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Replacing Ohio Property Tax Revenue

An Evaluation of the Options

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"Politicians Must Earn Your Vote"

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This paper evaluates the range of mechanisms available to replace, offset, or reduce reliance on property tax revenue in Ohio. It does not recommend any one mechanism or combination of mechanisms. Where specific dollar or rate estimates are cited, they are attributed to their originating source, and this paper notes explicitly where a figure has not been independently verified against a primary source.

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1. Introduction and Scope

Ohio's property tax debate has largely been framed as a binary choice: keep the tax, with or without reform, or abolish it. A citizen-initiated constitutional amendment — organized by the Committee to Abolish Ohio Property Taxes (also known as AxOhTax) — would prohibit taxes on real property statewide if approved by voters. The amendment defines real property to include land, growing crops, and permanently attached buildings, structures, and improvements. It does not repeal taxes on public-utility tangible personal property, which are levied separately (see Section 2).

As of this writing, the campaign has confirmed it will not submit signatures for the November 2026 ballot; on June 5, 2026, organizers announced they fell short of their internal signature goal and are instead targeting the November 2027 ballot, carrying forward previously collected signatures. The measure is certified by the Ohio Ballot Board for signature gathering but has not qualified for any specific election date.

The amendment's text prohibits real property taxation; it does not itself establish a replacement revenue mechanism. Any statutory replacement, service reduction, redistribution formula, or alternative financing system would require subsequent legislative and administrative action, subject to the amendment's terms and other constitutional constraints. This paper does not evaluate whether property taxes should be reduced or eliminated. Instead, it addresses a narrower and more tractable question:

> ***If Ohio reduces or eliminates property tax revenue, what mechanisms are available to fund the services currently supported by that revenue, and what are the documented advantages, disadvantages, and open questions associated with each?***

This is an evaluative-of-options paper, not an advocacy document. Where a specific organization, official, or campaign has taken a position, that position is described and attributed rather than endorsed or opposed.

This paper also uses the word “replacement” in several distinct senses throughout — replacing the gross amount of tax charged, replacing net local revenue after the fixed-sum-levy shift (Section 2), replacing service capacity, or replacing only a specific taxpayer's or jurisdiction's burden — and tries to specify which sense applies in each mechanism discussed. As a general definition: full fiscal replacement means preserving affected jurisdictions' net spendable revenue after transition effects, which is not necessarily the same as replacing the gross dollar amount previously charged to real property owners.

2. Where the Money Goes: The Current Baseline

This paper's baseline figures come from a Legislative Service Commission Legislative Budget Office (LSC/LBO) memorandum (R-136-1958, September 16, 2025, from LSC economists Russ Keller and Patrick Campbell to Rep. Tristan Rader, analyzing the fiscal impact of repealing real property taxes). That memo distinguishes several figures that are frequently conflated in public discussion, so this section is precise about which figure means what.

TY2024: LBO's estimated current baseline

For tax year 2024, the statewide total amount of property taxes charged was $23.93 billion: $21.41 billion charged to real property owners and $2.52 billion charged to public-utility tangible personal property (TPP) owners. The amendment repeals only the real-property portion; the $2.52 billion in public-utility TPP taxes would continue regardless of the amendment's outcome.

Of the $21.41 billion in real property taxes charged in TY2024, traditional and joint vocational school districts levied a combined $13.61 billion — 63.6% of the total. Counties levied 16.4% ($3.51 billion), townships 7.2% ($1.53 billion), municipalities 6.7% ($1.44 billion), and special taxing districts 6.2% ($1.32 billion). The percentages as published by LBO sum to 100.1% due to rounding; the underlying dollar amounts sum to the reported $21.41 billion total.

Jurisdiction Type	% of Total	TY2024 (LBO estimate)	TY2027 (LBO projection, now dated — see text)
School Districts (incl. JVSDs)	63.6%	$13.61 billion	$14.73 billion
County Governments	16.4%	$3.51 billion	$3.80 billion
Townships	7.2%	$1.53 billion	$1.66 billion
Municipalities	6.7%	$1.44 billion	$1.55 billion
Special Taxing Districts (libraries, parks, fire/EMS, etc.)	6.2%	$1.32 billion	$1.43 billion
Total (real property)	**100%**	**$21.41 billion**	**$23.17 billion**

The fixed-sum levy shift to public-utility TPP owners

Some property tax levies — including bond levies and certain school-district emergency levies — are structured to raise a fixed dollar amount rather than apply a fixed rate. If real property taxes were repealed while public-utility TPP taxes continued, LBO's memo explains that TPP owners would become responsible for the entire fixed-dollar amount of those levies, since the levy still has to raise the same total regardless of how much of the tax base remains. LBO estimated this fixed-sum portion at approximately $2.519 billion in TY2024 — a figure that happens to round to nearly the same amount as the $2.52 billion in existing public-utility TPP taxes cited above, but the two are separate quantities measuring different things (one is the existing TPP tax base; the other is the fixed-sum-levy liability that could shift onto that base) and should not be read as the same number. LBO cautioned that shifting the fixed-sum liability entirely onto the remaining TPP base “could essentially double the statewide tax burden to TPP owners,” though effects would vary sharply by jurisdiction. LBO also noted that regulated utilities (electric, gas, pipeline) can generally pass this cost through to customers via regulated rates, while non-regulated TPP owners (e.g., merchant power plants) would face the increase directly.

Subtracting LBO's estimated fixed-sum portion from its estimated TY2024 real-property total produces a counterfactual net-loss estimate of $18.89 billion — what local jurisdictions would have lost in TY2024 terms, had the amendment already been in effect that year. This is a counterfactual estimate, not a measured historical loss: the amendment was not in effect in TY2024.

TY2027: LBO's forward-looking projection, and why it is now dated

LBO's memo was written in September 2025, when the amendment was still expected to appear on the November 2026 ballot; on that assumption, TY2027 would have been the first affected tax year. LBO projected TY2027 real property taxes charged at $23.17 billion, with an estimated $2.60 billion fixed-sum-levy portion, for a net projected local revenue loss of $20.57 billion. This $20.57 billion figure — not the TY2024 figures above — is the number most often cited in public discussion of the amendment's fiscal impact, and it is a projection built on an election timeline that (per Section 1) no longer applies: the amendment is now targeting the November 2027 ballot, which would push the first affected tax year to TY2028. LBO has not, to this paper's knowledge, published an updated TY2028 projection reflecting the delayed timeline. Applying LBO's own analytical sequence — property taxes are collected in arrears, so a repeal first affecting TY2028 would produce its principal local cash-revenue effect in calendar year 2029 — and, separately, LBO's memo notes that a repeal would not affect the school funding formula until the state's fiscal year two years after the relevant tax year, suggesting formula effects beginning around FY2030 depending on the formula then in law. This is this paper's inference from LBO's stated sequencing methodology, not an updated LBO forecast.

This paper treats $21.41 billion (LBO's TY2024 estimated real-property tax base) as its primary reference figure for the current tax base, and $18.89 billion (LBO's TY2024 counterfactual net-loss estimate) to $20.57 billion (LBO's TY2027 projected net-loss estimate) as the range of LBO's own net-local-loss figures, rather than a single number — these are two different tax years' estimates, not a statistical confidence interval. Separately, LBO noted that repealing real property taxes would end approximately $2 billion per year in state General Revenue Fund reimbursements for the 10% rollback, 2.5% rollback, and homestead exemption programs — a state-budget saving, distinct from, and not netted against, the local-revenue-loss figures above. Other public figures in circulation, including a commonly cited $24 billion figure, are broadly consistent with these LBO figures but use a different source and definition: the Ohio Office of Budget and Management's own memorandum on this amendment (Section 3) describes total property tax revenue — real plus public-utility TPP combined — as approximately $24 billion annually, equivalent to Ohio's combined state sales and income tax revenue, and accounting for roughly 65% of all local tax revenue in Ohio. This paper accessed that OBM characterization through secondary reporting rather than the memo directly (Section 3) and presents it as a second, independently sourced figure alongside LBO's $23.93 billion TY2024 total, rather than treating the two as identical. For reference throughout this paper: TY2024 gross real-property base (LBO) = $21.41B; TY2024 counterfactual net local loss (LBO) = $18.89B; TY2027 projected gross real-property base (LBO) = $23.17B; TY2027 projected net local loss (LBO) = $20.57B; TY2024 real-plus-utility-TPP total (LBO) = $23.93B, described by OBM as approximately $24B and about 65% of local tax revenue; annual state GRF reimbursement savings (LBO) ≈ $2B.

Any mechanism intended to fully replace property tax revenue must therefore address not only school funding but also county human-services levies, municipal and township general operations, libraries, park districts, and fire/EMS districts — each governed by different statutory funding formulas and, in many cases, different local voter approval requirements.

