



January 2024

Tax policy

Ohio needs a property tax circuit breaker

Targeting help to those who need it

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Ohio's property tax system is getting new attention. Increased valuations of homes across the state¹ and gentrification in formerly depressed areas² are two factors leading to a host of new proposals to limit such taxes.³ Despite significant existing protection in Ohio's constitution against rising property taxes,⁴ some are not insulated from spikes in taxes due. Unlike the state income tax, which is based on the ability to pay, the property tax is disconnected from income. According to the Institute on Taxation & Economic Policy (ITEP), the poorest fifth of Ohio homeowners and tenants pay more than triple the share of income in property taxes that the richest 1% do.⁵

The best solution to property taxes that take up too much of income is known as a circuit breaker. Like an electrical circuit breaker, which prevents electric current from overloading, a property tax circuit breaker reduces the load if property taxes are too high a share of income.

The Lincoln Institute of Land Policy, an authority on property taxes, puts it this way: "Circuit breakers target property tax relief to homeowners paying the highest share of their income in property taxes, such as seniors on fixed incomes, low-income homeowners in gentrifying neighborhoods, and individuals facing a sudden reduction in earnings. These programs are more cost-effective than those that provide a small amount of tax relief to all homeowners, because they can allow significant assistance to the most heavily burdened households at a lower cost overall."⁶

The typical property tax circuit breaker works like this: A qualifying household pays property taxes up to a threshold percentage of income. If the household's property

¹ Staver, Anna, "[Understanding your property taxes: Ohio lawmakers propose changes as home values rise.](#)" Cincinnati Enquirer, Aug. 30, 2023. Policy Matters also reviewed data received from the Ohio Department of Taxation, Sept. 12, 2023, confirming the increases.

² Jarboe, Michelle, "[Longtime homeowners, advocates seek relief from property-tax squeeze.](#)" Crain's Cleveland Business, June 17, 2022.

³ This includes bills in the Ohio General Assembly to limit assessment values (HB 187 and SB 153); freeze property taxes for some (HB 263); expand the homestead exemption (HB 60 and HB 274); index it to inflation (HB 57, which was included in the state budget bill, as well as HB 187 as amended in the Senate); and cap property-tax increases for certain owner-occupied homes (SB 136). In addition, a new Joint Committee on Property Tax Review and Reform was authorized under the state budget bill to report to the General Assembly by the end of 2024 and began meeting Jan. 10.

⁴ In many instances, a big increase in property value doesn't mean a big increase in property taxes. Scott Wartman explains in "[Will my rising property assessment mean my taxes will go up? What to know.](#)" Cincinnati Enquirer, Oct. 26, 2023.

⁵ Email from Carl Davis, Institute on Taxation and Economic Policy, Dec. 21, 2023. While the bottom 20% pay 3.1% of their income, the top 1% pays just 0.8%. Figures exclude senior households. In a report last year, ITEP explained, "The main reason property taxes are regressive is that home values are much higher, as a share of income, for low-income families than for the wealthy. Making matters worse, home values are often mismeasured, for property tax purposes, in ways that exaggerate this fundamental fact. Specifically, homes owned by lower-income people and people of color tend to be over-assessed relative to those owned by high-income people." Carl Davis and Brakeyshia Samms, "[Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability.](#)" May 11, 2023.

⁶ Langley, Adam H. and Joan Youngman, Lincoln Institute of Land Policy, "[Property Tax Relief for Homeowners.](#)" November 2021, p. 39.

tax bill exceeds this limit, the state picks up all or a portion of the tax payments made above it. (Many places cap the amount paid by the state.)

The process protects crucial property tax revenue for public schools and county human services: Homeowners pay the property tax to local governments in full, then receive partial reimbursement from the state, either directly as a refund or as a refundable income tax credit.

ITEP, a Washington, D.C. nonprofit with a sophisticated model of state and local tax systems, analyzed several possible Ohio circuit breakers. Each would cover those with income of \$60,000 and below — close to the state’s median household income — and provide up to \$1,000 to each participant.⁷ The simplest would kick in once someone has paid 5% of their income in property tax. Thus, for someone with income of \$40,000, it would become available once their property tax exceeded \$2,000.

