



OHIO LEGISLATIVE SERVICE COMMISSION

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To: The Honorable Tristan Rader
Ohio House of Representatives

From: Russ Keller, Chief Economist *RK*
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Date: September 16, 2025

Subject: Repeal of real property taxes

In response to your inquiry, this analysis estimates the fiscal impact from repealing the real property tax. Separately, an income tax proposal submitted by your office is also discussed.

Constitutional amendment to repeal real property taxes

The [initiative petition \(PDF\)](#) certified by the Attorney General on May 9, 2025, proposes a constitutional amendment to abolish taxes on real property. The amendment would take effect on the first day of the year after it passes. If the amendment is approved by voters in November 2026, it will first apply to real property taxes charged for tax year (TY) 2027. Property taxes are paid in arrears, which means political jurisdictions would experience revenue losses in calendar year (CY) 2028 as the first semiannual real property tax payment is generally due in January or February while the second semiannual payment is due about six months later.

For TY 2024, the statewide total amount of property taxes charged was \$23.93 billion, of which \$21.41 billion was charged to real property owners and \$2.52 billion was charged to public utility tangible personal property (TPP) owners. The amendment only repeals real property taxes, so the TPP taxes will continue. The distinction is relevant because some levies (e.g., bond, school district emergency) are designed to raise a fixed dollar amount, and the TPP owners will become responsible for the entire amount if the property tax is repealed for real property owners. Such an outcome could essentially double the statewide tax burden to TPP owners, but circumstances will vary in every jurisdiction. Some TPP owners fully recover their tax liability from applicable customers because their utility rates or pipeline transportation charges are regulated by either the state or federal government. In these instances, the rates for utility customers as well as the cost to transport oil and gas in Ohio's pipeline network would increase to compensate companies for their higher tax burden. Other TPP owners (i.e., private power plants) who are not subject to cost-based regulation could respond to the tax increase in a variety of ways.

The state of Ohio reimburses a portion of real property taxes through three tax relief programs – the 10% rollback, the 2.5% rollback, and the homestead exemption. If real property

taxes are repealed, the GRF reimbursements will cease, which results in GRF savings of approximately \$2 billion per year.

Table 1 itemizes real property taxes by the type of political jurisdiction. Most real property taxes are levied by school districts, with traditional and joint vocational school districts levying a combined \$13.61 billion (63.6%) of the total in TY 2024. Other local governments and special taxing districts levy the remaining \$7.80 billion (36.4%).

Table 1. Estimated Real Property Taxes Charged by Political Jurisdiction			
Jurisdiction Type	% of Total	TY 2024 (est.)	TY 2027 (est.)
School Districts	63.6%	\$13,611,389,440	\$14,730,000,000
County Governments	16.4%	\$3,514,826,018	\$3,804,000,000
Townships	7.2%	\$1,531,657,376	\$1,658,000,000
Municipalities	6.7%	\$1,435,951,970	\$1,554,000,000
Special Taxing Districts	6.2%	\$1,316,865,020	\$1,425,000,000
Total	100%	\$21,410,689,823	\$23,170,000,000

Table 2 summarizes the total amount of real property taxes charged and further estimates the portion charged for fixed-sum levies. If the constitutional amendment were adopted, the fixed-sum levy tax liability would shift to TPP owners, so the net total after subtracting this amount, \$20.57 billion, equals the estimated revenue loss to local political jurisdictions. LBO staff estimated the TY 2024 amounts using assorted statistics published on the Ohio Department of Taxation website. The values were projected forward to TY 2027, which is the first year the constitutional amendment could take effect.

Table 2. Real Property Taxes Charged and their Share for Fixed-sum Levies		
Category	TY 2024	TY 2027 (est.)
Real Property Taxes Charged	\$21,410,689,823	\$23,170,000,000
Portion Charged for Fixed-sum Levies (est.)	\$2,519,380,980	\$2,600,000,000
Net Total	\$18,891,308,843	\$20,570,000,000

Local response to the constitutional amendment

If the real property taxes are repealed by voters at the November 2026 election, the local political jurisdictions will have about one year to implement their own alternative tax policies

before real property tax collections end. County governments and transit authorities may seek a sales tax increase, if their local sales and use tax is not already at the statutory limit. School districts may seek voter approval for a school district income tax. Municipalities may also ask voters for a municipal tax increase. Both townships and municipalities can levy a lodging tax, up to a statutory limit. The May 2027 primary election and the November 2027 general election would likely include a number of ballot questions in which local governments seek voter approval for these aforementioned taxes in order to offset or replace their property tax revenue losses.

