

LOCAL GOVERNMENT OFFICIALS CONFERENCE
March 28-29, 2023

OHIO AUDITOR OF STATE
KEITH FABER

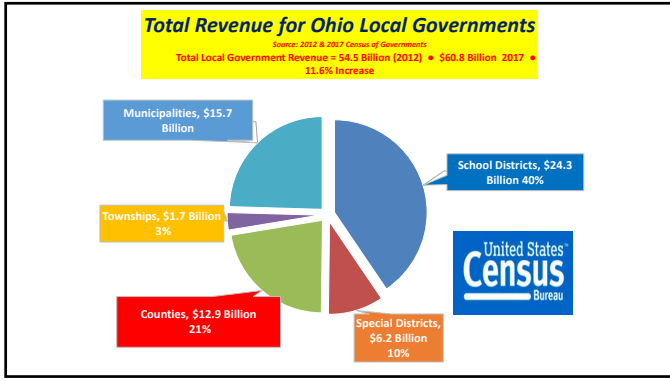
Local Government Revenue Sources & Permissive Taxes
Presented by
Larry Long, CEO
The Ohio Projects Group LLC



Major Categories of Revenue

- Property Tax
- State Intergovernmental
- Local Permissive Taxes
- User Fees, Charges for Services & Fines
- Federal Intergovernmental
- Interest Income
- Other Sources





Local Government Revenue Snapshot
 Magnitude of "Own Source" & Intergovernmental Revenue (All Funds)
Year: Ohio State & Local Government Revenue 2017
 (in Billions of Dollars (\$) Unless Otherwise Noted)

Type of Revenue	State	Local Governments					
		County	Municipal	Township	Special District	School District	Total Local
Revenue from Own Sources	44.4	8.8	10.7	1.3	2.6	12.6	36.0
Intergovernmental Revenue	24.2	3.9	2.0	368M	3.3	11.6	21.2
Total Revenue (Includes Non-General Revenue)	97.7	12.9	15.7	1.7	6.2	24.3	60.8
Intergovernmental Revenue as % of Total Revenue	24.8%	30.2%	12.7%	21.6%	53.2%	47.7%	34.9%

Source: 2017 Census of Governments, Calculations by Larry Lott. Columns may not add due to rounding.

Intergovernmental Revenue as % of Total Revenue 2012 & 2017
 "Pushing More Taxes & Financial Responsibility to the Local Level"

Type of Government	Intergovernmental % 2012	Intergovernmental % 2017	Intergovernmental % Change 2012-2017
County	36.3	30.2	-6.1
Municipal	17.5	12.7	-4.8
Township	28.2	21.6	-6.5
Special Districts	50.0	53.2	+3.2
School Districts	51.8	47.7	-4.1
All Local Governments	37.6	34.9	-2.7
STATE GOVERNMENT	29.4	24.8	-4.6

State Intergovernmental Financial Assistance to Local Governments

Five Major Categories of State Financial Assistance

- State Sharing of State Taxes—Revenue Sharing
- Property Tax Relief & Tax Reform Replacement Payments
- State General Revenue Fund Program Grants/Subsidy
- State Program Grants/Subsidy Using Fee, Fine, Court Cost & User Fee Revenue
- Capital Improvement Grant Funding Often using State Debt

State Intergovernmental Financial Assistance to Local Governments

State → Local

Revenue Sharing
State Sharing of State Taxes



- Local Government Fund (LGF)
- Public Library Fund (PLF)
- Casino Tax Distributions
- Motor Vehicle Registration Tax
- Motor Vehicle License (Gas) Tax
- State Capital Improvement Program
- Local Transportation (LTIP)
- Clean Ohio
- Estate Tax (Repealed)

Ohio's Local Government Fund

Story of Large State Funding Reductions. **↓ Cut in Half Since 2000**

Year	County Undivided Local Government Fund (LGF)*	Direct Distributions to Municipalities Levying Income Taxes*	Total State Local Government Fund (SLGF)	Total Local Government Revenue Assistance Fund (LGRAF) and Direct Distributions to Townships	Total SLGF and LGRAF and Direct Township Funds	Per Cent Change from 2000
2000	645	61	706	99	805	
2005	615	58	673	94	767	-4.7
2010	612	52	664		664	-17.5
2015	351	22	373		373	-53.6
2017	345	4	349	10	359	-55.4
2020	377	23	400	10	410	-49.1



