

# PROPERTY TAXATION & THE 20 MILL FLOOR

Presentation by:

Erie County Treasurer Caleb Stidham &  
Ottawa County Treasurer Tony Hatmaker

# Calculating Real Estate taxes

- In the simplest of terms, the following equation is what is used to begin the calculation of your real estate tax bill:
  - **Value x Rate = Taxes Owed**
- Let's define each of these terms:
  - **Value:**
    - The **assessed value** is 35% of the appraised value from the auditor. We are taxed on the assessed value.
  - **Rate:**
    - Tax rates in Ohio come in the form of mills. A **mill** is \$1 of taxes owed for every \$1,000 of assessed value. Your tax rate includes the (up to) 10 mills authorized by the Ohio Constitution AND the number of mills that are voted on for each taxing jurisdiction.
- **Assessed Value x Tax Rate (in mills) = Taxes Owed**
  - *Let's look at an example:*
    - A 5 mill levy on a \$100,000 appraised home
      - Appraised value of the home (\$100,000) x 35% = \$35,000 of assessed value
      - Tax rate = \$5 / \$1,000 of assessed value
      - \$35,000 x [\$5 / \$1,000] = \$175 of taxes per year

# Inside vs. Outside Millage

- HB 920 was passed in 1976, which radically changed how property taxes are calculated in Ohio. The philosophy underpinning this legislation was as follows: **tax increases should be approved by the voters. Entities receiving property taxes shouldn't benefit (or be penalized) from large changes to the real estate market.**
- HB 920 differentiates between two forms of millage: inside and outside mills.
  - *The 10 constitutional mills are inside millage. Inside millage is inflationary and the millage is not voted upon. A 1% increase in value will lead to a 1% increase in what you owe on an inside mill.*
  - *Outside millage was created to be anti-inflationary. As the value of a taxing jurisdiction increases, the effective rate on outside millage reduces to keep the taxes owed the same.*
- All taxpayers in Ohio pay both inside and outside millage levies, but they function in very different ways.

# Inside vs. Outside Millage Cont'd

- Let's go back to the example of the \$100,000 property and a 5-mill levy. As calculated on a previous slide, the amount owed in this instance is \$175.
  - *Now let's say that the auditor does a revaluation and finds that the property is worth \$125,000. How much is owed?*
- For **INSIDE (CONSTITUTIONAL) MILLAGE**, the calculation goes as follows:
  - *\$125,000 appraised value x 35% = \$43,750 assessed value*
  - *\$43,750 assessed value x [\$5 / \$1000] = \$218.75 (which is a 25% increase)*
- For **OUTSIDE (VOTED UPON) MILLAGE**:
  - *The \$175 owed pre-revaluation is frozen. So, the equation looks as follows:*
  - *Appraised value (\$43,750) x Millage (Z/1000) = \$175*
  - *Therefore, the tax rate must reduce. In this case it goes down to 4 mills.*
  - *This number is known as the **effective rate**.*

# The Effects of Outside Millage

- It's important to understand that when outside millage is calculated, it is done at the taxing jurisdiction level, not the individual property level. The revenue generated from an outside millage levy is calculated by multiplying the rate by the value of all the properties in the taxing jurisdiction. That levy will always generate the same amount of revenue as is calculated the first year after being passed (not counting new construction).
- For example, if a township passes a fire levy of five mills, and the grand assessed valuation of properties in that township is \$100 million, that levy will generate approximately \$500,000 ( $\$100,000,000 \times 5 \text{ mills} / \$1,000$ ). Outside of new construction, that's all the money that can ever be generated from that levy.
- This reality means that reduction factors apply to properties differently depending on how much their value goes up compared to the taxing jurisdiction. Continuing with the previous example, let's say the township value increases by 10% to \$110 million. Because the levy is outside millage, the total revenue generated originally (\$500,000) stays the same.  $\$500,000 = \$110 \text{ million} \times 4.54 \text{ mills}$ . The effective rate of the levy reduces to 4.54 mills for the property owners of that township.
- However, it's important to understand that for individual property owners, there will be some who pay more and some who pay less after the revaluation. If one person's property value went up by 5%, they will owe less than before, while someone whose property value went up by 15% will owe more than before. Those whose values went up by the same as the township (10% in this case) will pay the same as before.

# Why did property taxes go up for so many Ohioans?

- There are exemptions in the law, especially for school districts, that erode HB 920's protections and cause additional burdens on taxpayers.
  - *Entities could pass replacement levies (instead of renewal) that reset the millage rate to the time it passed.*
  - *Certain provisions in state law allowed school districts to evade HB 920 reduction factors and receive un-voted revenue.*
    - The 20-mill floor allowed certain school districts to receive significant windfalls from increases in valuation.
      - *Emergency, substitution, permanent improvement, and bond levies all helped school districts to reach the 20-mill floor and thus evade HB 920.*
    - Additionally, Joint Vocational Schools have a 2-mill floor.

