



# Understanding State & Local Taxes – Who Collects What, What Do They Support, & Ways to Educate and Engage Constituents

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## Order of BUSINESS



### PURPOSE OF TODAY'S DISCUSSION

- 1. *Clarify who collects what in Ohio's tax structure*
- 2. *Distinguish income vs. property taxes*
- 3. *Highlight **what** these taxes support*
- 4. *Connect **statewide systems to local impact** (schools, cities, other local governments, infrastructure)*
- 5. *Discuss public finance offices' responsibility to taxpayers to provide education and resources on local taxes*



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*Order of* **BUSINESS**

**PRESENTATION TOPICS**

1. Overview: Ohio's Tax Framework
2. Real Property Tax
3. Municipal Income Tax
4. School District Income Tax
5. Public Utility Property Tax
6. Other Key Revenue Sources
7. Bringing It All Together: What These Taxes Support
8. Providing Education and Resources on the Topic to the Public

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**POLL QUESTION #1**

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## OVERVIEW

### OHIO'S TAX FRAMEWORK

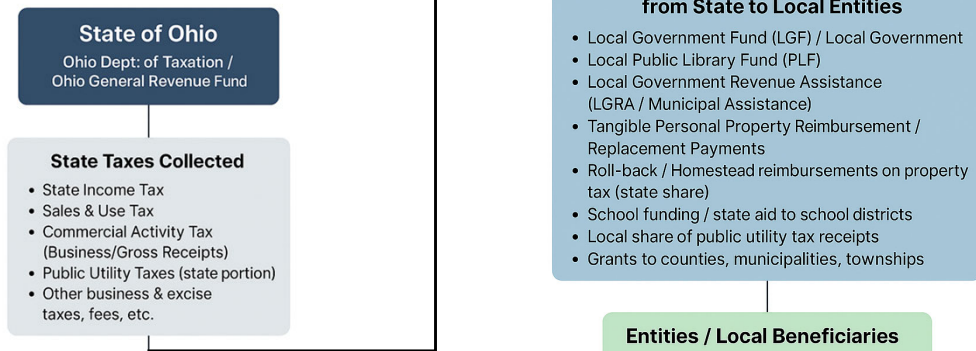
- **Shared responsibility:**
  - State
  - Counties
  - Municipalities
  - School Districts
- **Two main tax bases:**
  - Income-based
  - Property-based
- **State vs. Local Government**
  - State – Income and Sales Taxes
  - Local – Property and Income Taxes



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## OVERVIEW

### Ohio State & Local Tax Flow



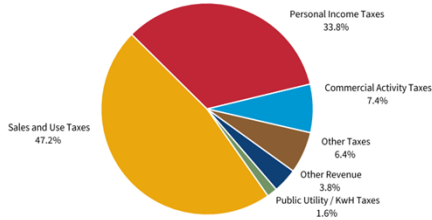
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# OVERVIEW

Budget Highlights State of Ohio

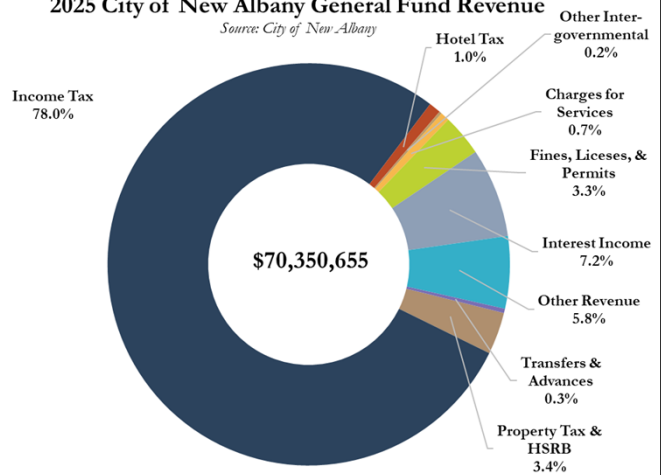
## FY 2026 - 2027 Executive Budget Estimated State Only General Revenue Fund Revenues

Unlike most states, federal reimbursements for eligible Medicaid GRF expenditures are deposited into the GRF rather than into a federal fund. This pie chart removes estimated federal reimbursement revenue from the Other Revenue category to illustrate a more representative view of state-only GRF revenue by source.



