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# OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 186  
136<sup>th</sup> General Assembly

## Final Analysis

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**Primary Sponsors:** Reps. Hoops and D. Thomas

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### SUMMARY

#### Tax credit for property in school districts on 20-mill floor

- Authorizes a property tax credit for the owners of property located in a school district on the 20-mill floor property tax floor, with the goal of limiting a district's total property tax revenue growth from the floor to the rate of inflation.
- Applies to all eligible property in the state beginning in tax year 2025.
- Authorizes payments to school districts located in counties that underwent a reappraisal or update in tax years 2023 and 2024 so that such districts are temporarily guaranteed to receive at least the same amount of property tax revenue they received in tax year 2024.
- Requires the first installment of those payments to be made from the Expanded Sales Tax Holiday Fund, which the act appropriates, and cancels any expanded sales tax holiday scheduled to occur in August 2026.

#### Property tax rollbacks

- Modifies the 10% and 2.5% property tax rollbacks for residential property, with the effect that the total rollback for owner-occupied homes will increase, from 12.5% to 15.38%, and the rollback for all other residential property will be eliminated.

#### Property tax abstract

- Requires that, when a county auditor submits a property tax abstract to the county board of revision (BOR) for review, the auditor must also send a copy to the Tax Commissioner.

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## DETAILED ANALYSIS

### Tax credit for property in school districts on 20-mill floor

#### Background on 20-mill floor

Continuing property tax law applies a “tax reduction factor” to real property and manufactured and mobile homes valued and taxed like real property but subject to manufactured home taxes, 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, or certain other types of operating levies, like fixed-sum school district levies.<sup>1</sup>

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 operating 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 rates any further. Consequently, any growth in property tax values will generally produce an 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 could have a significant impact.

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

#### Property tax credit

The act authorizes a property tax credit for property owners located in a school district or JVSD on the 20-mill or two-mill floor, respectively. The goal of the credit is to limit the increase in tax revenue that the district receives as a result of the floor. If the floor would result in collections exceeding a specified inflation rate, each property owner is granted a credit so that the district’s revenue from 20 mills (or two mills) does not exceed that rate.

The credit is re-calculated every three years, when a county undergoes a reappraisal or triennial update. A district’s revenue growth from the 20-mill or two-mill floor in one of those years may not exceed the rate of inflation over the preceding three years. To measure inflation,

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<sup>1</sup> Article XII, Section 2a, Ohio Constitution.

<sup>2</sup> For an in-depth discussion of the 20-mill and 2-mill floors, see the LSC Member’s Brief entitled [Property Tax Millage Floors for School Districts \(PDF\)](#), available under the Publications tab on LSC’s website, [www.lsc.ohio.gov](http://www.lsc.ohio.gov).

the act compares the district's tax collections from the floor 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.

### **Example**

To illustrate the operation of the act's credit, consider a local school district that is on the 20-mill floor. Of this 20-mill floor, there are **five mills** of inside millage, which cannot be reduced by the tax reduction factor, and **15 mills** of outside millage. Assume that the total taxable value of all property in the district in tax year 2024 is **\$1 billion**. In 2025, due to a reappraisal, that total taxable value increases to **\$1.5 billion**.

In 2024, due to the 20-mill floor, the taxes collected for operating expenses equaled **\$20 million** (2% of \$1 billion) – **\$5 million** from inside millage and **\$15 million** from voter-approved millage. In 2025, under prior law, collections would have increased to **\$30 million** (2% of \$1.5 billion).

The act limits this increase with respect to the district's voter-approved millage (i.e., the millage subject to both the tax reduction factor and 20-mill floor). Assume that, over the three years before the 2025 reappraisal, the inflation rate is **20%**. When compared to the previous year's tax collections, the act would apply a collections limit for 2025 of **\$25.5 million** (\$7.5 million from inside millage (5 mills x \$1.5 billion), plus \$15 million increased by 20%).

The act achieves this limit by calculating a tax credit amount for each property. A property's credit will be based upon a "tax credit factor," which equals one minus the result obtained by dividing the inflation-limited collections (**\$25.5 million**) by the collections that would be received under the 20-mill floor (**\$30 million**). In this case, the factor would be **0.15**.

