

Ohio's property tax crisis: How we got here and how some lawmakers propose to fix it

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By

- [Anna Staver, cleveland.com](#)
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COLUMBUS, Ohio -- Ohio's lawmakers are trying to solve the sting of rising property taxes without gutting funding for schools or local services.

"The property tax issue is not going away," Republican state Rep. Dave Thomas said. "It's actually going to get significantly worse. Where the market's moving; what we're seeing in terms of trends. This problem is not going to leave without us taking action."

But Thomas, the former Ashtabula County auditor, knows reform is a high-wire act because Ohio's system is so complex. Property taxes form the financial foundation for many local government services, including schools, libraries, zoos, county sheriffs and parks. The state has more than 3,900 taxing districts—each with the ability to ask voters for money by passing levies.

Think of these jurisdictions as individual items in an online shopping cart. Before you checkout and pay, you get to apply coupons. Some discounts are automatic, like the reduction factors that lower certain levies. Others depend on eligibility; veterans, owner-occupied homes and seniors get special coupons to reduce their final bill.

"Your actual taxes could be half the price you started with," said Howard Fleeter, president of the public policy research firm [Fleeter & Associates](#).

Republicans in the state House and Senate want to rewrite those coupons so taxpayers save more money. But if they give out too many discounts, they risk underfunding critical services.

How we got here

To understand how Ohio can fix its property tax system, it's important to understand how we came to lean on residential taxes.

In 1991, about [48% of Ohio's total property taxes](#) came from residential and agricultural property owners, according to an analysis by Fleeter for the Ohio Education Policy Institute. Three decades later, that burden was 66%.

Here's how that happened:

Business tax cuts: In 2006, Ohio [began phasing out](#) the local taxes businesses, telephone companies and railroads paid on personal property. The [idea came from](#) former Ohio Sen. Eric

Fingerhut, a Cleveland Democrat. At the time he said it hurt job creation generally and businesses with heavy machinery in particular. He planned to keep communities whole with a sales tax increase but those replacement dollars were phased out over time.

Rollback payments: The state [stopped covering](#) part of our property taxes in 2013. Former Republican Gov. John Kasich pushed to stop applying this coupon to new levies as a way to get Ohio out of debt after the Great Recession. “The state keeps cutting the funding, so the only way to survive is to keep coming back to the citizens for more,” said Michael Chambers, Cuyahoga County’s chief financial officer. One in four school districts now rely on homeowners for at least 80% of their funding, according to Fleeter’s study.

Library funding: Ohio’s library fund dropped from \$450.6 million in 2008 to \$205.2 million in 2023. “The library fund used to be so substantial that a large number of libraries did not even have a local property tax,” said Zach Shiller, research director for [Policy Matters Ohio](#). Today, 203 of Ohio’s 251 public library systems (81%) [have a levy](#) and rely on that support to supplement their state funding.

Sales and income tax cuts: Taxes, Thomas said, are a three-legged stool in Ohio: income, sales and property taxes. When the state cuts one without cutting spending, the others must go up. And Republicans have cut more than \$2 billion in income taxes over the last couple budgets. “That revenue has to come from somewhere,” Thomas said. “We have no seen cuts in spending. We’re pushing it on to property owners.”

School tax reforms

About two-thirds of your property taxes go to schools, so coupons that apply to local districts have a big impact--both to your bill and public education.

Much of that hinges on a state law that created something called the [20-mill floor](#). A mill is a rate of taxation used to calculate how much money a levy will raise. It represents \$1 for every \$1,000 of assessed value on a property. If your “assessed value” was \$100,000, you’d pay \$100 for every mill. If that value increased to \$200,000, you’d pay \$200 per mill. And your total tax bill depends on how many mills voters have approved for your home.

But there’s a catch: In the 1970s, Ohio created a major coupon for homeowners called the reduction factor. It blocked tax levies from generating more than the total amount voters approved. Basically, this reduces your millage rate until each levy collects what voters approved in the first place. And if that wasn’t complicated enough, those reductions have a limit. Schools need some guaranteed income, so millage cannot be reduced below 20 mills--even if it means levies collect more than voters approved.

School advocates say that’s fair because inflation makes everything from electricity to construction paper more expensive. Conservatives says these increases can outpace inflation and amount to “unvoted windfalls.”

“If you want to get more than inflation you should have voters approve that,” Thomas said. He also thinks districts “work the system” to keep themselves at the floor because not all levies count toward those 20 mills. Emergency levies, any income taxes schools collect and inside millage (we’ll get to that later) don’t count. A school could have 5, 10, even 20 additional mills while still technically being on the floor. By staying on the floor, schools can continue to capitalize on growing property values, while also adding millage via other levies. “This is one of the things that causes tax bills to go up,” Thomas said. “And it’s certainly not transparent to the voters.”

