

Ohio Legislature Passes Landmark Property-Tax Reform Backed by County Auditors

The County Auditors Association of Ohio (CAAO) today recognized the Ohio General Assembly for passing House Bills 186, 309, 335, and 129—major reforms designed to provide property-tax relief and increase transparency in Ohio's tax system.

Dr. Carri Brown, Fairfield County Auditor, stated, "County auditors from across the state worked closely with legislators throughout the drafting process, helping shape policies to provide property tax relief." From a statewide perspective, the measures are projected to save Ohio homeowners more than \$2 billion.

"The General Assembly just delivered the largest property-tax reform in Ohio history. I'm proud that they overwhelmingly supported the recommendations of the County Auditors Association of Ohio," said CAAO President Matt Nolan. "Auditors appreciate that legislators took the time to understand the issues, challenges, and real-world impacts of these reforms, and for working with us to craft legislation that truly serves taxpayers."

Key Highlights of the Legislation

House Bill 186

- Creates an Inflation Cap Credit to limit the growth of unvoted school-district millage ("20-mill floor") to the rate of inflation, preventing sudden tax spikes for homeowners.
- Expands the Owner Occupancy Credit over four years while phasing out the Non-Business Credit on non-agricultural properties, shifting tax relief toward homeowners' primary residences rather than for-profit properties.

House Bill 335

- Places an inflation cap on "inside millage"—local government taxes that do not require voter approval.

House Bill 129

- Reforms school-funding calculations by including emergency/substitute levies, incremental-growth levies, conversion levies, and property-tax components of combined levies in the 20-mill floor, curbing unvoted revenue spikes in districts that have benefited from windfalls.

House Bill 309

- Strengthens county budget commissions' authority to modify or reduce levies deemed "unnecessary or excessive," promoting greater transparency and local fiscal accountability.

"County auditors have worked for more than two years on these reforms," said Lake County Auditor Chris Galloway, a member of the Governor's working group on property tax reform. The County Auditors Association of Ohio supports Governor DeWine signing these reforms into law.

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Keep reading for more detailed information on the legislation.

House Bill 186

What it does:

- Caps growth in property tax revenue for school districts that are at the “20-mill floor” (i.e., already collecting a relatively high base rate) so that increases are limited to the rate of inflation.
- Provides a **property tax credit** (called an “Inflation Cap Credit”) to homeowners to offset this capped growth.
- Uses state funds to make up some of the lost revenue to school districts; \$465 million is earmarked to hold districts harmless.

Why it matters:

- It attempts to limit “unvoted” tax increases — tax growth that happens automatically when property values rise, without a local vote.
- Homeowners will save overall: proponents estimate \$1.7 billion in property tax relief in total over three years.
- Because school districts would get less in property tax revenue, the state is adjusting the school-funding formula to help make up the difference.

Note: The credit and cap only affect certain districts (those at the 20-mill floor), so relief is uneven.

House Bill 129

What it does:

- Changes how “fixed-sum levies” (a type of property tax levy that raises a set dollar amount) count toward a school district’s “millage floor” (minimum tax rate).
- Places limits on how school districts can reallocate (move around) unvoted millage — that is, tax revenue they get without needing voter approval.
- Adds new statutory sections (5705.195, .196, .197) to govern these fixed-sum levies.

Why it matters:

- It provides more clarity and restrictions on school districts’ tax-levy structures, especially for unvoted levies.
- By including fixed-sum levies in the floor calculation, it could change how much unvoted tax growth a district is allowed.
- Meant to give taxpayers (and local governments) more control / predictability over unvoted property tax revenue.

Note: This may require districts to go to voters more frequently.

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House Bill 309

What it does:

- Modifies the role and powers of county budget commissions (CBCs) in relation to property taxation.
- Requires bodies that levy property taxes but don't currently submit a "tax budget" (a forward-looking finance plan) to do so — expanding which entities must engage with the CBC.
- Adjusts how certain funds are allocated, including local government and public library funds.
- Establishes a new section in law (section 5705.60) for these changes.

