# DEPARTMENT OF TAXATION

## Income tax

- Phases-down income tax rates to a flat rate of 2.75% over two years, beginning with the 2025 taxable year.
- Suspends the annual inflation indexing adjustment of income tax brackets and personal exemption amounts for the 2025 and 2026 taxable years.
- Limits taxpayers from claiming the joint filer credit and any personal and dependent exemptions if the taxpayer's income is greater than $750,000 in taxable year 2025 or $500,000 in taxable year 2026 or thereafter.
- Requires TAX to adjust employer withholding tables as a result of the income tax rate changes, but caps those adjustments per fiscal year.
- Establishes November 3, 2025, as the last date for investments to qualify for the small business investment income tax credit.
- Increases the maximum educator expenses income tax deduction from $250 to $300.
- Authorizes a personal income tax deduction of up to $750 per year for contributions to a qualifying pregnancy resource center.
- Expands an existing income tax deduction for military pay to include the U.S. Space Force.
- Repeals an income tax credit for contributions to certain state political candidates.
- Would have repealed the personal income tax credit for tuition paid to a nonchartered nonpublic school (VETOED).
- Expands the homeschool expense income tax credit by changing the maximum amount of educational expenses the credit can cover, from $250 per return to $250 per student.
- Modifies an income tax add-back for contributions to homeownership savings accounts that were spent on ineligible expenses.
- Reduces the income tax withholding rate on lottery, video lottery, sports gaming, and casino winnings from 4% to 2.75%.
- Authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits, similar to existing rules for withholding taxes from state retirement benefits.
- Authorizes all retirement plans to withhold school district income taxes.
- Clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming with current administrative practice.

- Establishes a formal income tax withholding "bulk file" program, whereby payroll service companies can file employee income tax withholding returns in bulk on behalf of their employer clients.
- Allows pass-through entities (PTEs) that pay an elective tax to allow their investors to circumvent the federal cap on state and local tax (SALT) deductions to claim certain refundable credits available to those investors when calculating the elective tax due.
- Changes the calculation of tax credits allowed to investors in PTEs that pay the elective PTE tax or a composite income tax for all PTE investors from the investors' proportionate share of the tax paid to the lesser of the tax paid or due.
- Establishes that administrative provisions related to Ohio's electing PTE tax apply to pass-through entities with investors comprised exclusively of Ohio residents.
- Moves the due date for payment of the second and third estimated tax payments for electing and withholding PTE taxes up by one month.
- Would have allowed garnishment of income tax refunds to satisfy judgment debts arising from civil lawsuits (VETOED).

## School district income tax

- Repeals the school district income tax on estates, beginning in 2026.
- Requires boards of education that approve a resolution to place the question of levying a school district income tax on the ballot to send a copy of the resolution to TAX after it has been certified to the county board of elections.
- Requires boards of elections to send a copy of a petition for an election to repeal a school district income tax to TAX after the board determines the petition is valid.

## Municipal income tax

- Clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of an existing deduction for military pay.
- Makes discretionary a penalty, mandatory under prior law, charged by TAX for late estimated payments of centrally administered municipal net profit tax.
- Extends, from six to seven months, the municipal net profits tax return extension filing period for taxpayers that do not request a federal income tax extension.
- Allows a taxpayer who received a valid extension of the tax return due date to file a municipal income tax refund claim within three years after that extended due date or the date the tax is paid, whichever is later.
- Allows a taxpayer with an unextended federal income tax return due date that falls after the taxpayer's regular municipal income tax due date to file on or before the later federal due date.

## Electric and telephone company municipal income tax

- Requires electric and telephone utility companies to make municipal income tax payments and estimated payments electronically.
- Makes discretionary the current mandatory interest penalty charged for estimated tax underpayments.
- Requires TAX to automatically grant a filing extension to a company if it has received a federal filing extension and expands the length of the municipal tax extension from six to seven months.
- Requires TAX to grant a seven-month filing date extension in the absence of a federal extension if the company submits a request before the return due date.
- Removes the requirement for a company to include certain information in its annual return to TAX.

## Sales and use tax

- Repeals the following sales and use tax exemptions and reductions, beginning January 1, 2026:
  - The exemption for certain vehicle rental fees provided to the owner or lessee of a motor vehicle that is being repaired or serviced, where the payments are reimbursed by the service provider.
  - The exemption for refrigerated food vending machines.
  - The exemption for advertising material or catalogs and for items that are used in printing advertising material and equipment primarily used to accept orders.
  - The exemption for property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.
  - The exemption for the sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center.
  - The 25% refund of the sales tax paid by electronic information service providers to purchase computers and related electronic equipment.
- Would have also repealed the exemptions for newspapers, for certain copyrighted motion pictures, and for machinery, equipment, and material used in the production for sale of printed materials (VETOED).
- Would have prohibited the Tax Credit Authority from entering into an agreement to award a sales and use tax exemption for sales of certain materials used in computer data centers after October 1, 2025 (VETOED).
- Beginning January 1, 2026, caps the prompt payment sales and use tax vendor discount, for sales other than the sales of motor vehicles, at $750 per vendor's license per month.

- Requires a clerk of court to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of to TAX.
- Requires TAX to consult with DPS on the form of the remittance reports that must accompany the taxes collected.
- Clarifies the definition of a casual sale for sales tax purposes.
- Eliminates interest on sales and use tax refunds for payments made pursuant to a direct payment permit, through which a purchaser pays the tax directly to the state instead of to the vendor making the sale.
- Disallows interest on county sales tax refunds.
- Allows TAX to cancel a sales tax vendor's license obtained while another of the vendor's licenses is suspended.

## Resort area gross receipts tax

- Allows municipalities and townships to increase resort area taxes by 0.5% intervals to 2% or 2.5% if approved by electors.

## Lodging taxes

- Allows a board of county commissioners to increase the rate of its general lodging tax by not more than 1%, so long as the total rate does not exceed 5%, to fund public safety services in a designated resort area.
- Would have required Ashtabula County to repeal a 2% special lodging tax used to fund the costs of a convention center (VETOED).
- Allows a convention and visitors' bureau (CVB) in a county with a population of less than 100,000 with annual lodging tax collections of greater than $500,000 to spend county lodging taxes on public safety services or economic development or infrastructure projects that impact tourism.
- Authorizes the Fairfield County commissioners to renew a special lodging tax, currently scheduled to expire in 2028, for up to 15 additional years at a time.

## Commercial activity tax

- Makes a commercial activity tax (CAT) credit for certain net operating losses nonrefundable after 2029, instead of it becoming refundable.
- Eliminates two dedicated CAT funds used to make tangible personal property reimbursement payments to local governments, and instead requires that those payments be made directly from the GRF.

## Petroleum activity tax

- Explicitly allows TAX to issue an assessment to collect unpaid petroleum activity tax licensing fees.

## County sin taxes

- Authorizes Cuyahoga County to expand its existing liquor, alcohol, and cigarette taxes, and levy a new tax on vapor and other tobacco products, to finance sports facilities, subject to voter approval of the tax expansion.
- Requires the newly authorized taxes to be equally divided among the major league sports facilities existing in the county during the period that the taxes are levied.
- Allows the newly authorized taxes to cover more than 50% of the total costs of a sports facility and to contribute to the project for more than 20 years, unlike existing alcohol and tobacco taxes upon which those limitations are imposed.
- Includes new community authorities in the definition of "corporation" for purposes of a contract between the county and a corporation for the corporation to build and operate a sports facility funded by sin tax backed bonds.
- Expands authority to levy a county cigarette tax for the benefit of an arts and cultural district from only Cuyahoga County to also include Summit, Hamilton, and Franklin counties.

## Marijuana excise tax

- Levies a 10% excise tax on the illegal sale of marijuana by an unlicensed seller.
- Redirects most of the revenue, including from the existing 10% excise tax on legal sales, to the GRF, while maintaining an allocation for certain dispensary host communities.
- Makes certain administrative changes to the excise tax (PARTIALLY VETOED).
- Requires TAX, upon the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee.

## Public utility excise tax

- Applies taxpayer refunds owed for certain public utility excise taxes first to any outstanding state tax debt and any related penalty or interest.

## Financial institution tax

- Removes the requirement that TAX post financial institution tax annual report forms on its website.

## Insurance premium tax

- Transfers the responsibility of certifying unpaid foreign insurance company premium taxes to the Attorney General for collection from INS to the Treasurer of State.

## Severance tax

- Reduces the severance tax rate on coal from 10¢ to 8¢ per ton.

## Corporation franchise tax

- Removes the requirement that a corporation identify its statutory agent in an annual report filed under the now-defunct corporation franchise tax.

## Replacement tire fee

- Eliminates, beginning in 2026, the 4% discount for wholesale distributors of replacement tires or retail dealers who timely file and pay the replacement tire fee administered by TAX.

## Tax credits

- Would have sunset the Ohio historic building preservation tax credit by prohibiting the award of new credits after FY 2027 (VETOED).
- Permanently increases the annual cap on the Ohio historic building preservation tax credit, from $60 million to $75 million per fiscal year.
- Increases the percentage of rehabilitation costs certificate owners may claim as credits from 25% to 35% for projects located outside of the state's three largest cities.
- Prohibits DEV from using building vacancy or underutilization as part of the criteria for awarding historic rehabilitation tax credits.
- Repeals the film and Broadway theater capital improvement tax credit, but allows credits issued before the repeal to be claimed.
- Would have sunset the film and Broadway theater production tax credit by prohibiting the award of new credits after the end of FY 2027 (VETOED).
- Specifically allows companies that "present," but do not produce, a Broadway theater production to qualify for the film and theater production tax credit.
- Replaces the current two-round application and award process for the film and theater tax credits with a rolling process, eliminating much of the current ranking criteria.
- Allows an applicant for the film and theater tax credit to provide an investment intent letter to demonstrate that it has secured funding equal to at least 50% of its total production budget.
- Modifies reporting requirements for recipients of state-funded low-income housing tax credits and single-family housing development tax credits.
- Increases the annual cap for transformational mixed-used development (TMUD) tax credits from $100 million to $125 million, beginning in FY 2026, allows awards of credits through FY 2027, and makes numerous other changes to the TMUD program (PARTIALLY VETOED).
- Increases the amount of opportunity zone credits that DEV may award in FYs 2026 and 2027 from $25 million to $50 million per fiscal year, sunsets the credit after FY 2027, and makes several other changes to the credit program.

## Tax administration

- Extends the time for state recovery of amounts of refunded taxes from local subdivisions from three to six years.
- Authorizes TAX, without violating the prohibition against divulging personal tax information, to disclose either of the following:
  - The amount of revenue distributed to local governments from any tax or fund administered by TAX.
  - Employer income tax withholding account numbers to permit a current or former employee to prepare the employee's tax return.
- Requires taxpayers to provide records for inspection by TAX in an electronic format if the records are kept in such a format.
- Prescribes a process for handling tax notices that are sent by ordinary mail but returned as undeliverable.
- Removes the requirement that taxpayers submit petitions for reassessment to TAX through personal service or certified mail.
- Permits TAX to electronically notify, as an alternative to ordinary mail notice, a person applying for a tax refund if the amount to be refunded is less than what the person requested, but only if the person consents to electronic notice.
- Modifies the manner by which TAX may serve public utility tangible personal property and excise tax assessments and notices.
- Allows a public utility to submit a 30-day extension request to file a public utility tangible personal property or excise tax report or statement by a manner other than in writing that is approved by TAX.
- Repeals the requirement that TAX adopt a rule defining the term "primarily" for purposes of describing who qualifies for the defunct dealers in intangibles tax.
- Removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of energy-efficient building systems.
- Makes various technical corrections to the laws governing state taxation.

## Property tax

- Would have required reduction of current expense property taxes levied by certain school districts to reduce collections by the amount of the district's carry-over balance in its general operating budget in excess of 40% of its general fund expenditures in the preceding year, excluding amounts reserved for near-term permanent improvements (VETOED).

- Would have prohibited a school district from submitting any new current expense levy, other than a renewal levy, to voters if it has a general fund carry-over balance of more than 100% of its general fund expenditures for the preceding fiscal year (VETOED).
- Would have prohibited school districts from levying any new emergency levy, substitute levy, or combined school district income tax and property tax levy (VETOED).
- Would have eliminated the authority of school districts to renew and increase any existing levy (VETOED).
- Would have eliminated the authority of political subdivisions to levy replacement property tax levies (VETOED).
- Would have changed the term used in property tax ballot language and election notices to describe the true value of property from "the county auditor's appraised value" to "market value" (VETOED).
- Would have required that all current expense fixed-sum tax levies be included in the calculation of a school district's 20-mill floor or a joint vocational school district's 2-mill floor for property tax purposes (VETOED).
- Would have clarified the application of the 20-mill floor to additional floor millage (VETOED).
- Requires TAX to establish and implement a property tax relief screening system to evaluate the eligibility of property owners for the 2.5% rollback and homestead exemption.
- Requires TAX to notify county auditors of any improperly granted tax reductions discovered through the system.
- Requires a tax budget to include an estimate of expenses through the end of the fiscal year in which it is submitted.
- Requires a taxing unit that anticipates increased revenue collections on inside millage due to increased valuations or because of the 20-mill floor to state in its tax budget an intent to collect the increased revenue or forgo all or a portion of the increased revenue.
- Allows a taxing unit to request a lower rate on voted levies and provides that the request applies for only one year unless specifically stated otherwise.
- Would have prevented a school district from losing state funding if a declaration to forgo revenue results in a school district collecting less than 20 mills for current operating expenses (VETOED).
- Allows a school district to include its most recent projection of operating revenue and expenditures with its tax budget and requires the CBC that receives the projection to examine those projections when reviewing the tax budget.

