LEAGUE OF WOMEN VOTERS
OF CINCINNATI AREA

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Taxes 101: How Ohio pays for public services

In response to constant voter frustration with paying taxes, politicians are floating proposals to dramatically change the tax system in Ohio. A group seeks a constitutional amendment to abolish property taxes. Candidates call for the end of the state income tax. And bills have been passed and others are pending in the General Assembly to reform the tax system. Before we can weigh the value or harm of these proposals, we need to understand Ohio's complex taxation system and how public services are funded. What role is played by the sales tax, the income tax and property taxes?

This review does not cover all of the methods used to raise revenue to pay for public services. It does not cover Federal taxes, excise taxes, or fees for services (e.g. park admission).

In reading this information consider the League of Women Voters positions on taxation:

> *LWVUS Principles - Government should maintain an equitable and flexible system of taxation*
>
> *LWV Ohio Position - Support taxation that is fair and equitable, provides adequate resources for government programs while allowing flexibility for financing future program changes, is understandable to the taxpayer and encourages compliance, and is easy to administer.*

Real Property Taxes

The real property tax is Ohio's oldest tax. It has been an ad valorem tax – meaning, based on value- since 1825. Real property tax rates are levied locally and vary by taxing jurisdiction. The total tax rate for any particular parcel includes all levies either enacted by a legislative authority or approved by the voters. Examples of jurisdictions that levy property taxes are counties, school districts, municipalities, townships, and special service districts.

In Ohio the property tax provides roughly $24 billion annually for local governments and is the primary source of funding for schools, public safety, libraries, parks and senior services. To put this into perspective, $24 billion equals the total revenue from Ohio's state income and sales taxes combined.[1]

The Ohio Constitution prohibits governmental units from levying property taxes that, in the aggregate, exceed 1 percent of true value, unless they are approved by voters. This is known in state law as the 10-mill limitation on non-voted or "inside" millage. Additional "outside" millage is added through voted levies. A list of Hamilton County levies is available on the Treasurer's website showing what each levy pays for.[2]

The state of Ohio requires county auditors to use uniform procedures to revalue parcels on a six-year cycle using the mass appraisal process. However, property value increases do not mean the amount of government revenue increases. Ohio Revised Code Chapter 319 prohibits local governments from collecting more taxes just because property values increase. Instead, voters must pass new levies or renew a levy during a reassessment year. In November 2023, voters in Hamilton County passed new or renewed tax levies for libraries, the zoo, and municipal emergency services. These levies increased the total tax collected in the county by 11 percent. In 2024, Hamilton County property values went up 30% but total taxes collected only increased 11%.[3] However, the increases were not evenly distributed. While some property owners saw little increase or even a decrease, others saw huge increases.

Public outcry over large increases led to calls for reform. One anti-tax group began circulating petitions for an Ohio constitutional amendment abolishing the property tax. While they were not able to get the amendment on the November 2026 ballot, they said they would continue the effort.[4]

In 2025, Governor Dewine convened a Property Tax Working Group to review possible reforms in Ohio's property tax system and make recommendations. The Working Group was co-chaired by Bill Sietz. Members included Hamilton County Commissioner Denise Driehaus and Warren County Auditor Matt Nolan. The Working Group made 20 recommendations.[5] A few were passed by the General Assembly in late 2025,[6] but the basic system remains unchanged.

[1] Ohio Society of CPAs, https://ohiocpa.com/for-the-public/news/2026/04/24/coalition-warns-of-dire-consequences-from-property-tax-abolishment-proposal

