SQUIRE PATTON BOGGS

Update on Real Property Tax Reform:

Recent Legislation and Proposed Ohio Constitutional Amendment

This report updates our prior reports of July 2, 2025 Governor DeWine Signs Biennial Budget Bill Exercises Line Item Veto Power | Insights | Squire Patton Boggs, July 29, 2025 Biennial Budget Bill Update House Votes To Override Governor Veto | Insights | Squire Patton Boggs and October 6, 2025 Property Tax Reform Update Senate Votes to Override Governor Veto and Other Happenings | Insights | Squire Patton Boggs, relating to ongoing real property tax reform in Ohio.

Recent Property Tax Reform Legislation

On December 19, 2025, the Governor signed into law (effective March 20, 2026) the following bills relating to various aspects of ad valorem property tax reform:

- House Bill 129, which, generally, provides for including revenues from existing emergency and substitute levies (i.e., those approved before January 1, 2026) in the calculation of the 20-mill floor beginning with Tax Year 2026. Additionally, school districts are authorized to renew existing emergency and substitute levies as "fixed sum" levies, with provision for further renewals, for up to five-year periods, and preserving rollbacks on those levies (subject to House Bill 186 – see below).
- House Bill 186, which, generally, caps property tax growth related to the 20-mill floor to inflation, retroactively applies a credit applicable to recent sexennial reappraisals and triennial updates, and provides a "backfill" of lost revenues through the suspension of a scheduled sales tax holiday in 2026, thus ensuring that school districts receive at least the same amount of property taxes as for Tax Year 2024. Additionally, House Bill 186 phases out the Non-Business Credit and increases the Owner-Occupancy Credit.
- House Bill 309, which, generally, enhances the authority of county budget commissions to reduce voter-approved levies if deemed unnecessary or excessive, after a public hearing.
- House Bill 335, which, generally, caps property tax growth related to inside millage to inflation.

These changes are in addition to changes in House Bill 96, providing State appropriations for its 2025-2027 biennium and enacting other statutory provisions, signed by the Governor on June 30, 2025, and generally effective January 1, 2026 (the "Budget Bill").

Certain of these changes are discussed at more length below.

Cap on Growth of Revenues from Inside Millage

Beginning in Tax Year 2026, county budget commissions are required, in September of the year of a county's sexennial reappraisal or triennial update, to adjust the rate of each inside millage levy, so as to generally limit any increase in the levy's revenue to the cumulative inflation rate calculated over the three preceding years, i.e., since the last reappraisal or update. To measure inflation, increases in the levy's collections are to be measured against increases in the Gross Domestic Product (GDP) deflator, a national measurement of inflation in the prices of all goods and services published by the Bureau of Economic Analysis of the US Department of Commerce, as calculated by the Ohio Department of Taxation. The calculation will exclude revenue increases attributable to new improvements or expiration of existing tax reductions.

Cap on Growth of Revenues from the School District 20-Mill Floor and Related Tax Credits

Beginning with Tax Year 2025, if application of the school district 20-mill floor would result in collections exceeding the cumulative inflation rate calculated over the three preceding years, i.e., since the last sexennial reappraisal or triennial update, a property owner will receive a credit such that revenue from the 20-mill floor does not exceed that rate. To measure inflation, increases will be measured against increases in the Gross Domestic Product (GDP) deflator, as described above. For a property located in a county that underwent a sexennial reappraisal or triennial update in Tax Year 2023 or Tax Year 2024, the credit will be calculated as if it had been in effect in those years, with this temporary credit applying until the next year in which the county undergoes a reappraisal or update. It is expected that the entire credit for Collection Year 2026, where applicable, will be applied on taxpayers' second-half property tax bills (i.e., in the first half of Fiscal Year 2027). Payments will be made to school districts located in counties that underwent a reappraisal or update in tax years 2023 and tax year 2024, such that those school districts are temporarily guaranteed to receive at least the same amount of property tax revenue they received in Tax Year 2024.

Homestead Exemption “Piggyback”

Under existing law, a Homestead Exemption provides a property tax credit for the residence, or “homestead,” of certain qualifying individuals, e.g., a homeowner who is either (i) 65 years of age or older, (ii) permanently and totally disabled or (iii) certain surviving spouses of an individual who previously received the exemption, who meet certain income guidelines. In addition, there is an enhanced credit for military veterans who are totally disabled or spouses of first responders killed in the line of duty, without regard to income guidelines. For Collection Year 2026, the Homestead Exemption exempts $28,000 of the homestead’s market value from taxation ($56,000 for the enhanced exemption), thereby reducing the property owner’s ad valorem property tax liability. Payments to taxing subdivisions have been made in amounts approximately equal to the Homestead Exemption granted.

The Budget Bill authorizes counties to offer a property tax exemption that would “piggyback” on the existing Homestead Exemption. The exemption would be available to the same homeowners who meet the means test for the existing exemption and offer the same benefit amount as the State Homestead Exemption described above, but with no reimbursements to local governments. Readers are encouraged to determine whether any overlapping county has implemented this “piggyback” exemption.

Non-Business and Owner-Occupancy Credit “Piggyback” and Other Changes

Under existing law, the Non-Business Credit (formerly the “10% Rollback”) and the Owner-Occupancy Credit (formerly the “2.5% Rollback”) apply to all non-business properties, and reduces each property owner’s ad valorem property tax liability as to “qualifying levies” by 10% and, if the property is owner-occupied and the owner does not claim any other property as a primary residence, an additional 2.5%, respectively. Payments to taxing subdivisions have been made in amounts approximately equal to the Non-Business Credit and Owner-Occupancy Credit granted.