- Requires a public body that levies property taxes and that does not currently submit information to a different body for inclusion in its tax budget to submit a tax budget to a CBC on its own.
- Requires each health district that does not file an estimate of contemplated revenue and expenditures with a taxing authority for inclusion in that taxing authority's tax budget to submit a tax budget on its own behalf.
- With respect to certain levies that a county budget commission is currently required to authorize without modification after confirming they are properly authorized:
  - Requires a CBC to determine the need for all amounts proposed to be raised from property taxes when reviewing tax budgets and other submitted information.
  - Would have allowed county budget commissions (CBCs) to reduce millage on any voter-approved tax levy after the first year of levy, and any debt levy no longer needed to pay an outstanding debt if the commission found it reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections (VETOED).
  - For such taxes levied by a body with a majority of members who are elected local officials, would have subjected any such reduction to two limitations:
    - CBCs could not reduce a levy such that it would collect less revenue than in the preceding year unless funds would be available from reserve balance accounts, nonexpendable trust funds, or carryover amounts to offset a reduction below that level.
    - CBCs could not reduce school district levies such that the school district would collect below the 20 mills in revenue, except as required to comply with the provision limiting accrual of general fund carry-overs (VETOED).
- Removes prohibitions on CBCs considering the status of reserve balance accounts or other certain unexpended funds when determining whether to reduce a political subdivision's taxing authority.
- Requires school districts to obtain approval from the CBC before adjusting inside millage in a manner that increases tax rates.
- Requires CBCs to offer, during at least one public meeting annually, testimony describing the concept and function of inside millage, how it is allocated to various jurisdictions in the county, and the fiscal impact of inside millage.
- Requires political subdivisions to disclose all funds in their control the inclusion of which is not already required by law for annual tax budgets.
- Places the burden of proof on a taxing unit to show the need for additional revenue when challenging any levy reductions made by the CBC before the Board of Tax Appeals (BTA).

- Would have required TAX to annually adjust the rate of a fixed-sum levy so that it would continue to raise the sum approved by voters and to certify that adjustment to county auditors (VETOED).
- Modifies the requirements governing when political subdivisions can file property tax complaints and countercomplaints.
- Authorizes the board of trustees of a state community college to levy a property tax for operating expenses, but only in the county in which its main campus is located.
- Requires revenue from the tax to be used to support college operations in that county.
- Requires that, if voters approve an operating levy, the board of trustees must charge a lower tuition rate to students who reside in the county in which the tax is levied.
- Allows counties to authorize property tax reductions that would piggy-back on the state's existing homestead exemption and 2.5% rollback for owner-occupied homes.
- Expands a property tax exemption for buildings used as major league, or certain minor league, sports facilities to such facilities owned by, or on land owned by, a new community authority or an affiliated corporation.
- Expands a current property tax exemption for parking structures owned by certain local governments.
- Allows a subdivision to amend an existing community reinvestment area (CRA) agreement to extend the term of a CRA tax exemption to a total of 30 years for an existing building that is expected to be a megaproject or owned or occupied by a megaproject supplier.
- Allows a building to qualify for a longer than typical CRA tax exemption as part of a megaproject so long as it is owned or occupied, as opposed to owned and occupied, by a megaproject operator or supplier.
- Authorizes a manufactured home park operator to notify the county auditor that a manufactured home has been damaged or destroyed for the purpose of initiating a refund or waiver of taxes on the manufactured home.
- Permits a municipal corporation, township, and certain churches to temporarily apply for an abatement of delinquent property taxes on property owned by the applicant without regard to continuing law's payment limitations.

## Local Government Fund

- Permanently increases, from 1.70% to 1.75%, the percentage of most state tax revenue that the Local Government Fund receives monthly.
- Terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations.

# Public Library Fund

- Discontinues dedicating a share of GRF tax revenue to the Public Library Fund, instead funding public libraries through a direct GRF appropriation.

# Income tax

## Rate reduction

(R.C. 5747.02)

The act phases-down the income tax rates applicable to nonbusiness income to a flat rate of 2.75% over two years. For 2025, the act reduces the rate of the top bracket from 3.5% to 3.125%. For 2026, the act further reduces the rate of the top bracket so that a flat rate of 2.75% applies to all income over $26,050.

In addition, the act reduces the tax due on a taxpayer's first $26,050 of income. Under continuing law, taxpayers with income less than $26,050 pay no tax, but taxpayers with income greater than that amount do pay tax on that income. This tax amount is reduced in 2025 for taxpayers with less than $100,000 of income, and for all taxpayers in 2026, as shown below.

The tax table for the 2024 taxable year compared to the 2025 tax table, as modified by the act, is as follows:

| TY 2024 | | TY 2025, as modified by the act | |
|---|---|---|---|
| Ohio taxable income | Tax rate | Ohio taxable income | Tax rate |
| $26,050-$100,000 | $360.69 plus 2.75% of the amount over $26,050 | $26,050-$100,000 | $342 plus 2.75% of the amount over $26,050 |
| More than $100,000 | $2,394.32 plus 3.5% of the amount over $100,000 | More than $100,000 | $2,394.32 plus 3.125% of the amount over $100,000 |

The tax table for the 2026 taxable year, as modified by the act, is as follows:

| Ohio taxable income | TY 2026 marginal tax rate, as modified by the act |
|---|---|
| More than $26,050 | $332 plus 2.75% of the amount over $26,050 |

## Inflation indexing adjustments

(Section 757.120(A))

Continuing law requires the Tax Commissioner to adjust the income tax brackets and personal exemption amounts for inflation on an annual basis. The act suspends these adjustments for taxable years 2025 and 2026.

## Joint filer credit and personal exemption

(R.C. 5747.025 and 5747.05(E); Section 757. 120(A))

The act limits eligibility, in 2025, for both the joint filer income tax credit and personal, spousal, and dependent exemptions to taxpayers with a modified adjusted gross income (MAGI) of $750,000 or less. In 2026, the act further reduces eligibility to taxpayers with a MAGI of $500,000 or less. Under prior law, neither credit had an income cap.

## Withholding rate adjustments

(Section 757.120(B))

The act requires TAX to adjust employer withholding tables as a result of the income tax rate changes, but to limit its adjustment such that no more than $100 million of GRF revenue is forgone in FY 2026 and no more than $215 million is forgone in FY 2027.

## Small business investment credit

(R.C. 122.86)

The act establishes November 3, 2025, as the last day for investments to qualify for the small business investment tax credit against the income tax. It retains the 60-day period after the investment is made in which the investor may apply for the credit. As a result, applications may be submitted through January 2, 2026. After that date, the credit is effectively sunset, though credits issued on applications submitted by January 2, 2026, may be claimed as under prior law.

## Educator expenses tax deduction

(R.C. 5747.01(A)(31); Section 801.20(C))

The act increases, from $250 to $300, the amount of unreimbursed expenses incurred each year for professional development and classroom supplies Ohio teachers may deduct from state income tax. This deduction supplements a federal income tax deduction for such expenses, which, in 2022, also increased from $250 to $300.[144] This deduction applies to expenses that exceed what the teacher may claim under the federal deduction. The increase applies to taxable years ending on or after September 30, 2025.

[144] 26 U.S.C. 62.

## Pregnancy resource center donation deduction

(R.C. 5747.01(A)(44); Section 801.20(D))

The act authorizes a personal income tax deduction for contributions, up to $750 per year, to a pregnancy resource center that meets the following criteria:

- It is a private, not-for-profit entity.
- Its primary purpose is to promote childbirth.
- It provides services, without charge, to pregnant women and parents with children less than 12 months old.
- It is not associated with abortion-related activities.
- It does not discriminate on the basis of race, religion, color, age, marital status, national origin, disability, or gender.[145]

The tax deduction applies to contributions made on and after September 30, 2025.

## Military pay deduction

(R.C. 5747.01(A)(21); Section 801.20(C))

The act expands a personal income tax deduction for the military pay of members of the U.S. Armed Forces to include the U.S. Space Force. Under prior law, the deduction only applied to the U.S. Army, Air Force, Navy, Marine Corps, Coast Guard, their reserves, and the National Guard.

## Campaign contribution credit

(R.C. 5747.29, repealed, and 5747.98)

The act repeals an income tax credit for contributions to certain state political candidates, beginning in 2026. The credit equaled up to $50, or $100 for joint filers, for the total contributions made per year to the campaign committee of candidates for Governor, Lieutenant Governor, Secretary of State, Auditor of State, Treasurer of State, Attorney General, member of the State Board of Education, justice of the Supreme Court, or member of the General Assembly.

## Nonchartered nonpublic school tuition credit (VETOED)

(R.C. 5747.08, 5747.75, and 5747.98)

The Governor vetoed a provision that would have repealed a nonrefundable personal income tax credit for taxpayers with one or more dependents who attend a nonchartered nonpublic school. The amount of the credit equals the lesser of tuition paid or $1,000 (if the taxpayer's federal adjusted gross income (FAGI) is less than $50,000) or $1,500 (if the taxpayer's FAGI equals or exceeds $50,000).

[145] R.C. 5180.71.

## Homeschool expense credit

(R.C. 5747.72)

The act expands the nonrefundable personal income tax credit for expenses incurred in homeschooling a taxpayer's dependent, from the prior maximum of $250 per return to $250 per homeschooled dependent. So, for example, if a taxpayer has three homeschooled dependents and incurs $1,000 in educational expenses for them during the year, the taxpayer would be able to deduct $750, instead of being limited to $250 under prior law.

## Add-back for homeownership savings accounts

(R.C. 135.70 and 5747.01(A)(43); Section 801.330)

The act modifies an income tax add-back for contributions to homeownership savings accounts that were invalidly spent. An individual may open one of these accounts, and deduct contributions to them, in order to use account proceeds to pay the down payment and closing costs associated with purchasing a home.

Under continuing law, individuals can deduct up to $5,000 of contributions to a homeownership savings account each year ($10,000 in the case of joint filers). However, if an individual uses account funds for a purpose other than purchasing a home, the individual must add those amounts back to their taxable income.

The act makes several changes to this add-back requirement. First, the act provides that an individual can transfer money between two different homeownership savings accounts without triggering the add-back, so long as both accounts are owned by the same individual. Prior law allowed such transfers but did not require that the individual own both accounts. Second, the act allows an account owner to withdraw funds from an account if the owner redeposits those funds back into the account or into another of the owner's homeownership savings accounts, provided the redeposit is made within 90 days.

Third, the act specifies that, if an account owner spends funds for ineligible expenses, the owner is only required to add-back amounts that were previously deducted, plus any amounts contributed to the account by others. This latter provision applies retrospectively to taxable year 2024. The act temporarily allows taxpayers to file an amended return and claim a refund based on the change.

## Withholding from gambling winnings

(R.C. 5747.062, 5747.063, and 5747.064; Section 801.120)

Under continuing law, gambling winnings are income subject to the personal income tax. Proprietors such as casino operators, sports gaming proprietors, lottery sales agents, and the State Lottery Commission are required to withhold an amount of a person's winnings when certain conditions are met, namely winning $600 or more – the amount that triggers an Internal

Revenue Service reporting requirement.[146] The withheld amount is remitted to the state, similar to the withholding requirement placed upon employers.

Over the past decade, the General Assembly has enacted a series of reductions to Ohio's income tax rate and tax brackets. The act reduces the withholding rate on lottery, video lottery, sports gaming, and casino winnings income to keep pace with these reductions, from 4% to 2.75%, beginning in 2026.

## Withholding from retirement benefits

(R.C. 5747.071; Section 801.130)

The act authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits. Currently, a withholding tax mechanism exists for benefits paid from state retirement systems (e.g., OPERS and STRS). Private retirement plans may withhold taxes on behalf of its retirees, but there is no formal protocol for them to follow.

The act's rules for private retirement benefit withholding are similar to those that exist for public retirement benefits. Beginning in 2027, a retiree may request that their retirement plan withhold taxes from the retiree's benefits. Upon receiving such a request, the plan must begin withholding no later than the following year. The plan must file withholding returns with TAX and is subject to penalties and interest for failing to remit withheld taxes. The plan must also provide retirees with an annual statement showing the amount of taxes withheld.

The act also explicitly allows retirement systems and plans to withhold school district income taxes. Previously, the rules for withholding taxes from public retirement benefits only referenced state income taxes.

## Resident and nonresident credit computation

(R.C. 5747.05; Section 757.10)

Under continuing law, Ohio residents and nonresidents with income earned in Ohio are subject to Ohio's individual income tax on all income. A resident taxpayer is allowed a "resident" credit for the lesser of income subject to taxation in another state, or the amount of tax paid to another state on that income. If the income is from a state that imposes no tax, a resident receives no credit. A nonresident taxpayer is allowed a "nonresident" credit for all income not earned or received in Ohio.