State Public Library Funding

- Formerly Funded by Intangibles Taxes--\$157 M in 1985
- Library and Local Government Support Fund 1986--\$176 M
- Public Library Fund—2008
- 201 Property Tax Levies
- 49 No Levies
- 51% of Funding from PLF

Year	Dollars (in Millions \$)	%Change from 2000
1990	263	
1995	315	
2000	484 (in 2002 Highest)	
2008	451	-7%
2015	381	-21%
2020	409	-15%
2021	464	-4%

Casino Revenue

Distribution in Ohio Constitution

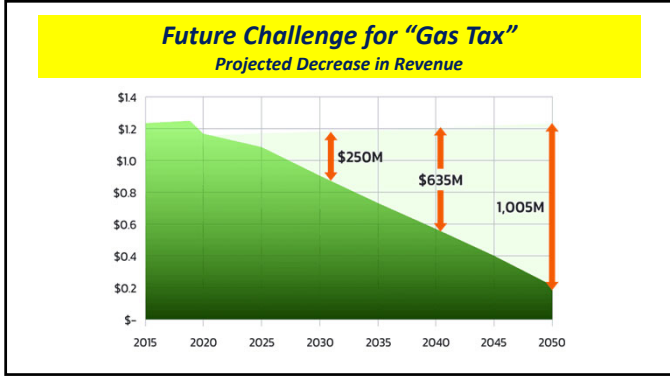
- **51% County--\$170 M/131 M net**— Cities over 80,000 get half of the big county "pot"—Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, & Youngstown (Total to 8 cities= 39.8M; Net to 88 counties after city deductions = \$131 M)
- **34% Schools--\$114 M**
- **5% Host City--\$17 M**
- **3% State Racing Commission--\$10 M**
- **3% Casino Control Commission--\$10 M**
- **2% Gambling Addiction Fund--\$7 M**
- **2% Law Enforcement Training Fund--\$7 M**



Source: Ohio Department of Taxation, Tax Data Series
Total = \$334 Million

Ohio Motor Vehicle Fuel Tax

Gallons Taxed in Billions of Gallons		
Year	Gallons	Change From Previous Year
2013	6.4	
2018	6.9	+8%
2020	6.4	-7%
2022	6.6	+3%

- FY 2022 Statewide 2.65 B
- CY 2022 Total Local Government Distributions = \$899 M
- State % of Total = 66%+-
- Local Government % of Total = 34%+-



Ohio Motor Vehicle Registration Fee/Tax

- Statewide Fee = \$36
- ⇒ \$20 Local
- ⇒ \$11 State
- ⇒ \$5 Registrar/BMV
- Local Permissive—Up to \$30

Type of Tax	Local Government Distributions <small>(in Millions \$)</small>			
	County	Municipal	Township	Total
Statewide (\$36)	262	64	17	343
Local Permissive (Up to \$30)	150	69	28	247
Total	414	133	45	590

Ohio's Property Tax Credit Programs

State Fiscal Commitment to Property Owners Without Harming Local Governments:
Recent Retrenchment by State

- Homestead was means tested, Strickland removes means test, Kasich reinstates means test.
- Existing properties "grandfathered"
- Non-Business & Owner Occupancy Credits now only apply to renewal, **not replacement, new, or increased levies** so credits generally are no longer the full 10% or 2.5%
- Tax increase on property owners but local governments do not lose money
- In CY 2020 739,000 homes qualified for homestead exemption program
(Down from 868,000 in 2016)
- Average homestead tax reduction = \$493.00

Program	Cost
Homestead Exemption	\$364 Million
Non-Business Credit (10%)	\$1.2 Billion
Owner Occupancy Credit (2.5%)	\$226 Million
Total	\$1.79 Billion

Source: Ohio Department of Taxation Tax360 Series.