Why it matters:

- Strengthens oversight: CBCs will have more visibility over tax budgets and taxing authorities.
- Potentially improves fiscal discipline: by requiring more entities to submit tax budgets, there may be less risk of unchecked property tax growth or misallocation.
- Impacts how local government and library funds are allocated, which could shift funding dynamics.
Note: The County Auditor and some taxing bodies may face more administrative burdens. Depending on CBC decisions, local governments could see changes in how much property tax they're allowed to levy.

House Bill 335

What it does:

- Imposes a cap on "**inside millage**" (the portion of property tax rate that local governments can levy without voter approval) — restricting how much this can grow when property is reappraised or updated.
- Allows **reductions** in inside millage under certain circumstances:
 - When a **school district** adopts a new income tax levy.
 - When a **municipality** (city/town) adopts an income tax.
- Empowers the county budget commission to approve any such reductions to inside millage.
- Modifies formulas related to local government and public library funds and includes other technical changes around county sales tax and property tax.

Why it matters:

- This is property tax relief reform: **inside millage** is an important source of property tax revenue for schools, local governments, libraries, counties, etc. Reducing it will lower property taxes for many homeowners.
- Certain governments would need to ask voters to approve income taxes instead of relying on inside millage.
- Shifts in inside millage dynamics could alter how local governments and libraries are funded long-term.
Notes: Critics (especially in education) warn this could lead to **large funding cuts for schools** and other local services. Not all communities may succeed in passing the necessary income-tax levies to replace lost inside millage — risk of underfunded schools is commonly noted. Some argue it shifts decision-making burden to voters and may destabilize current funding models for local government services that are critical, such as public safety.

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Big Picture / Overall Impact

- Together, these four bills represent a **property tax reform push** in Ohio. Many are designed to **limit unvoted tax increases**, especially in property taxes that grow automatically when values go up.
- The reforms push more taxing authorities to rely on voter-approved levies.
- The state is trying to walk a fine line by providing credits for schools (HB 186) and adjusting funding formulas, but the long-term fiscal impact depends on whether local governments can make up for reduced inside millage.

What the Reform Means for Fairfield County: Estimated Impacts & Risks

1. Local Context: Fairfield County School Districts' Millage Status

- **HB 186's "20-mill floor" cap** (which limits growth in unvoted property tax collections for districts on the 20-mill floor) may **not directly benefit all homeowners in Fairfield County**, since not all local school districts are at that floor.

2. Inside Millage Cap (HB 335)

- HB 335 would cap growth of "inside millage" (the unvoted 10 mills for local governments and schools) to the rate of inflation.
- Up to 10 mills of inside millage allowed.
- Capping the inside millage growth will constrain automatic tax revenue increases. That means future school or local government funding growth will slow unless replaced by voted levies.

3. County Budget Commission Power (HB 309)

- HB 309 gives more authority to the county budget commission (CBC) to reduce property tax levies if they are *excessive or unnecessary*.

4. Fairness & Funding Trade-Offs

- Reformers argue these bills "prevent unvoted tax spikes" and protect taxpayers.
- On the other hand, research groups (like Policy Matters Ohio) warn that limiting unvoted growth could hurt school funding, especially for districts that rely heavily on inside millage or are already near the 20-mill floor.
- For Fairfield County, where some districts are *above* the 20-mill floor, the trade-off might be less immediate tax relief for many homeowners.
- **The actual impact could vary significantly**, depending on how each district's millage is structured, how much of their revenue comes from inside vs outside millage, and whether they pass new levies.

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Key Take-Aways

- **School districts** in Fairfield could face **revenue pressure**, especially under HB 335 (inside millage cap) if they don't replace lost growth with new levies.
- The **County Budget Commission (CBC)** may play a significant role under the reforms, possibly trimming levies over time, if taxing districts are not able to demonstrate the levies are necessary are not excessive.
 - A homeowner in **ZIP 43130** would *benefit modestly* from these reforms, particularly because of the cap on inside millage (HB 335), but it is **less likely there will be large credits** from HB 186.
 - In any event, it is the second half tax bills (mid-year 2026) that will see the credits. It is too late for the first half tax bills to be adjusted. Counties will receive guidance from the Ohio Department of Taxation on how to implement the new legislation.
 - There is anticipation that schools or local governments will push for *new levies* to make up lost revenue, which could reduce or offset long-term tax relief. The net benefit over time depends heavily on whether new levies are passed.

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