## 2025 City of New Albany General Fund Revenue

Source: City of New Albany



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# POLL QUESTION #2

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## REAL PROPERTY TAX

### Things to Know:

- **Administered by the County Auditor & Treasurer**
  - Collected in Arrears (ie 2024 TY, collected 2025 CY)
  - Semi-Annual installments
- **Calculation:**
  - Assessed Value (AV) = 35% of Market Value (MV)
  - Tax = AV x Voted Millage (Effective Tax Rate)
  - Commercial vs. Residential Rates
  - HSRB credits, PILOTs, Exemptions
- **Average Distribution (Ohio):**
  - Schools - ~70%
  - Local Governments - ~20%
  - Other - ~10%

**Calculation of Tax - \$250,000 Home**

<u>Market Value (MV)</u>		<u>Assessment</u>		<u>Taxable Value (TV)</u>
250,000	x	35%	=	87,500
<b>Class 1 (Res)</b>				
<u>Taxable Value (TV)</u>		<u>Effective Rate/\$1,000</u>		<u>Property Tax</u>
87,500	x	69.196518/1,000	=	\$ 6,054.70

**Calculation of Tax - \$1,000,000 Commercial Property**

<u>Market Value (MV)</u>		<u>Assessment</u>		<u>Taxable Value (TV)</u>
1,000,000	x	35%	=	350,000
<b>Class 1 (Res)</b>				
<u>Taxable Value (TV)</u>		<u>Effective Rate/\$1,000</u>		<u>Property Tax</u>
350,000	x	84.267056/1,000	=	\$ 29,493.47

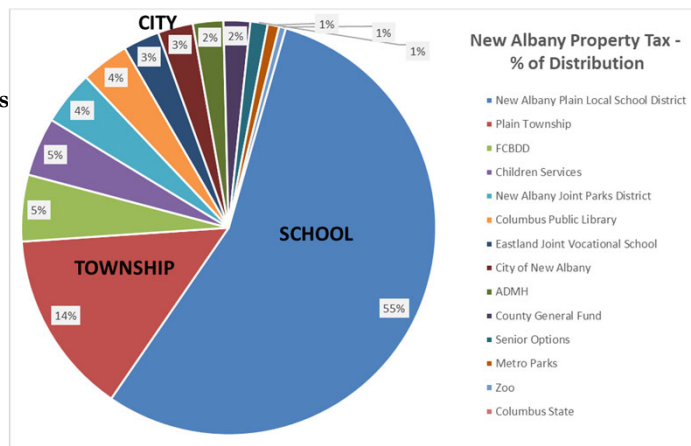
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## REAL PROPERTY TAX

### What Property Tax Supports:

- **Classroom teachers and school operations**
  - Traditional schools, JVSD, State Colleges
- **Local Safety forces**
  - Police, Fire, EMS
- **County services and programs**
  - Children Services, BoDDs, ADMH, Senior Options, General fund
- **Other**
  - Parks, Libraries, Townships



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## MUNICIPAL INCOME TAX

### Things to Know:

- **Levied by cities and villages**
  - <1% can enact without voter approval
  - >1% needs voter approval
  - Typically 1-3% w/ option of credits
- **Paid by residents and nonresidents working in the city & businesses**
  - Employer required to withhold and remit within incorporated limits; may courtesy withhold
  - 20-day rule for service providers, consultants, sales, etc.
- **Collected locally or through RITA/CCA**
  - RITA is not a person!
- **Funds local safety, operations, community programming, infrastructure, and economic development**