Existing bonded indebtedness

Many local governments and school districts have outstanding debt secured by voted debt-service property tax levies — the same fixed-sum-levy mechanic described above applies directly to bond levies. LBO's memo raises this as an open legal question; OBM's memo (Section 3) is considerably more direct about the risk, stating that if property tax revenue disappears, “currently outstanding debt would likely be declared immediately in default, leading numerous bondholders to file lawsuits, and credit agencies would view municipalities as higher-risk borrowers, causing credit ratings to drop.” OBM extends this concern to the state level: Ohio holds top AAA/Aaa ratings from all three major credit agencies, and OBM's memo warns that widespread local credit downgrades and fiscal distress could create “reputational risks for the state” and pressure for state intervention, potentially raising the state's own borrowing costs. This paper treats OBM's characterization as one administration's assessment rather than an independent legal or credit-rating determination — it did not identify an independent bond-counsel or credit-rating-agency analysis reaching the same conclusion — but flags it as the most direct statement of this risk in the primary sources reviewed. Distinct legal questions remain that this paper does not resolve:

- Whether the amendment would impair or override the authority to levy real property taxes pledged to already-issued debt, as distinct from future, not-yet-issued debt, and how this interacts with state and federal constitutional impairment-of-contract doctrines
- Whether fixed-sum bond-levy liability shifts to public-utility TPP owners (per the fixed-sum-levy mechanic above) or whether bond-secured levies are treated differently from operating levies
- Whether issuers would need to substitute other pledged revenue to avoid the default scenario OBM describes

This is potentially one of the amendment's largest transition risks, and this paper's treatment of it should be read as identifying the issue rather than resolving it.

Property tax revenue is also central to school operating budgets specifically: LBO's memo states that real property accounted for more than 92% of taxable property value statewide in TY2024, and that property taxes account for approximately 95% of school districts' local operating revenue, excluding the portion reimbursed by the state through rollback and homestead programs. OBM's memo adds a related, more specific point: property tax revenue is also school districts' most stable funding source for building upkeep (roof replacements, HVAC systems, safety upgrades), and its loss could lead to deferred maintenance, deteriorating facilities, and higher long-term costs.[1]

As a separate data point on scale, LBO's memo estimates that once Ohio's school funding formula is fully phased in under H.B. 96 (FY2027), the combined state-and-local share of that formula for traditional school districts will total $17.55 billion, of which $10.18 billion is the local share; for joint vocational school districts, the combined total is $775.3 million, with a $211.3 million local share. This paper did not identify a clean, consistently defined breakdown of total K-12 spending by state/local/federal share (as opposed to the formula-specific figures above) and has removed an earlier, insufficiently sourced 50%/37%/13% split rather than publish it unverified.[2]

Separately from abolition, the Ohio legislature has already acted incrementally on the affordability concern that motivates the amendment: OBM's memo cites four bills enacted in 2025 — H.B. 186, H.B. 335, H.B. 129, and H.B. 309 — that cap automatic growth in school and local government property tax collections at the rate of inflation, tighten levy oversight, and adjust credits to favor owner-occupied homes, providing what OBM describes as “over $3 billion in additional relief to homeowners over the next few years” without eliminating the tax.[3]

3. Mechanism: Increase the Statewide Sales Tax Rate

Description

Ohio's current state sales tax rate is 5.75%, with county and transit-authority add-ons bringing most combined rates to roughly 6.5%–8%. This mechanism would raise the state rate to generate revenue for redistribution to schools and local governments. Ohio's sales tax base does not cover all consumer or business spending: food for off-premises consumption, most healthcare transactions, most professional and personal services, and certain business inputs are generally exempt under current law. The revenue yield and distributional effect of any rate increase depend on these existing exemptions as much as on the headline rate — a higher rate applied to a narrower base raises less, and affects a different mix of taxpayers, than the same rate applied to a broader base.

Documented advantages

- Broad tax base; captures spending by tourists and non-resident visitors
- Captures some remote and online purchases under Ohio's existing economic-nexus rules
- Existing collection and remittance infrastructure is already in place, lowering administrative start-up cost

[1] Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 3; Ohio Office of Budget and Management, “Consequences of Local Property Tax Abolishment,” February 4, 2026, p. 3.
[2] Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 3.
[3] Ohio Office of Budget and Management, “Consequences of Local Property Tax Abolishment,” February 4, 2026, p. 3.

- Removes taxation tied to unrealized home value appreciation, a frequently cited objection to the property tax

Documented disadvantages

- Widely characterized as regressive, since lower-income households spend a larger share of income on taxable goods
- Creates incentive for cross-border purchasing in counties near state lines
- More sensitive to recession-driven declines in consumer spending than property tax revenue, which is comparatively stable

Rate estimates in circulation

The Ohio Office of Budget and Management analyzed the amendment's impact in a memorandum, “Consequences of Local Property Tax Abolishment,” from Director Kimberly Murnieks to Gov. DeWine, dated February 4, 2026. The memo confirms the roughly $24 billion total (real property plus public-utility TPP) and states that local property taxes support approximately 65% of local tax revenue in Ohio. On the replacement target specifically, OBM's own framing is more precise than the headline $24 billion figure suggests: the memo notes the state already reimburses local governments and schools “more than $2 billion each year” through the homestead exemption and owner-occupied tax credit, and frames the actual replacement challenge as “replacing another $20 billion or more” — a target much closer to LBO's $18.89B–$20.57B net-local-loss range (Section 2) than to the full $24 billion gross figure.[4]

On the specific rates: the memo states Ohio's sales tax generated $14 billion in FY2025, and that “OBM, after consulting with the Ohio Department of Taxation, estimates that replacing local property tax would require state sales tax rates approaching 15–18 percent” — this is OBM's own direct estimate, not a secondary attribution. The memo also notes that base-broadening (taxing currently exempt food, healthcare, or other goods and services) could moderate the needed rate increase, consistent with Section 4, but would require statutory and in some cases constitutional changes. The memo does not specify whether the 15–18% figure is a state-only rate or a combined state-and-local rate; that remains open.

Mechanism (target: OBM's “$20 billion or more” net replacement figure)	Current Baseline	Cited Replacement Estimate	Source
Statewide sales tax rate	5.75% state; $14B generated in FY2025 (combined state+local commonly 6.5%–8%)	~15%–18%, OBM's own estimate “after consulting with the Ohio Department of Taxation”; Gov. DeWine has cited a range up to ~17%–20%	OBM memorandum, “Consequences of Local Property Tax Abolishment” (Feb. 4, 2026), obtained directly, p. 2

[4] Ohio Office of Budget and Management, “Consequences of Local Property Tax Abolishment,” memorandum from Director Kimberly Murnieks to Gov. Mike DeWine, February 4, 2026, p. 1–2.

Mechanism (target: OBM's "$20 billion or more" net replacement figure)	Current Baseline	Cited Replacement Estimate	Source
Flat state income tax rate	2.75% flat rate (effective TY2026); $10.5B generated in FY2025 per OBM (LBO separately estimates $10.34B for FY2027, Section 5)	~11%–15%, per Tax Foundation analysis as cited in the OBM memo (not an OBM-original estimate); ~27% in some counties if replaced with a local rather than statewide rate	OBM memorandum, "Consequences of Local Property Tax Abolishment" (Feb. 4, 2026), obtained directly, p. 2, citing Tax Foundation analysis

On the income-tax side, the memo attributes its 11–15% estimate to a different source: "According to analysis by the Tax Foundation, income tax rates across Ohio would need to quadruple or more, reaching 11–15 percent statewide, to replace local property tax levies." This is Tax Foundation analysis cited by OBM, not an OBM-original calculation. The memo adds a further data point: "if replacement income taxes were levied locally, then the income tax rate would need to reach 27 percent in some counties" — illustrating the taxable-capacity disparity this paper's local-option discussion (Section 10) flags as a general concern. The memo states Ohio's state personal income tax generated $10.5 billion in FY2025 (a different figure and year than LBO's $10.34 billion FY2027 estimate discussed in Section 5; both are presented here rather than treated as interchangeable).[5]

Gov. DeWine's public statements citing sales-tax rates as high as 17–20% ("absolutely devastating," in his words) track the OBM memo he received. The memo itself also discusses non-rate consequences in a section titled "Additional Risks and Considerations": increased revenue volatility relative to the comparatively stable property tax; loss of local voter control over service levels; deferred school-building maintenance (roof replacements, HVAC, safety upgrades) as a stable funding source disappears; and — in the memo's own words — that outstanding local debt" would likely be declared immediately in default, leading numerous bondholders to file lawsuits," with credit-rating downgrades raising future borrowing costs for both local governments and the state, which the memo notes currently holds top AAA/Aaa ratings from all three major agencies. This paper addresses these themes independently in Section 15 and the bond-obligations discussion in Section 2 and now cites the memo directly for them.[6]

4. Mechanism: Expand the Sales Tax Base

Rather than raising the rate, this mechanism would extend Ohio's sales tax to categories of spending currently exempt — most commonly cited examples include legal services, accounting and consulting services, certain electronically delivered products or services (note that Ohio already taxes some of these depending on legal classification, so "digital services" is not a single clean category), and certain

[5] Ohio Office of Budget and Management, "Consequences of Local Property Tax Abolishment," memorandum from Director Kimberly Murnieks to Gov. Mike DeWine, February 4, 2026, p. 2.