# The 20-Mill Floor

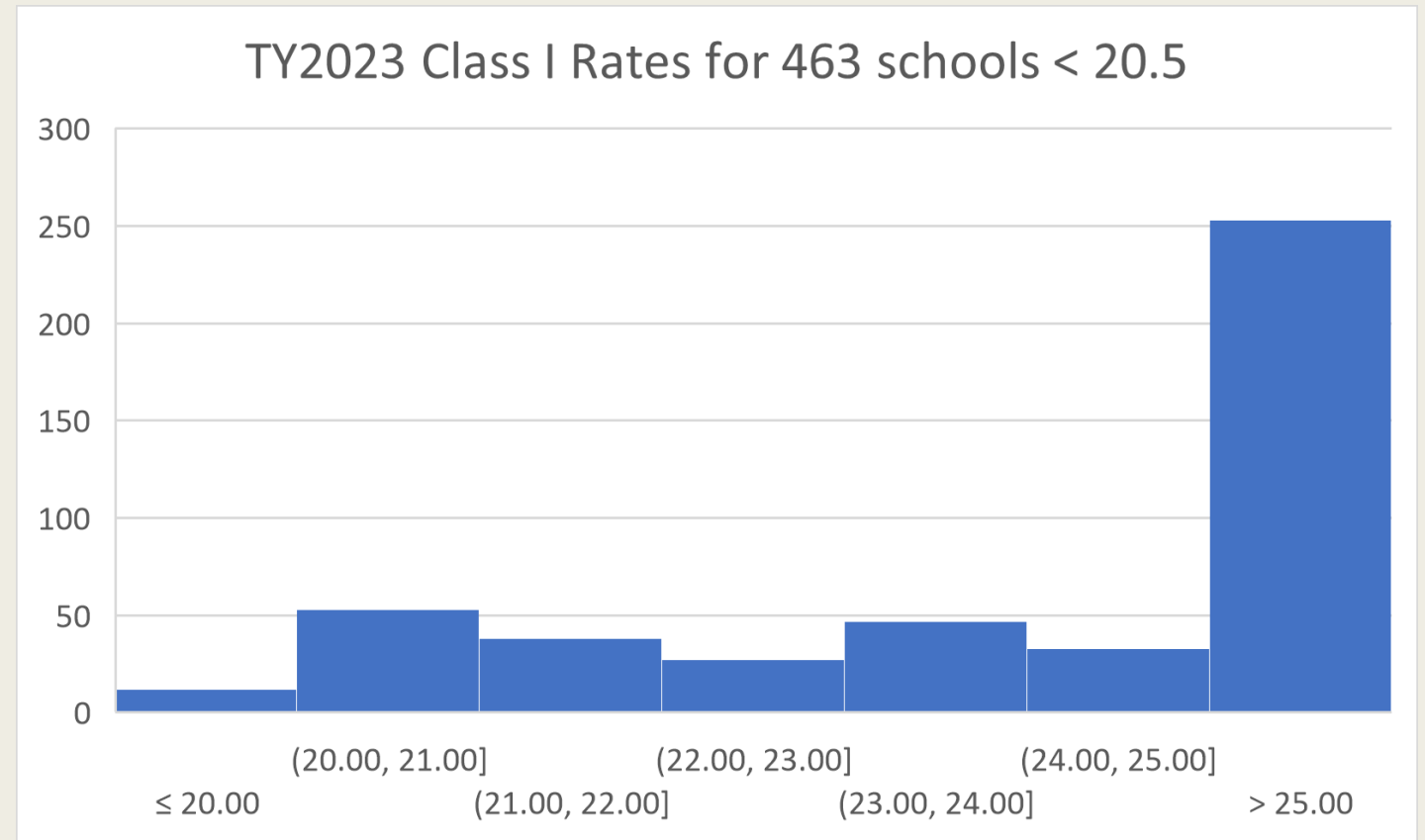
- The 20-mill floor is a provision of state law which guarantees that almost all public-school districts in Ohio have an effective rate of at least 20 mills.
- This means that the anti-inflationary nature of outside millage ends once the rate is reduced to 20 mills.
  - *Value X Rate = Taxes Owed | When the rate cannot drop any further, it leads to an increase in taxes owed.*
  - *From there on, all 20 mills begins to act like inside millage, meaning that a 1% increase in value will equal a 1% increase in taxes owed on those 20 mills.*
- Further, emergency, substitution, bond, and permanent improvement levies don't count towards the 20-mill floor.

# 20-Mill Floor Example

- Example property in a 20-mill floor district: Current appraised value is \$150,000. The school district's effective rate is at 20 mills. However, the district is also collecting 8 mills of emergency, bond, and permanent improvement levies.
- This year, the taxpayer owes approximately \$1,470 in taxes to his school district ( $[\$150,000 \text{ appraised value} \times 35\%] \times 28 \text{ mills} / \$1,000$ ).
- With the 2024 revaluation, let's say this property will have an appraised value of \$200,000. Because of the 20-mill floor and the other legal exemptions, the taxpayer will now pay about \$1,870 to the school district. Without these exemptions, the taxpayer would pay about \$1,550 to the school district. **What should be about a 5% increase turns into a more than 27% increase because of the 20-mill floor.**

# The Impact of the 20-Mill Floor

- 463 school districts (out of 611 in Ohio) are at the 20-mill floor as of 2025.
- Of the 463 districts at the floor, only 59 districts are not benefiting from the exemption levies.
- Additionally, 212 school districts impose an income tax.