## MUNICIPAL INCOME TAX

### Taxable: Earned Income and Profits

- **Wages & Compensation**
  - Wages, salaries, bonuses, commissions
- **Net Business Profits**
  - Net profits of businesses and other professions conducted within the city (ie contract work)
- **Rental Income**
  - Rent from property you own
- **Other Earned Income**
  - Self-employment income, farm income, executor fees

### Non-Taxable: Unearned Income

- **Common Examples**
  - Interest
  - Dividends
  - Capital gains
  - Social Security benefits
  - Pension and retirement distributions
  - Unemployment compensation
  - Alimony

## MUNICIPAL INCOME TAX – NEW ALBANY SNAPSHOT

- 2% income tax, 100% credit for residents (most residents do not pay)
- Utilize Regional Income Tax Agency (RITA) for collections
- Breakdown of 3 categories of collections
  - Individual Income Tax ~ 15%
  - Employer Withholding ~ 65%
  - Net Profit Income Tax ~ 20%
- Construction Withholding\*
- School Compensation Agreements
- Transformative Projects



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# POLL QUESTION #3

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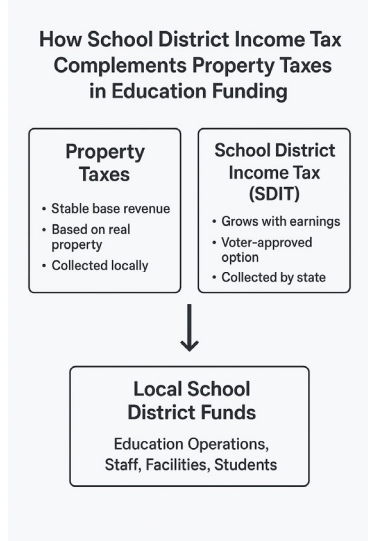
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## SCHOOL DISTRICT FUNDING

### Ohio's Local Education Finance Model :


School districts rely primarily on **locally generated revenue**, with Property taxes and SDIT being the key sources:

- **Property taxes** (on real estate values) anchor stability – Generally represents ~65-75% of most districts' local revenue
- **School District Income Taxes (SDIT)** (on residents' earned income) adds flexibility and growth potential
  - Usually voted at a 0.25%-2% tax rate
- Together, they provide a balanced and diversified funding mix, reducing the reliance on just one tax base and helping stabilize school finances over time



**Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform**






An Ohio Education Policy Institute Analysis



**OHIO EDUCATION  
POLICY INSTITUTE**  
INFORMING EDUCATION PUBLIC POLICY

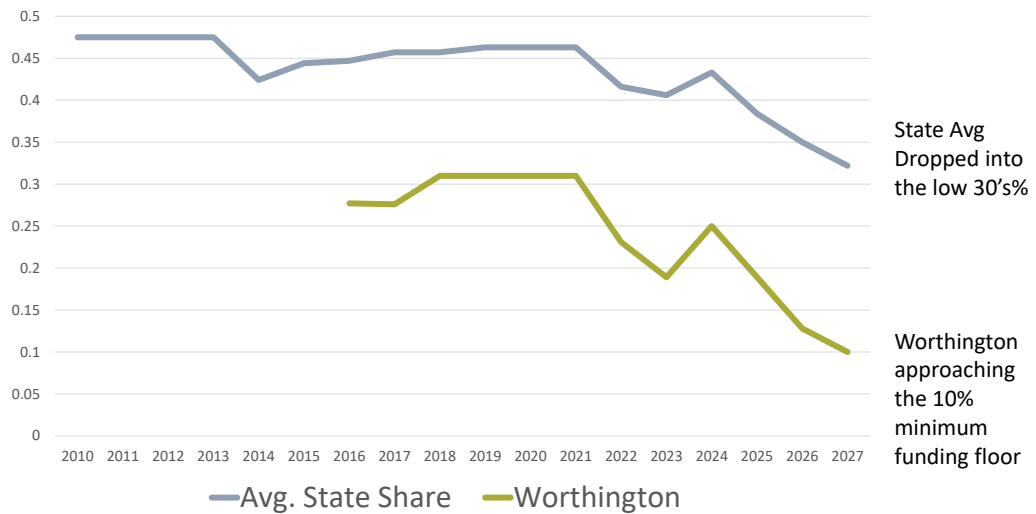
September 2025  
by Dr. Howard Fleeter and Dr. Greg Browning