Also under continuing law, the first $250,000 of business income earned by taxpayers filing single or married filing jointly, and included in FAGI, is 100% deductible. For taxpayers who file married filing separately, the first $125,000 of business income included in FAGI is 100% deductible.

The act clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming the law with current administrative practice.

[146] See 26 U.S.C. 6041.

## Withholding tax bulk file program

(R.C. 5747.01(KK) and (LL), 5747.07, and 5747.073; Section 801.150)

The act establishes a formal income tax withholding "bulk file" program within TAX. Beginning in 2026, payroll service companies may enroll in the program to file employee income tax withholding returns, in bulk, on behalf of their employer clients. TAX currently allows such companies to submit withholding returns through bulk file uploads, but the procedures and requirements for the option are not codified.

Under the program, a payroll service company must register with TAX as a "bulk filer" before filing withholding tax returns on behalf of its clients. TAX will prescribe the program conditions, including standards of conduct and format requirements. TAX must also maintain a list of approved bulk filers on its website.

Bulk filers must file all withholding returns electronically, regardless of the number of clients or returns. Both the bulk filer and the employer may be held liable for unpaid or late taxes. TAX may collect unpaid taxes from a bulk filer, and charge penalties and interest, in the same manner it would against an employer.

Each bulk filer must also file quarterly reports with TAX that identify the company's clients and each client's contact information. In addition, an employer must notify TAX when it engages a bulk filer to submit withholding returns on its behalf. Employers must also maintain their withholding registration with TAX. If a bulk filer's registration is rescinded for any reason, the employer immediately becomes responsible for withholding taxes on behalf of its employees.

## Pass-through entity investor taxation

(R.C. 5747.08(I), 5747.38, and 5747.39; Sections 757.60 and 801.180)

The act changes the law with respect to two taxes that pass-through entities (PTEs) may pay for the benefit of their investors. Those are a composite tax, in which a PTE files a single return for the income tax due from all its investors on the PTE's income and an elective tax designed to increase the PTE owners' federal tax deductions for state and local taxes (SALT). The federal SALT deduction is typically capped at $10,000 to $40,000, depending on one's income, but because of the order in which federal taxes are computed, state taxes paid by a PTE are not subject to that cap.

When a PTE files a composite return, its investors will often not need to file their own income tax returns. If an investor has other income or another investor elects to file a return, however, the investor will need to file an income tax return with the state on the investor's own behalf. When that happens, the investor may claim the amount the PTE paid on the investor's behalf on the investor's own return as a credit. This avoids duplicate payment of taxes, once on the composite return made on behalf of all the PTE's investors and once on the investor's own return. Under prior law, the credit equaled the investor's proportionate share of the tax paid by the PTE on behalf of the investor. The act changes that amount to the lesser of the investor's share of the tax due on the composite return or the tax actually paid.

The act makes a near-identical change with respect to a credit for investors in PTEs that pay the elective PTE tax. The credit currently equals the investor's proportionate share of the

elective tax levied on the PTE's qualifying taxable income. The act changes the credit to the lesser of the amount due or paid under that elective tax. The act also changes the elective PTE tax by allowing a PTE that elects to pay it to claim certain refundable credits available to its investors as if the PTE were the investors. Those are the credits for taxpayers filing an individual return after a PTE has filed a composite return for the taxpayer and the electing PTE credit. Under prior law, any credits or deductions available to a PTE's investors were disregarded when calculating the PTE's elective tax liability.

The act expresses that the changes regarding credits being the lesser of the amount due or paid, rather than simply the amount due, do not change the law in any way, and only clarify them as they already existed. The act's changes allowing credits available to investors to be included in calculation of the elective PTE tax apply to taxable years ending on or after January 1, 2025.

## Electing pass-through entity taxation

(R.C. 5747.40; Section 757.20)

Under continuing law, Ohio's personal income tax applies to an individual investor's distributive share of a business structured as a PTE. S.B. 246 of the 134th General Assembly (effective June 2022) levied an income tax directly on PTE income. As discussed above, the tax was optional but was designed to allow a PTE investor to fully deduct state income taxes for federal tax purposes to avoid the SALT cap.

S.B. 246 not only levied this tax, it created a system to administer the tax nearly identical to the procedures that had already applied to a separate tax – Ohio's withholding tax for a PTE with nonresident investors. Those administrative provisions, now applicable to the electing PTE tax, expressly do not apply to PTEs with exclusively Ohio investors. This limitation made sense before S.B. 246 because those provisions only applied to the nonresident PTE withholding tax. But now, since those provisions apply to the electing PTE tax, that limitation is out of place as PTEs with exclusively Ohio resident investors are eligible for that tax. Thus, the act scales back that limitation and no longer applies it to the electing PTE tax. This ensures that the administrative provisions can adequately apply to both taxes.

The act states that this is a clarification of law rather than a change.

## Pass-through entity tax estimated payment dates

(R.C. 5747.43; Section 801.90)

Beginning for taxable year 2026, the act moves the due date for payment of the second and third estimated tax payments for electing and withholding PTE taxes up by one month. This results in those payments generally being due on June 15 and September 15, respectively, aligning the PTE tax payment schedule with the personal income, school district income, and fiduciary income tax payment schedules.

### Refund garnishment for private judgment debts (VETOED)

(R.C. 5747.124)

The Governor vetoed a provision that would have allowed garnishment of income tax refunds to satisfy judgment debts arising from private civil lawsuits. The provision would have required TAX to apply income tax refunds to such debts if the judgment creditor, i.e., the person owed the money, were to file an order of garnishment with TAX. To qualify, the debt would need to be at least $250, the creditor would have been required to first make reasonable efforts to collect the debt, and the judgment underlying the garnishment order would need to be between one and seven years old. A $15 fee was to be required from each creditor seeking garnishment.

The act gave priority in collection from income tax refunds to debts owed the state and to unpaid child support.

## School district income tax

### Repeal of school district income tax on estates

(R.C. 5747.021, 5748.01, 5748.02, 5748.021, 5748.03, 5748.04, 5748.08, 5748.081, and 5748.09; Section 801.100)

The act repeals the school district income tax on estates. Under continuing law, school districts may levy income taxes with voter approval. State law requires that school districts use one of two tax bases: a "traditional" tax base, which generally applies to an individual's adjusted gross income and to the taxable income of estates, or an "earned income" tax base, which applies only to individuals' wages and self-employment earnings.

Under the act, beginning in 2026, school district income taxes with a "traditional" tax base may no longer tax estates. (School districts with an "earned income" tax base already do not tax estates.) Similar to the state income tax, school district taxes with a "traditional" base applied to an estate's income received during the year, such as earnings from investments like stocks, bonds, or rental property. They did not apply to the estate's assets or its net value.

### Notices to TAX

(R.C. 5748.02, 5748.021, 5748.04, 5748.08, and 5748.09; Section 801.70)

Under continuing law, when seeking to levy a school district income tax, a district's board of education must adopt a series of resolutions or ordinances to place the levy on the ballot. The first of these must be certified to TAX, which produces estimated rates for the district. Based on those rates, the board may adopt another resolution detailing the proposed levy and certify it to the county board of elections for placement on the ballot. The act requires the board of education to send a copy of this final resolution to TAX after it has been certified to the board of elections.

Also under continuing law, the repeal of certain school district income taxes may be initiated by a voter petition submitted to the board of elections. The act requires a board of elections that determines such a petition to be valid to send a copy of it to TAX.

# Municipal income tax

## Military pay exemption

(R.C. 718.01; Section 801.190)

Continuing law requires municipal corporations to exempt from municipal income tax the military pay and allowances of members of the U.S. Army, Navy, Air Force, Coast Guard, or Marine Corps, their respective reserve components, or the national guard. The act clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of this existing deduction for military pay by defining "armed forces" in reference to federal law. That definition encompasses the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard.

This clarification applies to taxable years ending on or after September 30, 2025.

## Discretionary interest penalty

(R.C. 718.88)

Under continuing law, a business may elect to have TAX serve as the sole administrator of each municipal income tax the business is liable for on the basis of its net profits.[147] Generally, each taxpayer that makes this election must file a declaration of estimated taxes and remit the estimated amounts to TAX four times each year. In the event of an underpayment, TAX was required to charge the taxpayer an interest penalty on the underpayment under prior law. The act makes this penalty discretionary.

## Extension request

(R.C. 718.85)

Under continuing law, a municipal net profit taxpayer who has made the election described above and who has requested an extension for filing their federal income tax return is entitled to an automatic extension of the net profit tax filing deadline from April 15 to November 15. A taxpayer who has not made the federal request may still request that TAX extend their municipal income tax filing deadline, however, under prior law TAX could only grant a six-month extension. The act extends this extension filing period for such taxpayers to seven months, matching the extension period afforded to taxpayers who request a federal income tax extension.

## Refund and assessment periods

(R.C. 718.12, 718.19, 718.90, and 718.91)

Prior law prohibited a taxpayer from filing a municipal income tax refund claim more than three years after the date the tax was originally due or paid, whichever was later. For a taxpayer that filed for and receives an extension but pays all amounts due by the original due date of the return, the taxpayer was only able to file a refund claim within three years after the original due date of the return. In contrast, to pursue a taxpayer for an alleged underpayment, under

[147] R.C. 718.80, not in the act.

continuing law municipalities have until three years after the date the tax was due, including any extension, or the return was filed, whichever is later. The act equalizes these due dates, allowing a taxpayer who received a valid extension to file a municipal income tax refund claim within three years after that extended due date or the date the tax is paid, whichever is later. The act also applies the same date commencement to the three-year deadline for tax administrators or the Tax Commissioner to make municipal income tax assessments.

### Extended due date

(R.C. 718.05 and 718.85(A)(1); Section 801.340)

The act allows a taxpayer with an unextended federal income tax return due date that falls after the taxpayer's regular municipal income tax due date to file the taxpayer's municipal return on or before the later federal due date. Generally, municipal income tax returns are due on the fifteenth day of the fourth month following the end of the taxpayer's taxable year. The provision applies to returns required to be filed on or after January 1, 2026.

## Electric and telephone company municipal income tax

Electric light and local exchange telephone companies having property, payroll, or sales sitused to an Ohio municipal corporation are subject to that municipality's income tax. Unlike municipal income taxes levied on individuals, the utility income taxes are paid to and totally administered by TAX. The act makes a number of administrative changes related these taxes.

### Electronic payments

(R.C. 5745.03(A) and 5745.04(E))

The act requires companies to remit all municipal income tax payments and estimated payments electronically. Prior law only required electronic payments for payments of $1,000 or more.

### Underpayment penalty

(R.C. 5745.09)

The act makes discretionary the current mandatory interest penalty charged to companies that underpay their estimated payments. The penalty for underpayment equals the rate applicable to other state tax delinquencies, i.e., the rounded federal short-term rate plus 3%.[148]

### Filing extensions

(R.C. 5745.03(B) and (C))

The act requires TAX to automatically grant a filing extension to a company if it has been granted a federal filing extension. Under prior law, the company had to file an application, with

[148] R.C. 5703.47, not in the act.

a copy of the federal extension request, to receive the municipal extension. The act further expands the length of that extension from six to seven months.

The act also requires TAX to grant a seven-month filing date extension without requiring a federal extension if the company submits a request before the return due date.

### Required documentation

(R.C. 5745.03(D))

The act removes the requirement for a company to include in its annual return to TAX statements of the company's:

- Location of incorporation;
- Location of principal office or place of business in Ohio; and
- Officers' and statutory agent's names and addresses.

## Sales and use tax

### Exemption and reduction repeals (PARTIALLY VETOED)

(R.C. 5739.01, 5739.02, 5703.70, and 5739.071; Sections 801.260 and 801.270)

The act repeals the following sales and use tax exemptions and reductions, beginning on January 1, 2026:

- Exemption for sales of certain vehicle rental fees provided to the owner or lessee of a motor vehicle that is being repaired or serviced, where the payments are reimbursed by the service provider.
- Exemption for sales of refrigerated food vending machines.
- Exemption for sales of advertising material or catalogs that price and describe property offered for retail sale and for items that are used in printing advertising material and equipment primarily used to accept orders.
- Exemption for sales of property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.
- Exemption for the sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center.
- The 25% refund of the sales tax paid by electronic information service providers to purchase computers and related electronic equipment.

The Governor vetoed provisions that would have repealed the exemptions for newspapers, for the transfer of copyrighted motion picture films that are used for purposes other than advertising, and for machinery, equipment, and material used in the production for sale of printed materials, beginning on January 1, 2026.

## Data center exemption repeal (VETOED)

(R.C. 122.175(D))

Under continuing law, the Tax Credit Authority may enter into agreements with proposed data centers to offer a complete or partial sales and use tax exemption, over a period of years, for sales of certain computer data center equipment. The Governor vetoed a provision that would have prohibited the Tax Credit Authority from entering into an agreement to award an exemption on or after October 1, 2025, which would have effectively sunset the exemption but allowed existing exemption agreements to remain in effect.

## Vendor discount cap

(R.C. 5739.12(B)(1); Section 801.240)

Continuing law authorizes a discount for sales tax vendors who make on-time payments equal to 0.75% of the amount due on the vendor 's return. The act caps this prompt payment discount, for sales other than the sales, including leases, of motor vehicles, at $750 per vendor's license per month. For the sale or lease of motor vehicles, the 0.75% discount would be unlimited.

