



Tangible Property Tax Replacement Fund

This chapter deals with two revenue-sharing funds, the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund. The tangible property tax replacement funds were created by the 126th General Assembly in 2005 as part of House Bill (HB) 66, the biennial budget bill for fiscal years 2006-07. HB 66 phased out the tangible personal property tax, and made a number of other tax code changes including the enactment of the commercial activity tax (CAT).

The tangible personal property (TPP) tax, which applied to property used in business in Ohio, was a noteworthy source of local property tax revenue. Reimbursements to schools and local governments were established to replace local revenue losses attributed to the phase-out of the tax on TPP. Reimbursements were based on the product of millage, levied as of Sept. 1, 2005 and 2004 tangible personal property tax values. Reimbursement payments increased as local revenues decreased due to the phase-out, with full reimbursement provided in 2010. The biennial budget bill for fiscal years 2012-2013 (HB 153 of the 129th General Assembly) made significant changes to the phase-out of reimbursement payments in November 2011 and thereafter. The changes implemented a measure of relative need in determining the level of reimbursement for school districts and local governments.

During fiscal year 2015, approximately \$481.5 million was distributed to schools and joint vocational districts from the school district tangible property tax replacement fund. Approximately \$122.7 million was distributed to counties, municipalities, townships and special districts from the Local Government Tangible Property Tax Replacement Fund in calendar year 2014.

Revenue Sources

(Ohio Revised Code 5751.20)

Thirty-five percent of commercial activity tax receipts are to be deposited in the School District Tangible Property Tax Replacement Fund and 15 percent in the Local Government Tangible Property Tax Replacement Fund. A transfer from the General Revenue Fund will be made if the replacement funds are insufficient to make the calculated reimbursement payments. Any balance in the replacement funds, after reimbursements are distributed, will be allocated to the General Revenue Fund.

Distributions to Schools & Local Governments

(R.C. 5751.21 & 5751.22)

Local government replacement payments are calculated on a calendar year basis and school district replacement payments are calculated on a fiscal year basis. All levies must be charged and payable to remain eligible for reimbursement.

In calendar year 2014, replacement payments for the fixed-rate levies of counties, townships and special districts as well as municipal operating levies were equal to the sum of 2011 reimbursement less six percent of the local government's calculated 2011 total resources. Reimbursement for municipal non-operating levies, including pension and capital improvement levies, for calendar year 2013 was equal to 25 percent of the levy's 2011 reimbursement.

In fiscal year 2015, replacement payments to schools and joint vocational districts for fixed-rate operating levies were equal to fiscal year 2011 reimbursement less four percent of the district's total resources. Reimbursement for non-operating fixed-rate levies, including permanent improvement and classroom facilities levies, was equal to 50 percent of the fiscal year 2011 reimbursement. Reimbursement for fixed-sum levies (including emergency and voted bond levies) is not subject to phase out; final reimbursement for emergency levies is to be made in 2017.

Distribution Procedure

(R.C. 5751.21 & 5751.22)

Distributions are made from the state to counties on or before the 30th day of November and 31st day of May. The county treasurer/auditor then distributes payments to the appropriate local government within 30 days.

Direct payments from the Ohio Department of Education are made to school and joint vocational districts on or before the 20th day of November and the last day of May.

Use of funds

Reimbursements to schools and local governments are to be utilized for the purpose of the originally qualifying levy.

Recent Legislation

House Bill 64, 131st General Assembly (FY 2016-2017 biennial budget bill; budget provisions effective July 1, 2015)

- Combines calculation and distribution of payments to schools and local governments related to the loss of local tax revenue from the phase-out of the tax on general business tangible personal property and reductions in the tax on public utility tangible personal property.
- Resumes a reliance based phase-out for reimbursement of fixed-rate operating levies.
- Ends reimbursement of municipal non-operating levies in FY 2015 and school and joint vocational school non-operating levies in FY 2016.
- Extends reimbursement of school district fixed-sum operating levies.
- Effective July 1, 2015, eliminates School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund.
- In FY 2016 and thereafter, distributions to schools and joint vocation distributions are funded by 20 percent of CAT revenue. Distributions to local governments are funded by 5 percent of CAT revenue.

Table 1			
Tangible Personal Property Tax Replacement Payments by County, Fiscal Year 2015			
County	Tax Replacement Payments¹	County	Tax Replacement Payments¹
Adams	\$34,134	Licking	\$3,658,982
Allen	10,057,544	Logan	4,306,675
Ashland	2,414,744	Lorain	7,209,080
Ashtabula	6,271,021	Lucas	25,797,882
Athens	253,010	Madison	1,620,496
Auglaize	3,005,939	Mahoning	6,334,785
Belmont	1,121,758	Marion	2,561,873
Brown	25,649	Medina	7,888,455
Butler	12,204,461	Meigs	4,636
Carroll	60,213	Mercer	349,646
Champaign	1,971,848	Miami	6,506,725
Clark	2,636,516	Monroe	791,038
Clermont	3,112,530	Montgomery	29,054,646
Clinton	1,600,429	Morgan	19,514
Columbiana	1,929,073	Morrow	117,831
Coshocton	988,514	Muskingum	1,433,651
Crawford	2,721,575	Noble	40,354
Cuyahoga	81,594,673	Ottawa	1,425,880
Darke	815,152	Paulding	188,818
Defiance	2,025,226	Perry	131,882
Delaware	1,805,585	Pickaway	1,491,957
Erie	10,561,350	Pike	2,457,506
Fairfield	1,837,083	Portage	9,217,634
Fayette	500,638	Preble	781,783
Franklin	75,874,981	Putnam	613,204
Fulton	4,081,738	Richland	9,123,642
Gallia	51,800	Ross	4,262,993
Geauga	6,092,285	Sandusky	3,599,260
Greene	1,306,753	Scioto	625,455
Guernsey	1,236,045	Seneca	2,274,654
Hamilton	70,524,240	Shelby	4,902,459
Hancock	7,865,553	Stark	17,663,774
Hardin	962,251	Summit	30,253,921
Harrison	129,203	Trumbull	12,265,786
Henry	3,293,317	Tuscarawas	4,105,596
Highland	120,665	Union	10,636,013
Hocking	51,170	Van Wert	538,634
Holmes	1,321,679	Vinton	44,815
Huron	1,865,601	Warren	16,258,187
Jackson	266,726	Washington	4,983,677
Jefferson	1,433,398	Wayne	9,072,366
Knox	1,155,035	Williams	3,015,609
Lake	16,277,138	Wood	11,698,170
Lawrence	47,641	Wyandot	465,491
		Total	\$603,301,318²
¹ Consists of payments made to school districts and local governments.			
² Schools received approximately \$481.5 million and local governments received approximately \$122.7 million.			
Source: Ohio Department of Taxation and Ohio Department of Education records			