

Greenbook

LBO Analysis of Enacted Budget

Ohio Department of Taxation

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Attachments:

Appropriation Spreadsheet for TAX

Appropriation Spreadsheet for RDF

LBO Greenbook

Ohio Department of Taxation

Quick look...

- The Department of Taxation (TAX) administers and enforces most state and locally levied taxes.
 - It administers state taxes, except on insurance, spirituous liquor, and motor vehicle licenses.
 - It determines amounts of various revenue distributions to local governments.
- The Tax Commissioner heads the Department and is appointed by the Governor.
- About 95% of TAX's appropriations in H.B. 96, the main operating budget act of the 136th General Assembly, are under the Fiduciary Fund Group, mostly for refunds of taxes paid in excess of amounts owed.
- TAX's administrative expenses are funded from the GRF (42%) and various non-GRF funds (58%). Revenues to these non-GRF funds are from shares of receipts from taxes administered by TAX, fees for services provided, and transfers.

Fund Group	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
General Revenue	\$57,440,659	\$58,735,064	\$63,163,000	\$67,166,271
Dedicated Purpose	\$64,010,615	\$68,668,553	\$86,090,606	\$87,478,874
Fiduciary	\$4,026,056,921	\$3,510,552,866	\$3,082,619,000	\$3,082,619,000
Holding Account	\$7,000	\$0	\$25,500	\$25,500
Total	\$4,147,515,195	\$3,637,956,482	\$3,231,898,106	\$3,237,289,645
% change	--	-12.3%	-11.2%	0.2%
GRF % change	--	2.3%	7.5%	6.3%

Highlights of tax provisions in the enacted budget

The following paragraphs provide a brief summary of notable tax changes in the enacted main operating budget, H.B. 96. Detailed information regarding tax law changes in H.B. 96 is available in LSC budget documents, posted on the LSC website (lsc.ohio.gov).

Personal income tax

H.B. 96 phases down the state income tax on nonbusiness income to a flat rate of 2.75% over two years. For tax year (TY) 2025, H.B. 96 reduces the top bracket rate (income over \$100,000) from 3.5% to 3.125%, while retaining the 2.75% rate for income between \$26,050 and \$100,000. For TY 2026, H.B. 96 further reduces the top bracket rate so that a flat 2.75% rate applies to all income over \$26,050. Additionally, H.B. 96 reduces the tax due on all taxpayers' first \$26,050 of income by \$18.69 for taxpayers with an income of \$26,051 to \$100,000 in TY 2025. In

TY 2026, it further reduces the amount due by \$10 for taxpayers with an income of \$26,051 to \$100,000 and by \$28.69 for taxpayers with an income of more than \$100,000, which effectively creates a single tax bracket in which a taxpayer owes \$332 plus 2.75% of income above \$26,050.

H.B. 96 suspends the inflation indexing of both the income tax brackets and personal exemption amounts in TY 2025 and TY 2026. H.B. 96 limits eligibility, in TY 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 TY 2026, it further reduces eligibility to taxpayers with a MAGI of \$500,000 or less. H.B. 96 also requires TAX to adjust employer withholding tables to reflect the income tax rate changes but 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.

These changes are estimated to reduce personal income tax (PIT) revenue by about \$529 million in FY 2026 and \$1,146 million in FY 2027, of which \$100 million in FY 2026 and \$215 million in FY 2027 is attributable to reductions in withholding tables. Of the total revenue loss, the GRF would bear 98.25% under current law, with the remaining 1.75% of revenue loss to the Local Government Fund (LGF).

Sales and use taxes

Sales tax exemptions

H.B. 96 repeals, beginning January 1, 2026, the sales and use tax exemption for the following: (1) rental payments for motor vehicles 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, (2) sales of refrigerated food vending machines, sales of advertising material or catalogs that price and describe property offered for retail sale, purchases by direct marketing vendors of items that are used in printing advertising material, and equipment primarily used to accept orders, (3) digital audio on jukeboxes and similar devices in commercial establishments, (4) sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center, (5) tangible personal property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing, and (6) the 25% refund of sales and use taxes provided to providers of electronic information services. These exemptions may potentially increase GRF revenue by roughly \$85 million in FY 2026 and \$176 million in FY 2027.

Sales and use tax: vendor discount cap

The enacted budget caps, beginning January 1, 2026, the prompt payment sales and use tax vendor discount at \$750 per vendor's license per month covered by the return. The enacted budget also exempts remittances from the sale of motor vehicle leases from the cap; the discount for such sales still equals 0.75% of the amount due on the return. The caps may potentially increase GRF tax revenue by about \$10 million in FY 2026 and \$20 million in FY 2027.

Commercial activity tax (CAT)

CAT credit for net operating losses

The enacted budget converts a CAT credit for certain net operating losses accrued under the defunct corporation franchise tax from a refundable to a nonrefundable credit after calendar year 2029. The conversion may have potential short-term revenue gain after 2029 by preventing up to an estimated \$200 million in refundable credits from being issued in 2030.

Other taxes

Adult-use marijuana excise tax

H.B. 96 repeals previous tax revenue distributions for the adult-use marijuana excise tax and requires 36% of all receipts from the excise tax to be permanently distributed to municipalities and townships that host adult-use dispensaries, while the remaining 64% to be credited to the GRF. The requirement would allocate about \$48.9 million of such excise tax revenue in FY 2026 and \$87.0 million in FY 2027 to the GRF while the Host Community Cannabis Fund (Fund 7106) would receive about \$27.5 million in FY 2026 and \$49.0 million in FY 2027.