The Budget Bill authorizes counties to offer a credit for owner-occupied homes that would “piggyback” on the existing Owner-Occupancy Credit. The locally authorized credit can equal up to 2.5% of the amount of taxes to be levied by qualifying levies on the property or home, but with no reimbursements to local governments. Readers are encouraged to determine whether any overlapping county has implemented this “piggyback” credit.

Additionally, the Non-Business Credit is being phased out, beginning with Tax Year 2026, in accordance with the following schedule: reduced to (i) 7.5% in tax year 2026, (ii) 5.0% in tax year 2027, (iii) 2.5% in tax year 2028 and (iv) 0% in tax year 2029 and thereafter. The Owner-Occupancy Credit is being increased, beginning with tax year 2026, in accordance with the following schedule: increased to (i) 5.70% in tax year 2026, (ii) 8.92% in tax year 2027, (iii) 12.15% in tax year 2028 and (iv) 15.38% in tax year 2029 and thereafter.

County Budget Commission Authority

County budget commissions have been granted authority to reduce the amount or rate of a tax levy if the county budget commission determines the reduction is necessary to avoid “unnecessary” or “excessive” collections. County budget commissions are required to approve all properly authorized voted property tax levies without modification for the first year of a levy’s collection, unless the levy is a renewal. Before reducing the amount or rate of a tax to avoid unnecessary or excessive collections, the county budget commission must provide the taxing authority an opportunity to present, at a public hearing, information on whether and to what extent the levy should be reduced.

For taxing authorities comprised of primarily elected members, a county budget commission cannot reduce levies below what the levies collected in the prior year, unless there are funds available in reserve balance accounts, nonexpendable trust funds or carryover amounts to offset the reduction, which amounts must be considered by the county budget commission. Further, for school districts, a county budget commission cannot reduce below 20 mills unless the school district has requested a reduction to forego increased revenue within inside millage or the 20-mill floor.

NB: A county budget commission is comprised of the county auditor, treasurer and prosecuting attorney (the prosecutor may opt out in favor of a county commissioner selected by the board of county commissioners). In counties with a charter (i.e., Cuyahoga and Summit Counties), the county budget commission is comprised of the county executive, fiscal officer and prosecuting attorney.

School District “Emergency”, “Substitute” and “Fixed Sum” Levies

School districts with emergency levies approved prior to 2026 may renew those levies prior to their expiration, but only as “fixed-sum” levies (removing “emergency” or “avoid an operating deficit” language in the purpose and instead using “current expenses”), for up to five years and further renewable. New emergency levies are no longer permitted.

School districts with substitute levies approved prior to 2026 with a fixed term may renew those levies prior to their expiration, but only as “fixed-sum” levies at up to the sum the substitute levy collected in its final year, for the purpose of current expenses, for up to five years, and further renewable. New substitute levies are no longer permitted.

Beginning with tax year 2026, in any county in which a school district has territory undergoes a sexennial reappraisal or triennial update, existing emergency and substitute levies will begin to be included in the calculation of a school district’s 20-mill floor. This change may have the effect of pushing a school district above the 20-mill floor.

A school district may seek a new “fixed-sum” levy only if (i) it is in fiscal emergency, watch or caution or (ii) the president or governor has made a “disaster declaration” in the school district’s territory. Such new levies can only be for the purpose of current expenses, for up to five years, not renewable.

Proposed Constitutional Amendment

On May 9, 2025, the Ohio Attorney General's Office certified, and on May 14, 2025, the Ohio Ballot Board voted to certify a petition title and summary of a proposed amendment to the Ohio Constitution from Citizens for Property Tax Reform, "Abolishment of Taxes on Real Property", proposing to add a new Section 14 to Article XII of the Ohio Constitution abolishing taxes on real property, including "land, all growing crops, all buildings, all structures, and all improvements permanently attached to land." The proposed amendment is limited to the abolishment of real property taxes and does not address any implications of that.

In order to appear on the ballot, the petitioners must collect signatures from registered voters equal to at least 10% of the vote cast in the most recent gubernatorial election (approximately 413,000). Those signatures must come from voters in at least 44 of Ohio's 88 counties, and for each of those counties the number must equal at least 5% of the vote cast in the most recent gubernatorial election. All petitions must be filed with the Ohio Secretary of State no later than 125 days prior to the general election at which the proposed amendment is to appear (for the November 3, 2026 election, that would be July 1, 2026). If sufficient signatures are verified by the Ohio Secretary of State's Office at least 105 days before the election (there is a brief opportunity to collect additional signatures if those originally filed are determined to be insufficient), the full text of the proposed amendment would be placed on the ballot at the next regular or general election that occurs subsequent to 125 days after the filing of such petition. At soonest, the proposed Constitutional amendment could appear on the ballot at the November 3, 2026 election.

Given its potential magnitude, scope and impact, readers are encouraged to monitor reporting on this proposed Constitutional amendment.

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The Squire Public Finance team has and continues to follow closely developments on real property tax reform, including related legislation, and the proposed Constitutional amendment described above. We will provide additional updates as the facts warrant. Please contact one of our lawyers for additional guidance and information.

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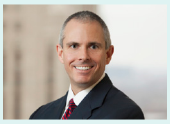

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