

Ohio

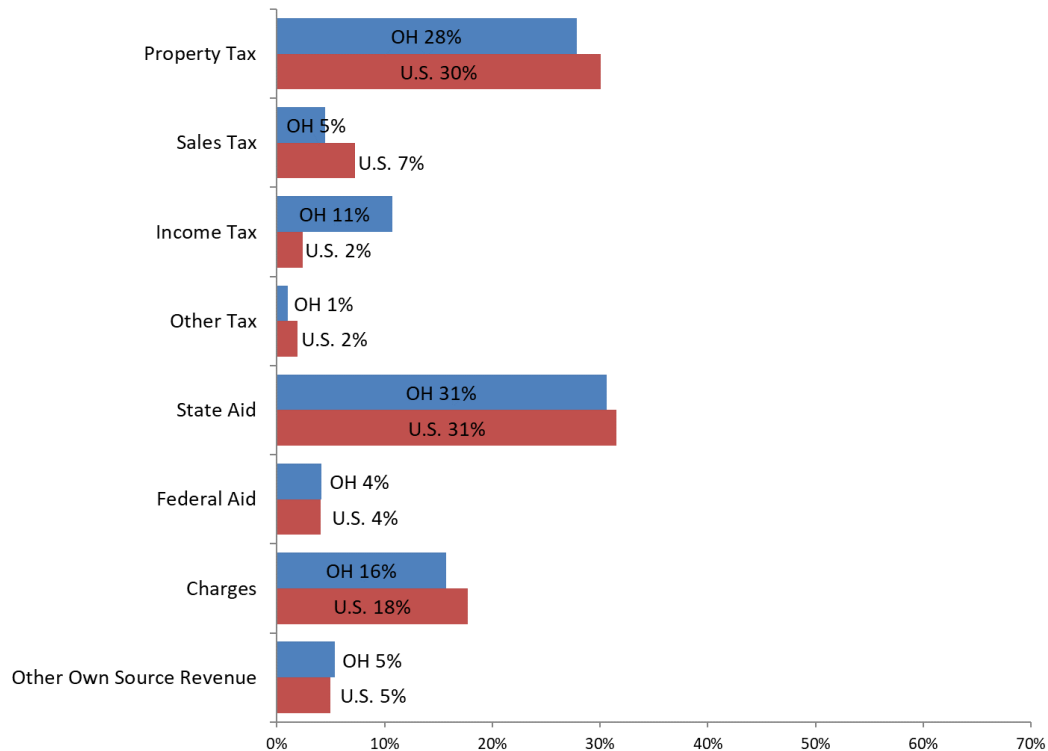
Highlights

Historically, local governments in Ohio relied almost exclusively on property tax revenue to fund operations. When Ohio implemented a state income tax in 1971, the state reduced all non-business property tax bills by a 10 percent “rollback.” In 1979, the state instituted an additional 2.5 percent rollback for owner-occupied residential property (Scott 2013). The state reimburses local jurisdictions for the lost revenue from the rollbacks, which totaled \$1.8 billion in 2018, though the state is phasing out the rollbacks (Ohio Department of Taxation 2018).

The largest sources of local government revenue in 2017 were state aid and property taxes. Jurisdictions also collect local income and sales taxes, but local property tax revenue was larger than both of those categories combined (figure OH-1). Counties and regional transit authorities can levy sales taxes, while municipalities and school districts can levy income taxes.

Ohio eliminated taxation of tangible personal property in 2005, phasing it out over five years (Ohio Department of Taxation 2008).

Figure OH-1
Sources of Local General Revenue, Ohio and U.S., 2017



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2017, Ohio's property tax provided only 14.3 percent of state and local revenue; and property tax burden as a fraction of income was near the U.S. average, although the effective tax rate for the median owner-occupied home is much higher than the U.S. average (table OH-1).

Table OH-1
Selected Ohio Property Tax Statistics, 2017¹

	Ohio	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,316	\$1,618	31
Property tax percentage of personal income	2.8%	3.1%	27
Total property tax as percentage of state-local revenue	14.3%	16.2%	31
Median owner-occupied home value ²	\$140,000	\$222,041	44
Median real estate taxes paid for owner-occupied home ²	\$2,205	\$2,412	23
Effective tax rate, median owner-occupied home ³	1.6%	1.1%	13

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2014-2018.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Visual reassessments are conducted by the county every six years, and property values are updated for inflation every three years (table OH-2). Triennial updates are separately calculated for Ohio's two real property classifications: Class I, residential and agricultural properties; and Class II, commercial and industrial properties. For an initial levy, the property tax rates for each class of property are the same, which is why Ohio is not considered to have property tax classification. However, over time as tax reduction factors are used, the effective property tax rates for the two classes of property diverge.

Most real property is assessed at 35 percent of market value. If it meets certain requirements, commercial agricultural property may be assessed according to current-use values, classified by soil type. Forest land is assessed at 35 percent of market value, but commercial forest land of 10 or more acres may be assessed at current use.

