City of NORTHWOOD OHIO

FINANCE COMMITTEE MEETING

Thursday, September 10, 2026 at 6:00 PM | 6000 Wales Road, Northwood, OH 43619 ; in the Council Chambers

Access meeting materials and information via the Northwood, Ohio Public Portal:
https://northwoodoh.portal.civicclerk.com/

Members of Finance Committee

Andrew Dickey, Chair
Dean Edwards
Terry Kretz
Ken Yant, Finance Director
Kevin Laughlin, City Administrator

CALL TO ORDER:

ROLL CALL:

APPROVAL OF MINUTES:

- June 11, 2026 Meeting Minutes

TOPICS/ISSUES:

1) CENTER FOR REGIONAL DEVELOPMENT - MUNICIPAL REVENUE MODELING ANALYSIS

2) ENTERPRISE FLEET MANAGEMENT

NEW BUSINESS:

OLD BUSINESS:

ADJOURNMENT:

City of Northwood
Finance Committee Meeting Minutes

CALL TO ORDER

The meeting of the Northwood Finance Committee was called to order at 06:30 PM on June 11, 2026 in the Council Chambers and via Live Stream.

ROLL CALL

The roll was called by Clerk Popovitch and those in attendance were as follows: Dean Edwards, Andrew Dickey, Terry Kretz, Finance Director Ken Yant and City Administrator Kevin Laughln.

APPROVAL OF MINUTES

April 9, 2026 Meeting Muinutes

MOTION: Councilor Edwards made a motion to **Approve;** seconded by Councilor Dickey. **ROLL CALL:** **Yes:** Councilor Edwards, Councilor Dickey, Councilor Kretz; **No:** None; **Abstain:** None
RESULT: *Passed (3-0)*

TOPICS/ISSUES

Revenue/Tax

The Committee discussed ongoing and projected General Fund revenue shortfalls and the structural sustainability of the City's current funding model. Administration noted that recent capital and operational expansions, including full-time fire staffing and the Northwood Community Center, have accelerated the need to reassess long-term revenue capacity.

It was acknowledged that while these service expansions reflect community priorities, the City's revenue system has not been materially updated in approximately 48 years, contributing to increasing fiscal pressure.Administration presented updated revenue projections indicating a continued downward trend in income tax receipts. Key points included:

- The City is experiencing a multi-year revenue decline beginning approximately in 2023 and continuing through 2026, with no clear indication of reversal.
- Updated projections for the 2027 budget suggest a revenue reduction of approximately \$1.0–\$1.1 million compared to prior assumptions.
- Earlier estimates had been optimistic regarding income tax recovery; revised modeling now reflects a more conservative and realistic forecast.
- Administration further indicated a potential \$700,000–\$800,000 ongoing shortfall, depending on final collections and economic conditions.

It was noted that the City may need to identify either new revenue sources or corresponding expenditure reductions to balance future budgets.

Income Tax Performance and Volatility
The Committee discussed income tax as the City's primary revenue source and concerns regarding volatility:

- The City remains heavily reliant on income tax revenue, which is subject to economic fluctuations.
- A prior spike in revenue was attributed largely to business estimated payments and municipal net profit tax activity, which has since normalized downward.
- The business income tax component has declined significantly (approximate reduction cited in discussion from ~\$900,000 range to ~\$600,000 range).
- Administration noted difficulty identifying a single cause for the decline despite historical review of major taxpayers.

There was consensus that further analysis of top income tax payers and long-term trends may be necessary, but no single corrective factor has been identified.

RITA Contracting Costs vs. In-House Collection
Discussion included the City's income tax collection structure:

- The City currently utilizes RITA (Regional Income Tax Agency) for tax collection services.
- Estimated cost comparison suggested RITA's net cost is approximately \$40,000+ annually after reconciliation and efficiencies, compared to maintaining internal staffing with benefits and overhead.
- RITA operates on a percentage-based fee structure with reconciliations that return overpayments to the City.

No action was taken, but the arrangement was acknowledged as part of overall revenue efficiency considerations.

