

Ohio's Historic Property Tax Reforms:

An economist's perspective



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February 2026



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COLLEGE OF FOOD, AGRICULTURAL,
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Five Bills, One Historic Restructuring

Signed December 19, 2025 – Relief begins June 2026

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

Five Bills, One Historic Restructuring

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

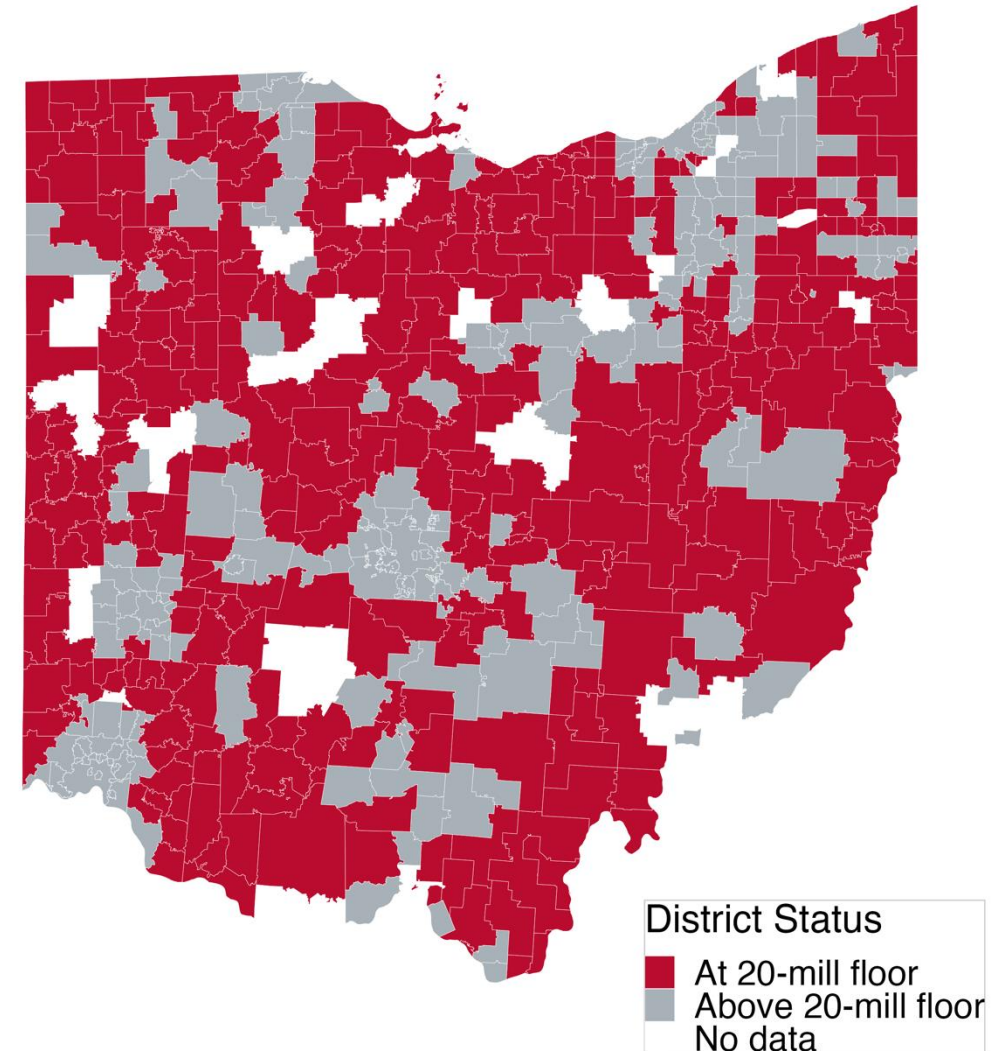
Before the Reforms: Two Ohio's and the 20-Mill Floor Divide