[6] Ohio Office of Budget and Management, "Consequences of Local Property Tax Abolishment," memorandum from Director Kimberly Murnieks to Gov. Mike DeWine, February 4, 2026 (obtained directly), p. 2–3.

entertainment spending. Ohio, like most states, currently taxes most tangible goods but exempts most professional and personal services.

Documented advantages

- Can generate substantial revenue without raising the headline rate, which may be more politically durable
- Broadens the base rather than concentrating the increase on existing taxpayers of record

Documented disadvantages

- Requires extending Ohio's existing sales-tax collection system to newly taxable sellers, including new registration, invoicing, sourcing, exemption, classification, recordkeeping, and audit rules — an extension of existing infrastructure rather than building an entirely new system
- Taxing business-to-business services (e.g., accounting, legal, consulting, software, advertising) can cause tax pyramiding: the tax paid on a business input becomes embedded in the price of a final good or service that may itself also be taxed, compounding the effective rate in ways not visible in the headline number
- Service-sector businesses and their customers would bear a new cost not previously assessed
- Base-expansion revenue estimates in circulation are preliminary and have not been independently verified against Ohio Department of Taxation data for this paper

5. Mechanism: Increase the State Income Tax

Effective for tax year 2026, Ohio imposes no nonbusiness-income tax at or below $26,050. Once income exceeds that threshold, Ohio Revised Code Section 5747.02 (as amended by H.B. 96, effective September 30, 2025) sets the tax at $332.00 plus 2.75% of the excess. This creates a discontinuity right at the threshold — a filer at exactly $26,050 owes $0, while a filer one dollar higher owes $332.03 — so the schedule is not a conventional smooth 0%-to-2.75% bracket. LSC's own Legislative Budget Office describes the TY2026 policy as “essentially impos[ing] a flat tax” of 2.75% on nonbusiness income above the threshold, which this paper adopts as the more precise shorthand than an unqualified “flat 2.75% rate.” The threshold adjusts annually for inflation. (The TY2024 and TY2025 schedules used a second, higher bracket above $100,000, which H.B. 96 eliminated for TY2026 forward.)[7]

As a scale check: OBM's memo states Ohio's personal income tax generated $10.5 billion in FY2025, while LSC's Legislative Budget Office separately estimated the enacted TY2026 flat tax would raise nearly $10.34 billion in FY2027 (a different year and a forward projection rather than an actual figure, so the two are not directly comparable). OBM frames the actual replacement target as approximately $20

[7]Ohio Revised Code Section 5747.02, as amended by H.B. 96 (136th General Assembly), effective September 30, 2025, division (A)(3)(a)–(c), authenticated Ohio Legislative Service Commission document #515615; Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 4 (“essentially imposes a flat tax”).

billion or more (Section 3), not the full $24 billion gross figure. A simple proportional calculation — raising $10.5 billion in current PIT revenue to cover an additional ~$20 billion, for total PIT revenue of roughly $30.5 billion, about 2.9 times the current amount — would suggest a flat rate near 8% rather than the cited 11–15%. The remaining gap between a proportional 8% and the cited 11–15% is consistent with the point OBM itself implicitly makes by citing Tax Foundation rather than performing its own income-tax calculation: current PIT receipts include business income taxed under separate rules (Section 5), the statutory base amount, exemptions, deductions, and credits that would not necessarily scale proportionally with a rate change, and the Tax Foundation analysis may incorporate behavioral or distributional assumptions not stated in the OBM memo. This comparison narrows, but does not close, the discrepancy; see Section 18.[8]

Documented advantages

- Ties tax liability to ability to pay more directly than a flat-rate consumption tax, if implemented with graduated brackets rather than a further flat-rate increase
- Existing collection infrastructure already in place
- Income tax revenue is generally more responsive to economic growth than property tax revenue over time

Documented disadvantages and open questions

- A flat-rate increase and a restoration of graduated brackets are distinct mechanisms with different distributional effects; this paper treats them as separate options rather than a single “income tax” category
- Income tax volatility depends heavily on the composition of the base: wage withholding is comparatively stable, while capital gains and pass-through business income are more cyclical. Ohio's business income deduction and preferential business-income rate (a flat 3% on business income after a $250,000 deduction, unchanged by H.B. 96) sit outside the nonbusiness-income figures discussed above and would need to be addressed separately in any replacement estimate[9]
- Commentary reviewed for this paper raises concerns that higher marginal rates could affect Ohio's competitiveness for retaining or attracting high earners and businesses; the magnitude of any such effect is disputed in the broader economic literature and is outside the scope of this paper to adjudicate
- Municipal income taxes, which most Ohio cities and villages levy separately (commonly 1%–2.5%), are unaffected by any state-level mechanism discussed here and would remain in place unless separately amended

[8] Ohio Office of Budget and Management, “Consequences of Local Property Tax Abolishment,” February 4, 2026, p. 2; Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 3.

[9] Ohio Revised Code Section 5747.02(A)(4); Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 4.

As shown in the rate-estimate table in Section 3, OBM-sourced reporting places the flat rate needed for full statewide replacement in the 11%–15% range — several multiples of the current 2.75% rate.

6. Mechanism: Spending Reductions and Efficiency Measures

This mechanism approaches the question differently: rather than asking how lost revenue would be replaced, it asks what current spending would no longer occur, be consolidated, or be delivered more efficiently. It is frequently proposed as a complement to, or partial substitute for, new or higher taxes.

The scale of the underlying structure is worth noting: according to the Ohio Department of Taxation, Ohio has 49 different types of taxing authorities and more than 6,500 local government entities that can levy taxes — including not only the widely known municipalities, townships, schools, and libraries, but also local councils, workforce investment boards, and community land reutilization corporations. Cuyahoga County alone has 105 different taxing authorities, and Ohio has more than 600 school districts (Florida, by comparison, has fewer than 100 despite a larger and faster-growing population). The Ohio Department of Taxation ranked Ohio's local tax burden as a percentage of income 8th-highest in the nation in fiscal year 2022, worse than its 12th-place ranking the prior year.[10]

State-level measures cited in current proposals

- Agency consolidation and elimination of duplicative programs
- Reduction of vacant or unfilled state positions
- Procurement reform and technology modernization

Local-level measures cited in current proposals

- Shared services across jurisdictions (joint dispatch, regional purchasing, combined HR/IT functions)
- Fleet consolidation
- School district consolidation where enrollment and geography support it

This paper distinguishes three types of “spending reduction,” since political messaging often blends them: (1) efficiency savings, which deliver the same service output at lower cost; (2) program reductions, which deliver less service, narrower eligibility, or lower benefits; and (3) structural transfers, such as state assumption of a function, regionalization, privatization, or consolidation, which move cost and responsibility rather than eliminating it outright. Not distinguishing these three makes every reduction sound like the first category, when many proposals are actually the second or third.

[10] The Buckeye Institute (Greg R. Lawson), “Property Taxes: Untying Ohio's Gordian Knot,” written testimony before the Ohio Property Tax Reform Working Group, September 18, 2025, p. 2, citing Ohio Department of Taxation data.