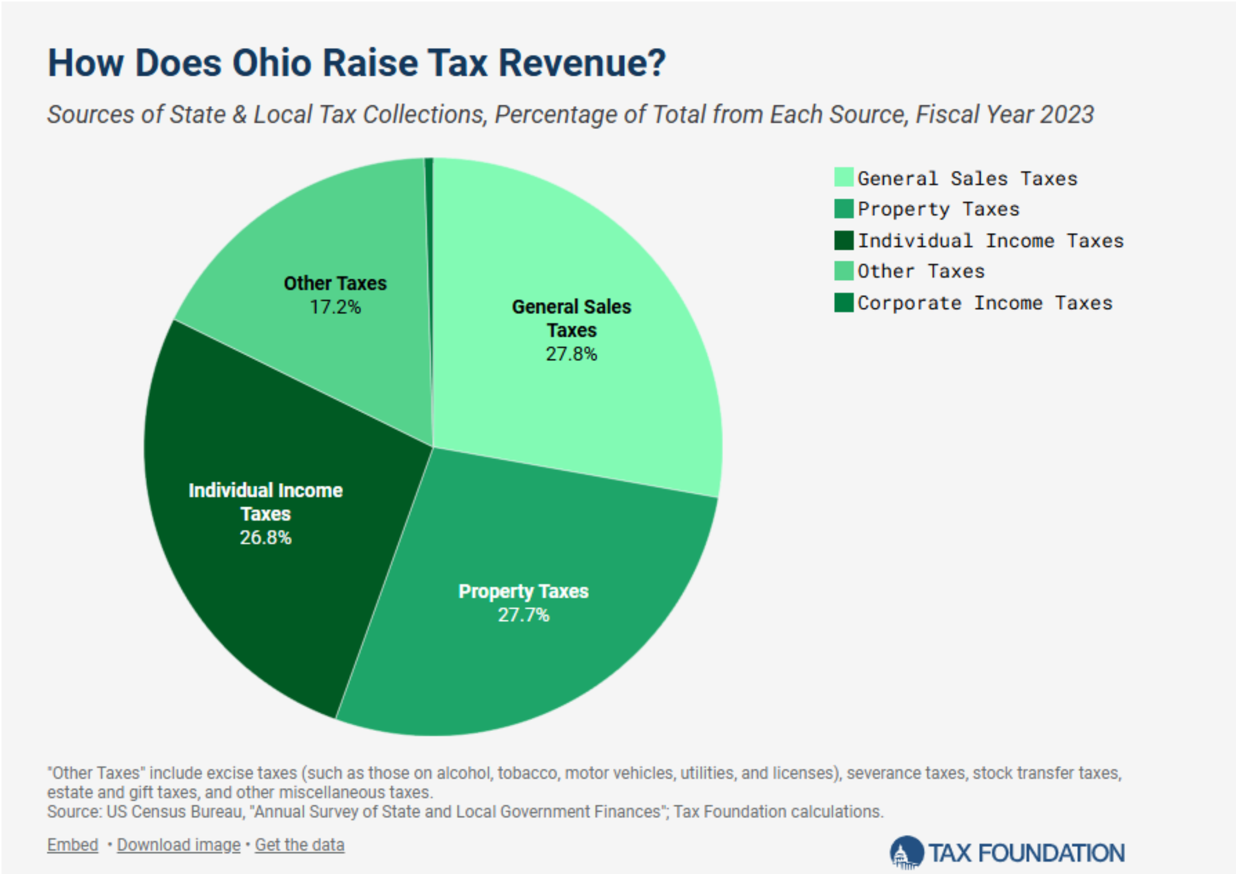
[2] https://www.hamiltoncountyohio.gov/government/departments/treasurer/real_estate_information.php#collapselinks-3870-11b1

[3] https://static1.squarespace.com/static/62e84d924d2d8e5dff96ae2f/t/66698f39c9782d5ff882ac43/1718194048455/What+Really+Happened+Hamilton+County+Tax+Misperception_06_05_24-compressed.pdf

[4] Committee to Abolish Ohio Property Taxes. https://axohtax.com/

[5] https://content.govdelivery.com/attachments/OHIOGOVERNOR/2025/09/30/file_attachments/3405420/FINAL%20Property%20Tax%20Report.pdf

[6] https://www.squirepattonboggs.com/insights/publications/update-on-real-property-tax-reform-recent-legislation-and-proposed-ohio-constitutional-amendment/



Ohio Sales and Use Tax

Ohio's sales tax is known as a "trust fund tax" because retailers collect the tax from customers and hold it in trust until it is remitted to the state. Retailers collect the tax from customers at the point of sale and send it to the Ohio Department of Taxation, which distributes the appropriate shares to the state, counties, and other local taxing authorities. Ohio exempts several categories from sales tax, including groceries, prescription medications, baby and child products, certain manufacturing equipment, and medical services[7]. A use tax generally applies when Ohio sales tax was not collected on a taxable purchase, such as certain online or out-of-state purchases.

State sales tax revenue supports Ohio's General Revenue Fund (GRF), which helps pay for state government operations and statewide programs. County sales tax revenue generally supports county government operations and may be used to fund services such as public safety, road and bridge maintenance, parks, and other county programs.

Ohio's 5.75% statewide sales tax rate was approved by the Ohio General Assembly and became effective on September 1, 2013. Counties and regional transit authorities may levy additional

[7] 2026 Ohio Tax Rates & Rankings | Tax Foundation

local sales and use taxes within limits established by state law, resulting in a maximum combined sales tax rate of no more than 8.00%.

Hamilton County's county sales tax rate is 2.05% (1.25% County Rate + 0.8% Transit Rate) for a combined sales tax rate of 7.80%. Warren County's county sales tax rate is 1.00%, for a combined sales tax rate of 6.75%[8].