ITEP includes Social Security payments in defining income under the proposed program and includes the existing homestead exemption.⁸ The program would cover residents of all ages, not just seniors, as well as renters who meet the income guideline. To calculate the credit for renters, 15% of rent is assumed to go toward property tax. To better target those who need protection, these proposals also allow only those with a home value that does not exceed \$336,600 or annual rent payments no greater than \$14,424 (\$1,202 a month) to participate.⁹

Under this proposal, about one in six Ohio taxpayers would benefit. More than 40% of low-income Ohioans earning under \$22,000 would receive an average tax cut of \$698. Almost a quarter of those with earnings between \$22,000 and \$45,000 would get an average benefit of \$620. Almost three-quarters of the tax cut would go to the two-fifths of Ohio residents with income below \$45,000. Overall, ITEP estimates this would cost \$768 million a year and households including more than 1.7 million Ohioans would see a tax cut. Table 1 provides more detail on who would benefit and how much from the proposal.

⁷ According to the Lincoln Institute of Land Policy, in 2018, half of the states with circuit breakers set a benefit limit of \$1,000 to \$1,500, and a quarter imposed a limit over \$2,500. See page 40 of the [previously-cited report from the Lincoln Institute of Land Policy](#).

⁸ The homestead exemption, established in 1971, covers qualified homeowners who are at least 65 years old, permanently and totally disabled, or at least 59 and the surviving spouse of a deceased spouse who previously received it. New exemptions are limited to those with income of \$36,100 or less for Tax Year 2023 and shield up to \$25,000 of the property value from taxation for that year. Disabled veterans and surviving spouses of public service officers killed in the line of duty may be eligible for a \$50,000 exemption. Both the income thresholds and the amount shielded from taxation now increase with inflation. See Ohio Department of Taxation, Office of the Tax Commissioner, Administrative Journal Entry, DTE Entry No. 23-09-0330, Oct. 3, 2023. Policy Matters also confirmed this information in a conversation with Gary Gudmundson, Ohio Department of Taxation, Nov. 6, 2023.

⁹ These amounts represent the median home value and median monthly gross rent in Delaware County, the Ohio county with the highest such values, according to the Ohio Housing Finance Agency’s Housing Needs Assessment. See <https://ohiohome.org/research/homeownership-23.aspx> and <https://ohiohome.org/research/rentalhousing-23.aspx>. The data are based on American Community Survey estimates covering 2017-2021.

Table 1

Simple circuit breaker proposal to benefit about 1 in 6 Ohio taxpayers

Effects of a 5% circuit breaker with \$1,000 cap

2023 Income	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range Start	Less Than	\$22,000	\$45,000	\$76,000	\$128,000	\$249,000	\$616,000
Income Range End	\$22,000	\$45,000	\$76,000	\$128,000	\$249,000	\$616,000	And Above
Average Income	\$11,000	\$33,000	\$60,000	\$97,000	\$165,000	\$353,000	\$1,586,000
% with Tax Cut	40.4%	23.7%	13.3%	5.4%	0.2%	0.0%	0.0%
Avg. Tax Cut for Those w/ Cut	-\$698	-\$620	-\$729	-\$779	-\$990	\$0	\$0
Share of Resident Tax Cut	49.2%	25.6%	16.9%	7.3%	0.3%	0.0%	0.0%

Institute on Taxation and Economic Policy, December 2023. Circuit breaker covers Ohio residents with annual income below \$60,000, including homeowners with homes values that do not exceed \$336,600 and renters with annual rent payments no greater than \$14,424. Triggers on when property tax or rental equivalent is over 5% of income. Property tax for renters is figured at 15% of rent. Maximum circuit breaker amount of \$1,000. Some residents with income over \$60,000 are shown in the data receiving the circuit breaker because ITEP's definition of income for its income groups includes all sources of income, taxable and nontaxable, and is broader than the definition used to determine eligibility for the circuit breaker.

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An alternative proposal with multiple income thresholds would provide relief starting when property taxes exceeded a lower share of income:

- For those with income of \$20,000 and below, it would kick in once someone pays more than 3% of their income in property tax, or \$600.
- For those with income between \$20,001 and \$40,000, it would trigger when such taxes exceed \$600 plus 4% of the amount over \$20,000. Thus, someone making \$30,000 would be eligible after the first \$1,000 in tax.
- For those with income between \$40,001 and \$60,000, the same principle would apply, adding 5% of the amount over \$40,000. So, someone making \$50,000 would be eligible if their tax was more than \$1,900.