Ohio repealed its tangible personal property tax in 2005 and phased it out over five years, beginning with an exemption for new manufacturing equipment and ending with a phaseout of the personal property tax applied to telecommunications property. Local governments were reimbursed for much of the revenue loss by direct state payments (Errecart, Gerrish, and Drenkard 2012).

Limits on Property Taxation

Local governments in Ohio may only institute property tax rates of up to 1 percent, or 10 mills, on real property without approval from a majority of voters. The overlapping political jurisdictions associated with each property share the 10 mills of revenue, with the allocation among them set by law. School districts usually receive between 4 and 6 mills (Sullivan and Sobul 2010). Taxes levied within the 10-mill limitation are referred to as inside mills, and those voted in excess of the 10-mill limitation are called outside mills.

Because of House Bill 920 (1976), Ohio county assessors recalculate tax rates after reappraisal and triennial updates to keep most nominal property tax revenue constant over time. For the voted millage in excess of 10 mills, “tax reduction factors” decrease tax rates in proportion to inflation-based increases in property value. Similarly, the county increases tax rates in years when property value decreases, holding tax revenue near the level that was collected in the first year of the levy. To collect additional revenue, a district must propose and pass another tax initiative. As a result, balloted tax initiatives are common in Ohio.

School districts are the only jurisdiction that can collect inflation-based tax revenue, but only if their total current expense millage is less than or equal to 20 mills. House Bill 920 established a tax rate floor for school districts that prevents tax reduction factors from reducing the effective tax rate below 20 mills. Once a county has reduced a district’s effective tax rate to 20 mills, the rate is frozen and the district can collect all tax revenue associated with further increases in property value.

Property Tax Relief and Incentives

The 10 percent and 2.5 percent rollbacks mentioned previously reduce individual homeowner’s property tax bills and should be considered a type of property tax credit.

In addition, Ohio exempts \$25,000 of property value for senior citizens and the disabled through a homestead exemption. Beginning in 2014, House Bill 59 established an income eligibility requirement; in 2018, the income limit was \$32,200. Taxpayers who received the homestead exemption before income limits applied continue to qualify for the program (Gearhardt 2013).

There are two major property tax incentives for economic development in Ohio. The most important is the tax increment financing program, focused on distressed or underdeveloped communities. The second important program is Community Reinvestment Areas (CRAs) which provide real property tax exemptions to property owners who make improvements to their property in specific geographic areas (Kenyon et al. 2017, 2020; Ohio Department of Taxation 2018).

Table OH-2
Property Tax Features of State Governments, United States, 2018

Feature	Ohio	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	No	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Ohio's public school funding system has been deemed unconstitutional four times since 1991 by the state supreme court. Although the supreme court ordered the state to improve the system of school funding, no significant changes were made and the litigation ended with the supreme court assigning the task to the state legislature in 2003 (Pittner et al. 2010).

Passed in 2009, House Bill 1 altered the school funding formula with regard to local property tax revenue. Before 2009, state aid was reduced when property values increased due to inflation, even though a school district may not collect any additional local revenue due to tax revenue limits. House Bill 1 requires state aid to be calculated based on tax revenue instead of property value. Because districts at the 20 mill floor collect additional tax revenue when property values increase, state aid can still be reduced when property values increase in districts at the 20 mill floor, but not for other districts (Sullivan and Sobul 2010).

House Bill 59 was passed in July 2013, phasing out the 10 percent and 2.5 percent state-funded rollbacks that began in the 1970s. These rollbacks will not apply to tax levies that are passed after August 31, 2013 (Gearhardt 2013). Elimination of the rollbacks increases local taxpayers' share of property taxes, which may reduce voter support for future tax levies.

Recent Developments

Ohio is one of the states affected by the dark stores theory of assessment (Farmer 2016). Two recent Ohio cases of relevance are *Daniel G. Kamin Cleveland Ents. v. Cuyahoga Cty. Bd. of Revision* (2015), which rejected the dark stores theory for a K-mart, and *Johnston Coca-Cola Bottling Co. Inc. v. Hamilton County Board of Revision* (2017), which ruled that the Board of Tax Appeals was not in error in

considering the present use of the property so long as it was not the only use considered (Wilmath and Alesandrini 2015; Engel 2017).

In September 2017, Ohio taxpayers lost their right to appeal property tax decisions directly to the Ohio Supreme Court. Ohioans had held this option since 1939. The change was slipped into the state budget language at the request of the Ohio Supreme Court which argued that it was necessary given the flood of property tax disputes (Smyth 2017).

In 2018, the supreme court issued two rulings on property tax assessment. In *Huber Hts. City Schools Board of Education v. Montgomery County Board of Revision*, the court upheld using a property's sales price to determine its taxable value. In *Orange City School District Board of Education v. Cuyahoga County Board of Revision*, the court ruled that when an assessor uses a property's sales price used to determine its taxable value, that value should include real estate alone and not other costs included in the sales price, for example, back rent owed by the buyer to the seller (Thomas 2018).

In 2018, Ohio released its first set of reports to comply with tax incentive requirements under GASB 77 which requires governments to report property tax abatements. In fiscal year 2017, property tax abatements cost 180 school districts over \$125 million, according to an analysis of the report (Schiller and Chu 2018).

Resources

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