[Senate Bill 66](#) and [House Bill 129](#) would include those mills in floor calculations.

Two-thirds of Ohio’s districts were at the 20-mill floor last year. But Fleeter found that only half of them had revenue that could count toward their floors. “If the goal of this legislation is to actually help taxpayers, you’ve got half the districts whose residents would not be helped by this bill,” Fleeter said. “This is a very significant practical problem.”

It would also be a financial problem. The non-partisan Legislative Services Commission ran the numbers on a similar bill from last year and found impacted districts would lose \$296 million in tax year 2026.

“It would have a debilitating effect on those districts,” Fleeter said. He preferred another idea: Letting the floor rise by the rate of inflation instead of home values. Chambers supported this idea too and said county officials who oversee property taxes will push for it. “We need to help those that are struggling the most,” he said.

Owner occupancy rollbacks

Ohio has another longstanding rule that people who live in their home get two important coupons. The first is a 10% non-business property tax credit. The second is a 2.5% credit for owner-occupied dwellings. They’re called rollbacks and traditionally the state pays the county this money so taxpayers don’t have to. But there’s a catch: These coupons don’t apply to levies passed on or after November 2013. [House Bill 61](#) would apply the 10% coupon to all levies and replace the 2.5% with “a flat \$750 credit” that would be “indexed to increase with inflation each year.”

How much you’d save depends on when the levies on your home were passed.

The challenge with this idea is who should pay for it. Thomas thinks counties should share half of the cost instead of the state picking up the tab. “This was the piece I had some not very happy phone calls about,” Thomas said. Cuyahoga County would have to cover about \$15 million for homeowners if this became law.

“That’s \$15 million that somehow we’re going to have to find somewhere else,” Chambers said. Thomas is willing to negotiate on the percentage, but he thinks “there should be some shared expense given the sharp increase.”

Homestead exemptions

HB 61 would also affect the homestead exemption. These coupons are for seniors or disabled Ohioans who earn below a certain amount, and they reduce your home's assessed value -- the number that's used to calculate property taxes. It used to be by \$25,000, but these coupons started to grow with inflation. "But we actually saw seniors save less," Thomas said, citing rising home prices. Taking \$25,000 off a \$100,000 house would save more than deducting \$26,000 when the property value climbs to \$200,000.

He estimated folks who qualify in Ashtabula and Trumbull counties, areas he represents, save about \$450 a year with the homestead exemption.

His plan would give everyone who qualified for the homestead exemption \$750 or the total amount they pay for school property taxes, whichever is smaller. Military veterans and those disabled in the line of duty would get \$1,500. This also calls for cost sharing with local governments.

"Unvoted" taxes

Now, it's time to talk about inside millage. This is similar to the 20-mill floor. Inside millage is the minimum amount Ohio thinks local governments need to collect so they can function. It totals 10 mills. Voters don't get a say on inside millage. You just have to pay it. And those mills aren't eligible for the various coupons that taxpayers can apply to other levies. "That inside millage where we saw a tremendous amount of money coming in," Chambers said.

Here's how much more Chambers estimate Cuyahoga County entities will collect this year on inside millage, thanks to skyrocketing property values, compared with the valuations before last year's reassessment:

- Schools: \$39.5 million
- Cities: \$74 million
- Village/townships: \$2.7 million
- County: \$12 Million

For context, Cuyahoga County collects about \$3 billion a year in property taxes.

"The goal with us and the (County Auditors Association of Ohio) is to put a cap on the inside millage to the rate of inflation or a nominal growth," said Chambers, who represents Cuyahoga County in the association.

Abatements

Property tax abatements are yet another coupon, but they are given to developers. These discounts let them pay less taxes or sometimes no property taxes at all for a set period of time on the buildings or homes they construct. The Ohio Department of Taxation estimated that \$69 billion worth of property was in abatement statewide in 2023.

“If everyone who is on tax abatement now were paying, our bills would be significantly lower,” Chambers said.

Monkeying with abatements is tricky though. Elected officials use Community Reinvestment Areas to lure developers to their cities or counties. Those allow local officials to forgo the taxes a developer or business otherwise would pay to locate in their community.

House Bill 154 wouldn't ban CRAs. It would give schools a seat at the negotiating table. They could ask for a lump sum payment or that the abatement not be 100%.

“With any kind of development there is a cost to the community,” said state Rep. Chris Glassburn, a North Olmsted Democrat. “Other property taxpayers shouldn't take on the burden of their neighbors paying nothing.”

Glassburn is co-sponsoring HB 154 with Thomas even though the two don't agree on every tax proposal on the table.

“It took 50 years of policy changes to get us this point. That's why you need so many different approaches,” he said. “A lot of taxpayers want that instant solution. That single fix. In totality, these bills will make that difference.”

Anna Staver covers state government and politics for Cleveland.com/The Plain Dealer.