County commissioners may adopt sales tax changes within the limits authorized by state law. For example, on June 26, 2026, the Warren County Board of Commissioners approved a temporary 0.5% increase in the county sales tax to offset anticipated revenue losses associated with the county property tax relief the Board of Commissioners approved for the county's portion of property tax [9]. The increase is scheduled to take effect on October 1, 2026, and expire on September 30, 2027, increasing Warren County's combined sales tax rate to 7.25% during that period.

Admissions Tax

A small number of Ohio municipalities also levy specialized local taxes, such as admissions taxes on entertainment events, hotel occupancy taxes, or parking taxes, to help fund local government services. The City of Cincinnati imposes a 3% admissions tax on sporting and entertainment venues and events.[10] The projected revenue from the admissions tax is often given as the reason for City financial support for music and sports venues. No jurisdictions in Warren County currently levy an admissions tax.

State and Local Income Tax

Ohio levies an income tax on individuals based on taxable income. Ohio residents generally pay tax on all taxable income, while nonresidents pay tax only on income earned in Ohio[11]. Ohio income tax calculations begin with Federal Adjusted Gross Income (AGI). Ohio law then applies certain additions, deductions, exemptions, and credits before the final tax liability is determined. After any required adjustments are made, tax owed is calculated using the approved tax brackets.

Revenues to the state from income tax receipts supports Ohio's General Revenue Fund (GRF), which helps pay for state government operations and statewide programs. Together, the state income tax and sales tax generate approximately 55% of Ohio's state tax revenue as of Fiscal Year 2023[12].

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[8] State of Ohio Rate Search | The Finder I Local

[9] Warren County approves sales tax increase to offset property tax relief

[10] City of Cincinnati - Admissions Tax - Finance

[11] Who Must File Taxes in Ohio | Department of Taxation

[12] 2026 Ohio Tax Rates & Rankings | Tax Foundation

Ohio state income tax rates are established into state law by the Ohio General Assembly. In 2025 there were three tax brackets with a maximum effective tax rate of 3.125%. In recent years Ohio has reduced the number of tax brackets and lowered the top marginal tax rate. Current law phases in a flat income tax rate of 2.75% beginning in tax year 2026 for income over $26,050[13].

Local jurisdictions may also collect taxes on income. For example, in Hamilton County the city of Cincinnati levies an income tax rate of 1.8%[14], while Lebanon in Warren County levies an income tax rate of 1.5%[15]. Like many Ohio municipalities, both cities provide credit for income taxes paid to another municipality to reduce double taxation.

Funding Education

While Ohio public school districts traditionally relied on property tax levies to raise 53- 60 percent of funds to supplement state and federal funding, they have increasingly implemented income taxes as a source of revenue. Of the 611 school districts in Ohio, 210 (34 percent) use income taxes to fund part of their budgets. Most are in rural and small towns, and 48 percent enroll fewer than 1000 children. A majority of voters must approve proposed income taxes. Once passed, the Ohio Department of Taxation manages and collects the tax, which applies only to residents, not businesses. Property tax levies, however, apply to both business and residential property.

Districts may choose to tax residents' earnings (wages, salaries, and self-employment earnings only). Thirty percent do so. The other seventy percent of these districts tax income from residents' most recent Ohio adjusted gross income, which includes other income in addition to earnings.[16] Most districts set the taxation rate at 1.5 percent or less.

Districts are looking for ways to replace loss of state and federal funding. The General Assembly has reduced district funding under its Fair School Funding Plan to its 2021 level, while generously funding a larger school voucher program. Moreover, the federal pandemic dollars are now depleted and the current administration is endeavoring to reduce the federal budget for K-12 education. School districts that need additional revenue turn to taxing resident income instead of their property for some of the following reasons:

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[13] Ohio Legislative Services Organization. An Ohioan's Guide to State & Local Government - 8.5 Sources of Revenue for the State of Ohio

[14] City of Cincinnati -Income Taxes - Finance

[15] State of Ohio Rate Search | The Finder I Local

[16] https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/school-district-income-taxes-december-2025.pdf

- School districts fear that another property tax levy will fail because voters already pay high property taxes (property tax fatigue)
- Some argue that an income tax is fairer than a property tax since many residents are renters and property taxes fall heavily on older, lower-income homeowners.
- Property values do not always change at the same speed as the cost to run a school. As local wages and salaries grow over time, income tax revenues often naturally increase to help pay for rising costs like teacher salaries and school supplies.