Tax credits

Transformational mixed-use development tax credits (TMUD)

H.B. 96 increases the annual cap for TMUD tax credit awards from \$100 million to \$125 million per year beginning in FY 2026. H.B. 96 also prohibits the award of the credit after FY 2027 unless specifically authorized by an act of the General Assembly. H.B. 96 transfers responsibility for reviewing and approving TMUD applications from the Ohio Tax Credit Authority to the Department of Development (DEV). H.B. 96 allows the amount of previously awarded TMUD tax credits subsequently rescinded to be available for award again in the fiscal year following rescission without counting against the prescribed annual dollar limit of approved tax credits. H.B. 96 reduces the maximum amount of tax credit that can be awarded for a single project from \$40 million to \$20 million. H.B. 96 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. H.B. 96 eliminates the ability of an insurance company that contributes capital to a project to apply for a TMUD tax credit. H.B. 96 also makes several changes to the law regarding the initial issuance, sale, and transfer of TMUD credits, as well as the criteria for TMUD projects located within or more than ten miles of a major city.

The provision would reduce future domestic and foreign insurance tax revenues up to \$250 million total, depending on the amount of TMUD tax credits awarded in FY 2026 and FY 2027. It is plausible that the associated state tax revenue losses would not begin until FY 2028.

Opportunity zone investment tax credit

H.B. 96 increases the amount of opportunity zone investment tax credits that DEV may award in FY 2026 and FY 2027, from \$25 million to \$50 million per fiscal year. H.B. 96 requires excess funds from the first year of the fiscal biennium to be carried forward to the second year. H.B. 96 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. The total amount that can be issued for a single project is limited to \$5 million. H.B. 96 prohibits the award of the credit after FY 2027 unless specifically authorized by an act of the General Assembly. The changes would decrease state tax revenues by \$25 million per year during the FY 2026-FY 2027 biennium.

Film and theater production and capital improvement tax credits

The enacted budget repeals the film and theater capital improvement tax credit. The enacted budget allows film and theater capital improvement tax credits awarded prior to H.B. 96's effective date to be claimed in the same manner as under law prior to the repeal. The repeal is likely to increase GRF tax revenue by \$25 million, plausibly beginning in FY 2027.

Revenue sharing

The enacted budget increases the percentage of GRF tax revenue sharing with the Local Government Fund (LGF, Fund 7069) from 1.70% to 1.75%.

The enacted budget also eliminates a share of GRF tax revenue for the Public Library Fund (PLF, Fund 7065) and replaces it with a direct GRF appropriation in FY 2026 and FY 2027.

Vetoed provisions

The Governor vetoed several tax-related provisions of H.B. 96, including provisions that would have:

1. Prohibited the award of the film and theater production tax credit after FY 2027 unless specifically authorized by an act of the General Assembly.
2. Repealed a personal income tax credit for tuition paid to a nonchartered, nonpublic school, beginning on January 1, 2026.
3. Required TAX to apply income tax refunds to satisfy judgment debts arising from private civil lawsuits if the person owed files an order of garnishment of property, other than personal earnings with TAX, including charging a fee of \$15 to each creditor seeking application of a person's tax refund to the debt they owe.
4. Disallowed beginning October 1, 2025, the Tax Credit Authority from entering into an agreement to award a sales and use tax exemption to a computer data center for sales of certain tangible personal property used in the center.
5. Repealed, beginning January 1, 2026, the sales and use tax exemption for sales of newspapers; the transfer of all copyrighted motion picture films, including those transferred for use solely for advertising; and machinery, equipment, and material used in the production for sale of printed material.
6. Eliminated a requirement that the appropriate state agency be notified when the right to claim TMUD credits is transferred or sold.
7. Increased the annual cap on the Ohio historic building preservation tax credit for FY 2026 and FY 2027 and prohibited the award of the historic building rehabilitation tax credit after FY 2027 unless specifically authorized by an act of the General Assembly.

8. Exempted a vendor with no sales of adult-use marijuana for a reporting period from the requirement to file an adult-use marijuana excise tax return. Required the adult-use marijuana excise tax be considered a sales and use tax for all purposes of the Revised Code.
9. Required Ashtabula County to repeal a 2% special lodging tax used to fund the costs of a convention center.
10. Eliminated various provisions regarding property tax levies and general fund carryover balance calculation for political subdivisions and school districts.
11. Required that emergency and substitute tax levies, including incremental growth levies, conversion levies, and the property tax portion of combined income tax and property tax levies be included in the calculation of a school district's 20-mill floor or a joint vocational school district's two-mill floor for property tax purposes.
12. Required each city, local, and exempted village school district to submit the certificate of available revenue required under R.C. 5705.36 to the county auditor by July 15 of each year, including meeting requirements for a county budget commission (CBC) to determine whether a district's general operating budget carryover balance from the previous fiscal year exceeds 40% of total expenditures made in that fiscal year. Required school districts to annually certify to the county auditor the amounts spent and remaining of their carryover balance that is designated for permanent improvements. Required the budget commission to reduce the property taxes levied by the district for current expenses in the following tax year by the amount of the excess.
13. Allowed CBCs to reduce millage on any voter-approved tax levy aside from a debt levy if the commission finds it reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections, but such reduction is subject to certain limitations.
14. Transferred the responsibility of annually adjusting the rate of fixed-sum levies from county auditors to the Tax Commissioner and required auditors to apply the adjusted rates.