To calculate each property's tax credit, the property's tax liability is multiplied by this credit factor. Assume that, without the reduction, a home with an appraised value of **\$200,000** would have a property tax liability of **\$1,400**. Under the act, this property would receive a credit equal to **\$210** ( $\$1,400 \times 0.15$ ).

This credit amount will be re-calculated every three years, when the county undergoes a reappraisal or triennial update. If, in any of those years, the district's growth from the 20-mill floor is less than the revenue allowed under the inflation cap, properties in that district would not receive a tax credit for that reappraisal or update cycle.

### **Total credit computation**

The act requires separate tax credit calculations for two groups of property – "nonbusiness property," which includes residential and agricultural property, other than ponds and lakes, and "business property" which includes all other property, except for vacant property. Both calculations only take into account property that was taxable in the district for the most recent appraisal or triennial update, not new construction.

These classes are similar, but not identical, to the Class I (residential/agricultural) and Class II (other) property classifications used when applying the tax reduction factor. Under continuing law, the reduction factor and 20-mill floor adjustment are applied separately to Class I and Class II property. Consequently, a district may be on the 20-mill floor with respect to one

class, but not the other. The act uses slightly different categories because the Ohio Constitution specifies that property can only be divided into those two classifications for purposes of the tax reduction factor.<sup>3</sup>

The act also takes into account any locally imposed reduction in a school district's levies – for example, if a school district were to voluntarily forgo revenue from a particular levy. Under the act, the tax credit is calculated according to the act's formula, but is offset by the revenue reduction, such that the actual credit applied to property would either be reduced or entirely eliminated.

Under the act, separate credit amounts are also calculated for JVSDs, because of their separate two-mill floor.<sup>4</sup>

### **Application to all property in 2025**

The act applies to all eligible property in the state beginning in tax year 2025, in the case of real property, and tax year 2026, in the case of manufactured and mobile homes that are taxed like real property. For property that is located in a county that underwent a reappraisal or triennial update in tax years 2023 and 2024, the act authorizes a credit that is calculated as if the act had been in effect in those tax years. This temporary credit applies until the next year in which the county undergoes a reappraisal or update.

Under the act, the entire credit for tax year 2025 will be applied on taxpayers' second-half tax bills. Generally, property taxes are paid in two installments, once in January or February and again in June or July. Because the act will not take effect until after first-half tax bills are mailed for tax year 2025, taxpayers will receive the full credit against the second installment.<sup>5</sup>

### **Revenue guarantee for districts affected by temporary credit**

The act authorizes payments to school districts and JVSDs that are located in a county that underwent a reappraisal or triennial update in tax years 2023 and 2024 and that, due to the act's temporary credit, would otherwise receive less property tax revenue in tax year 2025 than in tax year 2024. The revenue guarantee applies to tax year 2025, in the case of 2023 reappraisal or update counties, and to tax years 2025 and 2026, in the case of 2024 reappraisal and update counties.

Under the act, the Tax Commissioner will calculate the difference between a district's real property tax revenue in tax year 2024 and its revenue in 2025 and, if applicable, 2026. For districts that have property in more than one county, the calculation is performed separately for the property in each county. If the district will receive less in 2025 or 2026, the Commissioner will

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<sup>3</sup> Ohio Constitution, Article XII, Section 2a.

<sup>4</sup> R.C. 319.301, 319.303, 323.08, 323.152, 323.155, 323.158, 4503.06, 4503.065, and 4503.0610.

<sup>5</sup> Sections 3 and 4.

certify the difference to the Director of Education and Workforce. The Director will pay the difference to each eligible district in August 2026 and, if applicable, August 2027.<sup>6</sup>

### **Transfer from Expanded Sales Tax Holiday Fund**

The act requires the Director of Budget and Management to transfer the amount necessary to make the August 2026 payments from the Expanded Sales Tax Holiday Fund.