## Watercraft and outboard motors tax remittance

(R.C. 1548.06)

Under continuing law, sales and use taxes on the sale of titled watercraft and outboard motors are paid at the time owners receive their title from the appropriate clerk of courts. The act requires clerks to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of directly to TAX. The act also requires TAX to consult with DPS on the form of the remittance reports that must accompany the collected taxes. Under prior law, TAX was solely responsible for determining the form of the remittance reports.

## Casual sale definition

(R.C. 5739.01; Section 801.350)

Continuing law authorizes a sales and use tax exemption for certain items sold at a casual sale, which is, in general, a sale of used items sold by either the user or an auctioneer. The act clarifies that a casual sale can include either in-person or online sales, except in the case of sales by an auctioneer. In those instances, only sales made at the auctioneer's physical place of business may qualify for exemption.

## Interest on direct pay refunds

(R.C. 5739.07; Section 801.160)

The act eliminates interest on sales and use tax refunds for payments that were made pursuant to a direct payment permit. Those permits allow a purchaser to pay sales and use tax directly to the state instead of to the vendor who makes the sale. Direct payment permits are issued by TAX, upon application, if direct payment of the tax will improve compliance and

efficiency or if the purchaser is awarded a sales and use tax exemption for a data center project.[149]

### County sales tax refunds

(R.C. 5739.132; Section 801.170)

Under prior law, when a person overpaid state or local, i.e., county or transit authority, sales or use tax, that person was entitled to a refund with statutory interest calculated from the date of the overpayment. The act eliminates interest on refunds of county sales and use tax but continues to allow interest for refunds of state and transit authority taxes. The change applies to refunds allowed on and after September 30, 2025.

### Vendor's license suspensions

(R.C. 5739.31)

Continuing law requires every retail vendor to obtain a vendor's license from TAX or a county auditor and collect and remit state and local sales taxes. TAX may suspend the license of a vendor that repeatedly fails to timely file sales tax returns or remit taxes.[150] A vendor with a suspended vendor's license is prohibited from obtaining another vendor's license from TAX or seemingly the county auditor that issued the suspended license during the suspension period. The act clarifies that the prohibition on duplicate licenses applies to those obtained from any county auditor – as opposed to just the auditor that issued the suspended license. The act also allows TAX to cancel any duplicate vendor's license obtained by a vendor during the suspension period.

## Resort area gross receipts tax

### Rate increase

(R.C. 5739.101)

The act allows municipalities and townships to increase resort area gross receipts taxes by 0.5% intervals to 2% or 2.5% if approved by electors. Municipalities and townships could continue to levy a resort area tax up to the current maximum rate, 1.5% of gross receipts, without an election.

Under continuing law, a municipality or township that meets all of the following criteria may declare itself a resort area and levy a tax on certain gross receipts of businesses operating within the area:

- At least 62% of total housing units in the municipal corporation or township are for seasonal, recreational, or occasional use.
- Entertainment and recreation facilities are provided that are primarily intended to provide seasonal leisure time activities for tourists.

[149] R.C. 122.175; R.C. 5739.031, not in the act.

[150] R.C. 5739.30(B)(2), not in the act.

- The area experiences seasonal peaks of employment and demand for government services as a direct result of a seasonal population increase.

The only three declared resort areas are located on Lake Erie islands.

# Lodging taxes

## County lodging taxes for resort area public safety

(R.C. 5739.09(Y))

The act allows a board of county commissioners to increase the rate of its general lodging tax by not more than 1%, so long as the total rate does not exceed 5%, to fund public safety services in a designated resort area.

## Ashtabula County convention facility (VETOED)

(R.C. 5739.09(D)(4))

The Governor vetoed a provision that would have required Ashtabula County to repeal a 2% special lodging tax used to fund the costs of a convention center, i.e., the Lodge at Geneva-on-the-Lake.

## Convention and visitors' bureau

(R.C. 5739.092)

The act authorizes additional purposes for which a convention and visitors' bureau (CVB) in a county with a population of less than 100,000 with annual lodging tax collections of greater than $500,000 may spend its county lodging taxes. Those new purposes include funding public safety services or economic development or infrastructure projects that impact tourism.

## Special lodging tax extension

(R.C. 5739.09)

All counties, townships, municipal corporations, convention facilities authorities, and lake facilities authorities are authorized to levy lodging or "bed" taxes for certain purposes. The rates of these general taxes are subject to various limitations. Along with these, several additional levies have been authorized that are narrowly tailored to permit certain counties, municipalities, and convention facilities authorities to levy increased lodging tax rates and use the revenue for alternative purposes. The act authorizes the Fairfield County commissioners to renew one such special lodging tax, levied to finance a municipal educational and cultural facility, for up to 15 additional years at a time. Currently, the tax is scheduled to expire in 2028 and, under prior law, could not be extended further.

# Commercial activity tax

## Net operating loss tax credit

(R.C. 5751.53 and 5751.98)

The act modifies a commercial activity tax (CAT) credit for certain net operating losses (NOLs) accrued under the defunct corporation franchise tax. Under continuing law, corporations

subject to the CAT may claim the credit for NOLs that accrued under that tax, but that the corporation could not claim when that tax was phased out for most taxpayers between 2006 and 2010.

Under continuing law, the NOL credit is nonrefundable, so cannot exceed the corporation's tax liability. However, the credit can be carried forward indefinitely, until it is fully used. Prior law specified that any remaining credit will become refundable in 2030. The act requires, instead, that the credit remain nonrefundable in 2030, with the same unlimited carry-forward as allowed in continuing law.

### Elimination of TPP replacement payment funds

(R.C. 5709.93 and 5751.02)

The act eliminates two separate funds used to reimburse local governments for their revenue loss from the state's repeal of the tax on business tangible personal property (TPP). Previously, revenue from the CAT was credited to the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund as necessary to make those payments.

Under the act, the reimbursement payments will be made directly from the GRF. Any CAT revenue that is currently credited to the reimbursement funds will, like most CAT revenue, be credited to the GRF. The change does not affect the amount or frequency of any TPP replacement payments.

## Petroleum activity tax

### Collection of licensing fees

(R.C. 5736.09; Section 757.30)

The act expressly allows TAX to issue an assessment to collect unpaid petroleum activity tax (PAT) licensing fees. Former law allowed TAX to issue PAT assessments for unpaid taxes only.

The PAT is levied on motor fuel suppliers' gross receipts from fuel sales in the state. As part of the tax, suppliers are required to obtain an annual license. Under the act, if a supplier fails to pay a license fee, TAX may issue an assessment to collect the fee. The act allows TAX to issue such assessments beginning on September 30, 2025, and, under the statute of limitations period authorized under continuing law, those assessments may seek to collect fees unpaid during the preceding four years.

## County sin taxes

### Cuyahoga County sin taxes for sports facilities

(R.C. 9.681, 307.673, 307.696, 307.697, 3381.17, 4301.421, 5743.024, 5743.323, 5743.511, 5743.52, 5743.521, 5743.54, 5743.55, 5743.56, 5743.57, 5743.59, 5743.60, 5743.62, 5743.621 5743.63, 5743.631, and 5743.64; Section 801.320)

The act authorizes Cuyahoga County to expand its existing liquor, alcohol, and cigarette taxes, and levy a new tax on vapor and other tobacco products, to finance major league sports

facilities, subject to voter approval of the tax expansion. The new or increased limits on each tax are set as follows:

- 32¢ per gallon for beer (up from 16¢);
- 48¢ per gallon for cider (up from 24¢);
- 64¢ per gallon for wine and mixed beverages (up from 32¢);
- $6 per gallon of liquor (up from $3);
- 9¢ per pack of cigarettes (up from 4.5¢);
- 0.85% for other tobacco products;
- 1.85% for little cigars;
- 0.05¢ per $^{1}/_{10}$ of a gram or milliliter for vapor products.

The newly authorized taxes are required to be equally divided among the major league sports facilities existing in the county during the period that the taxes are levied. Revenue can be used to cover more than 50% of the total costs of a sports facility and to contribute to the project for more than 20 years, unlike existing alcohol and tobacco taxes upon which those limitations are imposed.

Continuing law requires Cuyahoga County, insofar as it imposes these taxes and has a municipal corporation within its boundaries that hosts a professional sports facility, to contract with the host municipal corporation and a corporation with respect to the use of the tax revenue and construction and operation of a sports facility. Prior law defined "corporation" as a nonprofit corporation organized under Ohio law for the purposes of operating or constructing and operating a sports facility in the county and that may also be organized for the additional purposes of conducting redevelopment and economic development activities within the host municipal corporation. The act retains that definition of corporation but also allows a new community authority to qualify as a corporation for purposes of the taxes.

In general, a new community authority is created by local governments to assist in the development of property. These authorities can levy community development charges to fund improvements or services to the area they serve, as well as issue revenue bonds.

## Cigarette taxes for arts and cultural districts

(R.C. 5743.021)

The act allows any county with a population of at least 800,000 people and any charter county to, with voter approval, enact a cigarette tax for the benefit of an arts and cultural district. Prior law allowed only Cuyahoga County to enact such a tax through population requirements only it could meet. The act's changes allow Summit, Hamilton, and Franklin counties to levy a cigarette tax for an arts or cultural district as well, and leaves Cuyahoga County's authority unchanged.

# Marijuana excise tax

## Levy and distribution (PARTIALLY VETOED)

(R.C. 3780.02, 3780.03, 3780.10, 3780.18, repealed, 3780.19, repealed, 3780.22, 3780.23, repealed, 3780.24, 3780.25, 3780.26, and 3780.30; Section 801.60)

Beginning July 1, 2025, the act imposes a 10% excise tax on the illegal sale of marijuana by an unlicensed seller, matching the rate levied on sales of adult-use marijuana from licensed dispensaries under continuing law.

Revenue from the adult-use tax, under prior law, was distributed as follows:

- 36% to DEV's Cannabis Social Equity and Jobs Program;
- 36% for the benefit of municipal corporations or townships that have adult-use dispensaries, based on the percentage of tax attributable to each municipal corporation or township;
- 25% to support the efforts of the Department of Mental Health and Addiction Services (OMHAS) to alleviate substance abuse and related research;
- 3% to support the operations of the Division of Cannabis Control and to defray the cost of TAX in administering the tax.

The act repeals allocations for DEV's Cannabis Social Equity and Jobs Program and OMHAS' substance abuse alleviation and research programs, which the act sunsets, and the act also discontinues the 3% administrative earmark. The act maintains the 36% allocation for host communities with all remaining receipts credited to the GRF.

Continuing law requires the tax to be paid by the consumer to the vendor at the time of sale and reported by the vendor via a monthly return. The act specifies that this return must be on a form prepared by TAX that is separate from the standard sales tax return. The Governor vetoed provisions that would have relieved a vendor with no sales in a reporting period from the obligation to file such a return and that specified that the tax would generally be administered as a sales tax.

## Tax information exchange

(R.C. 3780.06)

The act requires TAX, on the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee. Under prior law, COM was only allowed to request this information for applicants seeking a license. This information may include information about tax law violations or resulting penalties.

# Public utility excise tax

## Refunds applied to tax debt

(R.C. 5727.42)

Continuing law levies a 6.75% excise tax on the gross receipts of certain public utilities, namely a telegraph, pipe-line, water-works, or water transportation company. Any such utility may request a refund of any amounts it overpays. However, prior law barred a refund to a utility that had a delinquent claim for this excise tax.

The act removes this prohibition and instead requires the refund to first be applied to the outstanding excise tax debt. The act also allows the refund to be applied to any other outstanding debt for a tax or fee administered by TAX, including related penalties and interest.

The act's changes results in a mechanism that mirrors tax debt application provisions applicable to other state taxes.[151]

# Financial institution tax

## Online forms

(R.C. 5726.03)

Under continuing law, each taxpayer subject to the financial institutions tax is required to file a written annual report in a form that TAX may prescribe. TAX, as a matter of practice, requires taxpayers to file the report and pay the tax electronically and not on paper forms, but prior law continued to require TAX to post those forms on its website. The act removes this online posting requirement.

# Insurance premium tax

## Certification of nonpayment

(R.C. 5729.10)

Under continuing law, a foreign insurance company that fails to pay insurance premium taxes is subject to a collection action upon certification of the delinquency to the Attorney General. The act requires the Treasurer of State to make this certification, replacing the Superintendent of Insurance's authority to do so under prior law.

# Severance tax

## Coal tax rate

(R.C. 5749.02(A)(1); Section 801.210)

The act reduces the severance tax rate on coal from 10¢ to 8¢ per ton. The reduction applies beginning for the calendar quarter starting July 1, 2025. Under continuing law, revenue from this severance tax is credited to DNR's Mining Regulation and Safety Fund.

[151] E.g., R.C. 5739.072, 5747.12, and 5751.091, not in the act.

The act does not modify the rate of two other severance tax coal levies that apply to only certain coal – one a variable rate tax on coal produced from an area under a reclamation permit and the other a 1.2¢ per-ton tax on surface-mined coal.