TAX budget overview

Agency overview

In administering and enforcing taxes, the Department of Taxation (TAX) performs such duties as assisting taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, conducting audits, and enforcing Ohio's tax laws. TAX also is responsible for determining the amounts of various revenue distributions to local governments, including motor fuel tax distributions, reimbursement of local governments for certain mandated property tax relief, transitional assistance for elimination of local taxation of tangible personal property of general business and the reduction of assessment rates on public utility tangible personal property, permissive sales and use tax distributions, and allocations to counties from the LGF and the PLF. The Tax Commissioner is a member of the Governor's cabinet.

Most of TAX's appropriations in H.B. 96 consist of transfers, principally tax refunds. Operating expenses account for the rest and mainly cover the cost of the personnel who perform TAX's various functions, along with supplies, equipment, and maintenance. In TAX's budget for FY 2026-FY 2027, GRF funding is used for operating expenses and tobacco settlement enforcement. Before FY 2016, TAX's budget also included GRF funding of state reimbursements to local governments for their revenue losses from property tax rollbacks and the homestead exemption. These reimbursements have continued to be administered by TAX, but as part of the State Revenue Distributions (RDF) budget. This separate portion of the main operating budget is discussed in more detail below.

Appropriation summary

The enacted budget provides total appropriations of \$3.23 billion in FY 2026 for TAX, about \$406.1 million (11.2%) lower than the actual spending in FY 2025. TAX's total appropriations for FY 2027 are \$3.24 billion, about \$5.4 million (0.2%) higher than total appropriations in FY 2026. The table in the "**Quick look**" section presents appropriations by fund group. The Fiduciary Fund Group accounts for most of the Department's budget, mainly for tax refunds.

Analysis of FY 2026-FY 2027 budget

This section provides an analysis of each appropriation line item (ALI) in the TAX section of the budget. It then briefly summarizes the appropriation line items that are listed under the RDF section of the main operating budget.

Department of Taxation

Introduction

For organizational purposes, the ALIs listed under TAX's budget section are grouped into two major categories based on their funding purposes. In the analysis that follows, ALIs for tax administration precede those for revenue distribution.

To aid the reader in locating each ALI in the analysis, the table below shows the category in which each ALI has been placed, listing the ALIs in order within their respective fund groups and funds. This is the same order the ALIs appear in the TAX section of the enacted budget.

In the analysis, each appropriation line item actual expenditures for FY 2025 and appropriations for FY 2026 and FY 2027 are listed in a table. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation in the enacted budget.

Categorization of TAX's Appropriation Line Items for Analysis of FY 2026-FY 2027 Budget				
Fund	ALI	ALI Name		Category
General Revenue Fund Group				
GRF	110321	Operating Expenses	1	Tax Administration
GRF	110404	Tobacco Settlement Enforcement	1	Tax Administration
Dedicated Purpose Fund Group				
2280	110628	CAT Administration	1	Tax Administration
4350	110607	Local Tax Administration	1	Tax Administration
4360	110608	Motor Vehicle Audit Administration	1	Tax Administration
4380	110609	School District Income Tax Administration	1	Tax Administration
4C60	110616	International Registration Plan Administration	1	Tax Administration
4R60	110610	Tire Tax Administration	1	Tax Administration
5BP0	110639	Wireless 9-1-1 Administration	1	Tax Administration
5JM0	110637	Casino Tax Administration	1	Tax Administration
5N50	110605	Municipal Income Tax Administration	1	Tax Administration
5N60	110618	Kilowatt Hour Tax Administration	1	Tax Administration
5NY0	110643	Petroleum Activity Tax Administration	1	Tax Administration
5V70	110622	Motor Fuel Tax Administration	1	Tax Administration

Categorization of TAX's Appropriation Line Items for Analysis of FY 2026-FY 2027 Budget				
Fund	ALI	ALI Name		Category
5V80	110623	Property Tax Administration	1	Tax Administration
5YQ0	110651	Sports Gaming Tax Administration Operating Expenses	1	Tax Administration
5ZA0	110650	Ohio Tax System Operating Expenses	1	Tax Administration
6390	110614	Cigarette Tax Enforcement	1	Tax Administration
6880	110615	Local Excise Tax Administration	1	Tax Administration
Fiduciary Fund Group				
4250	110635	Tax Refunds	2	Revenue Distribution
5CZ0	110631	Vendor's License Application	2	Revenue Distribution
Holding Account Fund Group				
R010	110611	Tax Distributions	2	Revenue Distribution
R011	110612	Miscellaneous Tax Receipts	2	Revenue Distribution

Category 1: Tax Administration

This category of appropriation line items provides funding to pay TAX's costs to administer the state's tax laws. The tax administration function includes several components. Taxpayer services include providing information to taxpayers by telephone and email, and through presentations to groups, improving compliance with tax laws. During FY 2024, staff answered nearly 414,000 calls from taxpayers, responded to nearly 42,000 emails, and handled over 38,000 inquiries made through the Ohio Business Gateway. Tax processing staff review paper and electronic submissions of tax forms, enter the data into TAX's computer systems, and retain tax returns. The Tax Compliance Division audits returns and issues notices and assessments for unpaid taxes, matches persons delinquent in making child support payments with taxpayers owed Ohio income tax refunds, provides the first level of appeal of the Tax Commissioner's findings in tax disputes, and engages in other enforcement and investigation activities. Tax Analysis monitors and analyzes tax legislation and gives technical assistance to the executive and legislative branches.