Equity Issues

Some taxes, like Federal income taxes, are considered **"progressive"**, meaning the percentage paid increases with ability to pay. Taking 10% of a low-income worker's wages could affect their ability to eat and pay rent; while taking 20% of a high-income salary would not affect the taxpayer's ability to meet their needs. In contrast, a "**regressive**" tax, like the sales tax, weighs heaviest on lower income consumers because the tax represents a larger share of their available income. Property taxes are generally considered **regressive**. While the tax rate remains flat relative to a property's value, it disproportionately burdens lower-income households. Because these earners spend a much larger share of their income on housing, the tax takes a higher percentage of their earnings than it does from wealthy individuals.

The LWV position supports "taxation that is fair and equitable." Several local issues raise questions about tax fairness.

A study of the 2023 **property tax reappraisals** showed significant issues with the fairness of the related tax increases. While 2024 property tax bills rose at an unprecedented rate for some of Hamilton County's residents, not all residents experienced increases.   Half of the property tax bills decreased or remained relatively stable, while 5% of residents' property bills more than doubled. Research published[17] by Housing Opportunities Made Equal (HOME) found that the tax increases were disproportionately concentrated in communities of color and lower-income neighborhoods. One in four residents actually saw their property tax bills decrease, chiefly expensive homes in the county's most affluent neighborhoods.

Another tax fairness issue is the granting of **property tax abatements**. New private developments are awarded tax abatements by the government as a form of economic development. One controversial Cincinnati abatement program offers tax abatements to all newly constructed single-family homes and condominiums. This results in homeowners with new million-dollar homes paying less in property taxes than their neighbors with older homes worth much less. One reason the

[17] https://www.homecincy.org/property-taxes

City can be generous with abatements is property taxes make up only about 8% of total City of Cincinnati revenue. The primary revenue source for the city is the earnings tax.[18]
When so many properties are not paying their fair share of taxes, the burden of supporting local government, the schools, and county levies falls to the rest of the property owners. In Clermont County, anger at tax abatements for new residential subdivisions has led to residents calling for the dissolution of the Village of Batavia whose council gave the property tax abatements.[19]

The City of **Cincinnati earnings tax** itself has been called inequitable because it taxes wages, but not profits from the sale of investments, stocks or real estate. Many Cincinnati corporate executives receive compensation in the form of stock or stock options that the City does not tax, while low and middle-income workers pay the City earnings tax on all their wages.

Resources

https://taxfoundation.org/location/ohio/

https://policymattersohio.org/research/the-great-ohio-tax-shift-2026/

https://www.unbiased.com/discover/taxes/ohio-tax-guide#Ohio-state-income-tax

History
https://dam.assets.ohio.gov/image/upload/tax.ohio.gov/taxeducation/history/taxation%20in%20ohio_history.pdf

School Funding resources

https://soapboxmedia.com/schools-on-the-brink-centers-of-small-town-life-these-two-districts-face-financial-emergencies/

https://www.cleveland.com/education/2026/06/ohio-has-again-dished-out-more-than-1b-in-vouchers-to-private-schools-for-the-year.html

[18] https://www.cincinnati-oh.gov/sites/budget/assets/Approved-FY25-Budget-in-Brief-10-2-2024.pdf
[19] “Tax abatements, 'plain-out greed' threaten to dissolve Batavia,” Cincinnati Enquirer, July 14, 2026, https://www.cincinnati.com/story/news/politics/2026/07/14/petition-to-dissolve-village-batavia/90774435007/

Discussion Questions

1. What personal experience do you have with taxes? For example, do you do your own income taxes or work as a tax professional or volunteer? Did your property tax increase after the 2023 reappraisal? Do you have a property tax abatement on your home? Do you plan shopping around sales tax 'holidays?' How do you feel about paying income tax because you work in a municipality but don't live there?

2. Some people want to do away with the property tax and are proposing a state constitutional amendment to eliminate it. Others, including state politicians and candidates, prioritize reducing or even doing away with the state income tax. What do you think is the proper balance of revenue sources to pay for public services?

3. Warren County commissioners are raising the sales tax in the county and using the funds to reduce property taxes on residents. What are the pros and cons of this proposal?

4. The LWV position supports "taxation that is fair and equitable." Are there aspects of the current system that you consider unfair? How would you propose changing the system to make it fairer?

5. This November's ballot will include the Hamilton County Children's Services levy and a Cincinnati Public Schools levy. The County Commissioners and the School Board struggled with the decision whether to put increased property tax levies on the ballot and risk their failure or request lesser funding knowing that it will not meet basic needs. Would you have made a different decision? How can we hold the state accountable to fund public schools as required by the Fair School Funding Plan?

6. Are there current advocacy actions you would recommend the LWV take under our tax position?