# Corporation franchise tax

## Statutory agent

(R.C. 1701.04, 1701.07, and 1703.041)

The act removes a requirement placed on corporations to include the name and address of the corporation's statutory agent in its annual report filed with TAX under the now-defunct corporation franchise tax. The corporation franchise tax was repealed for most businesses in 2009 and for financial institutions in 2013, meaning corporations are no longer required to file a report with TAX.

# Replacement tire fee

## Eliminate discount

(R.C. 3734.904; Section 801.110)

The act eliminates, beginning January 1, 2026, the 4% discount for wholesale distributors of replacement tires or retail dealers who timely file and pay the replacement tire fee administered by TAX.

Under continuing law, the replacement tire fee is $1 per new tire sold. Revenue from the fee is used to defray the cost of regulating scrap tires, abate accumulations of scrap tires, and fund loans and research grants related to scrap tire recycling.

# Tax credits

## Historic building rehabilitation tax credit (PARTIALLY VETOED)

(R.C. 149.311)

The Governor vetoed a provision that would have sunset the Ohio historic building preservation tax credit after FY 2027 by prohibiting DEV from approving any further credits unless specifically authorized to do so by the General Assembly. The act permanently increases the annual cap on the Ohio historic building preservation tax credit, from $60 million to $75 million per fiscal year. The cap increase would have been temporary if not for the Governor's veto. The cap was previously temporarily increased to $120 million for FYs 2023 and 2024.

The Ohio historic preservation tax credit offers owners and long-term lessees of qualifying historically designated buildings state tax credits equal to a percentage of qualified rehabilitation expenses, up to $5 million. The tax credit is partially refundable and can be applied against the financial institution, foreign and domestic insurance premium, or income tax. The act increases the percentage of qualified rehabilitation expenditures that may be claimed as a credit from 25% to 35% for projects located in the unincorporated area of a township or in a municipal corporation with a population less than 300,000. This applies to all areas in the state outside of its three largest cities.

The act also prohibits DEV from considering building vacancy or underutilization when ranking applications and awarding credits.

## Film and theater capital improvement tax credit

(Repealed R.C. 122.852, 5726.59, 5747.67, and 5751.55; conforming amendments in R.C. 122.85, 5726.98, 5747.98, and 5751.98; Section 757.140)

The act repeals the film and Broadway theater capital improvement tax credit. Prior law authorized a refundable and transferable commercial activity tax (CAT), financial institutions tax (FIT), or income tax credit for a motion picture or Broadway theatrical production company that completes a capital improvement project in Ohio with a positive economic impact. Eligible projects included the construction, acquisition, repair, or expansion of facilities or equipment that would be used in motion picture or Broadway productions or for postproduction.

Generally, the credit equaled 25% of either the company's actual qualified expenditures, or the amount of such expenditures estimated on the company's application, whichever was less. Qualified expenditures were expenditures for goods and services purchased and consumed directly for a capital improvement project, and included the purchase of goods or services directly for use in a capital improvement project, as well as any accounting and auditing expenses incurred to comply with reporting requirements. They did not include expenses on the basis of which a motion picture and theater production credit (described below) had been awarded.

The credit was capped at $5 million per project, $5 million per county, and $25 million per fiscal year overall. If DEV did not issue the full $25 million allotment in a particular fiscal year, the excess allotment could have been carried forward to the next fiscal year. Additionally, DEV could have reduced the maximum amount for any fiscal year and increased the maximum amount for the film and theater production tax credit by a corresponding amount.

The act specifies that credits issued before the repeal may be claimed under the pre-repeal procedure and terms.

## Film and theater production tax credit sunset and administration (PARTIALLY VETOED)

(R.C. 122.85)

Continuing law allows a refundable tax credit for companies that produce all or part of a motion picture or Broadway theatrical production in Ohio and incur at least $300,000 in production expenditures. The credit equals 30% of the company's actual or budgeted expenditures, whichever is less, for goods, services, and payroll involved in the production. A company can claim the credit against the CAT, FIT, or income tax. To obtain a credit, a company must first submit an application to DEV.

The Governor vetoed a provision that would have sunset the program after FY 2027 by prohibiting DEV from approving any further credits unless specifically authorized to do so by the General Assembly.

The act also makes several other changes to the credit. For one, it allows companies that "present" a Broadway theatrical production to qualify for the credit based on their production

expenses. Under prior law, the credit was only allowed for "production" companies. In addition, the act replaces the current process for reviewing and approving applications for the credit, which is executed in two rounds, with a rolling review and award process. Most of the review criteria that currently apply, requiring ranking based on economic impact and the likelihood a project will help develop a permanent film and theater workforce, are eliminated. The act retains, however, a requirement that priority be given to awarding the credit to television and miniseries productions due to their long-term nature.

Finally, the act allows companies to provide an "investment intent letter" to satisfy continuing law's requirement that the company prove that it has secured funding equal to at least 50% of its total production budget. The letter must state the amount of the expected investment and the date on which the investment will be made.

## Housing tax credits reporting

(R.C. 175.16 and 175.17)

The act modifies the reporting requirements for a recipient of a state-funded low-income housing tax credit or a single-family housing development tax credit, which may both be awarded against the domestic or foreign insurance premium tax, financial institutions tax, or income tax. The act makes TAX the sole recipient of required annual reports from taxpayers who are awarded these credits. Under prior law, these reports had to be delivered to both TAX and INS for the low-income housing tax credits and, for single-family housing development tax credits, OHFA, which had to forward them to TAX and INS. Under the act, TAX must share the submitted reports with INS.

## Transformational mixed-use development credits (PARTIALLY VETOED)

(R.C. 122.09)

The act extends through FY 2027 the sunset date for awarding transformational mixed-use development (TMUD) tax credit and increases the award cap. A TMUD credit may be claimed against insurance premium tax liability and is based on capital contributions to TMUDs. Those are multi-purpose construction projects that meet certain minimum building height, square footage, or payroll criteria and that are expected to have a transformational economic impact on the surrounding area. The Tax Credit Authority previously was authorized to award only up to $100 million in tax credits annually through the end of FY 2025. The act extends allowance of new awards through FY 2027 and increases the annual cap to $125 million. It also makes the following changes to the TMUD program:

- Prohibits the award of TMUD tax credits for a project located in a transformational sports facility mixed-use project district, which the act creates (see "**Facilities Construction Commission: Major sports facilities funding**," above).
- Eliminates the ability of an insurance company that contributes capital to a project to apply for a TMUD tax credit. As a result, only the property owner may apply.

- Allows the amount of previously awarded TMUD tax credits subsequently rescinded to be available for award again in the FY following rescission.
- Transfers responsibility for reviewing and approving TMUD applications from the Ohio Tax Credit Authority to DEV.
- Increases the reserved amount of credits for TMUD projects located more than ten miles from a major city from $20 million, as under prior law, to $40 million plus ⅓ of any tax credits previously awarded but rescinded in the prior fiscal year.
- Increases the maximum amount of credits for TMUD projects within ten miles of a major city each fiscal year from $85 million, as under prior law, to $100 million plus ⅔ of any tax credits previously awarded but rescinded in the prior fiscal year and any amount reserved but not awarded for projects located more than ten miles from a major city.
- Reduces the maximum amount of tax credit that can be awarded for a single project from $40 million to $20 million.
- Expands the costs eligible to be considered when determining credit amounts to include due diligence costs, acquisition costs, architectural and engineering fees, and construction hard and soft costs.
- Excludes expenditures made before certification as a TMUD credit eligible project from being considered eligible expenditures upon which a tax credit may be calculated.
- Eliminates the option for a portion of a project completed in phases to be considered a TMUD project so long as all phases together meet the definitional requirements.
- Replaces the current considerations for ranking applications which look to return on investment, considered according to projected tax collections against tax credits, economic impact, impact on physical features, and project timelines. The modified ranking system utilizes a point scale based on the physical scope of projects, density, distribution of uses in projects, government approvals, local support, committed funding, lease or purchase commitments from end users, walkability, retail, entertainment, and restaurant sales to be generated, payroll to be generated, taxes to be generated, and community impact.
- Requires the economic analysis completed for application ranking and credit calculation to exclude previously completed and future phases of a development and to exclude consideration of any pre-existing or impact on the surrounding area.
- Allows persons with contracts to purchase project sites conditioned on the provisional award of a TMUD tax credit to apply for the award as if they owned the property.
- Changes the mix and number of uses required in the definition of "transformational mixed use development" from some combination of retail, office, residential, recreation, structured parking and other similar uses to require at least two uses from the office, residential, hotel and hospitality, recreation, and retail categories, which may include restaurants.

- Disqualifies a party from being considered to have contributed capital to a TMUD project without receiving anything in return.
- Increases projected payroll, which may be used as an alternative to a building size requirement for projects seeking TMUD credits within ten miles of major cities, from $4 million to $5 million.
- Makes several changes to required application materials for TMUD certification by:
  - Modifying the plans and drawings expected in a TMUD certification application;
  - Requiring proposed project budgets, which are already required to be submitted with applications, to be organized by line item and include an estimate of hard costs;
  - Requiring viable financial plans showing at least 51% committed funding and a strategy for obtaining any remaining funding as a new application requirement;
  - Requiring projected economic impact assessments, which are already required with applications, to project the "direct" economic impact and be prepared by an economic impact consultant with experience performing economic impact studies in Ohio;
  - Adding a standard to evaluate currently required evidence that a project will not be completed without the award of tax credits. Specifically, establishing that if any portion of the applicant's project has commenced construction, excluding brownfield remediation and demolition, or has closed on construction financing, the applicant cannot demonstrate that the project will not be completed and is ineligible for a credit.
- Requires DEV to retain an expert to review projected economic impact.
- Prohibits a TMUD tax credit from being awarded in an amount greater than that applied for as a result of certification of actual development costs. Under continuing law, a credit amount may be reduced after cost certification.
- Reduces the number of credit calculation methods to one, which results in a credit for property owners that is the lesser of the amount preliminarily approved or 10% of actual eligible expenditures.
- Changes the credit amount calculation method by excluding any consideration or calculation of the project's impact beyond the project site.
- Changes the amount of credit awarded to a person other than the property owner to the lesser of 10% of estimated eligible expenditures upon certification or 10% of actual eligible expenditures. Prior law had set the credit amount for insurance companies that contribute capital to 10% of the capital contributions.
- Makes several changes to the law regarding the initial issuance, sale, or transfer of TMUD credits:
  - Eliminates a requirement that credits be sold to raise capital for a project, allowing them to be sold for any purpose;

- Allows credits to be sold by insurance companies that invest in a TMUD, as opposed to prior law which only allowed TMUD property owners to sell credits;
- Allows credits to be sold more than once;
- Expands, for credits approved after September 30, 2025, the taxes TMUD tax credits may be claimed against to include the financial institutions tax and the income tax and eliminates a requirement that only insurance companies may claim TMUD tax credits. Credits approved before that date can still only be claimed against taxes on foreign and domestic insurance companies.
- Allows applications for certification as a transformational mixed use development project to identify financial institutions and other persons, apart from property owners and insurance companies, that should be awarded tax credit certificates and allows a subsequent direct award to those persons.
- Generally gives tax credit certificate holders an additional year within which to begin claiming the credits.

- Requires DEV to certify information about issued TMUD tax credit certificates to the Tax Commissioner. Currently, information is certified only to INS.

The Governor vetoed a provision that would have eliminated a requirement that the Tax Credit Authority be notified when the right to claim credits is transferred or sold. Because this provision was vetoed, notice is still required to the Tax Credit Authority, even though DEV is now responsible for administering the program. The Governor also vetoed a provision that would have eliminated a requirement that, upon issuance of a TMUD tax certificate, the appropriate state agency certify to TAX and INS whether the person to whom the certificate was issued was the property owner, an insurance company that contributed capital to the project, or a person who acquired the rights to claim a credit from the property owner. Pursuant to this veto, notice is still required if the rights were acquired from the property owner. The act's other changes, however, allow the rights to a credit to be transferred multiple times and by anyone who acquires them, not just a property owner.

## Opportunity zone investment tax credit

(R.C. 122.84, 5725.38, 5726.61, 5729.21, and 5747.86)

Under continuing law, a taxpayer may apply to DEV for a nonrefundable tax credit on the basis of investments made in Ohio "opportunity zones," which are geographic areas authorized under federal law and designated by the state that meet certain economically distressed criteria. The credit generally equals 10% of the taxpayer's investment, and not more than $25 million in credits may be awarded in each fiscal year.

The act makes the following changes to the opportunity zone investment credit:

- Prohibits the award of opportunity zone investment credits after FY 2027 unless specifically authorized by the General Assembly.
- Increases the amount of such credits that DEV may award in FYs 2026 and 2027 from $25 million to $50 million per fiscal year.

- Requires excess funds from the first year of the fiscal biennium to be carried forward to the second year.
- Allows credits issued in the July application round each year to be claimed for the preceding year with the filing of an amended return or an original return.
- Shortens the application period for the credit, from 22 days to seven days.
- Limits the total amount that can be issued for a single project to $5 million.
- Defines an "investment," for purposes of the tax credit, as money from any source other than grant funds that is invested to improve property located in an Ohio opportunity zone with the expectation of receiving a profit.

