

# Ohio's Historic Property Tax Reforms: An economist's perspective



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# Five Bills, One Historic Restructuring

*Signed December 19, 2025 – Relief begins June 2026*

Bill	Key Provision	Impact
<b>HB 186</b>	Caps school revenue growth at inflation (GDP deflator)	~\$1.7B savings over 3 years; affects 75% of districts
<b>HB 335</b>	Caps inside millage growth at inflation	Affects ALL local governments statewide
<b>HB 129</b>	Broadens what counts toward 20-mill floor	More districts may rise above floor over time
<b>HB 309</b>	Empowers budget commissions to reduce levies	County-specific; new oversight mechanism
<b>HB 124</b>	Modifies sales-assessment ratio studies	Improved accuracy in valuations

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<b>HB 186</b>	Caps school revenue growth at inflation (GDP deflator)	~\$1.7B savings over 3 years; affects many (but not all) districts
<b>HB 335</b>	Caps inside millage growth at inflation	Affects ALL local governments statewide
<b>HB 129</b>	Broadens what counts toward 20-mill floor	More districts may rise above floor over time
<b>HB 309</b>	Empowers budget commissions to reduce levies	County-specific; new oversight mechanism
<b>HB 124</b>	Modifies sales-assessment ratio studies	Improved accuracy in valuations

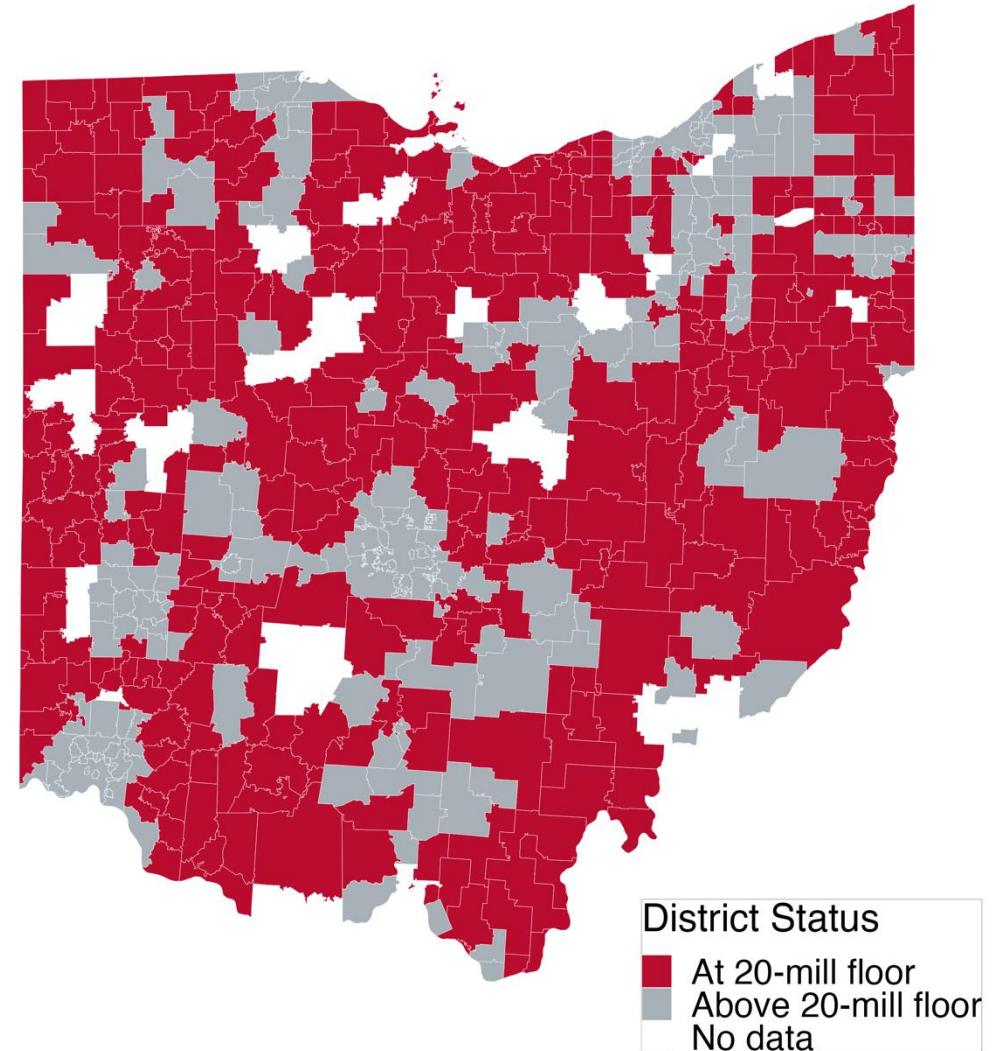
# Before the Reforms: Two Ohio's and the 20-Mill Floor Divide