State Tax Reform: Local Governments

BEWARE

Estimated Local Government Losses From Base Year from TPP & PUPPT Reform
(in Millions & Percentages)

Type of Tax	Original Base Amount	FY 18	FY 19	FY 21	% Reduction FY 21 from Base
TPP Schools	1.2 B				
PUPPT Schools	166 M	207 M	165 M	107 M	92%
Schools Subtotal	1.37 B				
TPP Other Local Governments	450 M				
PUPPT Other Local Governments	71 M	31 M	17 M	9 M	98%
Other Locals Subtotal	521 M				
Total Schools & Other Local Governments	1.887 B	238 M	182 M	116 M	94%

Recent "Tax Reform" Impacts on Municipalities

2013 Repeal of Estate Tax



Year	Amount (in Millions of Dollars Reported)
1998	228 M
2003	223 M
2008	227 M
2013	230 M
2014	48 M
2020	124,000

Remote Work From Home Challenge

- Principal Place of Work Rule
- All Changes with Pandemic
- More now working remotely
- Potential major revenue losses especially for large cities

2020 Total Collections	\$5.8 Billion
246 Cities	\$5.4 Billion
648 Villages	\$402 Million

Local Government Permissive Tax Options

Piggyback Taxes



Property ????

- Income
- Sales & Use
- Motor Vehicle License
- Real Estate Transfer
- Utility Service
- Lodging
- Admission
- Alcoholic Beverage
- Cigarette
- Resort Area Gross Receipts

Type of Local Tax	County	Township	Municipality	School	Special District
Property	X	X	X	X	X
Income			X	X	
Sales & Use	X			Madison County Used for Schools; Others for specified uses	County & Regional Transit
Motor Vehicle License	X	X	X		Transportation Imp. District Up to 50¢ Regional Trans. Imp. Project - up to 25¢ Must be approved by voters
Real Estate Transfer	X				
Utility Service	X	County Tax Authority Repealed (ORC Chapter 324, in HB 390 of the 131 st General Assembly, effective 9-28-16)			
Lodging	X	X	X		
Admission			X		Tourism Development District
Alcoholic Beverage	Cuyahoga Only X				
Cigarette	Cuyahoga Only X				

County & Transit Authority Permissive Sales & Use Tax

- Largest general fund revenue source in most counties
- Can levy in .05% increments up to 1.5%
- Current Rates from .50-1.5% (2.0% in Coshocton)
- 52 counties have enacted maximum 1.5%
- \$2.5 B Revenue 2021
- Transit Authorities may levy up to 1.5% with vote—currently levied by 11 at rates from .1 to 1.0%--\$702 M Revenue 2021



Over Half the Counties Collect Maximum* 1.5% Tax
(Coshocton 2.0% for Jail)

Selected County Rates and Revenue 2021

County	Rate (%)	Revenue (in Millions unless otherwise noted)
Franklin	1.25	359
Cuyahoga	1.25	305
Hamilton	1.25	236
Summit	.50	55
Butler	.75	54
Stark	.50	35
Wayne	.75	14
Paulding	1.5	2.6
Morgan	1.5	2.0
Noble	1.5	2.0
Vinton	1.5	1.8
Statewide	Average 1.49 (2022)	2.6 Billion



County Permissive Sales & Use Tax Enactment Options

- Regular—Subject to one time statutory referendum at general or primary
- Submit to Voters
- Emergency—Subject to annual repeal (initiative) election at general election
- Emergency/Submission to electors—enact and then automatically put on next general election ballot



County Permissive Sales & Use Tax

1.5% is divided into two separate taxes

- First 1.0% can be used for the county general fund, administrative & criminal justice services & regional transportation improvement projects
- Third .5% can be used for general fund or for certain other specified purposes



County Permissive Sales & Use Tax

The third .5% can be used for the following:

- o Convention Facilities
- o Transit
- o Permanent Improvements under a board
- o General Fund
- o Specific permanent improvements
- o Detention Facilities
- o 911
- o Major league sports facilities
- o Agricultural Easements
- o Ambulance, paramedics, or EMS
- o Remediation of impacted watersheds of Lake Facility District
- o Regional Transportation Improvement Projects (9-29-17)