C1:1: Operating Expenses (ALI 110321)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 110321, Operating Expenses	\$58,616,231	\$63,000,000	\$67,000,000
% change	--	7.5%	6.3%

This GRF item is used by TAX to pay for personal services, purchased personal services, supplies and maintenance, and equipment expenses. Part of the administrative costs of providing

taxpayer services and of tax processing and compliance are paid from this line item. About 43% of the Department's costs for administration are paid from the GRF.

C1:2: Tobacco Settlement Enforcement (ALI 110404)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 110404, Tobacco Settlement Enforcement	\$118,833	\$163,000	\$166,271
% change	--	37.2%	2.0%

This GRF item pays for enforcement of cigarette tax laws, along with the Cigarette Tax Enforcement item, ALI 110614. TAX also assists the Attorney General's Office with noncompliance and enforcement of the Tobacco Master Settlement Agreement.

C1:3: CAT Administration (ALI 110628)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
2280 ALI 110628, CAT Administration	\$11,007,442	\$13,368,132	\$13,072,718
% change	--	21.4%	-2.2%

This item supports administration of various taxes including the CAT. The line item is funded by 0.65% of commercial activity tax receipts and \$100,000 of qualified distribution center annual fees. The increase in FY 2026 and FY 2027 appropriations from the FY 2025 level reflects planned information technology initiatives involving the CAT.

C1:4: Local Tax Administration (ALI 110607)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4350 ALI 110607, Local Tax Administration	\$31,226,782	\$38,632,001	\$39,008,489
% change	--	23.7%	1.0%

This item is used to pay costs incurred by TAX in collecting and administering the permissive county and regional transit authority sales and use taxes. Revenues to the fund are from a 1% fee on net collections of this tax. The increase in FY 2026 and FY 2027 appropriations reflects enhanced funding to support information technology initiatives. An uncodified provision of the enacted budget permits this line item to be used to pay travel expenses of members of Ohio's delegation to the Streamlined Sales Tax Project.

C1:5: Motor Vehicle Audit Administration (ALI 110608)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4360 ALI 110608, Motor Vehicle Audit Administration	\$1,108,000	\$1,282,300	\$1,282,300
% change	--	15.7%	0.0%

TAX's costs to investigate sales and use tax returns filed for person-to-person motor vehicle transactions, to determine if tax obligations have been met, are paid from this line item, Fund 4360. The source of funding is 15¢ from issuance of each vehicle certificate of title.

C1:6: School District Income Tax Administration (ALI 110609)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4380 ALI 110609, School District Income Tax Administration	\$8,090,131	\$9,651,710	\$9,732,886
% change	--	19.3%	0.8%

This item supports administration by TAX of the school district income tax. These expenses include costs to convey information to employers about the tax rate in any school district. Funding is from 1.5% of school district income tax collections. Money remaining in the fund after payment of administrative costs is returned to Fund 7067, from which collections are distributed to school districts. School district income taxes were collected for 212 districts as of January 3, 2025.

C1:7: International Registration Plan Administration (ALI 110616)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4C60 ALI 110616, International Registration Plan Administration	\$569,051	\$697,635	\$706,187
% change	--	22.6%	1.2%

This item supports Department of Taxation audits of persons who have registered motor vehicles under the International Registration Plan. This plan provides for payments among states that are members of the plan for portions of registration taxes that the states are eligible to receive because of operation within their borders of apportionable vehicles registered in other states.

C1:8: Tire Tax Administration (ALI 110610)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4R60 ALI 110610, Tire Tax Administration	\$165,927	\$138,123	\$138,123
% change	--	-16.8%	0.0%

This item supports administration of the tire tax. Revenue is from 2% of the \$1 per tire tax net of refunds. The rest goes to the Scrap Tire Management Fund (Fund 4R50) used by the Ohio Environmental Protection Agency and the Soil and Water Conservation District Assistance Fund (Fund 5BV0) used by the Department of Agriculture.

C1:9: Wireless 9-1-1 Administration (ALI 110639)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5BP0 ALI 110639, Wireless 9-1-1 Administration	\$222,783	\$251,418	\$251,418
% change	--	12.9%	0.0%

This item supports collection of wireless 9-1-1 charges by the Department. Revenue is from 1.0% of receipts from a charge of 60¢ per month on each wireless telephone number of a wireless service subscriber with an Ohio billing address. The remaining excess is transferred to the Next Generation 9-1-1 Fund (Fund 7093), administered by DAS.

C1:10: Casino Tax Administration (ALI 110637)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5JM0 ALI 110637, Casino Tax Administration	\$95,250	\$101,000	\$101,000
% change	--	6.0%	0.0%

This item supports administration of the 33% tax on gross casino revenue. Revenue is from 1% of the 3% of casino tax receipts transferred to the Casino Control Commission Fund in July, October, January, and April.

C1:11: Municipal Income Tax Administration (ALI 110605)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5N50 ALI 110605, Municipal Income Tax Administration	\$92,079	\$115,848	\$115,848
% change	--	25.8%	0.0%

This item is used to pay TAX's cost of administering municipal income taxation of business net profits, for businesses that elect to file with the Department, as well as to pay TAX's costs to administer the municipal income tax on electric light and local exchange telephone companies, the item's prior sole use. The Department distributes amounts owed to municipal corporations monthly. Revenue to Fund 5N50 for TAX's costs for administration is from 1.5% of taxes collected by the state on behalf of local governments from electric companies and telephone and telecommunications companies.