Districts **at the floor** saw taxes rise roughly 1:1 with property values

Districts **above the floor** had automatic rate reductions (protection)

## Result:

Rural areas (mostly at floor) saw the largest tax spikes



Source: Ohio Department of Education, Tax Year 2024  
Scarlet districts: At 20-mill floor, lost automatic revenue growth under HB 186  
Gray districts: Above floor, already protected by HB 920, minimal impact from ref

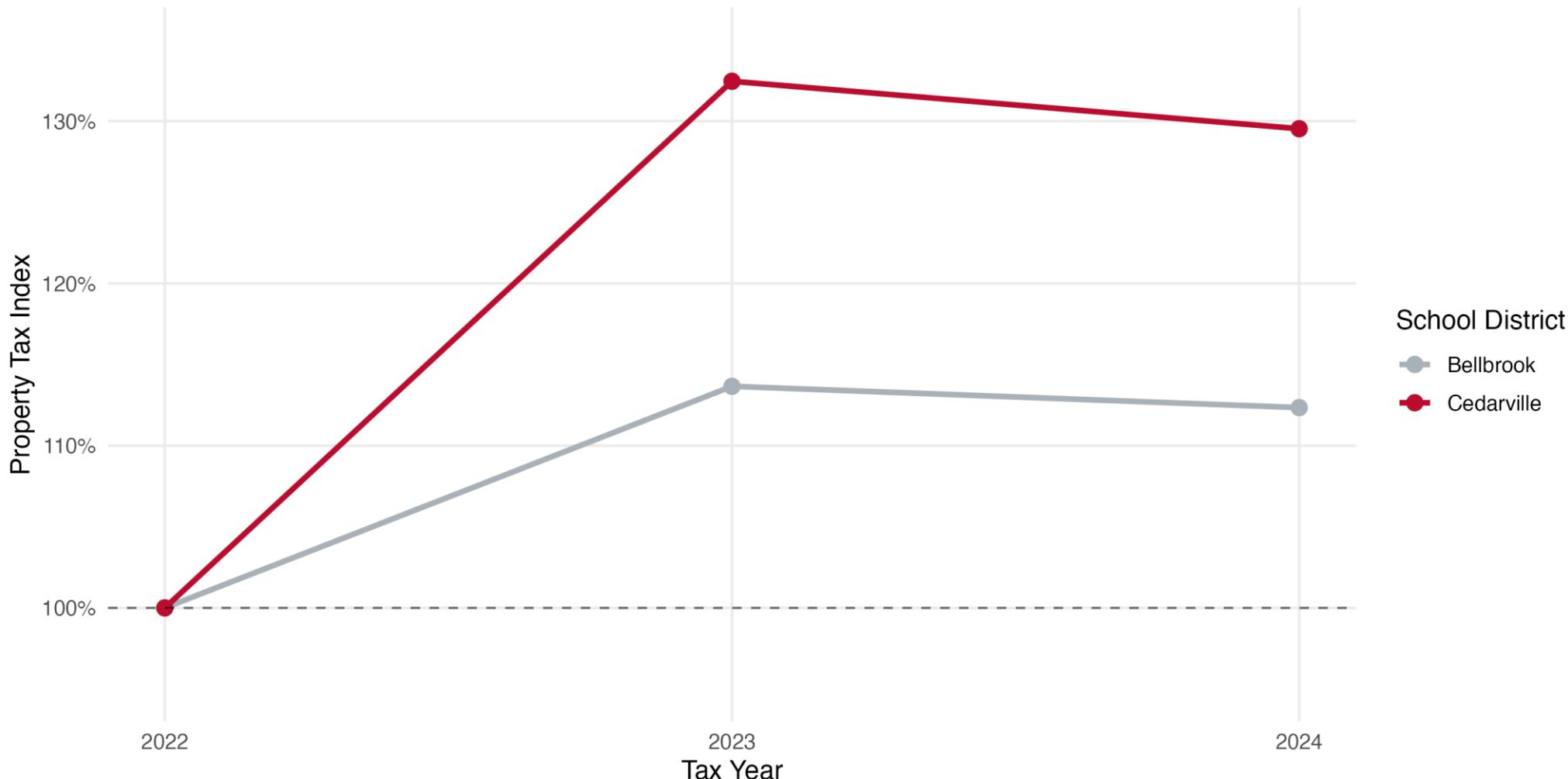
# Consider a \$200K Home Reappraised to \$250K Under the OLD System

