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H.B. 503
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Roemer and Workman

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SUMMARY

- Requires voter approval to modify or repeal an existing municipal income tax reciprocity credit.
- Nullifies any modifications to a reciprocity credit that were approved on or after August 1, 2025, but before the bill's effective date.
- Allows a voter initiative to authorize, modify, or repeal a reciprocity credit.

DETAILED ANALYSIS

Municipal income tax

Ohio municipalities may, pursuant to their constitutionally granted home rule authority, levy taxes on the income of both residents and, with some limitations, nonresidents. According to the Ohio Department of Taxation, as of 2023, 675 municipalities and joint economic development districts levied an income tax.¹ Nearly all of these jurisdictions extend the tax to the income of nonresidents earned in the municipality, as authorized by continuing law.² One consequence of this is that an individual may be subject to municipal income tax on the same income in two separate municipalities – where the income was earned and where the individual resides.

Reciprocity credits

Many municipal corporations mitigate the double taxation effect by granting their residents a full or partial tax credit for income taxed by a nonresident municipality. These credits

¹ See page 111 of the Department of Taxation's [2024 Annual Report \(PDF\)](#), which is available on the Department's website: tax.ohio.gov/researcher/publications/publications.

² R.C. 718.01(A)(1)(c), not in the bill.

are not required under state law, so not every municipal corporation offers one. According to the city of Columbus, more than half of the jurisdictions that levy a municipal income tax currently offer a credit to residents that fully offsets tax remitted to another taxing jurisdiction, while dozens more offer credits that partially offset another jurisdiction's tax.³

The bill requires a municipal corporation that does offer a reciprocity credit to obtain voter approval at a general or special election to repeal or to modify the amount or percentage of the credit. A municipality's legislative authority may approve an ordinance or resolution seeking to place the modification on the ballot at least 90 days before the election. A question modifying or repealing a reciprocity credit cannot be combined with a question modifying the rate of the municipal income tax.⁴

The bill's requirement applies to modifications to a reciprocity credit that were approved on or after August 1, 2025. Any modification enacted by an ordinance or resolution adopted on or after that date but before the bill's 90-day effective date and not approved by electors is void and without effect.⁵

Initiated reciprocity credit modification

The bill also allows a voter initiative to authorize, modify, or repeal a reciprocity credit. To initiate the process, petitioners must gather signatures on a petition form prescribed by the Secretary of State, and stating the amount or percentage of the credit, the amount of the increase or decrease, or that it will be repealed. Petitioners must collect signatures equal to at least 10% of the votes cast in the most recent governor's race. The petition must be filed with the board of elections of the county in which the most populous portion of municipality is located, if it is in more than one county. If the board validates enough petition signatures, the question will appear at the next general election held at least 90 days after the petition is submitted. The board of elections must then publish a notice of the election in a newspaper of general circulation in the municipality and on its website for two weeks preceding the election. If the initiative is approved, it applies on January 1 following the general election.⁶

HISTORY

Action	Date
Introduced	10-07-25

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³ See the city of Columbus's [Tax Municipalities data list](#), which may be accessed by conducting a keyword "Tax Municipalities" search on the city's website: [columbus.gov](#).

⁴ R.C. 718.04(D).

⁵ Section 3.

⁶ R.C. 718.041.