C1:12: Kilowatt Hour Tax Administration (ALI 110618)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5N60 ALI 110618, Kilowatt Hour Tax Administration	\$76,250	\$63,415	\$63,415
% change	--	-16.8%	0.0%

This item supports administration of the kilowatt hour tax owed by self-assessing purchasers. Revenue is from an annual fee of \$500 paid on each qualifying meter or location, paid by large commercial or industrial firms that register with the Department to pay the kilowatt hour tax as self-assessors.

C1:13: Petroleum Activity Tax Administration (ALI 110643)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5NY0 ALI 110643, Petroleum Activity Tax Administration	\$739,722	\$1,114,260	\$1,114,260
% change	--	50.8%	0.0%

This item supports TAX's administration of the tax on gross receipts of motor fuel suppliers. Revenue to the fund is from 1% of the balance, after payment of any refunds, in the Petroleum Activity Tax Fund (Fund R057) as of the last day of February, May, August, and November. The petroleum activity tax is levied at a rate of 0.65%.

C1:14: Motor Fuel Tax Administration (ALI 110622)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5V70 ALI 110622, Motor Fuel Tax Administration	\$5,178,979	\$6,713,625	\$6,871,008
% change	--	29.6%	2.3%

This item supports TAX's administration of motor fuel taxes: 38.5¢ per gallon on gasoline and 47¢ per gallon on diesel fuel. Revenue to Fund 5V70, as provided in codified law (R.C. 5735.053), is from an amount each month not to exceed $\frac{1}{24}$ of the approved appropriation assigned to the fund for the biennium.

C1:15: Property Tax Administration (ALI 110623)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5V80 ALI 110623, Property Tax Administration	\$4,343,952	\$5,477,332	\$5,509,569
% change	--	26.1%	0.6%

This item supports administration of property taxes, including real property tax equalization and taxes on personal property of public utilities. Funding is from 0.25% or less of the amount of the 10% rollback of taxes on residential and agricultural real property, and 0.45% or less of the amount of taxes on public utility personal property, limited to estimated Department costs to administer these taxes. In past years, revenue to this fund increased due to the increase in Ohio pipeline activity subject to the tax on public utility tangible personal property, while organizational changes reduced funding needed for property tax administration.

**C1:16: Sports Gaming Tax Administration Operating Expenses
(ALI 110651)**

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5YQ0 ALI 110651, Sports Gaming Tax Administration Operating Expenses	\$0	\$5,000	\$5,000
% change	--	--	0.0%

This item is for use by the Department in administering the 10% tax on sports gaming receipts of sports gaming proprietors. Legal sports gaming launched January 1, 2023. The OBM Director must transfer to the Sports Gaming Tax Administration Fund (Fund 5YQ0) from the Sports Gaming Revenue Fund (Fund R068), by the 15th of each month, reimbursement for the Department's actual expenses to administer the tax.

C1:17: Ohio Tax System Operating Expenses (ALI 110650)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5ZA0 ALI 110650, Ohio Tax System Operating Expenses	\$4,563,500	\$7,000,000	\$8,000,000
% change	--	53.4%	14.3%

This item is used for maintenance and support of the Department's Ohio Tax System, described as Project NextGen, to modernize administration of the state personal income tax and school district income tax. The system is to provide secure taxpayer and practitioner self-service on the internet. Up to \$15 million cash is to be transferred in the FY 2026-FY 2027 biennium to the Ohio Tax System Support Fund (Fund 5ZA0) for this purpose from any fund used by the Department that is otherwise allowable under state or federal law, except the GRF. The Tax Commissioner must submit a plan to the OBM Director requesting the necessary cash be transferred.

C1:18: Cigarette Tax Enforcement (ALI 110614)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
6390 ALI 110614, Cigarette Tax Enforcement	\$965,647	\$1,087,029	\$1,114,117
% change	--	12.6%	2.5%

This item supports enforcement of cigarette and tobacco tax laws. The line item is funded from 100% of wholesale cigarette license application fees (\$1,000 annually per place of business), 60% of retail cigarette license application fees (\$125 annually per place of business), and a \$25 fee to transfer a wholesale dealer cigarette license to a place of business other than that designated on the license. Enforcement costs are also paid from GRF line item 110404, Tobacco Settlement Enforcement.

C1:19: Local Excise Tax Administration (ALI 110615)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
6880 ALI 110615, Local Excise Tax Administration	\$224,056	\$391,778	\$392,536
% change	--	74.9%	0.2%

This item supports the Department's administration, including auditing and enforcement, of local taxes in Cuyahoga County on cigarettes, beer, wine, and mixed beverages. Revenue to the fund is from a 2% tax on these sales. Cuyahoga County voters approved local option excise taxes on these products beginning August 1, 1990, with the tax revenue used to pay debt service on bonds issued for the construction of professional sports facilities. Part of the revenue from the tax on cigarettes goes to the regional arts and cultural district.

Category 2: Revenue Distribution

This category of appropriation line items provides for the distribution of revenue to parties as specified in law. Appropriations included in this Revenue Distribution category within TAX's budget do not include amounts appropriated for funds within the State Revenue Distributions portion of the operating budget.

C2:1: Tax Refunds (ALI 110635)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
4250 ALI 110635, Tax Refunds	\$3,510,092,191	\$3,082,044,000	\$3,082,044,000
% change	--	-12.2%	0.0%

This item supports payment of refunds of taxes or fees for which amounts in excess of those owed have been paid. Amounts in this line item are by far the largest in TAX's budget. Receipts of the Tax Refund Fund are transferred from current receipts of the same tax or fee for

which the refund arose. Any additional amounts needed to pay required refunds are appropriated by the budget bill.

