Overview of HB 479 Property Tax Provisions

Ohio Education Policy Institute
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Prior to adjourning for the summer, the Ohio General Assembly passed a series of bills. One of these was HB 479 which was originally a radiology bill but was transformed into a "budget cleanup" bill that included several amendments relating to the property tax reform legislation passed in November 2025. The property tax provisions of HB 479 fall into 3 main categories:

1) Establishment of a $350 million Property Tax Relief Fund which will be used to reimburse schools and other local governments for a one-year property tax credit which will double the current homestead exemption. The $350 million appropriation will be transferred from the FY26 end-of-year budget surplus.
2) Clarifying the calculation of the HB 186 20 mill floor inflationary cap calculation with regard to the homestead exemption. HB 479 specifies that the homestead exemption amount is computed *before* the calculation of the HB 186 inflationary cap credit, thereby avoiding an unintended reduction in the homestead exemption amount.
3) The final main property tax feature of HB 479 is to modify the timing of the imposition of the HB 335 inflationary cap on inside millage so that it is computed *after* the HB 186 20 mill floor inflationary cap. This ensures that school districts at the 20 mill floor will not be pushed below the floor as a result of the HB 335 inside millage cap.

I. $350 Million Property Tax Relief Fund

FY26 General Revenue Fund (GRF) tax revenues were $1.774 billion more than estimated. When federal grants and other revenues are taken into account state GRF revenues for FY26 were $1.327 billion more than estimated. At the time this article was written final FY26 expenditure figures were not yet available, however, HB 479 appropriated roughly $900 million from the state's FY26 year-end GRF cash balance across several purposes. $350 million of the year end surplus will be placed into a Property Tax Relief Fund which will double the state's homestead exemption.

The homestead exemption was established in 1971 and provides a property tax credit to qualifying homeowners which reduces their property tax bill. Schools and other local governments are reimbursed by the state for the value of the credit so local governments do not lose revenue as a result of the homestead exemption. A qualifying "homestead" must be the primary residence of the taxpayer.

According to the Ohio Department of Taxation's 2025 Annual Report, to qualify for Ohio's homestead exemption tax credit the homeowner must be one of the following:

- At least 65 years old

- Permanently and totally disabled
- At least 59 years old and the surviving spouse of a deceased taxpayer who previously received an exemption
- A veteran with a service related total disability of 100%
- A surviving spouse of a veteran with a service related total disability of 100%, or
- A surviving spouse of a public service officer killed in the line of duty

Additionally, there is an income threshold of $40,000 (for 2025) which is adjusted annually for inflation (increasing to $41,000 in 2026).[1]

The homestead exemption applies to traditional permanently constructed homes as well also to manufactured homes.

For those homeowners who qualify, the homestead exemption is a property tax credit equal to the taxes owed on the first $29,000 of true (i.e. "market") value of the home. Since the taxable value of real property in Ohio is 35% of the true value, the homestead exemption amounts to a tax credit equal to the taxes owed on the first $10,150 of taxable value of homes for those who qualify.

According to Ohio Department of Taxation data in 2025 total homestead exemption payments were $323.3 million, with $318.8 million to homeowners in traditional homes and $4.5 million to those in manufactured homes. Based on 2023 and 2024 data, there were roughly 703,400 homeowners who qualified from the homestead exemption and the average amount of tax relief was $462 for traditional homeowners and $219 for owners of manufactured homes. Statements by legislators in the aftermath of the passage of HB 479 estimated that this would help 710,000 homeowners with an average benefit of nearly $500 which is consistent with the Tax Department data noted above. Note however, that because tax rates vary across localities, the value of the homestead exemption is different depending on where the homeowner lives. 2023 Tax Department data showed that the average homestead exemption amount of traditional homeowners ranged from a low of $273 in Lawrence County to a high of $676 in Cuyahoga County.

Additionally, the entire benefit would be shown on the first half 2026 property tax bill typically due in January 2027. If the benefit is larger than the taxes owed, the remainder of the benefit would be applied to the second half tax bill typically due in June.

The $350 million appropriation would appear to be sufficient to fund the obligation of doubling the existing homestead exemption amount for each eligible taxpayer, however the legislation

[1] Note that surviving spouses of a public service officer killed in the line of duty and veterans who have received a 100 percent permanent total disability rating or a total disability rating for a service-connected disability or combination of service-connected disabilities are exempt from this income threshold and are eligible to receive a homestead credit value of $58,000.

does provide for a downward pro-rating of the benefit to assure that the appropriation is sufficient.