More than a fifth of Ohio residents would benefit from this proposal, according to ITEP. That would include more than 40% of those with income below \$45,000, who together would get three-quarters of the credits or rebates. Among the lowest-income 20% of Ohioans making less than \$22,000 a year, those getting a credit would get an average benefit of \$852. More than one in six middle-income taxpayers, with earnings of between \$45,000 and \$76,000, would benefit, averaging \$789 each. Homeowners and renters would share about equally in the total savings, which would take in households with a total of more than 2.3 million Ohioans. The annual cost was estimated at about \$1.07 billion. Table 2 provides more detail on who would benefit and how much from this proposal.

Table 2

Multi-threshold circuit breaker proposal to benefit more than 1 in 5 Ohio taxpayers

Effects of a multiple-threshold circuit breaker with \$1,000 cap

2023 Income	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range Start	Less Than	\$22,000	\$45,000	\$76,000	\$128,000	\$249,000	\$616,000
Income Range End	\$22,000	\$45,000	\$76,000	\$128,000	\$249,000	\$616,000	And Above
Average Income	\$11,000	\$33,000	\$60,000	\$97,000	\$165,000	\$353,000	\$1,586,000
% with Income Tax Cut	42.0%	41.9%	16.8%	5.8%	0.3%	0.0%	0.0%
Avg. Tax Cut for Those w/ Cut	-\$852	-\$590	-\$789	-\$915	-\$627	\$0	\$0
Share of Resident Tax Cut	44.9%	31.1%	16.7%	6.7%	0.2%	0.0%	0.0%

Institute on Taxation and Economic Policy, November 2023. Circuit breaker covers Ohio residents with annual income below \$60,000, including homeowners with home values that do not exceed \$336,600 and renters with annual rent payments no greater than \$14,424. Triggers on when property tax or rental equivalent is over 3% of income under \$20,000 plus 4% of income between \$20,000 and \$40,000 plus 5% of income between \$40,000 and \$50,000. Property tax for renters is figured at 15% of rent. Maximum circuit breaker amount of \$1,000. Some residents with income over \$60,000 are shown in the data receiving the circuit breaker because ITEP's definition of income for its income groups includes all sources of income, taxable and nontaxable, and is broader than the definition used to determine eligibility for the circuit breaker.

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Seventeen states, including Ohio neighbors Michigan and West Virginia, and the District of Columbia offer circuit breakers with varying thresholds for triggering the

income-tax credit or refund.¹⁰ For most property taxpayers in Michigan, the credit offsets 60% of property taxes above 3.2% of household income, up to a maximum of \$1,600; maximum allowable income is \$63,000.¹¹ In West Virginia, property taxes that exceed 4% of income can be credited back to eligible taxpayers up to a maximum of \$1,000, as long as income for a single individual is below \$40,770, or \$54,930 for a family of two.¹²

Another dozen states offer other forms of property tax relief as income declines. These programs, which some also call circuit breakers, set up various income brackets and offer the same dollar or percentage reduction in taxes to everyone in that bracket. Pennsylvania, for instance, has offered a homeowner rebate of \$650 to those 65 and over, widows and widowers 50 and over and people with disabilities who are 18 or older who have income of \$8,000 or below; \$500 to those between \$8,001 and \$15,000; \$300 to those between \$15,001 and \$18,000; and \$250 for those with income between \$18,001 and \$35,000 — and a separate program offered rebates to renters with income up to \$15,000.¹³ Under new legislation signed in August, the income cap for both homeowners and renters will go up to \$45,000 next year, with a maximum rebate of \$1,000 for the lowest-income households.¹⁴

State circuit breaker programs differ dramatically.¹⁵ For instance, Oklahoma's program for seniors has a \$12,000 income limit and caps property tax relief at \$200.¹⁶ Married homeowners in Missouri over 65 with income under \$34,000 can get a credit up to \$1,100, while renters with income up to \$29,200 can qualify for up to \$750.¹⁷ In Vermont, those with income up to \$128,000 may qualify for credits capped at \$8,000.¹⁸

Ohio has flexibility in how it designs a circuit breaker, including what restrictions to place on it, such as income limits, limits on housing value or rent, or a phase-out of the credit. Most of all, it needs to be structured so it can make a real difference for those who need it.¹⁹

¹⁰ The description of circuit breakers and other property tax relief programs here draws heavily on a paper from ITEP's Carl Davis and Brakeysha Samms, "[Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability](#)," May 11, 2023; and the [previously-cited report from the Lincoln Institute of Land Policy's](#) Langley and Youngman.