Revenue Diversification Options

June 11, 2026

Administration and Council members discussed the need to diversify revenue sources beyond income tax reliance. Key observations included:

- Income tax remains the primary revenue driver, with limited diversification currently in place.
- Property tax was identified as the most stable alternative revenue source; however, it requires voter approval and has a longer implementation timeline.
- Sales tax expansion was discussed but deemed impractical, due to limited ability for municipalities to meaningfully adjust rates and generate sufficient revenue.

Additional smaller-scale revenue options were identified:

- Potential increase to hotel-motel tax (e.g., 3% to 6%), estimated to generate approximately $27,000 additional revenue.
- Minor adjustments to zoning, inspection, and user fees, though these were not expected to materially resolve the deficit.
- Consideration of community center membership fee adjustments, though concern was expressed about maintaining accessibility during early operations.

It was broadly acknowledged that smaller fee adjustments alone would not resolve the projected structural gap.

Tax Credit / Reciprocity Discussion (Income Tax Structure Adjustment)
A significant portion of discussion focused on potential changes to the City's income tax credit/reciprocity structure:

- The City currently provides a full credit for taxes paid to other municipalities up to the 1.5% rate, effectively eliminating additional local liability for many residents.
- Administration indicated that modifying the credit structure could generate substantial and relatively immediate revenue increases compared to other options.
- Options discussed included partial reduction of the credit (e.g., 50%) or restructuring the reciprocity model entirely.

Key considerations raised:

- Potential revenue impact vs. taxpayer burden distribution.Competitiveness with neighboring communities (some of which maintain higher income tax rates).
- Legal and legislative considerations, including potential state-level changes affecting tax credit authority.
- Timing implications: changes could affect 2027 revenues if adopted in the current year, but would be delayed if deferred.

No formal recommendation was finalized, but Council indicated interest in further evaluation.

Property Tax Levy Timing and Constraints
Administration reviewed property tax levy feasibility:

- Property tax was identified as a stable revenue source but not viable for immediate implementation due to statutory timing constraints.
- Levy adoption would require multiple readings, certification through the County Auditor, and voter placement requirements.
- Key deadlines include August certification deadlines and election ballot submission timelines (August 1–5 range).
- Given the Council calendar and summer recess, implementation for the current cycle was considered highly constrained.

Conclusion: Property tax options may be more realistic for a future cycle (potentially May election window), rather than immediate adoption.

Purchase of Fire Apparatus

The Committee noted that upcoming capital needs, including fire apparatus purchases, are a contributing factor to the urgency of revenue discussions:
Without new revenue sources, funding major capital purchases would further strain the General Fund.
Members expressed concern about proceeding with large capital expenditures without a defined revenue strategy.
It was noted that some fire-related capital funding opportunities (state or grant programs) may exist and should be explored prior to final decisions.

June 11, 2026

RESOLUTION 2026-04 ADOPTING ESTIMATE OF REVENUES FOR BUDGET YEAR BEGINNING JANUARY 1, 2027; AND DECLARING AN EMERGENCY

The Committee briefly discussed the resolution on the Council agenda this evening as a first reading. Administration indicated the resolution is due for submission in July. No substantive changes were proposed at this stage.

ORDINANCE 2026-21 AUTHORIZING SUPPLEMENTAL APPROPRIATIONS OF THE CITY OF NORTHWOOD FOR FISCAL YEAR 2026; AND DECLARING AN EMERGENCY.

Administration presented a supplemental appropriation item related to a previously budgeted project that was not assigned an account number in the original ordinance. As a result, a separate appropriation is required.

The Committee discussed potential funding sources, including:
General Fund (noted as not preferred due to impact on operating balance)
Capital Improvement Fund (traditionally used for similar project expenditures)
Budget Stabilization Fund / reserve (considered appropriate under policy for one-time or specific project expenditures)

It was noted this is the first instance in recent practice where a similar project would be fully funded from the General Fund. Discussion indicated preference toward either capital funding or reserve usage rather than reducing operating funds.

Administration clarified that the project is associated with the Enclave District and is intended as an advance against future TIF revenues, though current TIF funds cannot be directly used due to accounting constraints. The Committee also discussed rolling related roadway work (Dalling East / west extension work) into a broader 2027 paving program to align with nearby infrastructure projects and improve efficiency in construction scheduling.