Documented advantages

- Does not require a new or higher broad-based tax
- The Buckeye Institute's written testimony to the Property Tax Reform Working Group explicitly opposes the abolition amendment — calling it “misguided” and warning it would “gut local public services with no reasonable revenue replacement” — and instead proposes ten alternative measures, including authorizing county budget commissions to prospectively reduce property tax rates when a jurisdiction is projected to collect more than needed, citing school districts and other local governments that “maintain large carry-over balances at the end of the school year, sometimes more than a year's worth of spending.” Notably, the testimony states that Gov. DeWine vetoed this specific budget-commission authorization in the recent state budget, and the Buckeye Institute urges the General Assembly to override that veto. This paper notes that a year-end balance is not automatically equivalent to recurring, unrestricted savings: balances can include legally restricted funds, bond proceeds, capital-project reserves, encumbrances, and prudent operating reserves needed because revenue and expenditures occur on different schedules. Evaluating this claim rigorously would require separating unrestricted recurring resources from restricted and one-time funds on a jurisdiction-by-jurisdiction basis, which this paper did not attempt.[11]
- The Buckeye Institute's medium-term proposal — eliminating or amending the 20-mill floor for public schools and capping inside-millage growth at inflation — would, in the testimony's own estimate, “return control over property taxes to homeowners in more than half of Ohio's 600-plus school districts,” consistent with OEPI's separately sourced figure that 381 of Ohio's 609 K-12 districts are at the 20-mill floor (Section 8). Its longer-term proposal targets consolidation of Ohio's roughly 6,500 local taxing authorities directly, rather than through spending cuts alone[12]

Documented disadvantages and open questions

- Property taxes are overwhelmingly local, while most spending-reduction levers proposed at the state level do not directly generate replacement revenue for local jurisdictions. A state spending reduction lowers the property-tax replacement requirement only if the state redirects the resulting savings to schools and local governments, assumes a function they currently fund, or provides an offsetting tax credit; otherwise it improves the state budget without replacing a dollar of locally levied property tax — a mismatch that any spending-reduction proposal must address explicitly
- Schools account for the majority of property tax collections (63.6% statewide in TY2024, per LSC/LBO) and carry substantial fixed costs (staff contracts, pension obligations, facilities debt service). This paper reviewed commentary describing potentially large staffing reductions from

[11] The Buckeye Institute (Greg R. Lawson), “Property Taxes: Untying Ohio's Gordian Knot,” written testimony before the Ohio Property Tax Reform Working Group, September 18, 2025, pp. 2–3 (obtained directly from the Working Group's September 2025 report).

[12] The Buckeye Institute (Greg R. Lawson), “Property Taxes: Untying Ohio's Gordian Knot,” written testimony before the Ohio Property Tax Reform Working Group, September 18, 2025, p. 3.

proposals limiting inside millage or the 20-mill floor, but did not identify a single, named, independently verifiable estimate specific enough to cite with attribution (analyst, assumptions, and whether the estimate assumes zero replacement revenue). That claim is therefore omitted here pending a verifiable source, rather than repeated in general terms.

- Savings from consolidation and efficiency measures are frequently asserted in political messaging but are less frequently backed by independent audits or benchmarking specific to Ohio; this paper did not identify a comprehensive, independently verified estimate of total achievable savings

A rigorous treatment of this mechanism would require jurisdiction-by-jurisdiction analysis of existing carryover balances, fixed-cost obligations, and consolidation precedents — an area flagged for potential follow-on OCG research.

Illustrative scale of recurring savings needed

The table below is simple arithmetic, not a proposal or a projection of achievable savings: it shows what share of LBO's $18.89 billion TY2024 counterfactual net-loss estimate (Section 2) a given amount of recurring, legally available savings — if fully redirected to affected local jurisdictions — would close. It illustrates scale only; this paper takes no position on whether any specific dollar amount of savings is achievable.

Recurring Net Savings Redirected	Share of $18.89B TY2024 Net-Loss Estimate Closed	Share of $20.57B TY2027 Projected Net-Loss Estimate Closed
$1 billion	~5.3%	~4.9%
$3 billion	~15.9%	~14.6%
$5 billion	~26.5%	~24.3%
$10 billion	~52.9%	~48.6%

Three conditions matter for this arithmetic to translate into actual replacement capacity, per the state-cuts-to-local-relief formula above: the savings must be recurring rather than one-time; they must be net of implementation costs (severance, contract-termination, system-conversion, capital, and transition costs that consolidation, privatization, or workforce reductions typically entail — recurring gross savings minus recurring replacement costs minus transition-cost amortization equals net recurring savings); and they must actually be redirected to the affected local jurisdictions or converted into a tax credit. A spending reduction that simply improves the state or local budget's bottom line without being redirected does not close any of the gap shown here. The second numeric column above uses LBO's TY2027 projected figure so readers do not mistake the older TY2024 counterfactual for the more commonly cited projection; as Section 2 notes, both figures are dated relative to the amendment's current November 2027 timeline.

7. Mechanism: Retain Taxation of Class II Real Property and Public-Utility Property

This mechanism would eliminate property tax on owner-occupied residential and agricultural (Class I) property while retaining it on Class II real property (generally commercial and industrial). “Utility property” requires more precision than it may first appear: public-utility tangible personal property (Section 2) is already unaffected by the amendment regardless of this mechanism, while public-utility real property is Class II real property and would be affected by this mechanism the same way other commercial/industrial real property would be. A concrete proposal along these lines would need to specify explicitly which of these categories — Class II real property, public-utility real property, and public-utility TPP — it retains, since they are taxed under different rules today. Treatment of rental residential property also varies across proposals that include this option, since it sits administratively between the owner-occupied and commercial categories.

Ohio's constitution and statutes already classify real property into Class I (residential and agricultural) and Class II (all other real property, generally commercial and industrial) for assessment purposes, and separately tax public-utility real and personal property under distinct rules. But exempting one class entirely, rather than merely assessing it differently, would be a substantially more consequential use of that classification than current law makes: the Class I/Class II framework as it exists today does not by itself establish that one class may be taxed while another is completely exempted. This mechanism would likely also need to address the Ohio Constitution's uniformity requirements for property taxation, the treatment of mixed-use parcels, agricultural-use (“CAUV”) valuation, nonprofit exemptions, tax-increment-financing obligations tied to specific parcels, and existing bond covenants secured by the broader tax base — legal and drafting questions this paper flags but does not resolve, and which would likely require constitutional as well as statutory change.

Documented advantages

- Directly targets the category of taxpayer — homeowners — most frequently cited in complaints about rising bills tied to reappraisal
- Preserves a substantial share of the existing tax base and collection infrastructure

Documented disadvantages and open questions

- Ohio Education Policy Institute analysis (Fleeter & Browning, September 2025) reports that Class I (residential and agricultural) property's share of total school property taxes charged rose from 46.1% in 1975 to 67.5% in 2023, while total business property's share (Class II real property plus tangible personal property) fell from 53.9% to 32.5% over the same period — meaning the remaining commercial/industrial/utility base may not be large enough to sustain current service levels on its own[13]

- Statutory tax liability would fall on owners of taxable business and utility property, but the economic incidence — who actually bears the cost — may be shared with commercial tenants (through rents), employees (through wages), customers (through prices), or investors, and would likely vary by sector and local market conditions. The comparison table (Section 16) reflects this distinction between statutory and economic incidence
- Would require new statutory rules for classifying and treating rental residential property, which sits between the owner-occupied and commercial categories
- This paper did not identify a comprehensive Ohio-specific revenue projection for a commercial-only property tax base

8. Mechanism: Targeted Relief Rather Than Full Replacement

The mechanisms above generally address full or substantial replacement of property tax revenue. A separate category of proposals does not aim to replace the tax at all, but to reduce its burden on specific groups of taxpayers while leaving the underlying revenue system intact. Because this paper's scope includes reducing reliance on property tax revenue, not only replacing or eliminating it outright, these targeted-relief mechanisms are included here even though they would not by themselves resolve a full-abolition scenario.

- Circuit breakers: a targeted relief mechanism that limits a qualifying household's net property-tax burden relative to income, typically through a credit, refund, rebate, or direct reduction rather than necessarily capping the original tax bill itself. Fleeter and Browning (Ohio Education Policy Institute) have proposed modeling Ohio's version on Michigan's homestead property tax credit: a credit worth up to $1,800 for homeowners with household income below $70,000 and home value capped at $160,700 (2024), with a 60% credit for property taxes exceeding 3.2% of household income and a 100% credit for seniors with income below $30,000 (2018 dollars); the state would reimburse schools and local governments for the resulting revenue loss, estimated at $520 million — for homeowners only. The Michigan model on which this is based also provides a renter's credit, but OEPI's analysis states this would require further study before adoption in Ohio and does not include a cost estimate for it, meaning the $520 million figure does not cover renter relief[14]
- Senior or disability tax freezes: locks property tax liability at a fixed dollar amount for qualifying households, rather than deferring or forgiving the tax. Ohio House Bill 156 would freeze

[13] Fleeter, Dr. Howard, and Dr. Greg Browning, "Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform," Ohio Education Policy Institute, September 2025, Table 1 ("Percent of Total School Property Taxes by Type of Property, 1975–2023"), p. 4.