¹¹ [Michigan Department of Treasury, Homestead Property Tax Credit Information](#). The Michigan credit begins phasing out above \$54,000, as the maximum falls 10% for each additional \$1,000 in income.

¹² [West Virginia Tax Division, Senior Citizens Tax Credit information](#). The income cut-offs are higher for larger households.

¹³ [Pennsylvania Department of Revenue, Property Tax/Rent Rebate Program information](#).

¹⁴ Keith, Charlotte, Spotlight PA, "[Property Tax and Rent Rebate Program Will Soon Serve More Older Pennsylvanians](#)," Aug. 4, 2023.

¹⁵ For a comparison of state programs, see the [Lincoln Institute of Land Policy's Summary Table of Property Tax Circuit Breakers](#). While some changes have occurred since 2018, it provides a sense for the variety of parameters states use. A number of localities also have circuit breakers.

¹⁶ [State of Oklahoma, Claim for Credit or Refund of Property Tax](#), Form 538-H, Due on or before June 30, 2023.

¹⁷ [Missouri Department of Revenue, Property Tax Credit FAQs](#).

¹⁸ [Vermont Department of Taxes, Property Tax Credit information](#).

¹⁹ According to national data, total property tax (including taxes on business property) in Ohio amounted to 2.72% of personal income in 2021, compared to a national average of 2.95%. Figures based on [property tax data from the U.S. Census Bureau](#)

A well-constructed circuit breaker would cover Ohioans of all ages and renters as well as homeowners. In a report on circuit breakers last year, ITEP found that of 30 states (counting the District of Columbia) with circuit breakers or similar programs, 13 extended them to people of all ages, and 21 covered at least some renters.²⁰

“While seniors often pay a larger portion of their income in property taxes than younger homeowners, housing costs as a share of income are roughly the same for both groups, because seniors are less likely to have mortgage obligations,” notes the Lincoln Institute of Land Policy. Age, it says, “is a flawed proxy for whether a household needs property tax relief.”²¹ While plenty of seniors need that help, so do others who live in neighborhoods where property values are escalating rapidly, or who may recently have divorced or become unemployed.

Though renters don’t pay property taxes directly, they do so indirectly through their rent. About a third of Ohioans live in rental housing.²² According to a recent report by the Ohio Housing Finance Agency, in 2021, nearly a quarter of Ohio renters were severely cost-burdened, meaning they were paying more than half of their household income on gross rent (including utilities) or had no income.²³ “Extending these (circuit breaker) programs to renters is especially vital to ensuring that people of color can access their benefits, as centuries of racial exclusion and discrimination have resulted in people of color in all age cohorts being much more likely to rent and to work in jobs with lower wages,” noted ITEP in its recent report.²⁴

The National Apartment Association estimates that 11% of rent goes toward property taxes at a set of Ohio rental properties with five or more units.²⁵ However, the Ohio association knows anecdotally of many cities in Ohio, especially in suburban communities around Cleveland, Columbus and Cincinnati, where the property-tax share of rent could be twice that high.²⁶ States with circuit breakers that cover renters typically figure that property tax makes up between 15% and 23% of rent.²⁷

and [personal income data from the U.S. Bureau of Economic Analysis](#) (BEA). Focusing just on the taxes paid by homeowners and tenants (excluding taxes on business property), ITEP found that property taxes on Ohioans’ homes amount to 2.1% of their income. This is on par with the U.S. average of 2.1%. However, as noted above, the figure is substantially higher for the bottom one-fifth of Ohio earners. These figures exclude senior households and use a broader definition of income than the BEA’s measure. Email from Carl Davis, Dec. 21, 2023.

²⁰ See the [previously-cited report from ITEP’s Carl Davis and Brakevshia Samms](#).

²¹ See the [previously-cited report from the Lincoln Institute of Land Policy’s Langley and Youngman](#).

²² As reported by the [United States Census Bureau in QuickFacts Ohio](#).

²³ Ohio Housing Finance Agency, FY2024 Housing Needs Assessment, Table 2.18, [Prevalence of Severe Rent Burden in the United States and Ohio](#).

²⁴ See the [previously-cited report from ITEP’s Carl Davis and Brakevshia Samms](#).

²⁵ [National Apartment Association, “Ohio: Where does \\$1 of rent go?”](#) The estimate is based on 2022 operating statements from multifamily rental properties with five or more units that secure loans in commercial and mortgage-backed securities of the Federal Home Loan Mortgage Corporation, known as Freddie Mac.