County Permissive Real Estate Transfer Tax

- May apply to homes and manufactured homes
- County rate up to 3 mills
- Often referred to as “conveyance fee”
- On top of statewide mandatory 1 mill conveyance fee
- Total Combined Rate of 4 mills
- Same enactment options as for sales tax
- Revenue to County General Fund—some counties have “earmarked” the revenue



Calculation of County Permissive Real Estate Transfer Tax




Based on Sales Price where 1 mill = \$1.00/\$1,000

Sale Price = \$172,000 with 1 mill transfer tax

$172,000 \text{ Divided by } \$1,000 = 172 \times \$1.00 = \172.00

$\$172,000 \times .1\% = \172.00

$\$172,000 \times .001 = \172.00


County Permissive Real Estate Transfer Tax Data

CY 2021

1 Mill Mandatory	= \$73 M
1-3 Mill Permissive	= \$ 178 M
TOTAL	= \$ 251 M

Enacted in all 88 Counties at rates from 1%-3%

- 310,000 Conveyances Paid Tax
- 199,000 Conveyances Exempt from Tax
- Average from both Mandatory & Permissive = \$807/per home sold



County Permissive "Sin" Taxes

Cigarettes & Alcohol



KEEP CLEVELAND STRONG
NOT A TAX INCREASE
YES ON 7

Coalition Against The Sin Tax
Taxpayers for a Fair Sports Facilities Deal - Vote NO on Issue 7

ISSUE 8 TRIUMPHS: 75 - 25%

WELCOME JIMMY DIMORA SIN TAX

PRODUCT OF A CORRUPT SYSTEM IN CUYAHOGA COUNTY, OHIO THAT WORKS FOR THE BENEFIT OF THE RICH & POWERFUL

LOVE THE ARTS

Music, Painting, Drama, Drawing, Dance, Sculpture, Opera, etc.

WE SHOULD ALL PAY TAXES TO FUND THE ARTS NOT JUST TAX CITIZENS WHO SMOKE!
VOTE NO ON SIN TAX, ISSUE 8, ON NOV. 3, 2015

KEEP CLEVELAND STRONG

VOTE NO ON SIN TAX
Issue 7
ON MAY 6, 2014

County Permissive "Sin" Taxes

Cigarettes & Alcohol

- Authority granted in 1986 and has been renewed a couple of times—approved in 1990 with 51%
Only in Cuyahoga County
- Primarily used for Professional Sports Venue Construction & Renovation—Cigarette tax primarily for Regional Arts & Cultural District
- Voters approved extension for 20 years in 2014/15 with 56%

Alcohol \$12.7 M Cigarettes \$13.2 M



SFY 2022

Local Government Lodging Tax—Bed Tax

- Can be levied by the counties, municipalities and townships.
- Rates generally may not exceed 6% in any county unless a special law has been passed for special purposes. 75% of levies at 3% Rate
- Special laws have been passed to accommodate large projects and facilities in particular counties.
- No public hearings or notice required
- No specific provisions for referendum

Statewide Collection CY21 = \$178 M, CY 20 = \$124 M, CY 19 = \$230M.
72 Counties, 185 Townships, 233 Municipalities



Local Government Lodging Tax—Bed Tax

Two Primary Taxes—1967 & 1980

- 3% can be enacted by counties, townships, & municipalities—rate may not generally exceed 6%
- Municipalities & Townships may enact up to 3% for any use—To GRF
- County 3% use is limited to fund Convention & Visitors Bureaus—1/3 May be Shared with Municipalities/Townships
- Municipality & Township may enact a second 3% if the county does not use it, but 50% must go to convention and visitors bureaus



Purposes of Additional Special Purpose Local Permissive Lodging Taxes

Special Purpose Bed Taxes Used Over the Years for Variety of Local Projects



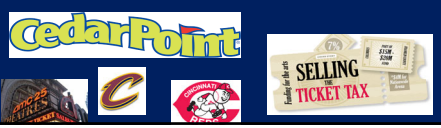
If you have a need talk to your legislator