# Ohio's changing tax landscape

-  Income tax – reduced from maximum rate of 7.5% to a flat 2.75% this year
-  Elimination of tangible personal property tax
-  Lowered assessment percentages on utility property
-  Small business tax deduction
-  Use of property tax exemptions/abatements has grown substantially

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# State Share of School Funding



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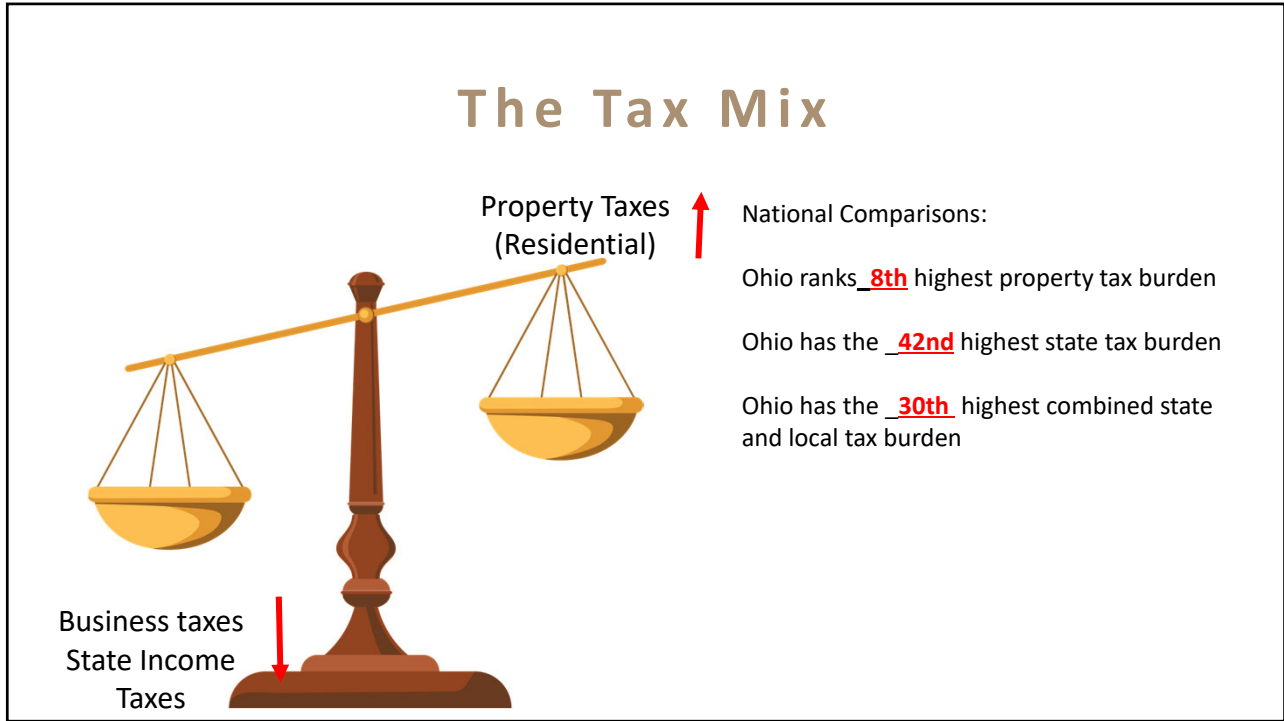
Org Type	FY25 Total State Support Est.	FY26 Total State Support	\$ Change	% Change	FY27 Total State Support	\$ Change	% Change
Traditional School Districts	\$8,396,104,206	\$8,523,587,302	\$127,483,096	1.5%	\$8,644,536,642	\$120,949,340	1.4%
Community/STEM Schools	\$1,359,116,969	\$1,421,725,423	\$62,608,454	4.6%	\$1,488,907,361	\$67,181,938	4.7%
Joint Vocational School Districts	\$497,162,863	\$539,050,612	\$41,887,749	8.4%	\$566,885,177	\$27,834,564	5.2%
Educational Service Centers	\$54,200,271	\$57,013,133	\$2,812,862	5.2%	\$59,193,967	\$2,180,834	3.8%
County Boards of DDs	\$40,198,475	\$41,212,861	\$1,014,386	2.5%	\$41,311,160	\$98,299	0.2%
<b>Public Total</b>	<b>\$10,346,782,784</b>	<b>\$10,582,589,330</b>	<b>\$235,806,547</b>	<b>2.3%</b>	<b>\$10,800,834,306</b>	<b>\$218,244,976</b>	<b>2.1%</b>
Scholarship	\$1,077,216,600	\$1,175,837,390	\$98,620,790	9.2%	\$1,264,885,428	\$89,048,038	7.6%
<b>Grand Total</b>	<b>\$11,423,999,384</b>	<b>\$11,758,426,720</b>	<b>\$334,427,337</b>	<b>2.9%</b>	<b>\$12,065,719,734</b>	<b>\$307,293,014</b>	<b>2.6%</b>