C2:2: Vendor's License Application (ALI 110631)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
5CZ0 ALI 110631, Vendor's License Application	\$460,675	\$575,000	\$575,000
% change	--	24.8%	0.0%

This item distributes \$25 vendor license fees for each place of business collected on behalf of county auditors back to the counties. The fees are distributed monthly to each county. Any additional amounts needed to make required payments are appropriated by the enacted budget.

C2:3: Tax Distributions (ALI 110611)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
R010 ALI 110611, Tax Distributions	\$0	\$25,000	\$25,000
% change	--	--	0.0%

This line item functions as a holding account for motor fuel surety bonds and sales tax payments when the proper disposition of the payment is uncertain. The line item also temporarily holds money from checks that include payment for more than one purpose, such as sales tax and employers' workers' compensation premiums. Disbursements from the fund vary greatly from year to year, depending on the volume of such payments.

C2:4: Miscellaneous Tax Receipts (ALI 110612)

Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
R011 ALI 110612, Miscellaneous Tax Receipts	\$0	\$500	\$500
% change	--	--	0.0%

This line item functions as a temporary holding account when Ohio personal income tax payments are deposited which cannot be posted correctly at the time of receipt. Any additional amounts needed to make required payments are appropriated by the enacted budget.

State Revenue Distributions

Each ALI listed in the State Revenue Distributions (RDF) section of the budget is administered by a state agency, but the funds are not included as part of the budget of the administering agency. The administering state agency does not spend this money on operations, but only distributes it as specified in state law. Though specific dollar amounts are appropriated for each ALI in the RDF section, language in the enacted budget provides for additional appropriation for these line items if needed to make required payments.

The table below summarizes actual spending for RDF ALIs by fund group for FY 2025 and the appropriations for FY 2026 and FY 2027.

RDF Appropriations by Fund Group			
Fund/ALI	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
General Revenue	\$1,956,932,051	\$2,029,929,521	\$2,057,283,908
Revenue Distribution	\$1,771,284,158	\$1,739,862,200	\$1,768,932,200
Fiduciary	\$5,970,679,042	\$6,056,300,000	\$6,108,740,000
Holding Account	\$99,668,920	\$101,700,000	\$108,200,000
Total	\$9,798,564,171	\$9,927,791,721	\$10,043,156,108
% change	--	1.3%	1.2%
GRF % change	--	3.7%	1.3%

The majority of these RDF appropriations are distributed to counties, school districts, municipalities, transit authorities, and libraries.

- The largest State Revenue Distribution line item (ALI 110963, Permissive Sales Tax Distribution, \$7.50 billion in total over the two years of the FY 2026-FY 2027 biennium) is used by the Tax Commissioner to distribute revenue from county and transit authority permissive sales taxes to the county or transit authority of origin, and also to distribute revenue to Cuyahoga County from the county's excise taxes on cigarettes and alcoholic beverages.
- Two GRF line items are used by the Department of Education (ALI 200903, Property Tax Reimbursement – Education, \$2.60 billion) and by TAX (ALI 110908, Property Tax Reimbursement – Local Government, \$1.39 billion) to reimburse school districts and local governments for property tax revenue losses from the 10% and 2.5% property tax rollbacks and the homestead exemption. The enacted H.B. 96 allows counties, by resolution, to offer a property tax exemption that would “piggy-back” on the existing state exemption, and offer the same benefit amount, as the state exemption. H.B. 96 also allows the board of county commissioners to authorize by resolution a tax exemption for owner-occupied homes that would “piggy-back” on the existing state 2.5% property tax rollback. These H.B. 96 provisions may have potential revenue loss to local taxing authorities depending on the discretion of the respective boards of county commissioners. The “piggy-back”

homestead exemption and “piggy-back” owner-occupied tax credit authorized by local officials are not reimbursed by the state.

- The third largest RDF line item (ALI 001699, Investment Earnings, \$2.03 billion) is used to pay investment earnings from the State Treasurer’s investment pool to recipient funds, including the GRF, as apportioned by the Office of Budget and Management.
- The fourth largest item (ALI 110967, School District Income Tax Distribution, \$1.53 billion) is used to distribute revenues to school districts that levy income tax from the Department of Taxation, which collects the tax on their behalf.

Other large distributions are made from two items – ALI 110969, Local Government Fund, \$1.07 billion, and ALI 110965, Public Library Fund, \$990.0 million – are used to distribute shares of GRF tax revenues to counties, municipal corporations, townships, public libraries, and other units of local government. The enacted H.B. 96 increases the share of GRF revenue in codified law for the Local Government Fund (LGF, Fund 7069) from 1.70% to 1.75%. Additionally, H.B. 96 eliminated a dedicated share of GRF revenue for the Public Library Fund (PLF, Fund 7065). Instead, H.B. 96 appropriates \$490 million for FY 2026 and \$500 million for FY 2027 from the GRF to the PLF. The Director of the Office of Budget and Management is required to transfer $\frac{1}{12}$ of the PLF’s appropriation for the fiscal year from the GRF to the PLF. The budget act also includes required transfers out from the PLF to various funds (Ohio Public Library Information Network Technology Fund (Fund 4S40), Library for the Blind Fund (Fund 5GB0), State Library Operating Expenses Fund (Fund 5CZ1), Ohioana Library Association Fund (Fund 5CW1), and Regional Library Systems Fund (Fund 5CX1)), totaling about \$10.3 million each in FY 2026 and FY 2027.

