THE BUCKEYE INSTITUTE

Easing Ohioans' Property Tax Burdens

Interested Party Testimony
Ohio Senate Local Government Committee
Ohio House Bill 335

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As Submitted

Chair O'Brien, Vice Chair Gavarone, Ranking Member Smith, and members of the Committee, thank you for the opportunity to submit written testimony regarding **Ohio House Bill 335**.

My name is Greg R. Lawson. I am a research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

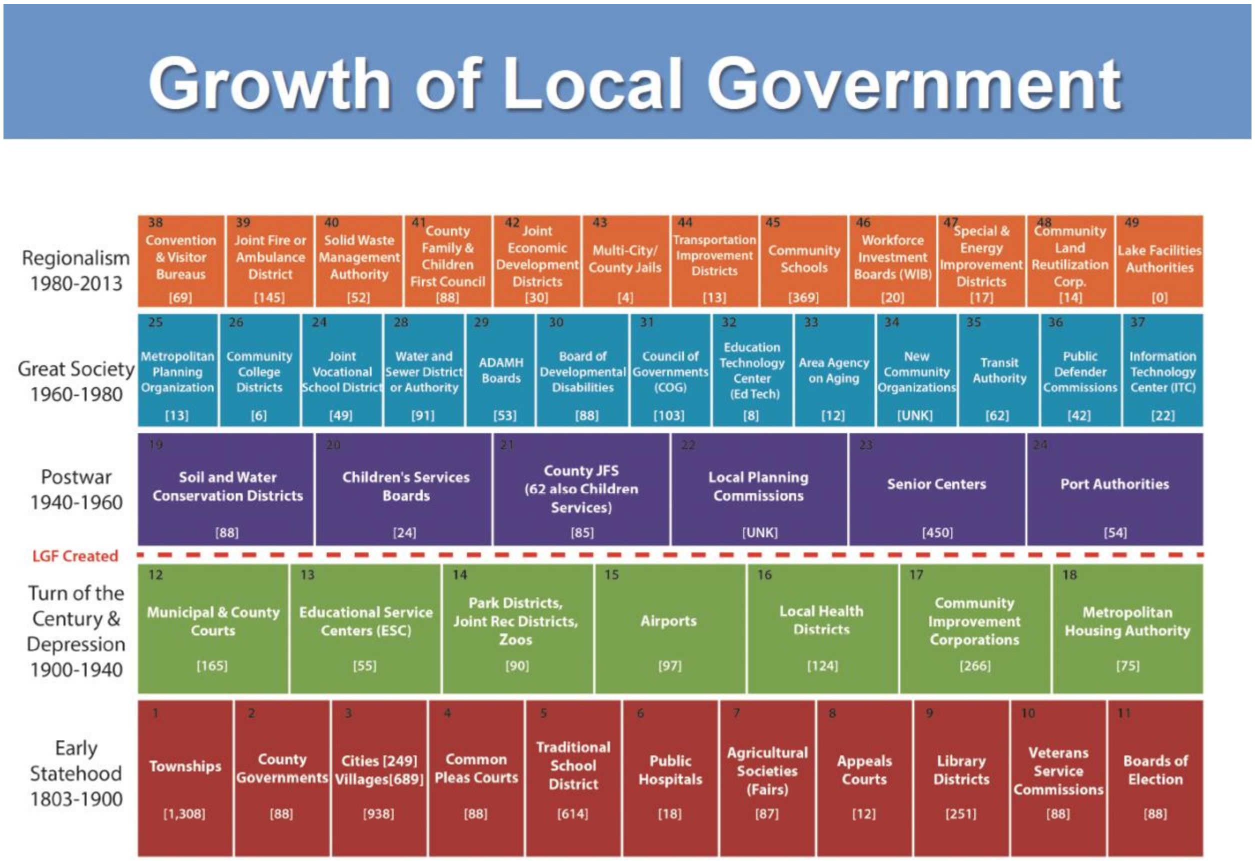
Ohio's property taxes and complex municipal income tax structure imposed the **8th highest local tax burden** as a percentage of income in the nation in fiscal year 2022—up from **12th in fiscal year 2021**. In addition to costs and inefficiencies created by a byzantine local government system, homeowners and small businesses now routinely face unpredictable property tax spikes spurred by historic inflation levels, leading some to openly call for **abolishing property taxes** altogether.