The Committee reviewed the process for adjusting appropriation language and account numbers during readings. It was clarified that:
Amendments can be made during the ordinance readings process
Final adoption includes the corrected or amended version
Motions to amend are typically made prior to final adoption rather than restarting the ordinance process.

Ordinance will be amended and adopted as amended at final reading.

NEW BUSINESS

The committee discussed a proposal from the BGSU Center for Regional Development to conduct a revenue and financial analysis for the City.
Members acknowledged the organization’s reputation and expertise but questioned whether funding such a study falls within the role of the CIC.
Concerns were raised regarding the estimated cost of approximately $10,000.
No action was taken, and the committee agreed further review and discussion are needed before making a recommendation.

OLD BUSINESS

ADJOURNMENT

7:00PM

ATTEST: Emily Popovitch
Clerk

APPROVED: Andrew Dickey
Chair

Municipal Revenue Modeling Analysis

Prepared for: City of Northwood

Center for Regional Development (CRD)
Bowling Green State University (BGSU)
400 E. Poe Bowling Green, OH 43403
crd@bgsu.edu
419-372-6921
August 28, 2026

Table of Contents

Executive Summary

The City of Northwood engaged the Center for Regional Development at Bowling Green State University to evaluate three options for generating approximately $600,000 to $800,000 in additional annual revenue: increasing the municipal income tax rate, implementing a new property tax levy, and reducing or eliminating the municipal income tax credit available to residents who earn income outside the City. Each option was evaluated based on its revenue-generating potential, the level of change required to achieve the City's objective, taxpayer impacts, implementation considerations, long-term stability, and relevant economic development, competitiveness, equity, and policy considerations. The estimates presented in this report are scenario-based calculations using the most recent available data and should not be interpreted as forecasts of future collections.

Northwood currently levies a 1.50% municipal income tax. Based on approximately $6.55 million in 2025 collections, increasing the rate to 1.64% would generate an estimated $611,000 in additional annual revenue, while a 1.68% rate would generate approximately $786,000. These increases would raise the current rate by 0.14 to 0.18 percentage points and remain below several regional comparison rates. Higher rates could provide additional capacity beyond the immediate objective: a 1.75% rate would generate approximately $1.09 million, while a 2.25% rate would generate approximately $3.27 million and equal the highest rate among the benchmark communities.

The cost would be distributed across Northwood's broader income tax base and increase proportionately with taxable income. A taxpayer with $50,000 in taxable income would pay approximately $70 more annually at 1.64% and $90 more at 1.68%, although the uniform rate may represent a greater practical burden for lower-income taxpayers. Historical collections demonstrate a substantial recurring revenue source that remains sensitive to economic conditions. Under the recession stress test, the 1.64% scenario falls below the minimum objective, the 1.68% scenario remains within the target, and a 1.75% rate retains a larger buffer. Research indicates that an income tax increase alone would be unlikely to determine business or workforce location decisions. The increase would require voter approval, but one election could authorize an ongoing rate if the measure does not expire.

A new property tax levy would require approximately 3.10 to 4.14 additional mills to generate $600,000 to $800,000 based on Northwood's 2025 taxable assessed value. When added to the City's existing 1.60 mills, total municipal millage would increase to approximately 4.70 to 5.74 mills. This would place Northwood near Perrysburg's 5.65 mills, below Rossford's 11.10 mills, and above the lower municipal rates in Oregon and

Holland. Each additional mill would generate approximately $193,000 in gross annual revenue, allowing the City to calibrate the levy to its desired revenue level.

In the selected property examples, annual increases range from approximately $123 to $365 for residential properties, $219 to $292 for the commercial property, and $2,138 to $2,851 for the industrial property. A property tax levy would provide a comparatively stable and predictable recurring revenue source supported by a broad tax base, but a new outside-millage levy would require voter approval. A continuing levy would remain in effect without renewal, while a limited-term levy would require another vote to continue beyond its approved term. Its principal long-term limitations are slower revenue growth and the possibility that collections may not keep pace with inflation or municipal service costs.