Three line items for Gross Casino Revenue Payments (ALIs 110633, 110634, and 110636) are used to distribute 90% of casino tax revenue to counties, school districts, and host cities, with the rest administered by state agencies, as required by the Ohio Constitution.

ALIs used to make payments to school districts and joint vocational school districts (JVSDs) to replace the loss in district tax revenues due to the phase-out of general business tangible personal property taxes, and changes in the taxation of utilities, are paid from the GRF beginning in FY 2026. Policy changes made in the FY 2024-FY 2025 biennium reallocated revenues previously credited to funds 7047 and 7081 for this purpose to GRF funds:

- ALI 200417, Personal Property Tax Replacement Phase-Out – School District, replaced ALI 200902, Property Tax Replacement Phase-Out – Education.
- ALI 110403, Personal Property Tax Replacement Phase-Out – Local Government, replaced ALI 110907, Property Tax Replacement Phase-Out – Local Government.

For additional information on each RDF ALI, please refer to the RDF section of the LSC Catalog of Budget Line Items (COBLI) on the LSC website (lsc.ohio.gov/budget/catalog-of-budget-line-items).

**FY 2026 - FY 2027 Final Appropriations
All Fund Groups - Detail**

H.B. 96 - Main Operating Appropriations Bill

Detail by Agency			FY 2024	FY 2025	Appropriation FY 2026	Appropriation FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
TAX Department of Taxation								
GRF	110321	Operating Expenses	\$57,295,449	\$58,616,231	\$63,000,000	\$67,000,000	7.48%	6.35%
GRF	110404	Tobacco Settlement Enforcement	\$145,210	\$118,833	\$163,000	\$166,271	37.17%	2.01%
General Revenue Fund Subtotal			\$57,440,659	\$58,735,064	\$63,163,000	\$67,166,271	7.54%	6.34%
2280	110628	CAT Administration	\$10,930,773	\$11,007,442	\$13,368,132	\$13,072,718	21.45%	-2.21%
4350	110607	Local Tax Administration	\$30,553,678	\$31,226,782	\$38,632,001	\$39,008,489	23.71%	0.97%
4360	110608	Motor Vehicle Audit Administration	\$1,100,376	\$1,108,000	\$1,282,300	\$1,282,300	15.73%	0.00%
4380	110609	School District Income Tax Administration	\$6,393,927	\$8,090,131	\$9,651,710	\$9,732,886	19.30%	0.84%
4C60	110616	International Registration Plan Administration	\$468,079	\$569,051	\$697,635	\$706,187	22.60%	1.23%
4R60	110610	Tire Tax Administration	\$150,160	\$165,927	\$138,123	\$138,123	-16.76%	0.00%
5BP0	110639	Wireless 9-1-1 Administration	\$267,114	\$222,783	\$251,418	\$251,418	12.85%	0.00%
5JM0	110637	Casino Tax Administration	\$109,643	\$95,250	\$101,000	\$101,000	6.04%	0.00%
5N50	110605	Municipal Income Tax Administration	\$125,217	\$92,079	\$115,848	\$115,848	25.81%	0.00%
5N60	110618	Kilowatt Hour Tax Administration	\$78,606	\$76,250	\$63,415	\$63,415	-16.83%	0.00%
5NY0	110643	Petroleum Activity Tax Administration	\$747,880	\$738,722	\$1,114,260	\$1,114,260	50.84%	0.00%
5V70	110622	Motor Fuel Tax Administration	\$5,076,800	\$5,178,979	\$6,713,625	\$6,871,008	29.63%	2.34%
5V80	110623	Property Tax Administration	\$4,309,102	\$4,343,952	\$5,477,332	\$5,509,569	26.09%	0.59%
5YQ0	110651	Sports Gaming Tax Administration Operating Expenses	\$0	\$0	\$5,000	\$5,000	N/A	0.00%
5ZAO	110650	Ohio Tax System Operating Expenses	\$2,498,995	\$4,563,500	\$7,000,000	\$8,000,000	53.39%	14.29%
6390	110614	Cigarette Tax Enforcement	\$987,866	\$965,647	\$1,087,029	\$1,114,117	12.57%	2.49%
6880	110615	Local Excise Tax Administration	\$212,400	\$224,056	\$391,778	\$392,536	74.86%	0.19%
Dedicated Purpose Fund Group Subtotal			\$64,010,615	\$68,668,553	\$86,090,606	\$87,478,874	25.37%	1.61%
4250	110635	Tax Refunds	\$4,025,495,696	\$3,510,092,191	\$3,082,044,000	\$3,082,044,000	-12.19%	0.00%
5CZ0	110631	Vendor's License Application	\$561,225	\$460,675	\$575,000	\$575,000	24.82%	0.00%
Fiduciary Fund Group Subtotal			\$4,026,056,921	\$3,510,552,866	\$3,082,619,000	\$3,082,619,000	-12.19%	0.00%

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H.B. 96 - Main Operating Appropriations Bill

Detail by Agency			FY 2024	FY 2025	Appropriation FY 2026	Appropriation FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
TAX Department of Taxation								
R010	110611	Tax Distributions	\$7,000	\$0	\$25,000	\$25,000	N/A	0.00%
R011	110612	Miscellaneous Tax Receipts	\$0	\$0	\$500	\$500	N/A	0.00%
Holding Account Fund Group Subtotal			\$7,000	\$0	\$25,500	\$25,500	N/A	0.00%
Department of Taxation Total			\$4,147,515,195	\$3,637,956,482	\$3,231,898,106	\$3,237,289,645	-11.16%	0.17%