Examples of Special Purpose "Bed" Taxes


<p>Allen—3% Soldiers Memorial</p> <p>Ashland—2% Convention Center</p> <p>Cuyahoga—1.5% Port Authority Educational Cultural Facility</p> <p>Delaware—3% Agricultural Society</p> <p>Erie—2% Cedar Point Sports Force Park</p> <p>Fairfield—1.5% Municipal Educational & Cultural Facility (decorative arts)</p> <p>Franklin—4% Convention Facilities Authority rate, except in the City of Columbus where the rate is 4.9%.</p> <p>Guernsey—3% Convention Facilities Authority</p> <p>Hamilton—3.5% County Convention Centers: City of Cincinnati also levies an additional tax of 1%</p>	<p>Hancock—3% Permanent Improvements</p> <p>Lake—2% Port Authority/ED</p> <p>Lawrence—3% Convention Center</p> <p>Lucas—3% Convention Center</p> <p>Mahoning—2% Western Reserve Port Authority</p> <p>Ross—1.25% Convention Facilities Authority.</p> <p>Summit—1.5% Municipal Educational and Cultural Facility.</p> <p>Trumbull—2.0% Western Reserve Port Authority</p> <p>Warren 3% Convention and Visitors Bureau</p>
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**Admissions Tax
Municipal and Tourism Development Districts**

- Admissions to theaters, professional sports, theme parks, green fees, country club dues— not high school or college sports
 - Levied by 71 in 2021 --\$21 M Statewide
 - Rates 1.5%-8% --Over half at 3%
- 81% from Cleveland, Cincinnati & Sandusky**



Local Government Permissive Motor Vehicle License Taxes




Can be levied by counties, townships, and municipalities on top of state license fee

Taxes authorized in \$5 increments up to a **maximum of \$30**

County required to share some revenue of certain taxes with municipalities & townships

If county does not exercise its authority to levy certain "county taxes" then municipalities may levy those taxes and preempt county collection

For more information see Chapter 20, County Commissioners Handbook 713128.lcaeo.org



Special Districts' Permissive Motor Vehicle License Taxes

Transportation Improvement District (TID)
 Single County may levy a tax of up to \$20 in addition to all other taxes—must be approved by electors of the county or an area within the county. (ORC Chapter 5540 and ORC Section 4504.21)


Regional Transportation Improvement Project
 Multi-County may levy a tax of up to \$25 in addition to all other taxes—must be approved by electors in all counties participating in the project.
(ORC Chapter 5595 and ORC Section 4504.22)

County Permissive Motor Vehicle License Tax Distribution
(County Collections 2021 = \$150 M)

Tax	County	Municipal	Township
First \$5	100% Township Registrations	100% Municipal Registrations	0% Township Registrations
	0% Municipal Registrations		
Second \$5	70% Township Registrations	50% Municipal Registrations	30% Township Registrations
	50% Municipal Registrations		
Third \$5	70% Township Registrations	0% Municipal Registrations	30% Township Registrations
	100% Municipal Registrations		
Fourth \$5	100% Township Registrations	0% Municipal Registrations	0% Township Registrations
	100% Municipal Registrations		

Municipal & Township Motor Vehicle License Taxes <i>Collections 2021: Municipalities = \$69 M, Townships = \$28 M</i>		
Type of Jurisdiction	Authority to Enact its Own Permissive Tax	Contingent Authority in Absence of County Enactment
Municipality	First Municipal \$5 Tax Second Municipal \$5 Tax	County First \$5 Tax County Second \$5 Tax if not enacted by 4-1-89 County Second \$5 Tax if not enacted by 4-1-91
Township	First Township \$5 Tax Second Township \$5 Tax	No Township Authority

Municipal Income Tax



OHIO SOCIETY OF CPAs
AND OTHERS


2014
Uniform Base
20 Day Occasional Entrant
5 Yr. Net Operating Loss Carryforward

2017
Option to Pay Net Profits Tax on Business Gateway

2020 and Beyond
Work at Home/Principal Place of Business Issues

Municipal Income Tax

- Based on wages, salaries, & other income
- Charged to both residents and nonresidents who work in the municipality
- May allow partial or full credit to residents for taxes paid to the municipality where the person works
- May enact up to 1% by Council action; over 1% requires a vote



Municipal Income Tax

Municipal Income Taxes in Other States

- Only 17 state allow local/municipal income taxes
- Only 10 states allow the tax on business income
- Only Pennsylvania has more municipalities levying the tax