Northwood currently provides residents with a 100% tax credit, up to the City's 1.50% income tax rate, for qualifying municipal income taxes paid to another municipality. Reducing the credit to 75% would generate an estimated $199,000 in additional annual revenue, while reductions to 50% and 25% would generate approximately $399,000 and $598,000, respectively. Full elimination is the only modeled credit adjustment that reaches the City's target range, generating an estimated $798,000 based on 2025 activity. Unlike a general income tax increase, this option would concentrate the additional burden on Northwood residents earning taxable income outside the City who currently receive the credit. At $50,000 in qualifying external wage income, the additional annual cost would range from approximately $188 under a 75% credit to $750 with complete elimination.

Full elimination would represent a greater departure from regional practice than the credit policies currently used by the benchmark communities. In addition, approximately $124,000 of the modeled revenue is estimated from credits associated with Schedule C, E, and F income because detailed taxpayer-level data were unavailable, creating greater uncertainty regarding the amount that could be generated consistently. Because complete elimination is required to reach the target, the option provides no remaining credit adjustment that could be used to offset natural fluctuations in external employment, resident earnings, or qualifying credits. A credit adjustment generally would not require separate voter approval.

Each option is capable of generating additional recurring revenue, but the amount, distribution of the burden, implementation requirements, and long-term reliability differ. An income tax increase can reach the target through a relatively limited rate change applied across the broader municipal income tax base and offers the greatest capacity to establish a revenue buffer. A property tax levy can also reach or exceed the target and would provide greater annual stability, but it would impose recurring costs based on property value, require voter approval, and offer slower long-term revenue growth. A resident credit adjustment would avoid increasing the general income tax rate or property millage and would impose no direct additional tax on businesses. However, only full elimination of the credit reaches the target, and doing so would concentrate the burden on residents earning income outside Northwood while providing less certainty that the target could be sustained annually. These distinctions establish the basis for the comparative analysis presented in this report.

Revenue Options Analysis

This section evaluates three potential revenue options identified by the City of Northwood: increasing the municipal income tax rate, implementing a new property tax levy, and adjusting the income tax credit available to residents who work outside the City. For each option, the analysis evaluates its potential to generate approximately $600,000 to $800,000 in additional annual revenue, the level of change required to achieve that objective, taxpayer impacts and the distribution of the financial burden, implementation considerations, long-term revenue stability and sustainability, and relevant economic development, competitiveness, equity, and policy considerations.

Municipal Income Tax Increase

This section evaluates the potential impacts of increasing Northwood's municipal income tax rate above the current 1.5%. The analysis considers potential revenue generation, the rate change required to achieve the City's revenue objective, taxpayer impacts, historical revenue trends, Northwood's tax rate relative to comparable communities, economic development and workforce implications, and long-term revenue stability and sustainability.

Current Income Tax Structure

Northwood currently levies a 1.5% municipal income tax on taxable income earned by City residents, qualifying income earned by nonresidents for work performed within Northwood, and net profits attributable to business activity within the City. Taxable income generally includes salaries, wages, commissions, other compensation, and net profits. Income tax revenues are allocated among the General Fund (72%), Capital Improvement Fund (20%), and Capital Replacement Fund (8%). These funds support general municipal operations, capital projects, and equipment and asset replacement. The tax is administered through the Regional Income Tax Agency (RITA).

Northwood provides residents with a 100% credit for municipal income taxes paid to another municipality, limited to Northwood's 1.5% rate. As a result, residents who work in another municipality and pay an income tax of at least 1.5% generally have no additional Northwood income tax liability on that income.

Northwood's municipal income tax was initially established at 1.0% in July 1966 and increased to 1.5% in 1978, with no subsequent rate increases identified. Chapter 880 of the Northwood Codified Ordinances was amended in 2016 to conform with changes to Ohio municipal income tax law, with additional amendments adopted in 2023.