	<b>Ruralville (At 20-Mill Floor)</b>	<b>Suburton (Above Floor)</b>
<b>Home Value</b>	\$200K → \$250K (+25%)	\$200K → \$250K (+25%)
<b>School Operating Levy</b>	+25% (no protection)	Rate reduced (protected)
<b>Inside Millage (County, etc.)</b>	+25% (no protection)	+25% (no protection)
<b>Other Voted Levies</b>	Rate reduced (protected)	Rate reduced (protected)
<b>NET TAX CHANGE</b>	<b>+20-25%</b>	<b>+5-8%</b>

# A Concrete Example:

## How HB 920 Affected Two Greene County Homes

Property tax index: 2022 = 100 | Both properties reappraised in 2023



Source: Greene County Auditor property records  
Bellbrook (above 20-mill floor) protected by HB 920 reduction factors  
Cedarville (at 20-mill floor) saw full impact of reappraisal

# Consider a \$200K Home Reappraised to \$250K Under the NEW System

	<b>Ruralville (At 20-Mill Floor)</b>	<b>Suburbton (Above Floor)</b>
<b>Home Value</b>	\$200K → \$250K (+25%)	\$200K → \$250K (+25%)
<b>School Operating Levy</b>	Capped at +9% (HB 186)	Rate reduced (already protected)
<b>Inside Millage (County, etc.)</b>	Capped at +9% (HB 335)	Capped at +9% (HB 335)
<b>Other Voted Levies</b>	Rate reduced (protected)	Rate reduced (protected)
<b>NET TAX CHANGE</b>	<b>+4-6%</b>	<b>+1-3%</b>

# A Key Tension: Baumol's Cost Disease



William Baumol (1922-2017)  
Economist, NYU

**The Problem:** Labor-intensive services like education can't easily increase productivity. A teacher in 2026 isn't teaching twice as many students as in 1990.

BUT wages must rise to remain competitive with sectors that *can* increase productivity.

## **The Math:**

- Education costs typically rise 4-5% annually
- Inflation cap limits revenue growth to ~3%
- Gap: 1-2 percentage points per year
- Over 10 years: 10-20% purchasing power decline

# A Distributional Question: Who Bears the Burden?

## A Key Policy Change: State Rollbacks of Property Taxes

### Owner-Occupied Homes

Rollback: 12.5% → 15.38%

State pays MORE of their property tax bill

### Rental Properties

Rollback: 10% → 0%

Landlords pay 100% (was 90%)  
≈ 11% effective increase

# The Rollback in Action: Owner vs. Rental

*Example: Two identical \$200,000 properties, 50 mills total*

	Owner-Occupied (BEFORE)	Owner-Occupied (AFTER)	Rental Property (BEFORE)	Rental Property (AFTER)
<b>Assessed Value (35%)</b>	\$70,000	\$70,000	\$70,000	\$70,000
<b>Gross Tax (50 mills)</b>	\$3,500	\$3,500	\$3,500	\$3,500
<b>Rollback %</b>	12.5%	15.38%	10%	0%
<b>State Pays</b>	\$438	\$538	\$350	\$0
<b>Owner/Landlord Pays</b>	<b>\$3,062</b>	<b>\$2,962</b>	<b>\$3,150</b>	<b>\$3,500</b>
<b>Change</b>	—	<b>-\$100 (-3%)</b>	—	<b>+\$350 (+11%)</b>

# A Silver Lining: Transparency & Predictability

## What These Reforms Improve

**Predictability:** Tax increases capped at inflation

**Transparency:** New "Inflation Cap Credit" line item on bills

**Symmetry:** Everyone now plays by similar rules

## We Need More Financial Literacy

Homeowners didn't anticipate 30% tax jumps

Reappraisal cycles weren't well understood

The 20-mill floor was largely unknown

Homebuyers need to understand the **total cost of homeownership**—including how property taxes can change.

# The Big Picture: Short- versus Long-Term

## Short-Term Relief

Starting June 2026:

- Inflation Cap Credit appears on tax bills
- Average savings: ~\$128/year
- Rural homeowners see largest % reduction

Note: 16 counties have delayed reappraisals (including Franklin, Cuyahoga, Hamilton)

## Long-Term Implications

For local governments:

- HB 335 (inside millage cap) affects EVERYONE—counties, cities, townships
- HB 186 (school cap) hits rural hardest—they had the only automatic mechanism
- Suburban districts already locked in high funding levels decades ago

## Three Paths Forward

Municipalities must choose:

1. Cut services: Larger classes, fewer programs, deferred maintenance
2. Pass more levies
3. Seek state support: (DeRolph implications)