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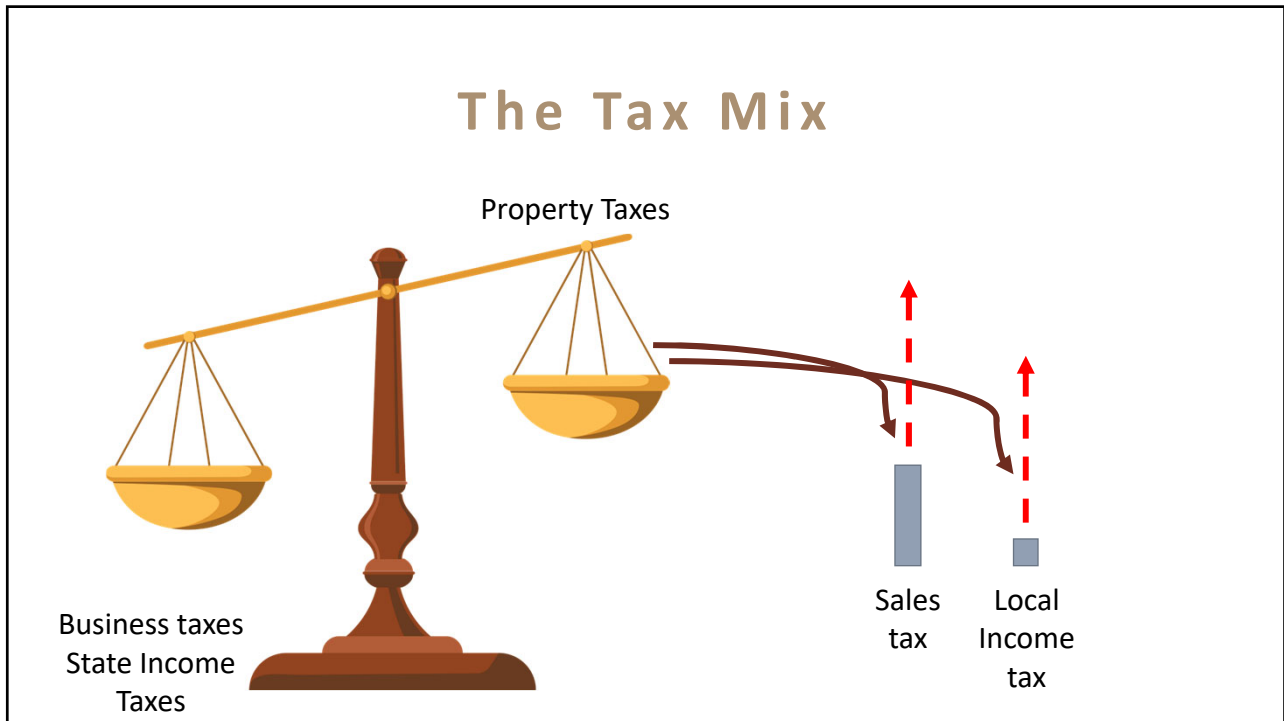
**Table 5: Percent of Total School Property Taxes by Type of Property, 1975-2022**