Component	Current Structure
Income Tax Rate	1.50%
Resident Tax Credit	100%, up to 1.50%
Administration	Regional Income Tax Agency
Initial Income Tax Rate	1.00% (1966)
Last Rate Increase	1.50% (1978)

Table 1: Northwood Municipal Income Tax Structure, 2026

Income Tax Revenue Trends

Northwood's municipal income tax collections have remained relatively stable over the past decade, although collections have fluctuated from year to year rather than following a consistent growth pattern. Total collections increased from approximately $6.26 million in 2016 to $6.55 million in 2025, an increase of approximately 4.6% over the ten-year period. Average annual collections during the period were approximately $6.52 million. Collections reached a ten-year high of approximately $7.41 million in 2023, declined 12.1% in 2024, and remained essentially flat in 2025, increasing 0.5%. Withholding has consistently been the dominant source of income tax revenue, accounting for approximately 76% to 85% of annual collections. Business and residential collections have represented substantially smaller shares. Income tax also remains the primary source of governmental activities revenue, accounting for approximately 59% to 73% annually between 2016 and 2025.

The recent decline in income tax as a share of governmental activities revenue should be interpreted cautiously. Growth in other revenue sources affected income tax's relative share, while the City's 2024 transition to RITA created collection and accounting timing differences that affected reported income tax revenues. Overall, the ten-year trend indicates a relatively stable revenue source, although collections remain subject to economic conditions and collection and accounting timing.

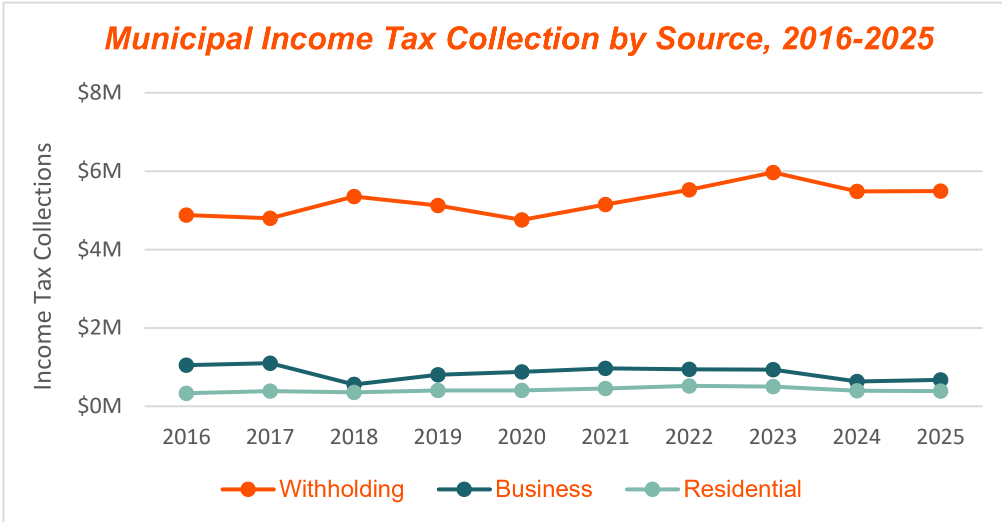

Figure 1

Revenue Yield Modeling

The revenue yield model uses 2025 municipal income tax collections as the baseline, including approximately $5.49 million in withholding, $671,000 in business collections, and $385,000 in residential collections, for total collections of approximately $6.55 million at the current 1.5% tax rate. The model assumes the underlying taxable base remains constant as the tax rate changes. Use of 2025 as the baseline is supported by the relative stability of Northwood's income tax collections over the past decade. Collections increased approximately 4.6% between 2016 and 2025, and 2025 collections of $6.55 million are close to the 2016–2025 average annual collections of approximately $6.52 million.

Revenue was modeled at tax rates of 1.64%, 1.68%, 1.75%, 2.00%, 2.25%, and 2.50% by deriving an implied taxable base from 2025 collections and applying each alternative rate to that base. Under this approach, estimated additional annual revenue ranges from approximately $611,000 at a 1.64% rate to $4.36 million at a 2.50% rate. The 1.64% and 1.68% scenarios provide practical two-decimal approximations of the rates necessary to generate the City's targeted $600,000 to $800,000 in additional annual revenue.