However, one issue which is not clear at the moment is whether or not the HB 479 expanded homestead exemption will also apply to the increased “piggyback” homestead exemption amounts in the counties which opted to utilize the provision passed in HB 96 which enabled county commissioners to vote to double the homestead exemption and/or 2.5% owner occupied credit with no additional reimbursement form the state. Nine counties opted to double the homestead exemption under this provision and the 2025 total additional homestead exemption amount in these counties was $38.6 million. Because the piggyback exemption amount is <u>not reimbursed</u> by the state it does not appear that it would be included in the expanded homestead exemption amount delineated in HB 479. However, if the additional piggyback homestead exemption amount were also included then it is very likely that the $350 million appropriation would not be sufficient and the benefits would need to be pro-rated downward to stay within the allocated funding level.

<u>II. HB 186 20 Mill Floor District Inflationary Cap Clarification</u>

The inflationary cap provision in school districts at the 20 mill floor made HB 186 the most complex piece of property tax legislation in Ohio since HB 920 was enacted in 1976. HB 186 created a tax credit the effect of which is to limit the growth in taxes in 20 mill floor school districts after reappraisal to inflation over the 3 year time period since the last reappraisal or statistical update. HB 479 clarifies the order in which the HB 186 calculations occur to determine the amount of the credit as well as that of the homestead exemption.

HB 479 made a correction to determine the homestead exemption amount <u>prior</u> to the computation of the HB 186 credit. To determine the HB 186 inflationary cap credit first and then the homestead exemption value afterward would lower the amount of the home exemption provided to qualifying homeowners, which was not the intent of HB 186. Correcting this in HB 479 will cost the state an estimated $44.0 million and avoid decreasing the homestead exemption by the same amount.

<u>III. HB 335 Inside Millage Inflationary Cap Clarification</u>

HB 335 delineated that growth in property tax revenue from inside millage for school districts and all other local governments would be limited to inflation in a manner similar to how HB 186 created an inflationary cap for 20 mill floor school districts. Many observers felt that the imposition of the inside millage inflationary cap would simpler and more straight forward the HB 186 inflationary cap since inside millage tax rates can simply be reduced as necessary without having to use the more complicated tax credit system required in HB 186. However, several issues became apparent in the aftermath of the November 2025 passage of both HB 335 and HB 186.

The first issue was similar to that discussed in relation to HB 186 above, the inside millage reductions will be computed after the calculation of the homestead exemption, the 10% non-business rollback and 2.5% owner occupied rollback so as to avoid unintentionally reducing the value of those tax benefits to homeowners. The Legislative Budget Office HB 479 Fiscal Note estimates the cost to the state of these changes and corresponding benefit to taxpayers to be relatively modest at less than $10 million.

The second issue is that HB 479 changes the order in which the HB 335 inflationary cap millage reductions and HB 186 inflationary cap credit are computed. HB 479 explicitly specifies that the HB 335 inside millage inflationary cap reductions are to be computed prior to the HB 186 inflationary cap calculations. This avoids the potentially significant problem that HB 335 would push school districts below the 20 mill floor if the inside millage were reduced after the HB 186 calculations had been made. Because HB 186 takes effect with 2025 property taxes (which are payable in calendar year 2026) and HB 335 is slated to take effect with 2026 property taxes (payable in 2027) correcting this issue now was imperative as it heads off this unintended consequence before it could take place.

The final inside millage corrections contained in HB 479 apply to school districts and other taxing units which span multiple counties. HB 479 specifies that inside millage reductions will only occur every 3 years for any taxing unit, based upon the “principal county’ (i.e. the county with the largest taxable value) regardless of how many counties the taxing unit might span. The alternative was a “piecemeal” approach where inside millage reductions would be made for all or a portion of a taxing district every time a county underwent reappraisal or statistical update. The piecemeal approach could create an outcome where different parts of taxing district in different counties could have different inside millage tax rates and also that computing the inside milage rates individually by county would likely result in lesser tax relief than if the calculations were made at one time every three years for the entire taxing district. Thus, the HB 335 corrections for multicounty taxing units results in an outcome which is both more uniform and more equitable for property taxpayers.