[14] Fleeter, Dr. Howard, and Dr. Greg Browning, "Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform," Ohio Education Policy Institute, September 2025, Policy Option 1, pp. 10–11.

property taxes for residents 65 or older with income under $50,000 who have lived in their home at least two years and whose home is valued under $500,000; unlike deferral, the state — not the taxpayer or their estate — would pay the difference above the freeze level to schools and local governments. LSC estimates approximately 721,000 Ohioans would qualify, at a first-year state cost of $211 million[15]

- Expanded homestead exemption: increases the portion of a home's value exempted from taxation for seniors, disabled Ohioans, or all owner-occupants
- Deferrals: postpones payment of property tax, with the deferred amount recoverable (typically via a lien) at sale or death. This is liquidity relief rather than permanent tax forgiveness — it changes when the tax is paid, not whether it is ultimately owed
- Levy-growth limits and assessment caps: limit how quickly a given levy's collections or a property's taxable value can grow year-over-year, distinct from full rate reduction

How the cost of these mechanisms is ultimately borne depends heavily on design. A circuit breaker or freeze implemented as a direct state tax credit can reimburse the taxpayer without changing the local levy or other taxpayers' bills at all — the cost falls on the state budget (as in the OEPI cost estimates above). An exemption or assessment exclusion, by contrast, can shift cost onto other taxpayers within the same levy, particularly for fixed-sum levies where the total amount raised does not change even as who pays it does. This paper does not find a single incidence pattern that applies uniformly across circuit breakers, exemptions, freezes, deferrals, and levy-growth limits; each depends on its specific statutory design.

Policy Matters Ohio's written testimony to the same Working Group takes a related but distinct position: it favors a circuit breaker specifically (noting that 29 states and the District of Columbia use some form of one) over other relief mechanisms, and proposes funding it by reducing or eliminating a specific list of existing state tax expenditures rather than through new taxes or spending cuts to services. Its suggested funding sources include means-testing the existing 10% and 2.5% property tax rollbacks by property value; narrowing the Commercial Activity Tax break for pharmaceutical-warehouse suppliers (estimated by the Department of Taxation at $367.7 million in the current fiscal year and $404.3 million the next); overriding the governor's veto of a budget provision barring new data-center sales-tax exemption agreements (an LSC-estimated $20 million per year); extending the sales tax to lobbying, public relations, and debt service (not currently taxed); and reducing or repealing the business income deduction, which a 2023 Department of Taxation analysis found could be narrowed from $250,000 to $100,000 while leaving more than 626,000 business owners, about 83% of those claiming it, unaffected. Policy Matters Ohio also notes that 20 states extend circuit-breaker relief to renters in some form, and that Ohio Senate Bill 22 would do the same.[16]

[15] Ohio H.B. 156 (136th General Assembly); LSC cost estimate as cited in Fleeter, Dr. Howard, and Dr. Greg Browning, "Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform," Ohio Education Policy Institute, September 2025, Policy Option 3, p. 11.

[16] Policy Matters Ohio (Zach Schiller, Research Director), memorandum to the Ohio Property Tax Reform Working Group, Property tax solutions, August 17, 2025 (obtained directly from the Working Group's September 2025 report).

9. Mechanism: Supplemental Revenue Sources

Several additional revenue sources are frequently raised in the public debate. Each is generally described, including by proponents, as insufficient on its own to replace the full property tax base, but potentially useful as part of a hybrid approach (Section 13). The table below uses Ohio Department of Taxation fiscal year 2025 collection figures where available, to show these sources at scale next to the roughly $21.4 billion real property tax base. These percentages are order-of-magnitude scale comparisons, not accounting-equivalent replacement ratios: FY2025 cash tax receipts are being compared against TY2024 real property taxes charged, which differ in both time period (fiscal year vs. tax year) and accounting basis (cash collections vs. taxes charged).

Source	FY2025 Ohio Collections	Rate	Scale vs. $21.4B Real Property Tax Base
Cigarette & other tobacco products tax	$712.0 million	$1.60/pack (cigarettes); 17%–37% wholesale (OTP)	~3.3%
Gross casino revenue tax	$336.9 million	33% of gross casino revenue	~1.6%
Sports gaming receipts tax	$181.8 million	20% of gross gaming revenue	~0.8%
Alcoholic beverage taxes (ODT + spirituous liquor)	~$117.9 million	Varies by beverage type	~0.6%
Severance tax (oil, gas, minerals)	$60.5 million (natural gas is ~89% of this total)	Varies by resource, e.g. 2.5 cents/Mcf natural gas, 10 cents/barrel oil	~0.3%
Adult-use cannabis tax	$55.6 million (first FY with substantial collections)	10% of retail price	~0.3%

Gross collections do not equal uncommitted replacement capacity, as the casino and sports-gaming distribution formulas described below illustrate. Redirecting any of these revenue streams toward property tax replacement would require changing existing statutory or constitutional distributions, not simply appropriating an unrestricted balance.

Consumption and “sin” taxes

Ohio's cigarette and other-tobacco-product taxes together generated approximately $712.0 million in fiscal year 2025 (a declining trend from $926.9 million in FY2021 as smoking rates fall), and the state's adult-use cannabis tax generated $55.6 million in FY2025, the first fiscal year with substantial adult-use cannabis tax collections following the program's 2024 launch (this paper did not verify whether FY2025 represents a full twelve months of mature, statewide sales activity). Alcoholic beverage taxes generated roughly $117.9 million combined (Department of Taxation and Division of Liquor Control) in FY2025.

Each of these sources is far too small individually to replace more than a small fraction of the property-tax base, even in combination.[17]

Gaming and sports-wagering taxes

Ohio taxes sports gaming receipts at 20% of gross gaming revenue and gross casino revenue at 33%, both administered by the Department of Taxation. Per the Department's FY2025 Annual Report, gross casino revenue tax collections were $336.9 million and sports gaming receipts tax collections were $181.8 million in fiscal year 2025 (sports-gaming collections have grown sharply since a 2023 rate increase from 10% to 20%, rising from $50.7 million in FY2023 to $159.5 million in FY2024 to $181.8 million in FY2025). Combined, these two gaming-tax sources total roughly $518.7 million — still under 2.5% of the $21.4 billion real property tax base. Neither is an unrestricted state fund available for redirection: gross casino revenue tax is distributed by statute (51% to a county fund allocated by population, 34% to a county student fund for schools, 5% to the host city, 3% to the state racing commission, 3% to the casino control commission, and 2% each to problem-gambling and law-enforcement-training funds), and sports gaming receipts tax is similarly earmarked, with 98% of net proceeds directed to K-12 education support and 2% to problem-gambling programs. Redirecting either toward property tax replacement would require statutory change, not simply reallocating an existing balance.[18]

Severance taxes

Ohio levies a severance tax on the extraction of oil, natural gas, and other minerals. Per the Department of Taxation's FY2025 Annual Report, total severance tax collections were $60.5 million in fiscal year 2025, of which natural gas accounted for $53.9 million (about 89% of the total) at a rate of 2.5 cents per thousand cubic feet; oil accounted for $4.1 million at 10 cents per barrel. Ohio's current severance-tax collections are small relative to the property-tax base — well under 0.3% — so even a substantial rate increase would not meaningfully offset property tax revenue on its own. Whether Ohio's statutory rates and effective burden are low relative to other energy-producing states, as some policy commentary asserts, is a separate question requiring direct comparison of rates, deductions, local production taxes, resource mix, and extraction volume across states, which this paper did not undertake.[19]

User fees

Examples include park admission fees, road tolls, permit and licensing fees, and solid-waste collection charges. User fees tie payment directly to service use. This paper did not identify any U.S. state that relies on user fees as a comprehensive substitute for the broad-based local revenue currently generated

[17] Ohio Department of Taxation, Fiscal Year 2025 Annual Report, cigarette/other tobacco products tax, adult-use cannabis tax, and alcoholic beverage tax chapters.

[18] Ohio Department of Taxation, Fiscal Year 2025 Annual Report, Gross Casino Revenue Tax chapter (distribution per Ohio Constitution Art. XV, §6(C) and R.C. 5753.03, 5753.11) and Sports Gaming Receipts Tax chapter, including Table 1 ("Sports Gaming Tax Collections: Fiscal Years 2023–2025").

[19] Ohio Department of Taxation, Fiscal Year 2025 Annual Report, severance tax chapter, Table 1 ("Severance Tax Collections, FY2021–2025").

by property taxes, though it is difficult to establish that categorically for every jurisdiction nationwide, and this paper's claim should be read as limited to the states specifically reviewed in Section 14.

