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OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 129*
136th General Assembly

Bill Analysis

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Version: As Reported by House Ways and Means

Primary Sponsor: Rep. D. Thomas

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SUMMARY

- Requires that current expense fixed-sum levies be included in the calculation of a school district's 20-mill floor or a joint vocational school district's 2-mill floor for property tax purposes.
 - Includes existing emergency and substitute levies in the first tax year, beginning in tax year 2026, in which a county in which the district has territory undergoes a reappraisal or triennial update.
 - Includes growth, conversion, and fixed-sum property taxes levied with a school district income tax beginning in tax year 2026.
- Allows school districts to levy property taxes that will generate a fixed sum of money in the following two circumstances:
 - A district that levies an emergency levy that was approved by voters before 2026 may be renewed once as a fixed-sum levy;
 - A district may levy a fixed-sum levy if it is in fiscal emergency, watch, or caution, or if the U.S. President or the Governor has declared an emergency impacting the district.
- Requires that any new fixed-sum levy must be levied for current operating expenses, cannot be renewed, and may only be levied for up to five years.

DETAILED ANALYSIS

The bill modifies two components of the property tax law. First, the bill changes the calculation of the 20-mill floor that guarantees school districts a certain level of property tax

* This analysis was prepared before the report of the House Ways and Means Committee appeared in the House Journal. Note that the legislative history may be incomplete.

revenue. Specifically, the bill adds fixed-sum levies, including existing emergency and substitute levies, to the calculation of the floor. Second, the bill authorizes school districts to levy property taxes that will generate a fixed sum of money under two circumstances.

Changes to school district millage floors

Continuing property tax law applies a “tax reduction factor” to real property, with the goal of preventing property taxes from increasing at the same rate as property values. Basically, each year when property values increase, property tax collections are adjusted downward so that taxing districts receive the same amount of revenue they received in the previous year. These reductions are converted to an “effective tax rate.”

The tax reduction factor, under the Ohio Constitution, cannot apply to unvoted, or “inside” millage (explained below), or certain other types of operating levies, like fixed-sum levies, i.e., levies intended to raise a fixed amount of revenue each year.¹ Examples of the most common voter-approved fixed-sum levies include two that school districts could levy before 2026 – emergency and substitute levies. Emergency levies allow a school district to collect a fixed amount of money every year. Substitute levies collect a fixed sum in their first year, and then collect increasingly more in each later year based on the district’s increased valuation due to new construction and improvements.

There are some exceptions to the tax reduction factor – one of which is the 20-mill floor, which guarantees that a school district’s effective tax rate for current expense levies cannot fall below 20 mills. Instead, the tax reduction factor can only reduce a school district’s operating levy collections to 20 mills – once that “floor” is reached in a school district, the reduction factor cannot reduce effective tax rates any further. Consequently, any growth in property tax values will produce a corresponding increase in taxes from those 20 mills. If property values increase 35% in a school district that is “on” the 20-mill floor, homeowners will generally see a larger tax increase than in other districts that are not on the 20-mill floor. The tax increase will very likely be less than 35%, since the tax reduction factor will still apply to other local tax levies (e.g., county and township levies), but since school district levies typically make up a majority of a homeowner’s property taxes, the 20-mill floor will have a significant impact.

Under continuing law, a similar 2-mill floor applies to joint vocational school districts (JVSDs).

The bill

Under current law, the calculation of a school district’s 20-mill floor includes only inside millage used for current expenses and voted, fixed-rate current expense levies. Fixed-sum levies are not included in the calculation, even if the revenue from those levies is used for current expenses.

The bill expands the types of levies included in the floor calculation. The effect of these changes, for school districts that impose one or more of these levies, is to increase the total

¹ Ohio Constitution, Article XII, Section 2a; R.C. 319.301.

millage that is compared to the 20-mill floor. If the district was previously on the floor, the new calculation may push the district above the floor, with the result that the district will not see full revenue growth from its voted property tax levies that are affected by the tax reduction factor until the district falls back to the 20-mill floor.

Fixed-sum levies

The bill requires that current expense fixed-sum levies, including existing emergency and substitute levies, be included in a school district's 20-mill floor calculation. Emergency and substitute levies will be included in the floor in the first tax year, beginning in tax year 2026, that a county in which the district has territory undergoes a reappraisal or triennial update. These levies will continue to be excluded from the tax reduction factors, since that mechanism cannot reduce the amount of money raised from such levies.

JVSDs are also authorized to levy an emergency or substitute levy, even though it appears that currently none of them do. Regardless, the bill also includes any current expense fixed-sum levy in the computation of a JVSD's 2-mill floor.

Under the bill, three other types of less common fixed-sum school district levies are also included in the computation of the 20-mill floor. These levies will be included in the floor beginning in tax year 2026:

- A growth levy, which collects a fixed amount in its first year, and then an additional percentage or amount of revenue in each following year.
- A property tax that collects a fixed amount each year, levied in combination with a school district income tax. The school district income tax is included in the floor, as discussed below.
- A conversion levy, which may no longer be submitted to voters after 2014, though existing levies may be renewed. This levy allowed school districts above the 20-mill floor to repeal and re-levy their taxes in excess of the floor as a single fixed-sum levy, with the express purpose of dropping the district onto the 20-mill floor.²

Fixed-sum property tax levies

The bill allows school districts to levy property taxes that will generate a fixed sum of money under two circumstances. In either circumstance, the levy must be labeled as a fixed-sum levy (not an emergency levy), must be for current operating expenses, may not be renewed, and may only be levied for up to five years.

² R.C. 319.01; Section 3.

Under current law, school districts will no longer have the authority to levy fixed-sum emergency, substitute emergency levies, and combined school district income tax and fixed-sum property tax levies at elections held on or after January 1, 2026.³

Under the bill, school districts may levy a fixed-sum property tax under either of the following two situations:

- A district that levies an emergency levy that was approved by voters before 2026 may be renewed as a fixed-sum levy;
- A district may levy a fixed-sum levy if it is in fiscal emergency, watch, or caution or if the U.S. President or the Governor has declared an emergency in all or part of the district's territory, the district is impacted by the emergency, as determined by the Director of Education and Workforce, and the tax is proposed during the emergency declaration or within two years after it ends.

The bill specifies that the renewal of an emergency levy that was first approved by voters before September 29, 2013, is still subject to the property tax rollbacks for nonbusiness property (10%) and owner-occupied residences (2.5%) after its renewal as a fixed-sum levy under the bill.⁴

HISTORY

Action	Date
Introduced	02-24-25
Reported, H. Ways & Means	---

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³ R.C. 5705.03, 5705.194, 5705.199, 5705.219, 5709.92, and 5748.09. See Am. Sub. H.B. 96 of the 136th General Assembly. This provision was vetoed by the Governor, but both the House and Senate voted to override the veto.

⁴ R.C. 323.32, 5705.01, 5705.03, 5705.194, 5705.195, 5705.196, 5705.197, and 5705.92.