Municipal Income Tax
CY 20

- Used by 648 Municipalities—246 Cities & 402 Villages
- 1/3+ from the Three “C’s” (Columbus, Cleveland & Cincinnati)
- Rates Range from .5% to 3.0%
- CY 2020 Data
 - \$5.4 Billion from Cities
 - \$413 Million from Villages
 - \$5.8 Billion Total

Historical Municipal Income Tax Collections

Year	\$ Amount (in Billions)	# Cities	# Villages	Total Municipalities
1985	1.4	231	244	475
1990	\$1.9	231	286	517
1995	\$2.5	233	292	525
2000	\$3.3	231	311	542
2005	\$3.8	234	324	558
2010	\$4.1	238	348	586
2015	\$5.0	240	376	616
2020	\$5.4	246	402	648

Municipal Income Tax
Examples of Rates & Credits

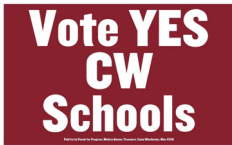
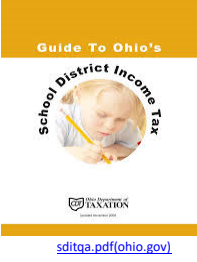
Municipality	Rate of Tax (%)	Tax Credit (%)	Tax Credit Limit (%)
Columbus	2.5	100	2.5
Cleveland	2.5	100	2.5
Cincinnati	1.8	100	1.8
Buckland	1.0	50	1.0
Athens	1.95	100	1.25
Bexley	2.5	65	2.5
Bowling Green	2.0	50	0.5%
Wadsworth	1.4	100	1.0
Oak Harbor	1.0	0	0

Municipal Net Profits
Collections Thru the Ohio Business Gateway

State Fiscal Year	\$ Amount (in Millions)
18	\$11
19	\$44
20	\$45
21	\$131*
22	\$181

Athens v. McClain
163 Ohio St.3d 61
General Assembly acted within its constitutional authority when it enacted laws centralizing the administration of municipal net-income taxes in 2017 Am. Sub. H.B. No. 49 ("H.B. 49")—Portion of H.B. 49 that allows the state to retain .5 percent of the collected municipal net income taxes as a fee or a tax for the state's centralized administration is not constitutionally authorized.

School District Income Tax



[sditqa.pdf\(ohio.gov\)](http://sditqa.pdf(ohio.gov))

School District Income Tax

Authorized in 1981, Repealed in 1983, Reauthorized in 1989

Differences from Municipal Income Tax

- Must always be submitted to ballot
- Non-residents do not pay
- Corporations do not pay
- Two options for **tax base**
 - Traditional Base—like state income tax
 - Earned Income Only —*allowed since 2006*



School District Income Tax

- **Traditional Base**—wages, salary, tips, interest, dividends, UC, self employment, taxable scholarships/fellowships, pension, annuities, IRA's, Cap Gains, Alimony
- **Earned Income Base**—does not tax interest, dividends, capital gains, and pensions—authorized in 2006

School District Income Tax

- No limit on tax rate, but must be in ¼% increments
- May be used for *operating* or for *permanent improvements*
- May be for a *continuing period of time* or for *specified number of years*
- If continuing subject to a *statutory referendum*. Not more than once every 5 years



School District Income Tax

- Can be reduced at any time by school board in ¼% increments
- **Property tax can be reduced** in conjunction with the enactment of a school district income tax
- Can go back to ballot to **change tax base** from **traditional to earned income**, but **not** vice versa



School District Income Tax

SFY 22

- Used by approximately **210** School Districts
- Most use **Traditional Base**—Approximately **147**
- Approximately **63** use **Earned Income Base**
- Rates from **.25% to 2.0%**
- Total Revenue = **\$602 M**—State receives 1.5% for administration = **\$9 M**



Resort Area Gross Receipts Tax

Total Revenue from all three jurisdictions in SFY 2021 = \$1.1M

A businesses privilege tax in qualified resort areas

Villages of Put-In-Bay & Kelly's Island & Put-In-Bay
 Township; **Tourism Development**
 Districts In Canton
 Rates of .5, 1.0 or 1.5%. TDD Rate =2%