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Detail by Agency			FY 2024	FY 2025	Appropriation FY 2026	Appropriation FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
RDF State Revenue Distributions								
GRF	110403	Personal Property Tax Replacement Phase Out - Local Government	\$0	\$0	\$3,770,000	\$3,170,000	N/A	-15.92%
GRF	110908	Property Tax Reimbursement - Local Government	\$650,687,708	\$673,396,827	\$687,764,172	\$698,816,877	2.13%	1.61%
GRF	200417	Personal Property Tax Replacement Phase Out - School District	\$0	\$0	\$46,478,241	\$42,618,185	N/A	-8.31%
GRF	200903	Property Tax Reimbursement - Education	\$1,223,040,646	\$1,283,535,224	\$1,291,917,108	\$1,312,678,846	0.65%	1.61%
General Revenue Fund Subtotal			\$1,873,728,354	\$1,956,932,051	\$2,029,929,521	\$2,057,283,908	3.73%	1.35%
5JG0	110633	Gross Casino Revenue Payments - County	\$168,243,033	\$169,814,822	\$168,320,000	\$166,460,000	-0.88%	-1.11%
5JH0	110634	Gross Casino Revenue Payments - School Districts	\$114,177,214	\$114,300,330	\$112,210,000	\$110,970,000	-1.83%	-1.11%
5JJ0	110636	Gross Casino Revenue - Host City	\$16,494,415	\$16,648,512	\$16,530,000	\$16,400,000	-0.71%	-0.79%
7047	200902	Property Tax Replacement Phase Out - Education	\$58,694,690	\$51,409,162	\$0	\$0	-100.00%	N/A
7049	336900	Indigent Drivers Alcohol Treatment	\$999,773	\$966,999	\$1,800,000	\$1,800,000	86.14%	0.00%
7050	762900	International Registration Plan Distribution	\$25,743,904	\$28,220,983	\$26,000,000	\$26,000,000	-7.87%	0.00%
7051	762901	Auto Registration Distribution	\$356,320,183	\$352,621,614	\$379,000,000	\$391,000,000	7.48%	3.17%
7065	110965	Public Library Fund	\$489,347,998	\$504,594,157	\$490,000,000	\$500,000,000	-2.89%	2.04%
7066	800966	Undivided Liquor Permits	\$14,519,666	\$23,726,834	\$14,600,000	\$14,600,000	-38.47%	0.00%
7069	110969	Local Government Fund	\$485,371,380	\$503,992,612	\$530,900,000	\$541,200,000	5.34%	1.94%
7081	110907	Property Tax Replacement Phase Out - Local Government	\$5,360,018	\$4,491,579	\$0	\$0	-100.00%	N/A
7082	110982	Horse Racing Tax	\$31,568	\$30,727	\$31,200	\$31,200	1.54%	0.00%
7083	700900	Ohio Fairs Fund	\$460,085	\$465,828	\$471,000	\$471,000	1.11%	0.00%
Revenue Distribution Fund Group Subtotal			\$1,735,763,928	\$1,771,284,158	\$1,739,862,200	\$1,768,932,200	-1.77%	1.67%
4P80	001698	Cash Management Improvement Fund	\$10,552,176	\$11,872,279	\$1,000,000	\$1,000,000	-91.58%	0.00%
5VR0	110902	Municipal Net Profit Tax	\$190,776,939	\$229,389,280	\$241,330,000	\$253,400,000	5.21%	5.00%
6080	001699	Investment Earnings	\$1,032,525,429	\$1,010,030,701	\$1,050,000,000	\$975,000,000	3.96%	-7.14%
7001	110996	Horse Racing Tax Local Government Payments	\$136,505	\$101,799	\$120,000	\$120,000	17.88%	0.00%

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Detail by Agency			FY 2024	FY 2025	Appropriation FY 2026	Appropriation FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
RDF State Revenue Distributions								
7062	110962	Resort Area Excise Tax Distribution	\$2,326,985	\$2,708,357	\$2,540,000	\$2,650,000	-6.22%	4.33%
7063	110963	Permissive Sales Tax Distribution	\$3,607,521,149	\$3,673,939,287	\$3,706,800,000	\$3,788,700,000	0.89%	2.21%
7067	110967	School District Income Tax Distribution	\$680,506,527	\$737,718,964	\$748,610,000	\$778,170,000	1.48%	3.95%
7085	800985	Volunteer Firemen's Dependents Fund	\$240,775	\$245,010	\$300,000	\$300,000	22.44%	0.00%
7094	110641	Wireless 9-1-1 Government Assistance	\$29,747,503	\$39,671,826	\$35,500,000	\$31,300,000	-10.52%	-11.83%
7095	110995	Municipal Income Tax	\$6,714,923	\$13,577,729	\$8,100,000	\$8,100,000	-40.34%	0.00%
7099	762902	Permissive Tax Distribution - Auto Registration	\$246,156,221	\$251,423,811	\$262,000,000	\$270,000,000	4.21%	3.05%
Fiduciary Fund Group Subtotal			\$5,807,205,131	\$5,970,679,042	\$6,056,300,000	\$6,108,740,000	1.43%	0.87%
R045	110617	International Fuel Tax Distribution	\$89,844,049	\$99,668,920	\$101,700,000	\$108,200,000	2.04%	6.39%
Holding Account Fund Group Subtotal			\$89,844,049	\$99,668,920	\$101,700,000	\$108,200,000	2.04%	6.39%
State Revenue Distributions Total			\$9,506,541,462	\$9,798,564,171	\$9,927,791,721	\$10,043,156,108	1.32%	1.16%