# Tax administration

## State recovery of refunded local taxes

(R.C. 5703.052)

Under continuing law, when a local government receives revenue from a tax or fee collected by TAX that turns out to have been illegally or erroneously collected, the taxpayer is entitled to a refund that is paid out of the state Tax Refund Fund. To recover the amount of local tax refunded, TAX takes that amount out of the next distribution of taxes to that local government. However, if that recovery amount is greater than 25% of the distribution, the Commissioner may spread the recovery over multiple distributions. Under prior law, this recovery period could not exceed three years. The act extends the recovery period to not more than six years.

## Disclosure of tax information

(R.C. 5703.21)

The act permits an agent of TAX to publish or disclose the amount of revenue distributed to a political subdivision from any tax or fund administered by TAX.

The act additionally authorizes disclosure of an employer's state income tax withholding account number for the purpose of allowing a current or former employee to complete the employee's income tax return. TAX may require the employee to provide evidence of current or past employment before making that disclosure.

This disclosure authority is created in exception to the prohibition in continuing law against TAX agent disclosure on taxpayer transactions, property, or business.

## Electronic records inspection

(R.C. 5703.19)

The act requires taxpayers to provide books, accounts, records, or memoranda in an electronic format at the request of TAX if those records are kept electronically or available in an electronic format. Under continuing law, TAX's employees have the authority to demand to inspect the books, accounts, records, and memoranda of any person subject to Ohio's tax laws.

## Undeliverable tax notices

(R.C. 5703.37)

The act prescribes a process for handling tax notices that are sent by ordinary mail, but that are returned as undeliverable. The process mirrors a process under continuing law for undeliverable tax notices that were sent by certified mail.

In 2023, the most recent biennial budget act, H.B. 33 of the 135th General Assembly, allowed TAX to send any tax notice by ordinary mail or electronically, rather than by certified mail. However, the law did not specify how to treat ordinary mail that is returned as undeliverable. The act requires that such mail be treated the same as undeliverable, certified mail. The process involves, in some situations, a follow-up mailing, and a requirement that TAX try to determine an alternative address for the taxpayer. If those measures fail, the notice becomes final 60 days after it was first returned.

## Petitions for reassessment

(R.C. 128.46, 718.90, 3734.907, 3769.088, 4305.131, 5726.20, 5727.26, 5727.47, 5727.89, 5728.10, 5735.12, 5736.09, 5739.13, 5743.081, 5743.56, 5745.12, 5747.13, 5749.07, 5751.09, and 5753.07)

Continuing law authorizes TAX to issue assessments against taxpayers to enforce and collect delinquent taxes. Similar assessment procedures apply across all taxes and fees administered by TAX. One step in the assessment process is that a taxpayer that receives an assessment may file a petition containing the taxpayer's objections and requesting that TAX make a reassessment based on them. Prior law generally required that these petitions for reassessment be submitted to TAX through personal service or certified mail. The act removes these service requirements, potentially authorizing different or additional manners of submission.

## Tax refund adjustment notices

(R.C. 5703.70)

The act adds an alternative method for TAX to use to notify a person when the person's requested tax refund is less than requested. Under prior law, when TAX determined that the amount of a refund to which an applicant was entitled was less than the amount claimed, TAX had to give the applicant notice in writing, sent via ordinary mail. The act allows the notice to be sent electronically as an alternative, if the person consents to electronic delivery. If the notice is sent electronically, it must be sent to the person or the person's authorized representative through secure electronic means associated with the person's or representative's last known email address.

## Public utility taxes: service of notices

(R.C. 5727.38, 5727.42, and 5727.47)

The act expands the options TAX has for serving assessments and appeal notices to taxpayers for public utility TPP taxes and the public utility excise taxes. Prior law required those assessments and notices to be served by mail. The act adds to that option other methods provided in continuing law governing other notices or orders served by TAX. Those other options

are personal service, certified mail, authorized delivery service, ordinary mail, and secure electronic notification (but only with the person's consent).[152]

### Public utility taxes: extension request

(R.C. 5727.48)

The act allows a public utility additional options to request a 30-day extension, authorized under continuing law, to file a report or statement required for public utility TPP or excise taxes. Under prior law, the extension application had to be filed in writing. The act instead requires the public utility to request the extension in the form and manner prescribed by TAX.

### Dealers in intangibles rule requirement

(R.C. 5725.01)

Although the dealers in intangibles tax was repealed beginning in 2014, certain related requirements still exist under prior law. One such requirement is for TAX to adopt a rule defining the term "primarily" for purposes of describing who is subject to the tax as a person engaged in a business that "consists primarily of lending money, or discounting, buying, or selling" various evidences of indebtedness or securities. The act repeals that rulemaking requirement for the defunct tax.

### Energy-efficient building federal tax deduction

(R.C. 9.239)

The act removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of certain energy-efficient systems.[153] The designer may still request such an allocation under the act, but only from the public entity that owns the building.

### Technical corrections

(R.C. 5747.01, 5747.02, 5747.10, and 5725.23; Section 801.20)

The act makes the following technical corrections to the laws governing state taxation:

- Corrects two erroneous cross-references in the income tax law.
- Removes an outdated reference to the intangible property tax, which is no longer levied.

## Property tax

### School district limits related to carry-over balances (VETOED)

(R.C. 323.131, 3317.01, 4503.06, 5705.03, 5705.17, 5705.31, 5705.316; Section 757.110)

The Governor vetoed a provision that would have imposed new property tax limits on a school district that has a carry-over balance in its general operating budget above a particular

[152] R.C. 5703.37.

[153] 26 U.S.C. 179D.

threshold. Under continuing law, taxing units, including school districts, are required to certify their operational revenues and expenditures to the county auditor on or about the first day of each fiscal year, i.e., July 1. The act would have required each city, local, and exempted village school district, with certain exceptions, to make this certification by July 15 of each year to the county auditor of each county in which the district has territory. Each county budget commission (CBC) or, if the district crosses county boundaries, joint budget commission would then convene to review these certifications by the following August 15. (A CBC is a local body that reviews local government revenue estimates and budgets. It is generally comprised of the county auditor, county treasurer, and either the county prosecuting attorney or a county commissioner. A joint county budget commission is comprised of the officers of each participating county.)

### Reductions for excess carry-over

The act would have reduced the current expense property taxes levied by a school district that has a carry-over balance of more than 40% of its general fund expenditures made in the preceding fiscal year, except that a school district with an expenditure per pupil of less than 80% of the state average would have had to satisfy a 50% threshold. If a CBC determined that a district's carry-over balance exceeded that threshold, the CBC would then reduce the authorized rates of property tax levied by the district for current expenses so as to reduce collections by the amount of the excess carry-over balance multiplied by a tiered reduction factor based on the amount of the excess balance. A district would have been able to adopt a resolution reserving an amount of carry-over balance for current or future permanent improvement expenses to be used within the next three years that would not have counted towards the 50% threshold, provided the district annually certified to the CBC an accounting of those reserved funds. The reduction would have applied to the following tax year only. The reduction mechanism would not have applied to an island school district or a joint state school district, i.e., the College Corner Local School District.

In order to provide a reduction for real property for tax year 2025, and tax year 2026 for manufactured and mobile homes, the act would have required each CBC to convene no later than October 31, 2025, to perform the review of each district's carry-over balance.

#### *Notice on tax bill*

The act would have required that tax bills for a property or manufactured home, the tax liability of which has been reduced due to a school district's excess carry-over balance, include a notice stating the reason for the reduction and that the reduction applied only to the current tax year.

#### *20-mill minimum levy requirement*

The act would have exempted a school district whose levies had been reduced by this mechanism from the requirement that it levy at least 20 mills in property and income taxes to receive state foundation aid, so long as the reductions were the sole cause of the district levying less than the required amount.

### Levy restrictions due to excess carry-over

The General Assembly enacted a provision that would prohibit a school district from submitting any new current expense levy, excluding a renewal levy, to voters if it has a general fund carry-over balance of more than 100% of its general fund expenditures for the preceding fiscal year. The act allows a district to designate, by resolution, an amount of general funds for permanent improvement expenses to be used within the next three years and to exclude those funds from the carry-over balance calculation.

In addition, when a current expense levy is placed on the ballot by a school district with a carry-over balance under the 100% threshold, the provision would require the election notice and ballot language for that levy to state the percentage and amount of the district's general fund carry-over balance.

The Governor removed this provision in his disapproved boxed text, but did not mention the vetoed provision in his veto message. The provision would have applied to levies placed on the ballot at elections held on or after January 1, 2026.[154]

## Additional limitations on school district levies (VETOED)

The act would have imposed two additional limitations on school district property taxes, both of which would have applied to elections held on or after January 1, 2026.[155]

### Emergency and substitute levies

(R.C. 5705.03, 5705.194, 5705.195, repealed, 5705.196, repealed, 5705.197, repealed, 5705.199, 5705.219, 5709.92, and 5748.09; Section 801.310)

The Governor vetoed a provision that would have prohibited school districts from levying any new emergency levy, substitute levy, or combined school district income tax and current expense property tax levy.

An emergency levy is a tax designed to raise a fixed amount each year, i.e., a "fixed-sum" levy, for the emergency requirements of the school district or to avoid an operating deficit. A substitute levy is a tax that "substitutes" for an emergency levy. It raises a fixed sum in the first year, but that sum also grows each year as new property is added to the tax base. The third levy option authorizes a district to combine a school district income tax with a fixed-sum current expense property tax.

### Renewal and increase levies

(R.C. 5705.21, 5705.212, 5705.217, 5705.2114, and 5705.25; Section 801.310)

The Governor also vetoed a provision that would have prohibited school districts from proposing to renew and increase an existing levy. Under continuing law, renewal levies can

[154] On July 21, 2025, the House voted to override the Governor's veto of this item. The Senate had not acted on the override when this analysis was published.

[155] On July 21, 2025, the House voted to override the Governor's veto of both of these items. The Senate had not acted on the override when this analysis was published.

extend the term of an existing levy at its current effective millage rate, or at its current rate with either an increase or decrease. Under the act, a school district would have only been allowed to renew a levy at its current effective rate or at a lesser rate.[156]

## Replacement property tax levies (VETOED)

(R.C. 319.301, 319.302, 523.06, 1545.21, 3316.041, 3316.06, 3358.11, 3505.06, 5705.03, 5705.192, repealed, 5705.218, 5705.2111, 5705.221, 5705.233, 5705.261, and 5705.412; Section 801.310)

The General Assembly enacted provisions that would eliminate the authority of political subdivisions to levy replacement property tax levies, beginning with elections held on or after January 1, 2026. The Governor stated an intent to veto these provisions in the Governor's veto message description but did not include all of the relevant provisions in the disapproved boxed text.

A replacement levy extends the term of an existing levy at the same original millage rate of the levy it is replacing. By contrast, renewal levies extend the term of an existing levy at its current effective millage rate – i.e., its rate after reductions resulting from the H.B. 920 tax reduction factors. The tax reduction factors have the effect of lowering a levy's effective millage over time, since they are designed to prevent a subdivision's tax revenue from growing at the same rate as property values. Consequently, unlike a renewal levy, a replacement levy allows subdivisions to receive the benefit of any growth in property tax values that occurred during the life of the existing levy.[157]

## Tax levy ballot language (VETOED)

(R.C. 133.18, 306.32, 306.322, 345.01, 345.03, 345.04, 505.37, 505.48, 505.481, 511.28, 511.34, 513.18, 755.181, 1545.041, 1545.21, 1711.30, 3311.50, 3318.01, 3318.06, 3318.061, 3318.062, 3318.063, 3318.361, 3318.45, 3381.03, 4582.024, 4582.26, 5705.01, 5705.03, 5705.21, 5705.213, 5705.215, 5705.218, 5705.219, 5705.233, 5705.25, 5705.251, 5705.261, 5705.55, 5748.01, 5748.02, 5748.03, 5748.08, and 5748.09; Section 801.310)

The act would have modified the language used on property tax ballots and election notices to describe a property's value. The Governor removed these provisions in his disapproved boxed text but did not describe the vetoed provisions in his veto message.

For elections held before 2026, the true value of property, or the price at which it would be sold between a willing buyer and seller, is described as the "county auditor's appraised value."

[156] On July 21, 2025, the House voted to override the Governor's veto of this item. The Senate had not acted on the override when this analysis was published.

[157] On July 21, 2025, the House voted to override the Governor's veto of this item. The Senate had not acted on the override when this analysis was published.

The act would have instead required that, beginning with elections held in 2026, ballots and election notices use the term "county auditor's market value."[158]

## 20-mill floor limits (VETOED)

(R.C. 319.301; Section 801.280)

The Governor vetoed a provision that would have modified the calculation of the 20-mill floor that guarantees school districts a certain level of property tax revenue. Specifically, the act would have added all current fixed-sum levies to the calculation of the floor. Although the act also would have prohibited schools from levying certain new fixed-sum levies after January 1, 2026, this addition would have been applied to all of those taxes levied before that date.

### 20-mill floor: overview

Continuing property tax law applies a "tax reduction factor" to real property, with the goal of preventing property taxes from increasing at the same rate as property values. Basically, each year when property values increase, property tax collections are adjusted downward so that taxing districts receive the same amount of revenue they received in the previous year. These reductions are converted to an "effective tax rate."