Type of Property	1975	1983	1991	1999	2007	2011	2015	2022
Class 1 Real % of Taxes	46.1%	47.1%	47.5%	52.4%	65.0%	69.9%	69.0%	66.1%
Class 2 Real % of Taxes	18.8%	18.6%	20.4%	20.3%	22.3%	24.3%	23.7%	22.0%
Total TPP % of Taxes	35.1%	34.4%	32.1%	27.3%	12.7%	5.7%	7.3%	11.9%
Business TPP % of Taxes	23.2%	22.3%	19.2%	17.7%	8.0%	0.0%	0.0%	0.0%
PU TPP % of Taxes	11.9%	12.0%	13.0%	9.6%	4.7%	5.7%	7.3%	11.9%
Total Business Property % of Taxes	53.9%	52.9%	52.5%	47.6%	35.0%	30.1%	31.0%	33.9%

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## School Spending:

- **2002 Ohio ranked 15<sup>th</sup> in per pupil spending on K12 education, 2023 ranks 20<sup>th</sup> and is below the national average**
- **AOS School Finance Special Report: K12 expenditures per pupil increased by an average of 0.71% annually from 2002 through 2022 when adjusted for inflation**

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## Libraries/Townships – Additional Information

### Public Libraries

- **Ohio Public Libraries Use Levies for Two Primary Purposes:**
  - Operations
  - Facilities Maintenance
- **There are 251 Public Libraries in Ohio**
  - 80% have local levies
  - Local levies account for more than 50% of Ohio Public Library Funding



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## Libraries/Townships – Additional Information

### Townships

- **1,308 Townships in Ohio**
  - Range from very small to large suburban townships
  - Over 80-90% have at least one voter-approved levy
  - Rare to operate on inside millage
  - 70-90% of township general funding comes from Property Tax
- **Township Funding**
  - Property taxes (largest source)
  - State shared revenues (e.g., Local Government Fund – reduced over time)
  - Fees (zoning, permits, EMS billing)
  - Special assessments (limited use)
- **Common Levies**
  - Fire/EMS levies (most common)
  - Road & bridge
  - General fund replacement levies
  - Police protection (in larger townships)
  - Cemetery maintenance

### • **Services provided by Townships**

- **Core** (almost all townships)
  - Road maintenance (non-state, non-county roads)
  - Cemetery operations
  - Basic administration & fiscal management
- **Common** (many townships)
  - Fire & EMS services (often largest expense)
  - Zoning & land use regulation
- **In larger / suburban townships**
  - Police services
  - Parks & recreation
  - Economic development support
  - Contract services (e.g., trash, lighting)

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## Libraries/Townships – Additional Information

### Townships, continued

- **Structural Limitations**
  - **No income tax authority** (unlike cities/villages)
  - Limited ability to generate non-property tax revenue
  - Heavy reliance on:
    - Voter approval
    - Property valuation growth
- **State Funding Context**
  - Local Government Fund has **declined significantly since ~2011**
  - **Result:**
    - Increased reliance on **Local Levies**
    - More frequent levy cycles