Modeled Tax Rate	Estimated Additional Annual Revenue
1.5% (current)	-
1.64%	$611,092
1.68%	$785,690
1.75%	$1,091,236
2.00%	$2,182,471
2.25%	$3,273,707
2.50%	$4,364,943

Table 2: Income Tax Revenue Scenarios

Because the target falls below the revenue generated by a 1.75% rate, an additional calculation was used to identify the rates necessary to generate the desired revenue range. Based on the 2025 collections, the model estimates an implied taxable base of approximately $436.5 million. Holding that base constant, a tax rate of approximately 1.6375% would generate $600,000 in additional annual revenue, while a rate of approximately 1.6833% would generate $800,000. For purposes of the scenario analysis, tax rates are modeled to two decimal places. Accordingly, 1.64% and 1.68% are used as the modeled rates nearest the lower and upper ends of the City's target revenue range. At the modeled lower and upper ends of this range, an increase from 1.50% to 1.64% or 1.68% represents an increase of 0.14 to 0.18 percentage points, equivalent to approximately a 9.3% to 12.0% increase relative to the current rate.

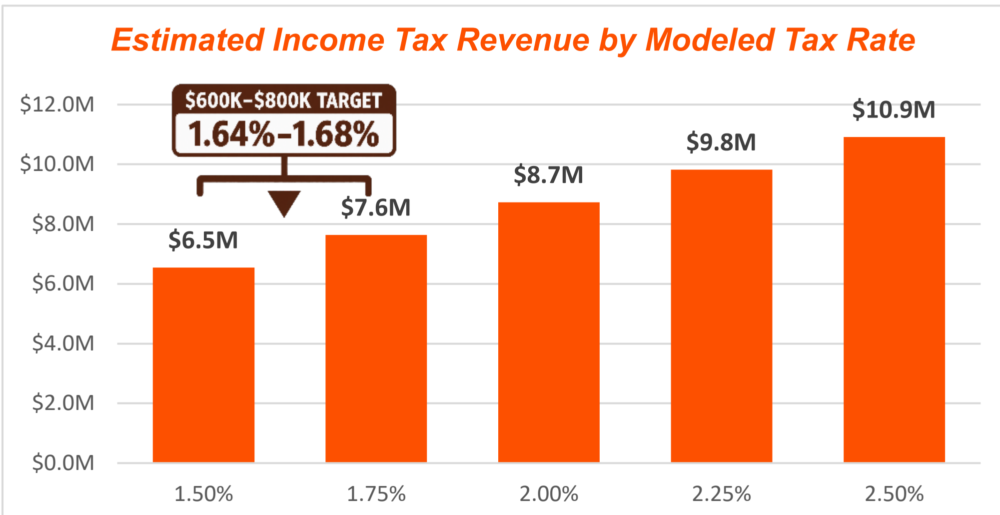

Figure 2

As a check on the baseline assumption, 2025 collections of approximately $6.55 million were compared with average annual collections of approximately $6.52 million over the 2016–2025 period. Using the ten-year average as an alternative baseline produces only a minimal change in the estimated tax rates necessary to achieve the target, providing additional support for use of the most recent completed year.

The estimates represent high-level revenue scenarios rather than forecasts of future collections. The model assumes no independent growth or contraction in the taxable base and does not account for potential changes in employment, wages, business activity, taxpayer behavior, or other economic conditions that could result from a change in the income tax rate.

Taxpayer Impacts

To illustrate the potential impact of an income tax rate increase on individual taxpayers, annual municipal income tax costs were calculated across a range of illustrative taxable income levels. The analysis compares the additional annual cost associated with the 1.64% and 1.68% target-range scenarios and the alternative modeled rates to Northwood's current 1.50% rate. Because the municipal income tax is applied at a flat rate, the additional cost increases proportionally with taxable income. Although the rate is uniform, the increase may represent a greater practical burden for lower-income taxpayers because they have less disposable income available to absorb the additional cost.

Illustrative Taxable Income	1.64% Lower Target	1.68% Upper Target	1.75%	2.00%	2.25%	2.50%
$25,000	+$35	+$45	+$63	+$125	+$188	+$250
$50,000	+$70	+$90	+$125	+$250	+$375	+$500
$75,000	+$105	+$135	+$188	+$375	+$563	+$750
$100,000	+$140	+$180	+$250	+$500	+$750	+$1,000
$150,000	+$210	+$270	+$375	+$750	+$1,125	+$1,500

Table 3: Additional Annual Cost by Income Scenario & Tax Rate

At the 1.64% and 1.68% scenarios representing the lower and upper ends of the modeled target range, the additional annual cost ranges from $35 to $45 for $25,000 of taxable income and from $210 to $270 for $150,000 of taxable income. A taxpayer with $50,000 in taxable income, for example, would pay approximately $70 more annually at 1.64% and $90 more annually at 1.68%. At the higher modeled rates, the additional annual cost ranges from $63 to $375 at a 1.75% rate and from $250 to $1,500 at a 2.50% rate.

