Impacts of Property Tax Elimination in Ohio and Butler County

A Detailed Examination of Funding Losses and Alternative Revenue

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Butler County Auditor Nancy Nix, CPA

Proponents of the proposed constitutional amendment to ban property taxes in Ohio are now in the signature gathering process to place it on the ballot for a vote. All 50 states currently rely on some form of property taxes to fund government.

According to Andrey Yushkov of the Tax Foundation in an online report, in fiscal year 2021, property taxes comprised 30 percent of total state and local tax collections in the United States, more than any other source of revenue. Property taxes accounted for 72.5 percent of local tax collections nationwide in fiscal year 2021.[1]

If passed, the amendment would take effect on the first day of the year after passage. Since property taxes are collected a year in arrears, it's likely that local governments would collect at current funding levels during the calendar year following passage. What happens two years later is the unknown since the amendment does not address how the statewide loss of about $24 billion in local property taxes, including about $13 billion to school districts, would be offset.

According to a 2024 report from the Legislative Services Commission (LSC), property tax revenue provides 65.3 percent of the money used to fund local government in Ohio (p. 2) – including public schools, cities, counties, townships, police officers, EMTs and firefighters, public parks, public libraries, developmental disabilities and mental health boards, and services for veterans and seniors. About three-fifths (60%) of property tax revenue is allocated to school districts (p. 1).[2]

The Committee to Eliminate Ohio Property Taxes will need to garner more than 413,000 signatures from at least 5% of voters in 44 Ohio counties to move the issue to the November ballot. The Ohio Secretary of State must determine the sufficiency of signatures not later than 105 days before the election.

The amendment language

Be it Resolved by the People of the State of Ohio that the Constitution of Ohio is hereby amended to add Section 14 to Article XII to read as follows:

Section 14. Abolishment of Taxes on Real Property.

(A) No real property shall be taxed, and no law shall impose any taxes on real property.
(B) No other provision of the Constitution shall impose any taxes on real property.
(C) As used in this section, "real property" includes land itself, all growing crops therein, and all buildings, structures, and improvements permanently attached to the land.

This Amendment shall take effect on the first day of the year after it passes.

What are the property tax amounts that would be impacted?

1. $23.9 billion: Total Real & Public Utility Property taxes levied in Ohio for tax year 2024.[3]
2. $660 million: Amount of property taxes billed in Butler County for the 2024 tax year.[4]
3. $658.2 million: Net Property Tax Distributions in 2024 (2023 TY) in Butler County:[5]
    a. School Districts: $393.34 million (59.8%)
    b. Villages & Townships: $114.16 million (17.3%)
    c. County (including County-established TIFs and RIDs): $95.02 million (14.4%)
    d. Cities: $41.6 million (6.3%)
    e. MetroParks: $6.9 million (1.1%)
    f. Libraries: $5.4 million (0.8%)
    g. Miami Conservancy: $1.8 million (0.27%, technically a special assessment)
    h. SW Regional Water: $14,419 (0.002%, technically a special assessment)
4. $72.5 million: Butler County service levies and general fund distributions in 2024 for the 2023TY (included in 3c above)
    a. Children Services Levy: Generated $14.93 million
    b. Developmental Disabilities levies: Generated $20.73 million
    c. Mental Health levies: Generated $9.63 million
    d. Senior Citizens levy: Generated $9.7 million
    e. Butler County General Fund (inside millage): Generated $17.49 million (about 12 percent of general fund total)

Other revenue for local governments

As reported in the Butler County Auditor's Annual Financial Report (AAFR) for the year ended 2024 (p.9), Butler County cities, townships and villages (local subdivisions) received $7.35 million in local government payments in 2024 from the State, derived primarily from the State's sales and use tax. Metro Parks received $321,980 and Butler County received $3.22 million.

Lane Public Library received $6.2 million and MidPointe $6.5 million in 2024 from the State's Public Library Fund (p.11).

This type of funding could continue since it does not derive from property taxation, but it would need to substantially increase to make up for local shortfalls.

Alternatives to the property tax

Sales and Use Tax

Butler County sales tax revenue in 2024 was $59.4 million, derived from a tax rate of .75%. (about 41 percent of general fund total) – as reported in the AAFR (p. 6).

