OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 335
136th General Assembly

Final Fiscal Note & Local Impact Statement

Click here for H.B. 335's Bill Analysis

Primary Sponsor: Rep. D. Thomas

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill limits growth in property tax revenues from inside millage levies – those ten mills that can be levied by local governments without voter approval – by the gross domestic product (GDP) deflator over the preceding three years.
- LBO estimates that the GDP deflator cap will reduce statewide inside millage revenue by approximately $120 million to $135 million in tax year (TY) 2026, $195 million to $250 million in TY 2027, and $305 million to $378 million in TY 2028.

Detailed Analysis

The bill limits the ability of taxing authorities to generate increased revenue from levies within the ten-mill limitation by capping growth in the "base taxes charged and payable" for such levies. Inside mills are unvoted property tax levies, and the Ohio Constitution limits their total to 1% of value, or ten mills. Property tax receipts arising from inside millage are not reported to the Tax Commissioner and must therefore be estimated using available local data.

The bill requires the county budget commission to adjust the rate of each levy within the ten-mill limitation so that the increase in current taxes charged and payable does not exceed the product of the base taxes charged and payable and the inflation factor certified by the Tax Commissioner for the current tax year, rounded to the nearest $100. The inflation factor is defined as the greater of 0% or the percentage change in the gross domestic product (GDP) deflator over the preceding three years. The bill also prohibits reallocation of mills reduced under this mechanism to any other taxing unit.

The bill excludes from the calculation of taxes charged and payable any property, or portion of property, that was not subject to taxation by the taxing district in the most recent tax year in which the county auditor conducted a reappraisal or triennial update, in the case of real property, or in the following tax year for manufactured or mobile homes on the manufactured

home tax list. In practice, this provision would most commonly refer to new construction or property that otherwise changed its taxable status (e.g., expiring tax abatement).

The bill applies to all inside millage tax receipts, inclusive of those paid by real property owners and tangible personal property (TPP) owners. In cases where current taxes do not increase compared to the base year, the county auditor is required to calculate and certify the levy rate that would generate the same tax revenue as the prior year, rounded to the nearest hundredths of one mill, without exceeding the ten-mill limitation. A taxing unit may then adopt a resolution or ordinance requesting that the levy be applied at this adjusted rate. The county budget commission must evaluate such requests and may approve, partially approve, or deny the rate increase based on the unit's demonstrated need, but any approved rate must remain within the ten-mill cap.

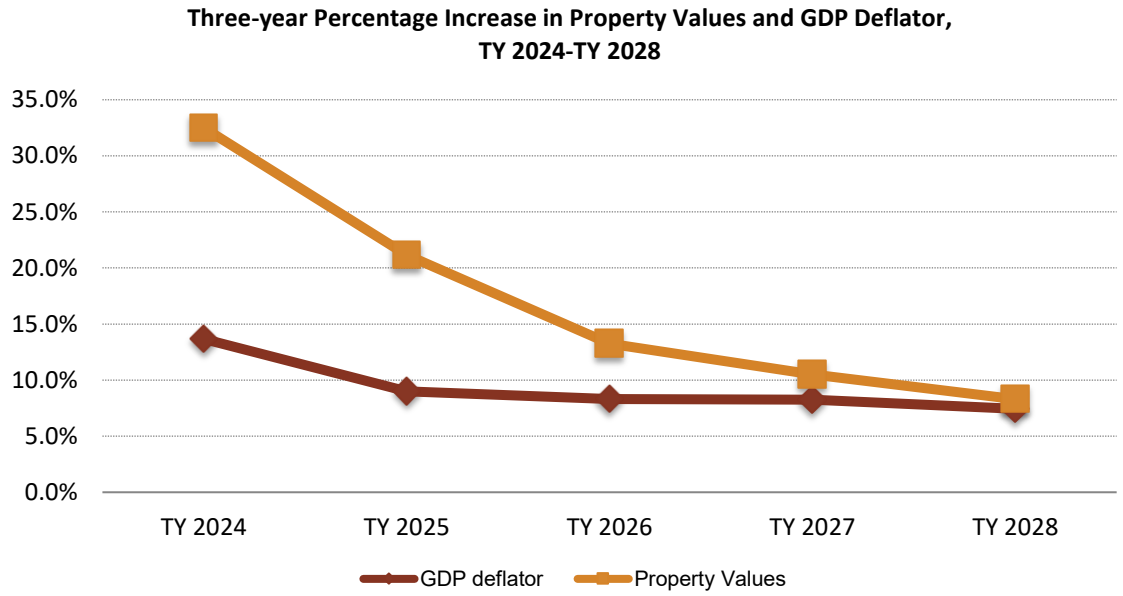
The bill is effective beginning with TY 2026 and years thereafter.