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# POLL QUESTION #4

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## Public Utility Property Tax

### Things to Know:

- **Applies to:**
  - Electric, natural gas, pipelines, railroads
- Valued and administered by:
  - **Ohio Department of Taxation**
- Distributed to local jurisdictions
  - Schools, Counties, Municipalities
- Increasingly significant for **data centers and energy infrastructure** in central Ohio



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## Public Utility Property Tax Reform

### House Bill 15 (HB 15):

- Passed in 2025, effective August 14, 2025
  - Reduces the tax on certain new assets to incentivize energy development
  - New transmission, distribution, and pipeline
    - New rate 25% (previously 88%)
  - New energy conversion equipment
    - New rate 7%, (previously 25%)
  - Applies to **NEW** facilities beginning operations after tax year 2026.
  - Facilities in operation prior to tax year 2027 will continue with their current assessment rates



## Other Key Revenue Sources

- State sales and use tax
  - Largest state revenue source
- Motor fuel tax
  - Roads and bridges
- Lodging, admissions, and special district taxes
  - Tourism and amenities



## BRINGING IT ALL TOGETHER

### From Taxes to Outcomes:

- **Education** → property + school district income taxes
- **Public safety** → municipal income taxes
- **Infrastructure** → mix of local, state, and federal funds
- **Economic growth** → funded through local income tax reinvestment



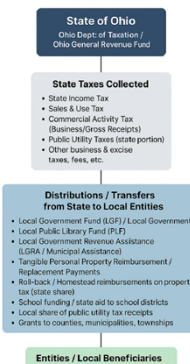
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## Providing Education and Resources to the Public

Education & Communication is more important than it's ever been!

- Offer a “Taxes 101” or something similar → Provide a space for residents/constituents to learn what their taxes support and how your entity is funded
- Update website with Current Financials →
  - Audit Report
  - Monthly Reports
  - Transparency Portal/Checkbook with Narrative
- Annual Report/Year in Review/“State of the...” → provide communication of achievements, progress, service updates
- Regular and Transparent Communications →
  - Newsletters
  - Advertise Council/Board Meeting Time/Agenda
  - Social Media
- Provide Meaningful Opportunity for Public Engagement →
  - Focus Groups – Planning, Tax/Revenue Analysis
  - “Town Halls”

### Ohio State & Local Tax Flow



### Ohio State & Local Taxes at a Glance

This summary provides a high-level overview of major state and local tax types in Ohio, who collects them, and what they fund. Ohio's tax structure reflects shared responsibility between state and local governments, supporting education, public safety, infrastructure, and community services.

Tax Type	Who Collects	Who Benefits / What It Supports
State Income Tax	Ohio Department of Taxation	State programs, education funding, health and human services
Sales & Use Tax	Ohio Department of Taxation (state + county address)	State general revenue, transportation, and county programs
Real Property Tax	County Auditor and Treasurer	Local schools (~70%), counties/municipalities (~20%), township/libraries (~10%)
Municipal Income Tax	Cities and Villages (directly or via RTA/CCA)	Local government operations, safety forces, infrastructure and economic development
School District Income Tax	Ohio Department of Taxation	Supports local school district operations and capital improvements
Public Utility Property Tax	Ohio Department of Taxation	Distributed locally—schools, counties, and municipalities; significant for data centers & utilities
Motor Fuel Tax	Ohio Department of Transportation / State Treasurer	Funds highway and bridge construction and maintenance
Lodging & Amusement Taxes	Municipalities and counties	Tourism, event facilities, and local amenities

In Ohio, property and income taxes together form the backbone of local government funding. They enable communities to maintain high-quality schools, safe neighborhoods, and reliable infrastructure. Understanding how state revenue sources interact is essential for effective fiscal planning and accountability.

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# POLL QUESTION #5

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## ≡≡≡ QUESTIONS???

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**Taxes → Services → Quality of Life**

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