The State of Ohio collected $13.9 billion in sales tax revenue in fiscal year 2024 on a rate of 5.75%, according to the Ohio Department of Taxation's Annual Report for Fiscal Year 2024 (p. 74). The Public Library Fund received $247.2 million of this amount.[6]

Individual Income Tax

In fiscal year 2024, Ohio's individual income tax revenue was $10.03 billion (p. 46, ODT FY 2024 annual report). [6]

Commercial Activity Tax

Ohio's commercial activity tax generated $2.39 billion in fiscal year 2024 (p. 27, ODT FY 2024 annual report). [6]

School Income Tax

Income taxes are levied by 212 of Ohio's approximately 600-plus public school districts. During fiscal year 2024, school district income tax collections totaled approximately $708 million, a figure that includes approximately $10.6 million for the Ohio Department of Taxation administrative fee, and net distributions totaled $697.4 million. (p. 105, ODT FY 2024 annual report) [6]

Concerns upon passage center on lost income and services

Since most public school districts in Ohio rely on property taxes for more than 60 percent of their funding, and the Ohio Constitution requires the General Assembly to "secure a thorough and efficient system of common schools throughout the state,"[7] "legal experts say the legislature would be forced to shift to large increases in sales and income taxes to make up the lost revenue," per a report by WLWT.[8] That shortfall for school funding amounts to about $13.16 billion statewide (per an LSC report, p. 10, TY 2023[9]) and about $393 million in Butler County alone (as reported in the AAFR (p. 5).

School Districts and other local governments with outstanding bond obligations would have to return to their underwriters and convince them they'll still be able to cover their debts (with state money?). No doubt more schools would seek income taxes and/or ask voters to increase the income tax already in place.

With only Local Government Fund money to offset the loss of property taxes, Ohio townships would be hard pressed to continue to operate fire/EMS services, road and bridge improvements and police protection. The State Legislature would need to increase funding and/or allow townships to place income tax levies on the ballot or pass them directly through a vote of the Board of Trustees. Townships also take on debt to buy things such as fire trucks and police vehicles and build things such as fire and police stations. This debt is often paid back over several years. Without the original funding source in place, local governments could be left facing default.

Per the Ohio Township Association (OTA), townships serve approximately 35% of the state's population. According to OTA Director of Governmental Affairs, Kyle Brooks, "Eliminating property taxes without a responsible, well-defined alternative would leave townships with no path forward. It would gut local services, jeopardize public safety and create an unsustainable future for Ohio's 1,308 townships."[10]

In 2024, Butler County's townships and villages, per the AAFR (p. 5), received $114.2 million in property tax collections (from the 2023 tax year).

If an alternate funding source is not found quickly for township governments, 35% of the state's population could be left without vital services.

Considering that any new funding sources would need a full year to collect their projected offset amounts, immediate action would be needed by the Legislature to prevent at least a year of woefully underfunded schools, townships and other local governments in Ohio.

The AAFR shows, too, that cities would face a substantial loss of income. In Butler County, cities were sent nearly $41.6 million in local property tax money in 2024 from the 2023 tax year.

Examining income tax increases and 'tax expenditures'

A current plan put forward to increase state funding by the liberal think tank Policy Matters, targets businesses and the wealthiest Ohioans with income tax increases. Coupled with closing what's termed as the LLC loophole, this would generate an estimated $5.7 billion.[11]

The General Assembly could eliminate "tax expenditures" to generate additional revenue to help fund schools and local governments. Per the Tax Expenditure Report from the Ohio Department of Taxation for fiscal years 2024-2025 [12], academic literature has described tax expenditures as "special preferences" that are "departures from the normal tax structure and are designed to favor a particular industry, activity, or class of persons" and that "essentially represent government spending for the favored activities or groups made through the tax system rather than through direct grants, loans, or other forms of government assistance (p.5)."

The report prepared for the Governor's office shows (p. 22):

Estimated Grand Total of all taxes foregone for FY 2024: $11.16 billion.
Estimated Grand Total of all taxes foregone for FY 2025: $11.97 billion.

While the report notes that the estimates for totals are for display purposes only due to unknown factors associated with repeal, these 'special preferences" represent a substantial pool of additional available State funding.

It's also noted as Appendix A that the State reimburses local governments for a loss of property tax revenue due to Homestead, Owner Occupancy and the Non-Business Credit. Per the report, the estimated Property Tax reimbursements to local governments in CY 2023 were $1.8 billion (p. 23).

These reimbursements would end if there was no property tax, freeing up additional state money to help offset the total loss of property tax revenue.

Conclusion

The Legislative Budget Office of LSC reported that for fiscal year 2024 the State's General Revenue Fund received $27.94 billion (p. 1) [13]. Coming up with an additional $24 billion would be a big ask, but however much the General Assembly decided to offset would come from tax increases in other areas besides real property. And those purse strings would involve more state control, not less.

With billions of dollars in additional funds under centralized, state control, the General Assembly and the Department of Taxation would play a larger role in determining funding levels for Ohio's 600-plus school districts as well as its 1,308 townships and other local governments. These changes would need to be researched, approved and implemented almost immediately to avoid a loss of local government services that rely on property taxes.

