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# OHIO LEGISLATIVE SERVICE COMMISSION

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## Appendix B: Types of Voted Property Tax Levies

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### Summary

This document distinguishes each existing type of voted property tax levy to assist the work of the Joint Committee on Property Tax Review and Reform.

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Under the Ohio Constitution, property taxes that would cause the total rate levied on real property to exceed 10 mills per dollar, or 1%, of fair market value may not be levied unless the levy is approved by voters or is provided for in the charter of a municipal corporation.<sup>1</sup> Current law authorizes political subdivisions to levy property taxes in excess of this 10-mill limitation, subject to voter approval, to fund their operating expenses or, in some cases, permanent improvements or debt service. The characteristics of each authorized levy vary. Levies can generally be arranged into three categories: those levied at a fixed rate (fixed-rate levies), those levied at a rate that will generate a fixed sum of revenue (fixed-sum levies), and those levied to pay the debt service on general obligation bonds (debt levies). Under certain circumstances, multiple types of levies may be combined in a single ballot question.

A fixed-rate levy is generally subject to the H.B. 920 tax reduction factors, which prevent taxing authorities from realizing additional property tax revenue when real property increases are reflected in a reappraisal or triennial update. Separate tax reduction factors apply to (1) residential and agricultural property and (2) commercial and industrial property (described in law as “classes” of real property). When the value of existing real property within a property class increases from one year to the next, H.B. 920 tax reduction factors reduce the effective tax rate so that tax revenue from

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<sup>1</sup> Ohio Constitution, Article XII, Section 2. In the Revised Code, the limitation is expressed as a limitation on the number of mills per dollar of “tax valuation,” which is construed to mean the value subject to taxation, which is 35% of the property’s true value in money.

property in that class remains the same as the preceding year. The tax reduction factors do not apply to fixed-sum levies or debt levies.<sup>2</sup>

The tables below distinguish between and summarize each type of levy, including whether the levy is subject to the H.B. 920 tax reduction factors. The first table summarizes those types that may be levied by most taxing authorities, and the second summarizes the types that may be levied only by school districts. Most of the specialized school district levies were enacted in the last couple decades.

Levies Available to Most Taxing Authorities			
Type of Levy	Description of Levy	Subject to Tax Reduction Factors?	Statutory Authority
<b>Additional Levy</b>	Fixed-rate tax levied for, in general, a single purpose, most commonly for general or specified current expenses or permanent improvements. An additional levy is the most common type of property tax levy.	Yes	<i>R.C. 5705.19, 5705.191, 5705.21, and various other sections of the Revised Code</i>
<b>Renewal Levy</b>	Levied to reauthorize an expiring levy at the same voted rate as the original levy while continuing to account for effective millage reductions to the original levy caused by the H.B. 920 tax reduction factors. May be coupled with a ballot question to levy an additional tax.	Yes	<i>R.C. 5705.191 and 5705.25</i>
<b>Replacement Levy</b>	Levied to replace one or more existing levies, with the exception of emergency levies, discussed below. A replacement levy may increase or decrease the tax rate of the existing levy or replace it at the same rate. Multiple levies may be combined into one replacement levy if both levies have the same purpose and if both are set to expire in the same year or both are levied for a continuing	Yes, if replacing a fixed-rate levy	<i>R.C. 5705.192</i>

<sup>2</sup> R.C. 319.301. The tax reduction factors also do not apply to the extent that increased revenue comes from new construction.

Levies Available to Most Taxing Authorities			
Type of Levy	Description of Levy	Subject to Tax Reduction Factors?	Statutory Authority
	period of time. Unlike a renewal levy, a replacement levy's effective millage is nearly equal to the millage appearing on the ballot. In effect, it resets the effective millage of a fixed-rate levy nearly equal to the voted millage.		
<b>Debt Levy</b>	Levied to pay principal and interest on capital improvement project debt.	No	<i>R.C. 5705.19 and 5705.218</i>

Levies Available to School Districts Only			
Type of Levy	Description of Levy	Subject to Tax Reduction Factors?	Statutory Authority
<b>Emergency Levy</b>	Fixed-sum tax levied to meet the "emergency" requirements of a school district or prevent an operating deficit.  May be renewed for the same or a lower fixed sum. May be coupled with a question to levy an additional sum.	No	<i>R.C. 5705.194 to 5705.197</i>
<b>Substitute Levy</b>	Tax levied to replace one or more emergency levies with a single "substitute" levy. In its first year, the substitute levy will yield a stated, prespecified amount equal to the total annual proceeds derived from the levies being substituted. In each subsequent year, the levy will yield increasingly more revenue to the extent new construction is added to the tax list.	No	<i>R.C. 5705.199</i>
<b>Incremental Levy</b>	Fixed-rate tax levied, in a single ballot measure, as an "original tax" and up to four additional "incremental" taxes for current expenses, phased in one per year.	Yes	<i>R.C. 5705.212</i>

Levies Available to School Districts Only			
Type of Levy	Description of Levy	Subject to Tax Reduction Factors?	Statutory Authority
<b>Growth Levy</b>	Fixed-sum tax levied to raise a fixed amount of money for current expenses that will raise additional revenue each year according to the dollar amount or percentage increase approved by voters.	No (although the statutes do not expressly exempt such levies)	<i>R.C. 5705.213</i>
<b>Combined Operating and Permanent Improvement</b>	Fixed-rate tax levied for current expenses and permanent improvements in a single ballot issue.	Yes	<i>R.C. 5705.217</i>
<b>Combined Debt Levy</b>	Tax levied to pay debt charges on voter-approved general obligation bonds that may be combined with an additional fixed-rate property tax for permanent improvements, current expenses, or both in a single ballot issue.	No (debt levy only)	<i>R.C. 5705.218</i>
<b>Combined Income Tax and Property Tax Levy</b>	Levies a school district income tax and a fixed-sum property tax in a single ballot issue.	No	<i>R.C. 5748.09</i>
<b>Combined Income Tax and Debt Levy</b>	Levied to impose a school district income tax and a property tax to pay debt charges on permanent improvement bonds in a single ballot issue.	No	<i>R.C. 5748.08</i>
<b>Conversion levy</b>	<p><b>NOTE: After 2014, school districts may not levy new conversion levies, but previously adopted conversion levies may be renewed.</b></p> <p>Fixed-sum tax levied by school districts whose aggregate effective tax rate for current expense levies on residential/agricultural real property is above the 20-mill floor (explained below). A conversion levy repeals the effective millage in excess of 20 mills and re-levies it as a single fixed-sum levy for current expenses. The</p>	No	<i>R.C. 5705.219</i>

Levies Available to School Districts Only			
Type of Levy	Description of Levy	Subject to Tax Reduction Factors?	Statutory Authority
	<p>fixed-sum levy is excluded from the 20-mill floor computation. The repeal and re-levy of the “excess” millage causes the district to be at the 20-mill floor with respect to residential and agricultural property, and as a result, revenue growth on that millage will occur nearly proportionate to increases in the value of residential/agricultural real property increases.</p> <p><b>20-mill floor:</b> The 20-mill floor refers to the minimum effective tax rate for school district current expense levies that can result from the revenue limits of the H.B. 920 tax reduction factors. In effect, the floor guarantees that districts generate at least 20 mills’ worth of current expense taxes even if the reduction factors would otherwise warrant less revenue. (See <i>R.C. 319.301(E)(2)</i>.)</p>		