the highest in the nation.

Yet it is noteworthy that Ohio's real property tax system is representative of mainline tax policy — policies that have been in place throughout U.S. history and policies that still, in the main, work well to fund local government services. So, the job ahead is to enhance the system by enacting policies that address identified problems and shortcomings and not by eliminating the real property tax model as is being suggested by anti-tax advocates currently in the process of gathering signature for a constitutional amendment, which would lead to substantially defunding essential public services and creating chaos in the process — to say nothing of the likely fact that such turmoil would produce a host of relative winners and losers.

IV. Property Tax Reform Principles

OEPI understands that Ohio has a twofold challenge: ***How, in the midst of historically significant increases in home values that are driving up property taxes, to reduce the burden of residential property taxes while, at the same time, finding solutions that are both sustainable and allow schools and local governments to continue to provide adequate levels of service to local citizens.*** The fact that fixing the tax side of this challenge creates fiscal problems for local public entities cannot be forgotten.

The previously referenced four forces that continue to create a pressure system on local real property taxpayers are still in place. So, what are the guiding policy principles that property tax reforms should be anchored in?

OEPI's answer to this important question assumes a pragmatic approach that aims to fix what is broken while maintaining the real property tax as a functional, longstanding way to fund local public services. Though often unpopular, these taxes are voter-approved and are part of a long Ohio history of local control that, despite frustrations at times, has largely worked well for citizens across the state. These taxes are a central, but not the sole, component of a system of state and local government finance that makes local services possible and affordable.

Lastly, in reforming Ohio's property tax system, it is imperative to understand that the state's average effective real property tax rate (2023) is, on average, 1.31% of a residential home's market property value. According to the National Association of Home Builders, the average for the nation is approximately 0.91%; thus, Ohio's average, which ranks it 8th nationally, is roughly 44% above the national average.

With this in mind, OEPI's real property tax reform principles are as follows:

1. Make reforms that maintain and enhance the stability of Ohio's property tax structure and related funding of essential public services.
2. Consistent with the state/local partnership employed to fund schools and other local governmental entities, the solution to Ohio's residential property tax problems should involve manageable and actionable state *and* local government fiscal reforms.
3. Support and substantially expand state statutes that protect low to moderate-income seniors, people with disabilities, and eligible veterans from onerous real property taxes so they can stay in their homes.
4. Support workable ways to address the failure of the existing real property tax system to equitably protect all taxpayers from automatic, unlimited property tax increases when property increases in value due to reappraisal.
5. Provide local public entities, including schools, with additional tools to use voluntarily to further limit local property tax increases for the same citizens (in their respective political subdivisions) who are eligible for the state's homestead exemption and other targeted property tax relief policies.
6. Identify effective ways to increase local government productivity improvement that will result in more efficient, cost-effective service delivery and that are replicable and scalable.

V. Residential Real Property Tax Policy Options

Listed below are actionable policy options designed to address shortcomings in Ohio's residential real property tax system. The combined focus of these options is threefold:

- Limit and reduce the residential real property tax burden for low-income seniors, people with disabilities and qualifying veterans making this a less regressive tax in the process;
- Provide tax fairness and lower tax costs for Ohioans living in school districts at the 20-mill funding floor, of which there are currently 381 out of 609 K-12 school districts; and
- Provide limited discretion for school districts to provide local residential real property tax exemptions.

Options that would require state reimbursement to local governments

1. **Reshape Ohio's homestead exemption to mirror Michigan's model.** Utilize Michigan's homestead property tax law to create a "circuit breaker" that targets residential real property tax relief to both homeowners and renters with incomes below $70,000. Home value eligibility is capped (2024) at $160,700. According to

Zillow, the average home value in Ohio is approximately $240,000. The state would create a tax credit worth up to $1,800. Taxpayers with property taxes that exceed 3.2% of household income would be eligible for a 60% tax credit. Seniors with household income below $30,000 (2018) could receive a 100% credit. The state would reimburse the tax savings/loses to schools and local governments. The state cost is estimated to be $520 million for homeowners. Additionally, Michigan's law also provides a credit for renters. This provision would require further study for adoption in Ohio.

2. **Expand Ohio's homestead exemption.** Modify Ohio's homestead exemption for senior citizens and people with disabilities to make it more generous. Current eligibility is income under $40,0000. The tax exemption is the first $28,000 of true (i.e. "market" or "assessed") value of owner occupied homes. Because Ohio applies a 35% assessment percentage to determine taxable value, this exempts the first $9,800 in taxable value. State Senator Louis Blessing has a proposal (Senate Bill 215) to expand this benefit to seniors 65 and over (and disabled) up to the 90th percentile in income. Persons below the median (50th percentile) would get a 20% reduction in their taxes (state reimburses local government) with a tiered scale down to 4% for persons with incomes between the 80th and 90th percentile. No cost estimate has yet been completed, but this proposal will be much less costly to the state than the circuit breaker option outlined above.

3. **Property tax freeze for senior citizens.** Recently introduced bill HB 156 would freeze property taxes for Ohio residents who are 65 and older, have incomes less than $50,000, have lived in their homes for 2 years or more, and the value of their home is less than $500,000. Unlike other proposals that would defer property taxes until the home is sold or the taxpayer dies (which basically amount to state-sponsored reverse mortgages), under HB 156 the state would pay the additional taxes above the freeze level to schools and other local governments, and taxpayers benefiting from this provision would not face a future bill. LSC estimates that 721,000 Ohioans would qualify under the terms of this provision and the cost to the state in the first year of implementation would be $211 million.

<u>Options that would reduce future revenue growth for school and local governments</u>

4. **Place an inflationary cap on revenue growth in 20 mill floor districts.** Place an inflationary limit on property tax growth in 20-mill floor districts. This would limit tax revenue growth to the inflation rate over the 3-year period since the prior reappraisal or statistical update. If reappraisal values increase by 25% but inflation is only 10% then taxes would only rise 10% in 20-mill floor districts. This option provides a compromise position where taxpayers are protected from undue

increases, and 20-mill floor districts still receive tax revenue growth commensurate with inflation. Additionally, Ohio's school funding formula could be adjusted so that the reduction in local tax revenue would be fully or partially offset by an increase in state funding.

5. **Limit residential property tax rate to an overall maximum for eligible low-income Ohioans.** Cap (statutorily) owner-occupied residential property tax effective rate at 1% of home value for eligible people 65 or older and eligible veterans and people with disabilities. Eligibility limits should be studied more carefully; however, one example would be to limit this benefit to those with household incomes that fall below $50,000, which is about 150% of the federal poverty level for a family of four. A 1% cap approximates the national average effective rate for residential real property taxes and is well below Ohio's current (2023) average of 1.31%. This cap would be in *addition* to any other current and/or proposed property tax reforms as listed above. There would be no state reimbursement of taxes beyond the cap amount that are no longer owed.

<u>Other Options</u>

6. **Create new local homestead exemption option that would require local voter approval.** Provide a new real property tax reform policy tool that schools and local governments could use on a discretionary basis and with voter approval. The tool would provide an additional (local) homestead exemption for people who are eligible for the state's homestead exemption and/or other residential real property tax exemptions or credits. Lost local revenues could be partially offset by additional state funding per the state's current school funding formula.
7. **State Study of Property Tax Abatements and Exemptions.** In light of the sharp increase in the value of abated property over the past 20 years and the additional tax burden placed on other taxpayers, the state should consider a moratorium on new abatements and exemptions. The state should use the moratorium period to study the overall effectiveness and optimal utilization of these economic development tools.