10. Mechanism: Local-Option Replacement Taxes

The mechanisms discussed so far are framed as statewide, uniform responses. LBO's memo identifies a different possibility: existing Ohio law already gives some local jurisdictions certain authority to seek alternative taxes, which they could use to replace property tax revenue locally, on a jurisdiction-by-jurisdiction and voter-by-voter basis, without necessarily requiring the state to create an entirely new type of tax. That said, existing statutory rate caps, tax bases, and procedures may be far from sufficient to replace lost revenue at the scale involved; the General Assembly might still need to amend statutory rate limits, tax bases, voter-approval procedures, or provide an equalization mechanism for this option to function at replacement scale. Each authority below arises under separate statutes:[20]

- Counties and transit authorities may seek a local sales and use tax increase, if not already at the statutory rate limit
- School districts may seek voter approval for a school district income tax
- Municipalities may seek a municipal income tax increase
- Townships and municipalities may levy a lodging tax, up to a statutory limit

Documented advantages

- Uses existing statutory authority; does not require a new statewide tax or a new constitutional amendment
- Preserves local control over the choice of replacement mechanism and its rate, consistent with the principle that different communities may prefer different tradeoffs

Documented disadvantages and open questions

- LBO's memo notes that if the amendment is approved, local governments would have only about one year to implement their own alternative tax policies before real property tax collections end, and that a cluster of local ballot questions seeking these replacement taxes would likely appear on the next available primary and general election ballots
- Local taxable capacity varies widely: a school district or municipality with a small commercial tax base, low average incomes, or little overnight lodging activity has much less capacity to replace lost property tax revenue through these local-option taxes than a wealthier or more commercially developed jurisdiction — meaning this mechanism could widen, rather than

[20] Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 2 ("Local response to the constitutional amendment").

narrow, disparities between local jurisdictions unless paired with a state-level equalization mechanism (Section 11)

- Each of these local taxes generally requires voter approval, meaning the outcome would depend on hundreds of separate local elections rather than a single statewide decision, with no guarantee that any given community's voters approve a replacement
- This paper did not identify a statewide projection of how much of the total property tax base could realistically be replaced through local-option taxes in aggregate, given the constraints above

11. Mechanism: State Assumption of a Larger Share of School Funding

Ohio's school funding formula has historically used school district taxable property valuations to determine each district's local share of foundation funding: lower taxable property valuations lead to a lower calculated local share and a correspondingly higher state share. LBO's memo notes that a repeal of real property taxes would likely cause a significant, mechanical increase in the state's funding obligation under this formula, since districts' calculated local capacity would fall sharply, even without any new legislation specifically designed to do so.

Documented advantages

- Could occur partly through the existing school funding formula's mechanics rather than requiring an entirely new mechanism, for the school-district portion of the tax base specifically
- Would not require every local jurisdiction to seek its own replacement tax (contrast with Section 10), reducing the number of separate local elections needed

Documented disadvantages and open questions

- LBO is explicit that the overall effect is uncertain: a repeal approved in November 2026 would not have begun affecting the school funding formula until FY2029 under the formula enacted in H.B. 96, and no school funding formula has yet been enacted for years after FY2027 — so the actual state cost of this mechanism depends on a formula that does not yet exist. With the amendment now targeting a November 2027 vote at the earliest (Section 1), any formula effect would likely shift later still, plausibly beginning around FY2030, depending on the formula then in law[21]
- This mechanism only addresses the school-district share of the property tax base (63.6% of the TY2024 total, Section 2); it does not address county, township, municipal, or special-taxing-district revenue, which would still need a separate replacement mechanism
- A significant, mechanical increase in the state's share of school funding is itself a large new General Revenue Fund obligation that would need to be funded from somewhere — this

[21]Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958, September 16, 2025, p. 3.

mechanism relocates cost from local property taxpayers to the state budget rather than eliminating it, and this paper did not identify a public estimate of the resulting GRF cost

- A lower calculated local capacity under the funding formula does not necessarily guarantee dollar-for-dollar replacement of every lost property-tax dollar: the foundation formula covers formula-recognized operating funding, not every locally funded activity. Bond and capital levies, emergency levies (to the extent they still exist), extracurricular and enhancement programs, and other district-specific, nonformula spending are generally outside the formula's scope, so even a sharp increase in state formula aid would likely not replace all local operating, capital, or debt-service revenue previously supported by property tax

12. Mechanism: Economic Growth as a Revenue Factor

A distinct line of argument holds that population growth, wage growth, GDP growth, and business formation would partially offset revenue losses over time by expanding the base of every other tax — more residents and higher wages generate more income and sales tax revenue without a rate increase. This argument requires several distinctions this paper did not find consistently made in public commentary: baseline growth that would have occurred regardless of any property tax change, versus growth specifically induced by that change; and gross additional tax receipts versus net receipts after subtracting the additional public-service costs (schools, roads, safety) that new residents and businesses themselves generate. Only the induced, net portion represents genuine replacement capacity — gross growth alone is not free revenue. This paper did not identify an independent, Ohio-specific quantification of how much of a full property tax replacement gap growth alone could be expected to close on this net, induced basis, and treats this as a long-term, indirect factor rather than a direct substitution mechanism. Analyses that model this dynamically — accounting for behavioral responses such as increased home construction, business relocation, or retiree retention following a property tax change — are addressed further in Section 15.

13. Hybrid Approaches

Public officials, advocacy organizations, and campaign representatives who have addressed the replacement question have generally described some combination of mechanisms — rather than reliance on any single source — as the more probable outcome if property tax revenue is substantially reduced. Illustrative combinations discussed in current commentary include pairing a smaller sales-tax rate increase with a sales-tax base expansion, targeted spending reductions, and continued economic growth, rather than relying on a single large rate increase in one tax.

The amendment as currently drafted does not specify a mechanism or combination of mechanisms; that determination would rest with the General Assembly if the amendment were approved by voters. No hybrid proposal identified in current public reporting has been scored by a state fiscal agency (LSC or OBM) in enough detail for this paper to present verified combined-mechanism revenue figures. This paper does not construct illustrative dollar scenarios (e.g., “$X billion from spending cuts + $Y billion from sales tax + $Z billion from income tax”) because doing so with invented numbers would misleadingly imply a level of precision and legislative consensus that does not exist. What can be stated without inventing figures is the structure any such scenario must satisfy:

> ***Replacement capacity = recurring spending reductions + state transfers/assumption of local functions + new or increased sales-tax revenue + new or increased income-tax revenue + base-expansion revenue + supplemental sources − transition and administrative costs − behavioral revenue losses.***

A rigorous hybrid analysis would populate each term of that equation with a verified, sourced estimate — for a specific target (e.g., LBO's $18.89B TY2024 net-loss figure or its $20.57B TY2027 projection, per Section 2) — and is flagged as a priority area for follow-on OCG research once the OBM methodology (Section 3) and remaining open questions (Section 18) are resolved.

Redistribution formula and local autonomy

Any statewide replacement mechanism would need operational rules this paper has not seen addressed in current public proposals: how to allocate replacement revenue among Ohio's roughly 600 school districts and hundreds of other local governments; how to set each jurisdiction's baseline entitlement; how to handle future population and service-demand changes; how to treat voted levies with different expiration dates and purposes (operating, bond, emergency) under a new formula; how to address jurisdictions with unequal existing tax bases; whether and how local voters would retain any control comparable to today's levy elections; how distributions would be audited; and how boundaries that overlap across townships, municipalities, counties, and school districts would be resolved. These are not administrative footnotes — the design of a redistribution formula determines which communities gain and which lose relative to their current property tax revenue, and this paper did not identify a published framework addressing this design question.

14. How Other States Fund Local Government

A common point of comparison in the public debate is the group of nine states generally classified as having no broad-based individual income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming (some of these still tax specific income categories or business activity). It is a documented misconception, however, that any of these states operates without property tax. Every state permits or contains local governments that use property taxes, and property tax remains the dominant local tax source nationally: in fiscal year 2023 (the most recent year available), property taxes accounted for 70.0% of local tax collections and 28.9% of combined state and local tax collections nationwide[22]

[22] Tax Foundation, "Property Taxes by State and County, 2026" (data as of FY2023, citing U.S. Census Bureau state and local government finance data), https://taxfoundation.org/data/all/state/property-taxes-by-state-county/, accessed July 2026.

This paper did not examine every individual locality nationwide, so it describes this at the state level: no state identified in this review has abolished real property taxation statewide and replaced it with a single alternative revenue source.