Fiscal effect

Inside millage revenue growth adjustments

Beginning in TY 2026, the bill applies to properties that undergo a reappraisal or update in that year. Therefore, the policy will apply to every county in Ohio by TY 2028, after every county completes their scheduled reappraisal or triennial update. For this analysis, these revaluations are informed by a three-year percentage change in Ohio property values, based on projections from Moody's Analytics. The firm projects Ohio-specific values for the Federal Housing Finance Agency's (FHFA) All Transactions Home Price Index and the Commercial Real Estate Index for Ohio. All future changes in property values are based on estimates informed by projections from Moody's Analytics. The anticipated future growth in property values is slower than recent history, but it is comparable to those observed in earlier years, TY 2014-TY 2019.

The chart below shows the three-year percentage increase in property values for those counties undergoing reappraisal or update as well as the GDP deflator from TY 2024 through TY 2028, based on data from the U.S. Bureau of Economic Analysis (BEA), GDP forecasts from Moody's Analytics, and estimates by LBO staff. Property value growth is projected to decline from historically high levels, while the GDP deflator is expected to remain relatively stable, continuing a slight downward trend. As seen in the chart, property values grow faster than the GDP deflator in every year, but the gap narrows in future years.



Based on expected inflation and projected increases in property values, LBO estimates that the bill will result in a statewide revenue loss between $120.5 million and $135.0 million in TY 2026, due to the bill's GDP deflator cap on growth of inside millage revenue. Revenue losses from inside millage are projected to increase to between $195.0 million and $250.0 million in TY 2027, and between $305.5 million and $378.0 million in TY 2028. This estimate is calculated relative to a baseline scenario in which property tax revenues grow according to current law. The table below provides LBO's estimated revenue impact by taxing authority for TY 2026 through TY 2028.

Estimated Inside Millage Revenue Loss by Taxing Unit from TY 2026-TY 2028 ($ in millions)			
Category	**TY 2026**	**TY 2027**	**TY 2028**
County Governments	$27.0-$30.0	$45.0-$55.0	$80.0-$91.0
School Districts	$60.5-$66.0	$95.0-$125.0	$140.5-$182.0
Joint Vocational School Districts	$0.0	$0.0	$0.0
Other Jurisdictions*	$33.0-$39.0	$55.0-$70.0	$85.0-$105.0
Statewide Total	**$120.5-$135.0**	**$195.0-$250.0**	**$305.5-$378.0**

*Other Jurisdictions includes townships, municipalities, and special taxing districts.

Source: LBO tabulations using Property Tax Rate (composite report DTE 515) and Real and Public Utility Personal Property Tax Abstract files for TY 2024, as published on the Ohio Department of Taxation website. Amounts in TY 2025 and thereafter were estimated using growth assumptions sourced from Moody's as well as prior-year observations about variability of growth within a given year across Ohio's nearly 4,500 unique taxing districts.

Levy rate certification for revenue stability

The bill provides that, in cases where current taxes charged and payable for a levy do not increase compared to the prior year (the "base year"), the county auditor must calculate and certify the rate that would generate the same amount of revenue as the previous year.

While projections from Moody's Analytics do not anticipate a statewide decline in property values in upcoming tax years, it is possible that individual taxing districts may experience localized decreases in value following reappraisal or triennial update. In such cases, this provision may allow those taxing units to maintain revenue stability on a case-by-case basis.