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H.B. 335
136th General Assembly

Bill Analysis

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Version: As Passed by the House

Primary Sponsor: Rep. D. Thomas

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SUMMARY

- Requires each county budget commission (CBC), in the county's reappraisal or update year, to adjust the rate of each inside millage levy so as to limit any increase in its revenue to the GDP deflator growth over the three preceding years.
- Allows a subdivision to request that the CBC increase the levy rate so as to collect the same amount as the previous year if the subdivision's inside millage collections would not increase in a reappraisal year.
- Allows a subdivision that elects to temporarily reduce an inside millage levy to base the calculation of the bill's limit in subsequent years on the collections of the year preceding the voluntary reduction.
- Allows a municipal corporation or school district to reduce the rate of current expense inside millage levies to account for revenue from a new or increased municipal or school district income tax.
- Requires a municipal corporation or school district seeking to increase an inside millage rate so reduced, or a county seeking to increase an inside millage rate reduced pursuant to a sales tax increase, to have the increase approved by the CBC before it can take effect

DETAILED ANALYSIS

Inside millage inflation limit

Background on inside millage

Under the Ohio Constitution, property taxes must generally be approved by voters, with certain exceptions. One of these exceptions is that taxing authorities may, collectively, levy

unvoted property taxes that do not exceed 1% (10 mills) of a property's true value.¹ Typically referred to as inside millage, these taxes may be levied for one or more of several purposes, including operating expenses, debt, and certain special purposes.² As with other property taxes, inside millage applies against a property's taxable value, which is established by the county auditor. Under continuing law, a county auditor reappraises individual property for tax purposes every six years, and every third year of that cycle, values are updated pursuant to market analyses conducted by the auditor and the Department of Taxation.³

Inflation limitation

The bill creates a mechanism, administered by county budget commissions, to reduce the rates of inside millage to generally limit collection increases due to property value increases to the increase in an inflation index. Every county has a county budget commission (CBC) consisting of the county auditor, county treasurer, and either the county prosecuting attorney or a county commissioner. Generally, CBCs are responsible for annually reviewing local government tax budgets, adjusting those budgets if property tax revenue is insufficient to fund them, and approving properly authorized property tax levies with limited options to adjust their rates. If a taxing subdivision crosses county lines, CBC functions are conducted by a joint budget commission consisting of the CBCs of all the counties in which the subdivision has territory.⁴

The bill requires a CBC, in September of a county's reappraisal or update year, to adjust the rate of each inside millage levy so as to generally limit any increase in the levy's revenue to the cumulative inflation rate calculated over the three preceding years, i.e., since the last reappraisal or update. To measure inflation, the bill compares the levy's collections to increases in the GDP deflator, a national measurement of inflation in the prices of all goods and services published by the United States Bureau of Economic Analysis, as calculated by the Department of Taxation.

The adjustment calculation excludes revenue increases that are attributable to new improvements completed or the expiration of tax reductions occurring between reappraisal years. The CBC is prohibited from reallocating the reduced mills to any other subdivision. For a subdivision that elected to temporarily reduce an inside millage levy, the calculation of the bill's limit in subsequent years may be based on the collections of the year preceding the voluntary reduction.

If a subdivision's inside millage collections would not increase in a reappraisal year, the bill separately allows the subdivision to request that the CBC increase the levy rate so as to collect

¹ Article XII, Section 2, Ohio Constitution.

² R.C. 5705.04, 5705.05, and 5705.06, not in the bill. For further discussion, see the LSC [Inside Millage \(PDF\)](#) Members Brief, which is available on LSC's website: lsc.ohio.gov/Publications.

³ R.C. 5715.24, not in the bill. For the current reappraisal and update schedule, see the Department of Taxation's [Property Value Reappraisal and Update Schedule \(PDF\)](#), which may be accessed by conducting a keyword "reappraisal schedule" search on the Department's website: tax.ohio.gov.

⁴ R.C. 5705.27 and 5705.48, not in the bill.

the same amount as the previous year. The CBC may approve, partially approve, or deny the request based on its evaluation of the subdivision's need, provided that no inside millage may be approved above the Ohio Constitution's 10-mill limitation.⁵

Example

To illustrate the operation of the bill's reduction, consider a county with an inside millage levy of **5 mills**. Assume that the total taxable value of all property in the county in tax year 2025 is **\$1 billion**. In 2026, due to a reappraisal, that total taxable value increases to **\$1.2 billion**. Of the 20% increase in value, further assume that $\frac{1}{2}$ is attributable to either tax abatements ending or new construction. Finally, assume that, over the three years before the 2026 reappraisal, the inflation rate is **8%**.

To calculate the levy's reduced rate, its collections must be limited to **18%** over what it was in 2025 (10% due to excluded increases plus 8% limit by inflation). For the 5-mill levy which collected **\$5 million** for tax year 2025, the rate will be reduced such that collection equals **\$5.9 million**, a rate of **4.9 mills**. As new property is added to the tax list in subsequent years, it is taxed at that reduced rate. The rate amount would be recalculated next in 2029, when the county undergoes a triennial update.

Application date

The bill's inflation limitation begins to apply in tax year 2026, in the case of real property taxes, and tax year 2027, in the case of manufactured home taxes.⁶

Inside millage reductions in conjunction with another tax

The bill authorizes a municipal corporation or school district to reduce the rate of current expense inside millage to account for revenue that would be collected from a new or increased municipal or school district income tax. This can be done by adopting an ordinance or resolution stating the amount and term of the reduction, which can be for any number of years or for a continuing period. Such an ordinance or resolution may accompany an ordinance or resolution to levy or increase the applicable income tax. No other subdivision may appropriate and levy the reduced millage and a CBC may not reallocate them to other subdivisions.

To reverse such a reduction, a legislative authority must first pass, by $\frac{2}{3}$ majority, an ordinance or resolution stating the amount of the rate increase, which must then be approved by a CBC before it can take effect. The bill similarly requires a county get CBC approval for an increase to an inside millage rate that was reduced pursuant to a sales tax increase authorized under continuing law.⁷

⁵ R.C. 5705.31 and 5705.316.

⁶ Section 3.

⁷ R.C. 5705.313, 5705.317, and 5705.318.

HISTORY

Action	Date
Introduced	06-04-25
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