




Office of Budget and Management

To: Governor Mike DeWine
From: Kimberly Murnieks 
Date: February 4, 2026
Re: Consequences of Local Property Tax Abolishment

A proposed constitutional amendment would eliminate property taxes in Ohio and permanently ban them statewide, cutting off a critical source of funding for local schools, police and fire departments, emergency services, and other essential community services. This memo provides a high-level summary of the impacts of such an amendment; if the issue makes the ballot, OBM will provide a detailed analysis in accordance with Ohio Revised Code Section 3519.04.

While the State of Ohio does not collect property taxes, Ohio's cities, counties, townships, and school districts have long depended on them to pay for the services residents rely on every day. Today, property taxes, including real property and public utility personal property taxes, generate about **\$24 billion each year** for local governments across the state. To put this into perspective, that's equal to the total revenue from Ohio's state income and sales taxes combined.

Eliminating property taxes would immediately destabilize local budgets and force deep cuts to essential services, reducing or eliminating funding for local law enforcement, first responders, and schools, delaying road and infrastructure repairs, and threatening services for seniors and people with disabilities.

Catastrophic Impacts on Essential Local Services: Local property taxes support approximately 65 percent of local tax revenue in Ohio. If eliminated, specific effects would include:

- **Public Education:** Roughly three-fifths of the local property tax revenue collected each year supports local school districts. If local property taxes were abolished, schools would be forced to lay off thousands of personnel, leading to larger class sizes school closings, and program cuts.
- **Police, Fire, and EMS:** Local safety forces rely heavily on property tax levies; repeal would lead to station closures especially in smaller communities and townships, dramatically reduced staffing, and slower emergency response times.
- **Libraries, Parks, Health and Human Services, Senior Supports:** These services, funded through local levies, would face severe cuts or elimination, reducing community quality of life. Programs for seniors and health, recovery, and developmental disabilities services would lose stable funding, increasing strain on hospitals and state systems.

Revenue Replacement Challenges: The state budget already pays a portion of homeowners' local property tax bills through the homestead exemption for seniors and residents with disabilities, and through the tax credit for residential homeowners. These state-funded programs reimburse local governments and schools more than \$2 billion each year in property taxes that would otherwise be paid by Ohio residents. Replacing another \$20 billion or more if local property tax revenue is abolished would be fiscally impractical and economically harmful.

- **If replaced by Income Tax:** After more than two decades of careful policy planning and implementation, Ohio achieved a flat state income tax of 2.75 percent in tax year 2026, the second-lowest rate of any state in the country which levies an income tax, providing a competitive economic environment. Ohio's state personal income tax generated \$10.5 billion in FY 2025. 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.*** If replacement income taxes were levied locally, then the income tax rate would need to reach 27 percent in some counties. Such rates could exceed even the top brackets of states with high rates and progressive income tax structures, such as California. High tax rates would discourage future economic development, dampen investment, increase tax migration, and disproportionately burden low-income households.
- **If replaced by Sales Tax:** Ohio's statewide sales tax is a moderate 5.75 percent, and generated \$14 billion in FY 2025. Ohio is near the middle nationally for combined state and local rates. ***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, significantly higher than any other state.*** Such astronomical increases would drive citizens and businesses to tax avoidance, pushing consumer spending out of state especially in border counties, harming small businesses and local economies. To moderate the potential rate increase, ***the sales tax base could be broadened to tax food, healthcare, or other goods or services that are currently exempt.*** Note that base-broadening would require statutory and, in some cases, constitutional, changes.

Additional Risks and Considerations:

- **Volatility:** Property taxes give local governments a steady, predictable source of funding that supports essential services year after year. In contrast, income and sales taxes swing sharply during economic downturns, leaving communities vulnerable to budget shortfalls when residents need public services the most.
- **Loss of Local Control:** Local property taxes empower residents to shape their communities through direct voting and accountability, ensuring that decisions about spending and priorities remain in the hands of local citizens. By approving or rejecting property tax measures, voters exercise real control over service quality, scope, and responsiveness.

- **Maintenance of Public Schools:** In addition to catastrophic impacts to operating revenue, eliminating local property taxes would strip school districts of their most stable funding source for building upkeep. Without revenues, districts would struggle to pay for essential repairs like roof replacements, HVAC systems, and safety upgrades. Deferred maintenance leads to deteriorating facilities, higher long-term costs, and unsafe learning environments.
- **Local Government Debt and Bond Ratings:** Local governments rely on property tax revenue to secure bonds for infrastructure projects, schools, and public safety facilities. If this revenue stream 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. Lower ratings mean higher interest rates on future borrowing, reducing the ability to finance school facilities, roads, water systems, and emergency services. Ultimately, taxpayers would pay more for less infrastructure as borrowing would become costlier and less accessible.
- **State of Ohio Credit Ratings:** In the past few years, the state of Ohio achieved top AAA/Aaa bond ratings from all three major credit rating agencies for the first time in history. The ripple effect of eliminating local property taxes would reach the state level. Local credit downgrades would lead to reputational risks for the state and widespread financial instability among local governments and school districts could trigger fiscal crises and calls for state intervention that would strain resources beyond capacity. Lower state credit ratings would increase borrowing costs for major projects and undermine investor confidence in Ohio's fiscal management, jeopardizing economic development and straining the state budget.

The state of Ohio is fiscally responsible, and our current system of state and local taxation is balanced and stable. Recognizing that increased property tax burdens are a top concern for Ohioans, the legislature adopted a package of four bills in 2025, [HB 186](#), [HB 335](#), [HB 129](#), and [HB 309](#), to curb unvoted property tax increases and provide over \$3 billion in additional relief to homeowners over the next few years. These reforms cap automatic growth in school and local government taxes at the rate of inflation, tighten levy oversight, and adjust credits to favor owner-occupied homes while phasing out non-business credits. OBM recommends continued work with the legislature to implement additional [recommendations of the Property Tax Working Group](#) while maintaining our bedrock local property tax system.

As this analysis demonstrates, a constitutional amendment to abolish local property taxes, with no plan to replace the lost revenues, would quite literally “defund” the police – and fire departments, schools, libraries, senior centers, and other local government services – in our communities statewide.