States without a broad individual income tax generally offset that absence through some combination of higher property tax reliance, higher sales tax rates, or revenue from tourism, gaming, or natural-resource severance taxes. Per Tax Foundation's 2024 effective-rate data (owner-occupied housing, statewide average): Texas has the 7th-highest effective property tax rate in the country at 1.40% — higher than Ohio's own 1.36% (8th) — and Tax Foundation specifically names Texas (alongside New Hampshire) as a state that “rel[ies] heavily on [property taxes] in lieu of other major tax categories.” Florida's effective rate is 0.78% (27th) and Nevada's is 0.50% (43rd), both well below Ohio's, consistent with greater reliance on tourism, sales, and (for Nevada) gaming revenue instead. Tennessee's effective property tax rate is 0.52% (41st)[23]

- Tennessee has no broad-based state income tax and levies a 7% state sales tax, with local add-ons that can bring the combined rate close to 9.5% — among the higher combined state-and-local sales tax rates nationally, consistent with its low property tax reliance above
- Wyoming (0.53% effective rate, 40th) and Alaska (0.94%, 20th) rely significantly on severance and mineral-extraction revenue, a resource base Ohio does not derive comparable state fiscal revenue from

Tax Foundation's analysis also makes a distributional point directly relevant to this paper's renter-incidence discussion (Section 15): residential property is frequently taxed at a lower level than commercial property, but most states classify apartment complexes as commercial property for this purpose — meaning renters, through their rent, bear much of the economic incidence of the higher commercial rate rather than the lower owner-occupied rate.[24]

States lacking a broad individual income tax generally rely more heavily on some combination of sales taxes, property taxes, tourism-related revenue, or natural-resource revenue instead. No state identified in this research operates a model directly transferable to Ohio, and none supplies a directly transferable statewide template for eliminating Ohio real-property taxation specifically.

15. Dynamic and Behavioral Effects

Static revenue estimates — for example, the sales- or income-tax rate required to replace a fixed dollar amount — do not account for behavioral responses that a major property tax change could produce, in either direction. Commentary reviewed for this paper raises several dynamic questions that current public estimates do not appear to fully quantify:

[23] Tax Foundation, “Property Taxes by State and County, 2026” (Table 2, “Property Taxes by State,” effective tax rate on owner-occupied housing, 2024), https://taxfoundation.org/data/all/state/property-taxes-by-state-county/, accessed July 2026.
[24] Tax Foundation, “Property Taxes by State and County, 2026,” “Diving Deeper” section, accessed July 2026.

Potential offsetting effects of reduced property tax reliance

- Whether lower housing costs from reduced property tax would increase home construction, sales, or renovation activity, generating new sales and income tax revenue
- Whether the change would affect retiree retention or in-migration, given property tax is frequently cited as a factor in relocation decisions
- Whether business location or expansion decisions would be affected, given commercial and industrial property tax liability

Potential offsetting costs of the replacement mechanisms themselves

- Whether higher replacement sales or income taxes would reduce consumption, labor supply, or investment activity
- Whether reduced local-government spending (if paired with a spending-reduction mechanism) would diminish service quality, property values, or business attractiveness in affected communities
- Whether property tax relief becomes capitalized into higher home sale prices over time, benefiting current owners more than renters or future buyers, who may see little direct benefit
- Whether the fixed-sum-levy shift described in Section 2 raises utility rates or pipeline charges for ratepayers, a cost not captured in headline replacement-rate figures
- Whether replacing a comparatively stable, locally controlled revenue source with a more cyclical, centrally administered one increases statewide revenue volatility or reduces local fiscal autonomy

This paper did not identify a published, Ohio-specific dynamic economic model that nets these offsetting effects against each other in a way that could be independently verified for inclusion here. It is flagged as a significant gap in the current public debate and a candidate area for future OCG Research Center analysis, potentially in partnership with an academic or nonpartisan fiscal modeling source.

Renters specifically

Renters appear only indirectly elsewhere in this paper, yet any property tax replacement proposal has direct implications for them that this paper flags without resolving: whether rental residential property is abolished, retained, or reclassified differently from owner-occupied property (Section 7); whether landlords' property-tax savings are passed through to tenants as lower rent, retained as higher margin, or something in between; whether renters would pay more through higher sales or income taxes without receiving any direct relief comparable to a homeowner's exemption or circuit breaker (the Michigan-model circuit breaker discussed in Section 8 does include a renter's credit, but OEPI's Ohio proposal left it unstudied and uncosted); and whether property-tax relief becomes capitalized into higher home sale prices over time, a benefit that would accrue to current owners rather than to renters or future buyers. This paper did not identify Ohio-specific modeling of any of these renter-specific questions.

16. Side-by-Side Comparison

The table below summarizes the mechanisms addressed in this paper on a consistent set of descriptive dimensions. It does not assign scores, rankings, or weighted composite ratings to any mechanism; readers are directed to the section-by-section discussion above for the documented advantages, disadvantages, and open questions behind each entry.

Mechanism	Revenue Stability (commonly cited factors)	Administrative Complexity	Statutory vs. Likely Economic Incidence	Ohio / Other-State Precedent
Sales tax rate increase	Commonly described as sensitive to recessions and consumer spending cycles	Existing collection infrastructure applies directly	Collection/remittance obligation: vendors. Economic incidence: generally consumers, with possible effects on seller margins and purchasing behavior	Ohio already levies 5.75% state + local add-ons; Tennessee relies heavily on sales tax
Sales tax base expansion (services)	Commentary suggests a broader base may be somewhat less rate-sensitive than a rate increase alone, though this paper did not find this independently quantified for Ohio	New compliance systems needed for newly taxed sectors; risk of tax pyramiding on business inputs	Statutory: newly registered service sellers. Economic: may be passed to consumers, or embedded in downstream prices if business-to-business services are taxed	Several states tax select services; Ohio currently exempts most professional services
Income tax increase	Wage-withholding income is commonly described as comparatively stable; capital gains and pass-through business income are more cyclical	Existing collection infrastructure applies directly	Statutory incidence: taxable individuals and business-income recipients. Economic incidence: primarily the filer in the short run; longer-run effects through migration, labor supply, investment, and wages are disputed in magnitude	Ohio moved toward a single 2.75% rate for TY2026; no-income-tax states shift the burden elsewhere
Spending reductions / efficiency	Does not generate replacement revenue; reduces the amount that must be replaced	Varies widely by mechanism (consolidation, procurement, staffing)	Economic effects may fall on service recipients, public employees, contractors, and affected communities; taxpayers benefit only if savings are converted into lower taxes or replacement transfers rather than absorbed elsewhere	Buckeye Institute and county budget commissions have proposed local efficiency measures

Mechanism	Revenue Stability (commonly cited factors)	Administrative Complexity	Statutory vs. Likely Economic Incidence	Ohio / Other-State Precedent
Commercial/industrial/utility property tax only	Similar stability to current property tax, applied to a narrower base	Existing assessment infrastructure applies, narrowed in scope; likely raises constitutional classification questions (Section 7)	Statutory: business/utility property owners. Economic: may be shared with tenants, employees, customers, or investors depending on sector and market	No comprehensive Ohio precedent identified; would require reclassification rules
Consumption / sin taxes (tobacco, cannabis, alcohol, gaming)	Narrow base; FY2025 Ohio collections across these categories are well under 5% of the real property tax base combined	Existing frameworks apply for most categories	Statutory: sellers/operators. Economic: consumers of the taxed goods/activities	Ohio already taxes these categories; see Section 9 for FY2025 figures
Severance tax (oil, gas, mining)	Commonly described as volatile, tied to commodity prices and extraction volume	Existing collection framework applies	Statutory: producers. Economic incidence (producers vs. consumers via price pass-through) is disputed and not resolved in this paper	Ohio's severance tax rate is described in policy commentary as comparatively low versus other energy-producing states
User fees	Stable per-service, but limited in aggregate scale	Varies by service	Statutory and economic incidence generally align with the direct user of the service	Widely used at the margins; not identified as a primary local-government funding source in the states reviewed for Section 14
Economic growth (population, wage, GDP growth)	Long-term and uncertain; not a direct substitution mechanism, and growth also brings new service costs (Section 12)	N/A — indirect effect on existing tax bases	Diffuse; depends on which taxes capture the growth and which costs the growth generates	No jurisdiction identified in this research has replaced a major tax solely through anticipated growth

17. Where the Public Debate Currently Stands

The following organizations and officials have taken public positions relevant to the replacement question. Positions are described as stated by each source; inclusion here does not constitute OCG endorsement or evaluation of any position.[25]

[25] AxOhTax: Ballotpedia and the campaign's own public statements (Section 1). Gov. DeWine: OBM memorandum, "Consequences of Local Property Tax Abolishment," Feb. 4, 2026, and DeWine's statements as reported via Cleveland.com/Fox Business (Section 3). Ohioans to Protect Public Services: the coalition's own public materials, including its "What Really Happens