The tax reduction factor, under the Ohio Constitution, cannot apply to unvoted, or "inside" millage, or certain other types of operating levies, like fixed-sum levies.[159] Emergency and substitute levies are two of the most common voter-approved fixed-sum levies imposed by school districts.

There are some exceptions to the tax reduction factor – one of which is the 20-mill floor, which guarantees that a school district's effective tax rate for operating expense levies cannot fall below 20 mills. Instead, the tax reduction factor can only reduce a school district's operating levy collections to 20 mills – once that "floor" is reached in a school district, the reduction factor cannot reduce effective tax rates any further. Consequently, any growth in property tax values will produce a corresponding increase in taxes from those 20 mills. If property values increase 35% in a school district that is "on" the 20-mill floor, homeowners will generally see a larger tax increase than in other districts that are not on the 20-mill floor. The tax increase will very likely be less than 35%, since the tax reduction factor will still apply to other local tax levies (e.g., county and township levies), but since school district levies typically make up a majority of a homeowner's property taxes, the 20-mill floor will have a significant impact.

Under continuing law, a similar 2-mill floor applies to joint vocational school districts (JVSDs).

### Effect of additional floor-eligible current expense millage

Under continuing law, a school district whose effective rate has been fixed at 20 mills by operation of the 20-mill floor, for either or both property classes, is still able to levy additional

[158] On July 21, 2025, the House voted to override the Governor's veto of this item. The Senate had not acted on the override when this analysis was published.

[159] Ohio Constitution, Article XII, Section 2a.

current expense taxes. In general, because effective rates are based off of taxes collected on carryover property in the preceding tax year, levying additional current expense millage will likely "raise" the school district's effective millage rate off of the 20-mill floor. For example, if voters in a school district that is on the floor approve a five-mill operating levy, then, for the first year the levy is added to the tax list and all other factors being equal, the effective rate of the district will be close to 25 mills (20 "floor" mills plus the five additional mills). Once at that higher threshold, the district's effective rates will gradually reduce back to 20 mills as property values increase in the district.

A similar dynamic would have happened under the act when operating levies currently not considered when calculating the floor would have become part of the floor computation. For instance, if a district on the floor has a five-mill fixed-sum levy, in 2026, the total millage included in the district's 20-mill floor calculation would have increased to around 25 mills. This rate would have gradually decreased as the district's effective operating millage subject to the tax reduction factor, i.e., voted fixed-rate levies, is reduced as property values increase. The Governor vetoed a provision that would have expressly codified this dynamic to the extent any ambiguity exists under the current statutory language.

### Fixed-sum levies included in 20-mill floor calculation

Under current law, the calculation of a school district's 20-mill floor includes only inside millage used for operating expenses and voted, fixed-rate operating expense levies. Fixed-sum levies are not included in the calculation, even if the revenue from those levies is used for operating expenses.

The Governor vetoed a provision that would have required that current expense fixed-sum levies be included in the calculation of a school district's 20-mill floor or a joint vocational school district's two-mill floor, beginning in tax year 2026. This includes school district emergency levies, substitute levies, and three other types of less common fixed-sum levies:

- A growth levy, which collects a fixed amount in its first year, and then an additional percentage or amount of revenue in each following year.
- A property tax that collects a fixed amount each year, levied in combination with a school district income tax. The school district income tax portion would not have been included in the floor.
- A conversion levy, which may no longer be submitted to voters after 2014, though existing levies may be renewed. This levy allowed school districts above the 20-mill floor to repeal and re-levy their taxes in excess of the floor as a single fixed-sum levy, with the express purpose of dropping the district onto the 20-mill floor.

These levies would have continued to be excluded from the tax reduction factors, since that mechanism cannot reduce the amount of money raised from fixed-sum levies. JVSDs would also have been authorized to levy an emergency or substitute levy, even though it appears that currently none of them do. Regardless, the act would have also included any emergency or substitute levies in the computation of a JVSD's 2-mill floor.

The effect of these changes, for school districts that impose one or more of these levies, would have been to increase the total millage that is compared to the 20-mill floor. If the district was previously on the floor, the new calculation may have pushed the district above the floor, with the result that the district would not see full revenue growth from its voted property tax levies that were affected by the tax reduction factor until the district fell back to the 20-mill floor.

## Tax relief screening system

(R.C. 319.202, 5323.02, 5703.21, and 5703.83; Section 757.150)

The act creates a statewide screening system, administered by TAX, to evaluate the eligibility of owners of real property and manufactured and mobile homes that receive the 2.5% owner-occupancy credit or a homestead exemption. TAX is required to notify county auditors of any improperly granted tax reductions discovered through the system.

The act provides an amnesty from any charges, penalties, or interest in the first year of the system's operation for taxpayers found to be ineligible for a reduction, unless the county auditor determines the reduction was procured through fraud, a false statement, or a knowing omission. During this amnesty year, tax bills will notify recipients of the homestead exemption or owner-occupancy credit that they are eligible for amnesty if they self-report their ineligibility within that year. The act also requires potential homeowners be advised of the eligibility requirements for the owner-occupancy credit and of the duty to report subsequent ineligibility prior to signing closing documents.

The act requires TAX to annually report to the General Assembly the number of properties whose ineligibility was flagged by the system.

## County budget commissions (PARTIALLY VETOED)

(R.C. 5705.01, 5705.13, 5705.131, 5705.132, 5705.222, 5705.27, 5705.29, 5705.31, 5705.314, 5705.32, 5705.321, 5705.35, 5705.36, 5705.40, and 5747.51)

The act makes several changes related to CBCs. In general, CBCs are discussed in the LSC Members Brief, *Political Subdivision Budgeting Process*.[160] Generally, they are responsible for annually reviewing local government tax budgets, adjusting those budgets if property tax revenue is insufficient to fund them, and approving properly authorized property tax levies with limited options to adjust their rates.

In other words, under prior law and traditionally, CBCs have had broad authority to limit local government spending to available revenue but have had little authority to adjust revenue itself. The act makes several changes regarding tax budgets and that expand CBC authority. But the Governor vetoed some of those provisions, as explained below.

[160] LSC Political Subdivision Budgeting Process (PDF) Members Brief, which is available on LSC's website: lsc.ohio.gov/publications.

## Tax budgets

Under continuing law, each taxing authority is generally required to annually submit a tax budget for the succeeding fiscal year to the CBC.

The taxing authority is the local body that has the legal authority to levy taxes on behalf of a political subdivision or other taxing unit in the state. For most taxing authorities, which have fiscal years aligning with the calendar year, the budgets are due on July 15. Cincinnati and school district fiscal years align with the state's fiscal year, and their tax budgets are due February 15.

Tax budgets must include specific information required by statute, in the detail prescribed by the Auditor of State. The statutorily required information includes statements, to the extent possible, for the fiscal year during which the budget is submitted and the two preceding fiscal years, showing corresponding expenditure items. The act adds a requirement that estimated expenses through the end of the fiscal year be included.

It also adds:

- A requirement that any taxing unit that estimates it will collect more revenue in the succeeding fiscal year from inside millage because of increased valuations or on any taxes as a result of the 20-mill floor must declare its intent to collect or forgo that increased revenue;
- A requirement that political subdivisions disclose all funds in their control, for the current and preceding two fiscal years, the inclusion of which is not already required by law.

An additional provision allows, but does not require, school districts to include their most recent three-year projections of revenue and expenses with their tax budgets – a document each school is required to produce annually for the Auditor of State and DEW. CBCs that receive such projections must review them when considering the budgets.

Finally, the act expands the category of local bodies that must submit tax budgets. It does so in one case by specific reference and in another through a general catch-all provision. For health districts, the act specifically requires every health district that does not file tax budget information with another taxing authority for inclusion in that authority's budget to file a tax budget on its own behalf. The catch-all provision changes the definition of taxing authority to include every governing body responsible for levying a tax for a taxing unit for which the law does not already define a taxing authority. Because all taxing authorities must submit a tax budget, this encompasses all tax levying bodies that do not currently file one.

## Levy adjustment authority (PARTIALLY VETOED)

The act includes several provisions, most of them vetoed by the Governor, that would have expanded CBC authority to adjust levy collection amounts downward. Specifically, the act would have allowed CBCs to reduce millage on any voter-approved tax levy after its first year upon a finding by the CBC that a reduction was reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections, subject to conditions for levies imposed by public bodies with a majority of members chosen by voters. Specifically, for those levies:

- No such levy could be reduced to collect less revenue than in the preceding year unless funds were available from reserve balance accounts, nonexpendable trust funds, or carryover amounts to offset the reduction. Under prior law, reserve balance accounts and nonexpendable trust fund sources were generally exempt from CBC consideration, and the provisions changing that were not vetoed.
- School district levies could not be reduced such that a school district would collect below the 20 mills in revenue, except as required to comply with the act's provision limiting accrual of general fund carry-overs (see "**Reductions for excess carry-over**," (VETOED) above).

The act no longer requires CBCs to approve any properly authorized voted levy without modification if the subdivision or taxing unit for which it is collected requests an amount requiring a lower rate for the year. Unless specifically stated otherwise, such a request applies only for one year, and that provision was not vetoed. A related unvetoed provision requires a CBC to implement a taxing unit or subdivision's declared intent to collect or forgo increased collections from inside millage or due to operation of the 20-mill floor (see "**Tax budgets**," above). The latter would have included an exception to the requirement that schools levy at least 20 mills of property taxes for current operating expenses or lose their state funding, but the Governor vetoed that exception. As a result, if a school declares its intent to forgo increased revenue from inside millage or the 20-mill floor, and the CBC implements that request as an unvetoed provision of the act requires, the school could lose its state funding.

### Other CBC changes (PARTIALLY VETOED)

The act includes other CBC changes not described above. Specifically, it:

- Requires school districts to obtain approval from the CBC before adjusting unvoted, or "inside," millage in a manner that increases tax rates.
- Requires CBCs to offer, during at least one public meeting annually, testimony describing the concept and function of inside millage, how it is allocated to various jurisdictions in the county, and the fiscal impact of inside millage.
- Places the burden of proof on a taxing unit to show the need for additional revenue when challenging any levy reductions made by the CBC before the Board of Tax Appeals (BTA).

The Governor vetoed a provision that would have required the Tax Commissioner to annually adjust the rate of a fixed-sum levy so that it will continue to raise the sum approved by voters and to certify that adjustment to county auditors.

## Limitations on property tax challenges

(R.C. 5715.19 and 5717.01; Section 757.90)

The act modifies a recent law that imposed limits on the filing of property tax complaints by parties other than property owners. Among other changes, H.B. 126 of the 134th General Assembly limited the situations in which political subdivisions can file property tax complaints or appeal the decisions of a board of revision (BOR) regarding those complaints.

## Filing of property tax complaints

### *Sale requirement*

Under continuing law, as enacted in H.B. 126 of the 134th General Assembly, political subdivisions may only file a property tax complaint with respect to property the subdivision does not own if (a) the property was sold in an arm's length transaction before the complaint is filed and (b) that sale price was at least 10% and $500,000 more than the auditor's current valuation. The $500,000 threshold increases each year for inflation, beginning in tax year 2023. These limits also apply to third party property owners in the county who do not own or lease the property in question ("third party complainants").

The act further narrows this sale requirement, by specifying that the property must have been sold within the two years preceding the year for which the complaint is filed. Prior law required that the property be sold before that year but did not expressly include any limit on when that sale occurred. Under the act, the sale date may be either the date the sale is recorded with the county recorder or the date that a conveyance fee statement is filed.

### *Resolution*

Existing law also requires that, before filing a complaint, a subdivision must adopt a resolution authorizing the complaint. The act specifies that such a resolution is also required if the complaint is filed by a third-party complainant who is "acting on behalf of a subdivision." A person is considered to be "acting on behalf of a subdivision" if the person is an official or employee of the subdivision or was directed to file the complaint by an official or employee.

Under the act, all third-party complainants must submit an affidavit, with the complaint, certifying whether the person is or is not acting on behalf of a subdivision. The falsification of such an affidavit is a first degree misdemeanor.

### *Application*

The act's new complaint filing limits apply to complaints filed on or after September 30, 2025.

## Countercomplaints

Under continuing law, if a property tax complaint alleges a change in value of at least $50,000 in fair market value ($17,500 in taxable value), a school district may join the case by filing a countercomplaint. The act provides that a school district may only file such a countercomplaint if the original complaint was filed by the owner or lessee of the property. Essentially, the act prohibits school districts from filing countercomplaints when the original complaint is filed by another political subdivision or by a third-party complainant. This change applies to countercomplaints filed with respect to tax year 2022 and after.

## Appeals of BOR decisions

The act expands an existing law, also enacted in H.B. 126, that prohibits political subdivisions from appealing BOR decisions on property they do not own to the Board of Tax Appeals (BTA). Under the act, these appeal limitations also apply to third party complainants. In addition, the act expressly prohibits a subdivision from appealing a BOR decision regarding a

complaint filed by a third-party complainant. This latter prohibition applies to appeals of BOR decisions issued on or after July 21, 2022 (H.B. 126's effective date). The limit on third party complainants applies to appeals of BOR decisions issued after September 30, 2025.