School funding formula implications

A repeal of real property taxes would also have implications for the school funding formula, the main source of state operating support for public schools. One possible effect is a significant increase in the state's obligation to school districts through the formula, which would partially offset the loss of district property tax revenue. However, the overall effect on the formula is uncertain since the proposal, if passed by voters at the November 2026 general election, would not begin to impact the school funding formula until FY 2029¹ and a school funding formula for years after FY 2027 has yet to be enacted. That said, the state's school funding formula has historically used school district taxable property valuations to determine the local share of foundation funding. Lower taxable property valuations lead to lower local shares and correspondingly higher state shares, thus leading to higher state funding.

As described above, the proposal would eliminate property taxes on real property but would not affect taxes on public utility TPP. Real property constitutes the vast majority of taxable property value, accounting for more than 92% of taxable property value statewide in TY 2024. The primary local funding source for school districts is local property taxes, which account for approximately 95% of school district local operating revenue, excluding the portion of property taxes paid by the state via property tax rollbacks and homestead exemption.

In FY 2027, when the school funding formula will be fully phased in pursuant to H.B. 96, LBO estimates that the total state and local shares of the school funding formula for traditional school districts, before accounting for any state funding guarantees, will amount to \$17.55 billion. The local share of this total is \$10.18 billion. For joint vocational school districts, the state and local shares of the formula total to an estimated \$775.3 million in FY 2027, with a local share of \$211.3 million.

Without major changes to the school funding formula for the FY 2028-FY 2029 biennium, a repeal of real property taxes in TY 2027 will likely lead to a drastic reduction in districts' calculated local capacity and thus significantly higher state funding that would replace a major

¹ Tax years are generally from January 1 to December 31, whereas state and school fiscal years are from July 1 to June 30. In addition, most property taxes for a given tax year are paid in the following tax year. As a result of these two factors, property values in a given tax year correspond to the fiscal year two years later for state funding purposes. For example, property values for TY 2024 are the most recent year used in the school funding formula for FY 2026.

portion of the local share. Any change in funding under this scenario, however, will be highly dependent on the details of the formula enacted in the biennial budget for FY 2028 and FY 2029.

Income tax proposal

Your office submitted an income tax table applicable to nonbusiness income and requested a revenue estimate for the prospective tax policy. LBO estimates that the proposal would raise an additional \$3.65 billion in FY 2028.

The state income tax for TY 2025 and TY 2026 was amended by the recently enacted operating budget, H.B. 96 of the 136th General Assembly. The tax policy applicable in TY 2026 and years thereafter essentially imposes a flat tax on nonbusiness income. The personal income tax (PIT) rate will be 2.75% on all taxable nonbusiness income in excess of \$26,050. The first \$250,000 of business income (or just the first \$125,000 for married taxpayers filing separate PIT returns) continues to be exempt, and the PIT imposes a 3% rate on nonexempt business income.

Based on the revenue forecast associated with the enacted version of H.B. 96, the PIT is expected to raise nearly \$10.34 billion in FY 2027, which is the first full year that the 2.75% flat tax will be in effect. If prior trends hold true in FY 2028, the PIT will raise \$10.70 billion in FY 2028 absent any further changes to the PIT in future legislation. LBO staff estimates that the income tax policy submitted by your office, as reprinted in Table 3, would increase FY 2028 revenues by about \$3.65 billion (34.1%).

The academic literature yields mixed conclusions about the behavioral response of state tax policy. The majority of taxable income is wages, which cannot easily be shifted into lower tax states. However, nonwage income is more mobile as individuals may choose to conduct business in other states or otherwise limit their contact periods in a state with a comparatively higher income tax. Given the lack of a reliable basis for estimating a potential behavioral effect, this analysis assumes no change in the tax base as a result of a higher state income tax.

Table 3. Submitted Ohio Income Tax Brackets for Form 1040	
Taxable Nonbusiness Income	Nonbusiness Income Tax
\$1-\$26,050	\$0
\$26,051-\$100,000	\$332.00 plus 2.75% of excess over \$26,050
\$100,001-\$250,000	\$2,365.63 plus 3.75% of excess over \$100,000
\$250,001-\$500,000	\$7,990.63 plus 5.0% of excess over \$250,000
\$500,001-\$1,000,000	\$20,490.63 plus 7.5% of excess over \$500,000
\$1,000,001 and above	\$57,990.63 plus 10.0% of excess over \$1,000,000

Note: The PIT rate imposed on taxable business income under R.C. 5747.02(A)(4)(a) equals 3.0%.