Accordingly, the act cancels any expanded sales tax holiday scheduled to occur in August 2026, and delays the certification of Expanded Sales Tax Holiday Fund revenue for purposes of scheduling an expanded sales tax holiday in 2027. Under continuing law, the state holds an expanded sales tax holiday if there is at least \$60 million of surplus GRF revenue in the Expanded Sales Tax Holiday Fund at the end of the preceding fiscal year. The holiday is held in the following August and applies to most items priced under \$500. Continuing law also provides that, if no expanded tax holiday is held, the state will still offer a three-day tax holiday for “back-to-school” items.<sup>7</sup>

### **Administration**

Generally, the credit will be administered by county auditors. However, for tax year 2025, the act requires the Tax Commissioner to compute the credits applicable to each district. In order to complete these calculations, the act requires county auditors to certify the necessary property tax information to the Commissioner no later than April 20, 2026.<sup>8</sup>

### **Credit designation**

The act requires that the credit be separately itemized on tax bills as the “Inflation Cap Credit.”<sup>9</sup>

### **Property tax rollbacks**

Continuing law authorizes two property tax credits, or “rollbacks,” that directly reduce a home’s property tax liability. Under prior law, the first credit, known as the 10% nonbusiness property rollback, applied generally to one-, two-, or three-family dwellings and to nontimber, agricultural land. This rollback reduced the taxes due on certain property tax levies by 10%. The second credit, known as the 2.5% owner-occupancy rollback, reduced by an additional 2.5% such tax on owner-occupied dwellings that serve as a taxpayer’s primary residence and up to one acre of land (“homestead”).

The state reimburses local taxing authorities for the cost of both rollbacks from the GRF. New and replacement levies approved at elections held in or after November 2013 are not included in computing either rollback.

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<sup>6</sup> Section 5.

<sup>7</sup> R.C. 131.44, 5739.02(B)(55), and 5739.41, not in the act; Sections 5 and 7.

<sup>8</sup> Section 4.

<sup>9</sup> R.C. 319.303(G).

## Rollback modifications

The act eliminates the 10% nonbusiness property rollback for residential property, through a four-year phase-out. For most property, the rollback will decrease to 7.5% in tax year 2026, 5% in 2027, 2.5% in 2028, and 0% in 2029. The full 10% rollback will continue to apply to nontimber, agricultural land.

Correspondingly, the act increases the 2.5% owner-occupancy rollback over four years, to 5.70% in tax year 2026, 8.92% in 2027, 12.15% in 2028, and 15.38% in 2029. In combination, the effect of these provisions is to increase the total credit for owner-occupied property, from 12.5% to 15.38%, and to eliminate the rollback for residential property that is leased to renters or otherwise not used as the owner's primary residence.

## Application

The state will continue to reimburse local governments and schools for the cost of the rollbacks. The changes begin to apply in tax year 2026 or, for the manufactured home tax, 2027. The difference in application is due to the fact that the manufactured home tax is payable on a current-year basis, whereas real property tax is payable in arrears.<sup>10</sup>

## Property tax abstract

The act requires that, when a county auditor submits a property tax abstract to the county board of revision (BOR) for review, the auditor must also send a copy to the Tax Commissioner. Under continuing law, county auditors compile the tax abstract and submit that abstract to the BOR. The BOR reviews the abstract and, when that review is complete, the auditor certifies it to the Commissioner. The act retains the requirement that the auditor also certify the abstract to the Commissioner after the BOR's review is complete.

Recent legislation, H.B. 124 of the 136<sup>th</sup> General Assembly, moved up the deadline for county auditors to submit property tax abstracts to the BOR, from the second Monday of June to the second Monday of May.<sup>11</sup>

## HISTORY

| Action                            | Date     |
|-----------------------------------|----------|
| Introduced                        | 03-19-25 |
| Reported, H. Ways & Means         | 10-21-25 |
| Re-referred, H. Rules & Reference | 10-21-25 |
| Re-referred, H. Finance           | 10-21-25 |
| Reported, H. Finance              | 10-22-25 |

<sup>10</sup> R.C. 319.302, 323.152(B), and 5715.19; Section 3.

<sup>11</sup> R.C. 5715.16.

| Action                                       | Date     |
|--|----------|
| Passed House (73-23)                         | 10-22-25 |
| Reported, S. Local Gov't                     | 11-19-25 |
| Passed Senate (30-3)                         | 11-19-25 |
| House concurred in Senate amendments (72-15) | 11-19-25 |