### Private payment agreements

Continuing law prohibits a political subdivision from entering into a private payment agreement with a property owner whereby the owner agrees to pay the political subdivision to dismiss, not file, or settle a complaint or countercomplaint. The act extends this prohibition to any agreement that a property owner would enter into with a person who is acting on behalf of a political subdivision. This prohibition applies to complaints filed on or September 30, 2025.

## State community college tax operating levy

(R.C. 3358.08 and 3358.11)

The act authorizes a state community college to submit to certain of its voters a property tax levy to pay for its operating expenses. Specifically, the district, even though it may encompass territory in several counties, must submit the question only to voters in the county in which the district's main campus is located. The tax may be levied for any specified number of years, or for a continuing period of time, and may be renewed or replaced before its expiration. If county voters approve the levy, then the district may only use revenue from the tax to support its operations in that county and the district's board of trustees must charge a lower tuition rate to students who reside in that county.

Under continuing law, a state community college district is a political subdivision created by the Chancellor of Higher Education upon receiving a proposal from a technical college district or a state university or upon a proposal by boards of county commissioners or initiative petition. The purpose of the district is to establish, own, and operate a state community college. It is governed by a board of trustees consisting of nine members appointed by the Governor. The territory of the district is composed of the territory of a county, or of two or more contiguous counties. The district must have a population of at least 150,000.[161]

The tax levy authorized by the act is nearly identical to the operating levy authorized under continuing law for community college districts, except a community college district is not able to limit its levy to only a portion of its territory.[162] Community college districts and state community college districts perform similar functions but there are some administrative differences between the two, such as how they are formed and how trustees are appointed.

### Constitutional consideration

The Ohio Constitution requires that land and improvements must be taxed by uniform rule.[163] This has long been interpreted to mean, in part, that a taxing authority may not levy a

[161] R.C. 3358.01, 3358.02, and 3358.03, not in the act.

[162] R.C. 3354.12, not in the act.

[163] Ohio Constitution, Article XII, Section 2.

property tax within only a portion of its territory.[164] Accordingly, limiting a state community college district, whose territory may span multiple counties, to imposing an operating levy in only one of those counties may conflict with the uniform rule.

## Local option property tax reductions

(R.C. 319.304, 323.152, 323.153, 323.155, 323.156, 323.158, 4503.06, 4503.0610, and 5747.85; Sections 757.160 and 757.170)

### Homestead exemption

The act allows counties to offer a property tax exemption that would "piggy-back" on the existing state homestead exemption. Generally, the exemption would be available to the same qualifying homeowners, and offer the same benefit amount, as the state exemption.

#### *Homestead exemption: overview*

Under continuing law, the state provides a property tax credit for the residence, or "homestead," of homeowners who are age 65 or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption. The credit essentially exempts $28,000 of the value of a homestead from taxation. To qualify, an eligible homeowner's income cannot exceed an annual limit – $40,000 for tax year 2025 – unless the individual received the exemption before 2014, in which case they are "grandfathered" into receiving the exemption without meeting the income requirement. This exemption is often referred to as the "standard" homestead exemption.

Special "enhanced" exemptions of $56,000 of a homestead's value are available for homes of military veterans who are totally disabled and for the homes of surviving spouses of public service officers killed in the line of duty. There is no income limit for these enhanced exemptions.

The program's exemption amounts and income limit increase for inflation each year.

#### *Local option homestead exemption*

An eligible homeowner that resides in a county that has approved the local option exemption would essentially double their homestead exemption amount. For example, a homeowner who received a standard $28,000 exemption for tax year 2024 would have been eligible for a total exemption of $56,000 for that year if the county had authorized the local option exemption for that year. The one significant difference between the state and local option homestead exemptions is that, in order to qualify for a local option exemption, a homeowner must meet the income threshold applicable to nongrandfathered homeowners. In other words, someone who has over $40,000 in income but qualifies for the standard state homestead exemption would not be eligible for a local option exemption.

[164] See *Exchange Bank v. Hines, 3 Ohio St. 1, 15 (1853)* ("The uniformity must be coextensive with the territory to which it applies. If a State tax, it must be uniform over all the State; if a county, town, or city tax, it must be uniform throughout the extent of the territory to which it is applicable.").

### *Homeowner application*

A homeowner that qualifies for the state homestead exemption would not need to submit a separate application for a local option exemption, unless the homeowner has received the standard homestead exemption without verifying the person's income, i.e., because the person was grandfathered under the pre-2014 law. The act requires these grandfathered homeowners to apply for the local option homestead exemption in order to verify the homeowner's total income. Under continuing law, county auditors send qualifying homeowners a continuing application each year to report changes in income.

### Rollback for owner-occupied homes

The act also allows a county to authorize a tax reduction that would piggy-back on the state's 2.5% rollback for owner-occupied homes. The reduction would apply to the same qualifying homeowners and tax levies as the state-authorized reduction.[165] The state's rollback applies only to unvoted, or "inside" millage, municipal charter millage, and levies approved by voters before October 2023 or renewals or substitutes of those levies. Like the state rollback, the local option rollback could also equal up to 2.5% of the collections of qualifying levies, at the county's discretion.

### State reimbursement and application year

The state reimburses local governments from the GRF for revenue lost from both the existing homestead exemption and rollback. Under the act, local governments would not receive any compensation for their revenue lost from the county-authorized reductions.

If a county wishes to approve a local option homestead exemption or rollback for tax year 2025, the county has until October 31, 2025, to adopt a resolution authorizing either or both reductions. Otherwise, generally, a local option reduction approved before July 1 will apply to that tax year, while one approved after July 1 will first apply to the following tax year. A county may later rescind the authorization for either reduction.

## Sports facility exemption

(R.C. 5709.081)

Under continuing law, buildings and other improvements used by major league, or certain minor league, sports teams for their home games are exempt from taxation if several conditions are met. One of those conditions is that the land on which the building or improvements are made are owned by one or more political subdivisions or a corporation controlled by the subdivision or subdivisions. The act provides that, for the purpose of qualifying for the property tax exemption, a new community authority is a political subdivision. As a result, sports facilities

[165] The Governor partially vetoed part of this provision that defined the levies to which the local option 2.5% rollback apply, but it is unclear whether the veto has any substantive effect. On July 21, 2025, the House voted to override the Governor's veto of this item. The Senate had not acted on the override when this analysis was published.

on land owned by a new community authority, or a corporation controlled by the authority, can qualify for the exemption if all other exemption requirements are met.

## Parking garage tax exemption

(R.C. 717.051)

The act expands a property tax exemption for parking structures owned by certain local governments. Currently, the exemption applies to structures owned by municipal corporations that are "impacted cities," i.e., have certain distress criteria, or by counties encompassing such municipalities. The act expands the exemption by:

- Eliminating the requirement that the municipal corporation in which the garage is located be an "impacted city," so any municipal corporation or county qualifies;
- Extending the exemption to garages owned by a port authority or new community authority;
- Extending the exemption to the land on which the garages are located, as opposed to just the structures as allowed under prior law;
- Making the exemption permanent in lieu of the current 20-year maximum;
- Eliminating a requirement that the parking spaces be available to the general public.

## Community reinvestment area agreements and exemptions

(R.C. 3735.67 and 3735.671; Section 801.220)

The act allows counties, home-rule townships, and municipal corporations, through their legislative authorities, to amend existing community reinvestment area (CRA) agreements to extend a tax exemption to a total of 30 years when a megaproject becomes involved. Typically, a new or remodeled commercial structure in a CRA can receive a tax exemption on the value of a new structure or the increased value of a remodeled structure for up to 15 years.

Structures on the site of a megaproject and owned and occupied by a megaproject operator or off the site of a megaproject and owned and operated by a megaproject supplier, however, can receive exemptions for up to 30 years. In any case, CRA exemptions for commercial and industrial property must be governed by an agreement between the local government that created the CRA and the property owner. Those agreements establish the length and percentage of exemption, often subject to school district approval.

The act changes two aspects of the CRA law with respect to megaprojects. First, it establishes that the structures in question need only be owned or occupied, rather than owned and occupied as under prior law, by a megaproject operator or supplier to be eligible for a 30-year exemption. Second, the act allows an existing CRA agreement to be modified to the maximum 30-year term when a megaproject operator or supplier is expected to become the owner or occupier of the building in question. In other words, a building with a 15-year CRA exemption can become subject instead to a 30-year CRA exemption if a megaproject operator or supplier is expected to own or occupy the building at some time after the initial CRA agreement was executed.

The act also changes the CRA law with respect to commercial and industrial projects, generally. Recall that those projects receive CRA exemptions only pursuant to a negotiated agreement with the subdivision that designated the CRA. The act establishes that no political subdivision other than the designating board of township trustees, the board of county commissioners, or legislative authority of the municipal corporation needs to be a party to a CRA agreement unless that subdivision is a fee simple owner of the property in question that would otherwise be obligated to pay real property taxes for the property.

The act's megaproject-specific changes apply to all CRA agreements entered on or after January 1, 2025. The act's general change for all commercial and industrial CRA projects applies regardless of when the agreement was or is executed.

## Manufactured home tax waivers or refunds

(R.C. 4503.0611)

The act adds manufactured home park operators to the group authorized to notify the county auditor that a manufactured home has been damaged or destroyed to initiate a refund or waiver of taxes on the home. A notice submitted by an operator must include photographic evidence. Under continuing law, the manufactured home's owner or two disinterested people who reside in the same township or municipal corporation as the manufactured home may provide notice, without photographic evidence. Continuing law also allows the county auditor to submit the required form on the auditor's own initiative following an inspection and investigation if no reporting form has been received.

The act does not change the amount of taxes that may be waived or refunded. Under continuing law, the auditor must determine the reduction in the manufactured home's market value due to the damage or destruction. The ratio determined by comparing the reduced value to the initial value is the same ration by which the taxes are reduced if the damage or destruction occurred in the first half of a year. If in the second half of the year, ½ of the ratio is applied to determine the reduction.

## Temporary abatements

(Sections 757.60 and 757.70)

The act establishes a temporary procedure by which a church that acquired property in May 2022 and any municipal corporation or township may apply for a tax exemption for the property and abatement of any unpaid taxes, penalties, and interest that became a lien on the property from before the church, municipality, or township acquired it. The application for exemption and abatement must be filed with TAX by September 30, 2026.

Continuing law generally only allows a tax exemption if the property in question is exempt from taxation on the tax lien date, which is January 1 each year, and all taxes, penalties, and interest have been paid in full before the property was acquired by the exempt user. Delinquent

taxes accruing after that point may be abated, but only if they are delinquent for less than three years.[166]

# Local Government Fund

## Allocation amount

(R.C. 131.51(A); Sections 387.10 and 387.20)

The act permanently increases, from 1.70% to 1.75%, the percentage of state tax revenue deposited to the GRF each month that is then transferred to the Local Government Fund (LGF).

The budget enacted by the 135th General Assembly in 2023 increased the percentage the LGF receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent percentage was 1.66%, beginning in FY 2014, though the General Assembly had authorized several temporary increases ranging from 1.68% to 1.70% between FY 2014 and FY 2021.[167]

## Reductions for traffic camera fines

(R.C. 5747.502(B)(3))

The act terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations. H.B. 54 of the 136th General Assembly, the most recent biennial transportation budget, prohibited counties and townships from using those cameras, but it also preserved reductions in the LFG distributions to counties and townships that have employed them. As a result, under the transportation budget, outstanding LGF reductions from previous county and township traffic camera reductions are set to be deducted until they are fully withheld. The act eliminates those reductions as of September 30, 2025.

# Public Library Fund

## Allocations

(R.C. 131.51(B) and (C); Sections 387.10 and 820.20)

Beginning for FY 2026, the act no longer dedicates a 1.70% share of GRF tax revenue to the Public Library Fund (PLF), instead funding public libraries through a direct GRF appropriation ($479.7 million in FY 2026 and $489.7 million in FY 2027). Under prior law, OBM transferred this 1.70% share to the PLF monthly, while, under the act, OBM transfers $1/12$ of the PLF's appropriation for the fiscal year from the GRF to the PLF.

Similar to trends with the LGF, the budget enacted by the 135th General Assembly in 2023 increased the percentage the PLF receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent percentage was 1.66%, beginning in FY 2014, though the General

[166] R.C. 5713.08 and 5713.081, not in the act.

[167] Section 387.20 of H.B. 110 of the 134th General Assembly (2021), Section 387.20 of H.B. 166 of the 133rd General Assembly (2019), Section 387.20 of H.B. 49 of the 132nd General Assembly (2017), and Section 375.10 of H.B. 64 of the 131st General Assembly (2015).

Assembly had authorized several temporary increases ranging from 1.68% to 1.70% between FY 2014 and FY 2021.[168]

Under continuing law, money in the PLF is distributed monthly to each county's public library fund according to a formula, administered by TAX, which is predominately based on each county's share of the PLF in the preceding calendar year, plus an inflation factor. Each county distributes its share among libraries according to a locally approved formula or, in some counties, a statutory formula.

[168] Section 387.20 of H.B. 110 of the 134th General Assembly (2021), Section 387.20 of H.B. 166 of the 133rd General Assembly (2019), Section 387.20 of H.B. 49 of the 132nd General Assembly (2017), and Section 375.10 of H.B. 64 of the 131st General Assembly (2015).