On the other hand, the General Assembly could leave local governments to figure it out for themselves. In that scenario, the loss of property taxes would need to be filled with local income and/or sales taxes. This would require a change in current state laws.

For example, the total amount of sales tax that would be needed in Butler County to offset the loss of $660 million in property taxes billed for the 2024 tax year would be 14.83% – a sales tax increase of 128%. That assumes spending habits don't change, and they undoubtedly would. And sales tax is regressive in that it takes a larger percentage of income from lower-income individuals than from higher-income individuals.

If the State punts all but education funding back to local governments, that's about $10.7 billion that would need to be raised from local sources ($23.9 billion in property taxes billed in TY 24, minus $13.2 billion collected by schools in TY 23).

In Butler County, for the County government to be made whole for the loss of property tax revenue (general fund and social service agencies only), the gap would be about $71.5 million. At current taxable sales levels, the County Commissioners could implement a permissive (local) sales tax rate of 1.65% (vs current 0.75% rate) to generate the funds needed for all the service levies, the general fund and preserve current sales tax revenue. The total tax rate in Butler County would then increase to 7.4% compared to the current 6.5%, which is the lowest in the state. That represents a tax increase of about 14%.

If the County also wanted to throw a lifeline to its township and village residents and offset their loss of $114 million in local government property tax funding, the permissive (local) tax rate would need to be 3.09% (vs current 0.75% rate) to generate the funds needed to make both the County and its township and village governments whole. The total tax rate in Butler County would then be 8.84% compared to 6. 5% (a tax increase of about 36%). Current state law limits the total combined sales tax rate (state and local) to 8%. As mentioned earlier, the General Assembly may need to up this capped amount and also increase the state portion to help close the school-funding gap left by the absence of property tax revenue.

Butler County's permissive (local) sales tax amount would need to increase from 0.75% to 9.08% to offset all of the billed property tax amount in 2024 of $660 million (and preserve its current sales tax revenue) – assuming spending habits remain the same.

Leaders of The Committee to Eliminate Ohio Property Taxes have rightly spoken out about the inability of the State Legislature to fix the property tax crisis in Ohio. Considering this failure over the past several years, how then can it be expected that this same legislature can protect Ohioans from the complete devastation of local governments by the elimination of approximately $24 billion – and do it in less than a year?

The General Assembly could cool the flames of a taxpayer revolt by passing meaningful property tax reform this year. The County Auditors Association has presented its solutions before legislators and the public for more than a year.

The four key points of the County Auditors' proposed solutions are:

1. Expand the homestead program
2. Eliminate the non-business credit and expand the owner occupancy credit
3. Limit the growth in revenue received by school districts due to reappraisal changes
4. Create a menu of targeted relief

According to a May 20 Toledo Blade editorial, "Legislators and gubernatorial candidates would be wise to follow the good plan presented by the County Auditors Association of Ohio because it balances the interests of individual taxpayers and local governments to restore the economic equilibrium."[14]

[1]: https://taxfoundation.org/data/all/state/property-taxes-by-state-county-2024/

[2]: https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/current-ohio-facts-local-government-tax-revenues-august-2024.pdf

[3]: https://tax.ohio.gov/researcher/tax-data-series (PD-23 under the dropdown Property)

[4]: https://auditor.bcohio.gov/news_detail_T2_R32.php

[5]:https://cms3.revize.com/revize/butlercountyauditor/Documents/Finance/2024%20AAFR%202025-03-14.pdf

[6]: https://ohiocapitaljournal.com/wp-content/uploads/2025/05/2024annualreport.pdf

[7]: https://codes.ohio.gov/ohio-constitution/section-6.2

[8]: https://www.wlwt.com/article/frustrated-over-soaring-rates-homeowners-vow-end-ohios-property-tax/64754935

[9]: https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/school-district-local-operating-revenue.pdf

[10]: https://www.youtube.com/watch?v=3wpayA95e9o (1308 Report, Episode 5)

[11]: https://policymattersohio.org/research/revise-ohios-tax-code-to-benefit-everyday-ohioans/

[12]: https://search-prod.lis.state.oh.us/api/v2/general_assembly_136/committees/cmte_h_finance_1/meetings/cmte_h_finance_1_2025-02-06-1030_30/submissions/fy2026.27.taxexpenditurereport.pdf

[13]: https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/fy-2024-budget-footnotes-july-2024.pdf

[14]: https://www.toledoblade.com/opinion/editorials/2025/05/20/editorial-follow-auditors/stories/20250520003