²⁶ Email from Laura A. Swanson, Ohio Apartment Association, Oct. 17, 2023. In Sept. 26 testimony before the Senate Select Committee on Housing, [Don Brunner of BRG Realty Group in Cincinnati, speaking on behalf of the state association](#), noted that BRG would be paying tax that amounts to about 25% of revenues at one Central Ohio suburban property.

²⁷ See the previously-cited [Summary Table of Property Tax Circuit Breakers](#) from the Lincoln Institute of Land Policy.



Using the 15% amount, that means a household paying \$1,000 a month in rent effectively is paying \$150 a month, or \$1,800 a year, in property tax.

Using the multiple-threshold circuit breaker outlined above:

- A homeowner with income of \$50,000 whose property tax was \$3,000 would qualify for the maximum circuit breaker worth \$1,000 and pay a net \$2,000 in property tax.
- A homeowner with income of \$40,000 and property tax of \$2,000 would qualify for a \$600 circuit breaker.
- A renter with annual income of \$30,000 paying rent of \$800 a month would receive an income-tax refund or rebate for the year of \$440 ($(\$800 \times 0.15 \times 12) - \1000).

The value of a circuit breaker is that it is based directly on how much property taxes are taking from homeowner and renter incomes. Neither freezing or limiting increases in property taxes for those who meet certain criteria nor reducing assessment values for homeowners is targeted in the same way. House Bill 920, the Ohio constitutional provision that reduces certain millage rates in tandem with assessment value increases for fixed-rate levies, protects many homeowners from big increases in taxes. (By keeping tax revenue from growing with the economy, it also handicaps schools, counties and other taxing entities, and leads to a proliferation of levy attempts as they try to make up for that.) Additional tax relief measures that aren't directly aimed at those who specially need such relief are likely to have uneven effects; include property owners who don't need relief; and cost revenue to schools, human service levies, community colleges, parks, libraries and others that depend on property tax revenue.

A new circuit breaker program in Ohio could be provided as an income-tax credit for those homeowners and renters who pay income taxes. Those who don't should be offered a standalone rebate. One drawback of circuit breakers is that people have to apply for them, and many of those eligible don't do so. If the General Assembly adopts a circuit breaker, it should include state funding for advertising and outreach to inform homeowners and renters that the program exists. It should also index the maximum amount and income thresholds to inflation, so that the value of the credit does not diminish over time.

An Ohio circuit breaker is affordable. Between 2005 and last year, cuts in the income tax and other changes in Ohio's tax system reduced annual revenue by \$8 billion a year and delivered an average tax cut of more than \$50,000 a year to the 1% of Ohio

taxpayers who make more than \$551,000.²⁸ Income-tax cuts in the recent biennial budget bill — which were more than offset for low- and moderate-income taxpayers by a two-year suspension of inflation indexing of brackets and exemptions — are expected to cost \$750 million a year on an ongoing basis.²⁹ Meanwhile, large businesses will get more than half of the \$500 million in annual tax cuts from new exclusions to the Commercial Activity Tax, Ohio’s general business tax.³⁰ A circuit breaker could also be funded by trimming unproductive special-interest tax breaks from the 154 credits, exemptions and deductions that are now valued at \$11 billion a year.³¹

There is ample capacity to provide tax relief through a circuit breaker to those Ohioans, homeowners and renters alike, who actually need it. As the General Assembly reviews pending property-tax legislation and the newly authorized joint legislative committee on the tax gets going, they should make creation of an Ohio circuit breaker a priority.

²⁸ Bervejillo, Guillermo, “[The Great Ohio Tax Shift](#).” Figures in the report do not include additional cuts in the most recent state budget bill.

²⁹ Ohio Department of Taxation, in concert with Office of Budget and Management, “Impact of Enacted House Bill 33 (FY2024-2025 state operating budget) After Vetoes,” and interview with Russ Keller of Legislative Service Commission, July 19, 2023.

³⁰ Policy Matters Ohio, “[Major changes to Commercial Activity Tax in the 2024-2025 budget](#).”

³¹ The 154 are listed in the [Tax Expenditure Report for Fiscal Years 2024-2025](#), produced by the Ohio Department of Taxation. For a summary of a few of those that deserve to be cut or eliminated, see Zach Schiller’s “[Ohio Tax Breaks Bulge](#).” Policy Matters Ohio, April 7, 2023.