Voice	Type	Stated Position (descriptive)
Committee to Abolish Ohio Property Taxes (AxOhTax)	Ballot-issue campaign committee	Supports full constitutional prohibition of real property taxes; the amendment does not specify a replacement mechanism, leaving that to the legislature. Now targeting the November 2027 ballot
Gov. Mike DeWine	State elected official	Has publicly cited sales-tax rates as high as 17%–20% or steep income-tax increases as the consequence of full replacement; opposes the amendment as drafted
Ohioans to Protect Public Services	Coalition of local-government, business, and labor/first-responder organizations	Opposes the amendment as drafted; supports property tax reform but not abolition without a replacement plan
The Buckeye Institute	Free-market policy institute	Opposes full abolition, calling it (in written testimony) 'misguided' and warning it would 'gut local public services with no reasonable revenue replacement'; favors local spending controls, consolidation, and efficiency measures over new or higher broad-based taxes
Ohio Education Policy Institute (Fleeter & Browning)	Education-finance research organization	Favors targeted relief (circuit breakers, senior freezes) over full replacement or full abolition
Policy Matters Ohio	Progressive policy research organization	Favors a circuit breaker specifically over other relief designs, funded by narrowing existing tax expenditures (rollbacks, CAT breaks, business income deduction) rather than new taxes or service cuts; does not address full abolition directly in the testimony reviewed

Institutional context, applied consistently and without characterizing any position as more or less credible on that basis alone: AxOhTax's registered committee is "AXOHIOTAX PAC" (Ohio Secretary of State PAC Registration No. BI1976, status Active, registered address in Mentor, Ohio). This paper reviewed the committee's 2025 Annual (January) campaign-finance filing directly: it reported $2,131.38 in total contributions across 30 entries and $297.65 in expenditures across 14 entries for the filing period. Contributions were small-dollar and individual — the largest single contribution was $500, most donors listed "retired" as their occupation, and one individual (matching the committee's registered address) accounted for a large share of entries through small recurring donations. Expenditures were almost entirely payment-processing fees and a P.O. box rental. This filing shows no institutional, corporate, or large-donor contributions; this paper did not review filings from other periods and cannot characterize the committee's finances outside this specific filing.[26]

If We Abolish All Ohio Property Taxes?" flyer (ProtectPublicServices.org), which itself cites the OBM memo, Tax Foundation, and Policy Matters Ohio. The Buckeye Institute and Ohio Education Policy Institute: as cited throughout Sections 6–8. This paper reviewed each source's own public statements rather than independently confirming every organization's internal deliberations.

[26] Ohio Secretary of State campaign finance filings for AXOHIOTAX PAC (PAC Reg. No. BI1976): Committee Registration, Contribution Report, and Expenditure Report, 2025 Annual (January) filing period, obtained directly.

Gov. DeWine's relevant institutional role is his executive responsibility for OBM and the state budget, not his personal financial disclosures. Ohioans to Protect Public Services describes itself as a coalition of local-government, business, and labor/first-responder member organizations. The Buckeye Institute is a member- and donor-funded free-market policy institute. The Ohio Education Policy Institute's stated membership includes school districts and statewide education associations. Policy Matters Ohio describes itself as a nonprofit, nonpartisan policy research organization and is generally identified in Ohio media coverage as taking progressive/labor-aligned positions on tax policy. This paper did not independently audit the finances of any of these four organizations; readers seeking that detail should consult each organization's own public disclosures directly.

OCG Research Center note: Ohio Common Ground is a nonpartisan 501(c)(4) civic organization operating a separate organizing/advocacy arm under an internal editorial firewall from this Research Center (see the Editorial Independence Notice). This paper is a Research Center product and does not reflect an organizing-arm position on property tax policy.

18. Open Questions

- Whether the November 2027 ballot effort qualifies and, if so, its final ballot language and any legislative response enacted before that vote
- Whether LSC/LBO will publish an updated TY2028 projection reflecting the amendment's delayed timeline (its September 2025 memo assumed a November 2026 vote and TY2027 first effective year, per Section 2)
- Whether any replacement mechanism would be enacted in statute before or only after a successful vote on the amendment
- Whether the OBM memo's 15%–18% sales-tax estimate is a state-only rate or a combined state-and-local rate — the memo does not specify
- The Tax Foundation analysis OBM cites for its 11%–15% income-tax figure and its 27%-in-some-counties local-option figure (Section 3) — this paper has the OBM memo's characterization of that analysis but not the underlying Tax Foundation work product itself
- Independently verified, Ohio Department of Taxation- or LSC-scored revenue projections for a commercial-only property tax base and a sales-tax base expansion
- A jurisdiction-level accounting of local government carryover balances and fixed-cost obligations to evaluate the realistic scale of spending-reduction savings
- An independent bond-counsel or credit-rating-agency analysis of the default and downgrade risks OBM's memo describes (Section 2), since this paper currently relies on OBM's own characterization rather than an independent legal or financial assessment
- A published, Ohio-specific dynamic economic model that nets the offsetting behavioral effects described in Section 15 against each other

Glossary

Ad valorem: A tax based on the assessed value of property.

Circuit breaker: A targeted property-tax relief mechanism that limits a qualifying household's net property-tax burden relative to income, commonly through a credit, refund, rebate, or direct reduction rather than a strict cap on the original bill.

Class I / Class II property: Ohio's statutory classification of real property for tax purposes: Class I is generally residential and agricultural property; Class II is generally commercial and industrial property.

Inside millage: Property tax millage authorized without a public vote, subject to certain state law limits.

LBO: The Legislative Budget Office, the fiscal-analysis arm of the Legislative Service Commission.

LSC: The Ohio Legislative Service Commission, the General Assembly's nonpartisan research and fiscal-analysis agency.

OBM: The Ohio Office of Budget and Management, the executive-branch budget agency.

Public-utility tangible personal property (TPP): Personal property owned by public utilities (e.g., pipelines, transmission equipment) that is taxed separately from real property under Ohio law; not affected by an amendment that repeals only real property taxes.

Severance tax: A tax on the extraction of natural resources such as oil, gas, or minerals.

20-mill floor: A provision ensuring school districts collect at least 20 mills of unvoted property tax, which can cause tax bills to rise with property values in districts at the floor.

Sources Consulted

Primary sources:

Ohio Revised Code Section 5747.02 (individual income tax rates, as amended by H.B. 96, effective September 30, 2025; authenticated Ohio Legislative Service Commission document #515615);

Ohio Legislative Service Commission, Legislative Budget Office, memorandum R-136-1958 ("Repeal of real property taxes," Russ Keller and Patrick Campbell to Rep. Tristan Rader, September 16, 2025) — the source for all TY2024/TY2027 property tax baseline figures, the fixed-sum-levy-shift analysis, the school-funding-formula figures, and the current-law PIT revenue estimate in Section 5;

Ohio Office of Budget and Management, "Consequences of Local Property Tax Abolishment" (memorandum from Director Kimberly Murnieks to Gov. DeWine, February 4, 2026); Tax Foundation, "Property Taxes by State and County, 2026" (Janelle Fritts, March 16, 2026), the source for all state-comparison effective-rate figures in Section 14 and the national 70.0%/28.9% figures;

Ohio Secretary of State campaign-finance filings for AXOHIOTAX PAC (Reg. No. BI1976) — committee registration, 2025 Annual (January) contribution report, and expenditure report;

Ohio Education Policy Institute (Fleeter & Browning, "Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform," September 2025) — the source for the Class I/Class II historical share data (Section 7) and the circuit-breaker and senior-freeze relief estimates (Section 8);

Ohio Governor's Property Tax Reform Working Group, final report (September 2025, co-chaired by Bill Seitz and Pat Tiberi), containing the written testimony of The Buckeye Institute (Greg R. Lawson, September 18, 2025) and Policy Matters Ohio (Zach Schiller, August 17, 2025) cited in Sections 6 and 8;

Ohio Department of Taxation, Fiscal Year 2025 Annual Report (cigarette/OTP, cannabis, alcoholic beverage, gross casino revenue, sports gaming receipts, and severance tax collections,);

Ohio Department of Taxation, Annual Tax Rates page.

Secondary and news sources:

Ballotpedia (amendment status and text); Ohio Office of Budget and Management estimates as reported by OhioCPA.com (February 2026);

The Statehouse News Bureau;

Signal Ohio, Signal Cleveland, and Signal Akron;

the Ohio Municipal League;

Kiplinger;

the Ohio Education Policy Institute (Fleeter & Browning, "Analysis of Residential Property Taxes in Ohio: A Balanced Approach to Reform," September 2025, and "Ohio Property Tax Trends 1975–2023");

Tax Foundation property tax and income tax data; and contemporaneous news coverage of the Committee to Abolish Ohio Property Taxes signature campaign.

Claim-level footnotes throughout this paper cite the LBO and OBM memoranda, ORC 5747.02, the OEPI relief and historical-share estimates, ODT FY2025 collection figures, Tax Foundation state-comparison data, the AxOhioTax PAC filings, and the Property Tax Reform Working Group testimony directly.

A small number of open research questions remain and are summarized in Section 18.