The overwhelming majority of 20-mill floor districts are utilizing exempted levies.

# The Impact of the 20-Mill Floor Cont'd

**Table 1: School Levies on the Nov. General Election Ballot 2020-2024, By Type**

Levy Type	Nov. 2020	Nov. 2021	Nov. 2022	Nov. 2023	Nov. 2024
Capital Levies	35	38	38	68	57
Operating Levies	78	61	83	98	85
<b>Total Levies</b>	<b>113</b>	<b>99</b>	<b>121</b>	<b>166</b>	<b>142*</b>

- In the November 2024 election, there were 142 school district levies (and income tax proposals) on the ballot in Ohio. 116 of those levies (over 80%) would evade the 20-mill floor.

**Table 3: Operating Levies on the Nov. General Election Ballot 2020-2024, By Type**

Levy Type	Nov. 2020	Nov. 2021	Nov. 2022	Nov. 2023	Nov. 2024
Emergency Levies*	38	31	40	49	31
Property Tax Current Expense levies	28	18	26	28	26
School District Income Tax Operating Levies	12	11	16	19	27
Other Operating Levies**	0	1	1	2	1
<b>Total Operating Levies</b>	<b>78</b>	<b>61</b>	<b>83</b>	<b>98</b>	<b>85</b>

# The Impact of the 20-Mill Floor Cont'd

- Below is a sampling of 20-mill floor districts in the state with **effective rates** exceeding **30 mills** as of TY 2024:
  - Willoughby-Eastlake City School District (Lake County): **45.83 mills**
  - Perrysburg Exempted Village School District (Wood County): **44.02 mills**
  - Delaware City School District (Delaware County): **41.49 mills**
  - North Ridgeville City School District (Lorain County): **39.08 mills**
  - Bryan City School District (Williams County): **37.70 mills**
  - West Clermont Local School District (Clermont County): **35.06 mills**
  - Shawnee Local School District (Allen County): **35.06 mills**
  - Northwest Local School District (Hamilton County): **31.95 mills**
  - Indian Creek Local School District (Jefferson County): **30.18 mills**

# Property Taxes and School Funding

- Have you ever heard that school funding in Ohio is unconstitutional?
  - *People say this because of an Ohio Supreme Court decision in DeRolph v. State.*
    - In this 1997 decision, the court ruled that Ohio’s system of funding schools was unconstitutional, in part because it over relied on local property taxes.
    - Ohio’s Constitution requires that the State provide a “thorough and efficient system of common schools throughout the state.”
    - The “overreliance” on local property taxes bases were producing wide disparities among individual school districts.
  - *The DeRolph decision was settled in 2003 when the court brought an end to litigation and stated, “the duty now lies with the General Assembly to remedy an educational system that has been found by the majority in DeRolph IV to still be unconstitutional*
  - *While the Supreme Court has not stated that today’s system of school funding is unconstitutional, the system still produces substantial funding disparities.*

# Disparity in Local Property Tax Bases

- Let's look at an example of extreme disparities in local tax bases in Ottawa County in TY 2025:
  - *Genoa Area Local Schools will levy 29.05 effective mills to raise about \$7,083 per pupil.*
  - *Port Clinton City Schools will levy 21.50 effective mills to raise about \$19,569 per pupil.*
  - *Danbury Local Schools will levy 20 effective mills that raises about \$36,947 per pupil.*
- Genoa levies about 45% more millage than Danbury to raise about 20% of what Danbury raises per pupil. Genoa levies about 35% more millage than Port Clinton to raise about 36% of what Port Clinton raises per pupil. This is an extreme (but real) situation as Danbury and Port Clinton are one, two in the state in per pupil valuation but it does illustrate the point cited by the Court that the “overreliance” on local property taxes results in wide disparities between school districts despite local efforts.
- Turning back to the 20-mill floor, this is a mechanism that predates DeRolph. However, it is crucial towards providing a base that every school district in Ohio can count on to provide a base level on funding.
  - *One of the major challenges for the General Assembly is preventing such an inequity as is shown above.*

# 2025 Legislative Changes

- In 2025, the General Assembly passed several pieces of legislation to change the property tax system.
  - *HB 129 ensures emergency and substitution levies now count against the 20-mill floor. This will greatly reduce the number of districts at the floor across Ohio.*
  - *HB 186, among other changes creates an inflation cap credit on revenue growth from the 20-mill floor. From now on, school districts at the 20-mill floor will only see revenue growth at the rate of inflation. This likely prevents the spikes in unvoted increases seen in the last five years.*
  - *HB 335 provides a similar inflation cap credit on revenue growth from inside millage.*

Questions?