House Bill 335—the Property Tax Relief NOW Act—is one of the most significant property tax reform legislation since **House Bill 920** passed in 1976. Without exploring every aspect of the legislation, I want to highlight what The Buckeye Institute foresees as most beneficial for over-burdened homeowners.

House Bill 920 created a cap, or reduction factor, on the increase of property taxes, but also allowed for the "**20-mill floor**," which guarantees public school districts a minimum tax rate regardless of voter approval. This guarantee combines with various **emergency levies** and **inside millage reallocations** to allow school districts to collect millions of dollars in property taxes from homeowners every year without a vote.

House Bill 335 substantially changes Ohio's inside millage, which is not subject to House Bill 920 reduction factors and can therefore be levied without prior voter approval. House Bill 335 essentially puts limits on the level of increase property taxpayers will have to pay due to inside millage. This bold departure from the status quo will immediately save Ohio taxpayers billions of dollars and face vociferous opposition from local governments that will soon have to make hard choices about their taxes and public services.

The Buckeye Institute continues to **urge** policymakers to ease property tax burdens by streamlining Ohio's local government structure of more than 600 school districts and thousands of taxing entities. The graphic below, included in Governor Kasich's Beyond Boundaries effort, shows the historical rise in Ohio taxing authorities up to 2013. And the number has continued to rise.



Should House Bill 335 be enacted, The Buckeye Institute continues to recommend eliminating unfunded state mandates that force local governments to raise taxes to meet Columbus's demands, and advocates incentivizing local governments to share resources or consolidate to reduce excessive levies as counties and municipalities look to diversify their tax bases without inside millage. The ***Beyond Boundaries*** report and **The Buckeye Institute** have offered guidance for consolidation and service-sharing across jurisdictions that can save taxpayer dollars and make public services more efficient.

The Buckeye Institute commends Representative Thomas for introducing House Bill 335 and taking a decisive step toward a more efficient local government structure and property tax system. That step is sorely needed to protect Ohio taxpayers from an outmoded, undemocratic system that has cost them dearly.

Thank you for your time and attention.

WHO CAN TAX YOU

THE ROOT CAUSE OF RISING PROPERTY TAXES

THE NUMBER OF **LOCAL** GOVERNMENT BODIES THAT CAN TAX OHIOANS HAS GROWN TO MORE THAN → **6,500**

THE PROBLEM

TYPES OF ENTITES WITH TAXING POWER HAS EXPLODED

11
1803-1900
Early Statehood

+7

18
1900-1940
Turn of the Century & Depression

+6

24
1940-1960
Postwar

+13

37
1960-1980
Great Society

+12

49
1980-2013
Regionalism

THE SOLUTION

HOW TO LOWER PROPERTY TAXES

- Require approval for most property tax levies to go on the ballot.
- County budget commissions can reduce taxes if excess property taxes are collected.
- Eliminate or modify the 20-mill floor to end tax hikes without a vote.
- End or limit millage growth to end property tax increases without a vote.
- Link state funding to performance to lower costs and improve services.
- Consolidate local gov'ts to reduce redundancies and improve resource allocation.
- Require local gov'ts to enhance transparency by joining Ohio Checkbook.
- Eliminate tax abatements that hurt families and small businesses.
- Require local gov'ts to spend state tax dollars on specific, critical needs.
- Share state tax funds with local communities in dire need to keep critical services.

For more on The Buckeye Institute's recommendations, visit: **BuckeyeInstitute.org/LocalGovReform**.

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About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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