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

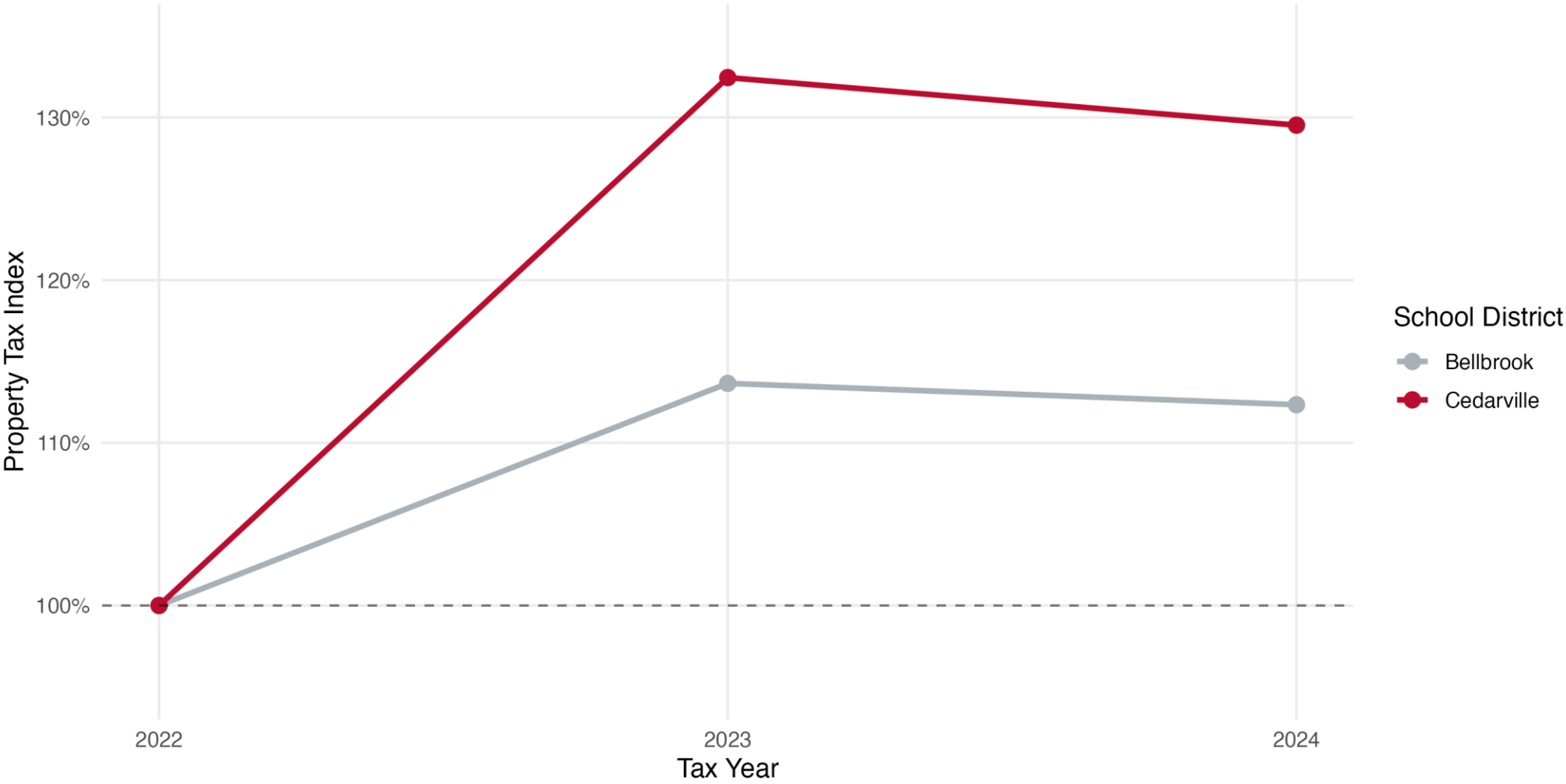
Consider a \$200K Home Reappraised to \$250K Under the OLD System

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

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

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

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

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)