Benchmark Communities

Northwood's municipal income tax rate was compared with four nearby communities: Holland, Rossford, Perrysburg, and Oregon. The communities provide a range of population sizes and municipal income tax rates within the regional context. Northwood and Perrysburg currently levy the lowest rate among the selected communities at 1.50%, while Holland, Rossford, and Oregon each levy 2.25%.

Community	Municipal Income Tax Rate	Population (ACS 2020-2024)
Northwood	1.50%	5,193
Holland	2.25%	1,438
Rossford	2.25%	6,323
Perrysburg	1.50%	25,181
Oregon	2.25%	19,799

Table 4: Municipal Income Tax Rate Comparison

The rate range estimated to generate Northwood's targeted $600,000 to $800,000 in additional annual revenue, approximately 1.64% to 1.68%, would remain below the current rates of Holland, Rossford, and Oregon. A 1.75% or 2.00% rate would similarly remain below the 2.25% rate levied by those communities, while a 2.25% rate would place Northwood at the same rate as three of the four benchmark communities.

Economic Development Implications

Research indicates that state and local taxes can influence business location, expansion, and investment decisions, but tax rates operate alongside numerous other factors that shape a community's economic development competitiveness. A review published by the W.E. Upjohn Institute for Employment Research found that state and local taxes affect business activity, while also finding substantial variation in the magnitude of those effects. Research specifically focused on local income taxes is more limited, but a 1994 study published in *Public Finance Quarterly* examined income and property tax rates, public spending, employment, and household location across municipalities within the Philadelphia metropolitan area. The study found that firms in most sectors responded to local fiscal conditions, with effects varying by industry and depending on both taxation and public spending. Taken together, the research suggests that local taxes are one factor in business location decisions, but does not support treating the municipal income tax rate alone as a primary determinant of a community's ability to attract or retain businesses.

Local experience provides an anecdotal example that further informs the assessment. According to the City of Rossford's 2024 Annual Comprehensive Financial Report, Rossford has maintained a 2.25% municipal income tax while experiencing significant commercial and industrial development and expansion of its income tax base. Total income tax collections increased from approximately $3.6 million in 2015 to $10.3 million in 2024, including growth in withholding collections from approximately $2.7 million to $8.3 million and corporate collections from approximately $291,000 to $1.2 million. Rossford also attributes increased income tax revenue in part to commercial and industrial development associated with infrastructure investment. While Rossford's experience does not establish that its tax rate had no influence on individual business decisions, it provides a relevant local example of a 2.25% municipal income tax rate coexisting with substantial business investment and growth within the same regional economy.

The economic development implications of a tax increase are not limited to the additional tax burden; how the resulting revenue is used represents the other side of the equation. The Rossford example illustrates this relationship. While Rossford levies a higher municipal income tax rate, the City attributes a portion of its increased income tax revenue to commercial and industrial development associated with infrastructure investments. Research provides additional support for considering both sides of this relationship. The 1994 *Public Finance Quarterly* study found that some employment effects associated with higher local taxes could be partially offset when the additional revenue supported particular types of public spending. Similarly, research published in the *Journal of Regional Science* examining 3,763 new business establishments found that businesses considered both local taxes and the public goods and services financed by those taxes when selecting locations. Taken together, the research and Rossford experience suggest that the economic development effects of a higher tax rate cannot be evaluated independently from the use of additional revenue. Investments in infrastructure, capital improvements, public services, or other assets that strengthen Northwood's business environment may make the additional tax burden more acceptable to businesses.

When assessing workforce competitiveness and its relationship to municipal income tax rates, available research suggests that the modeled rate increases are unlikely to materially affect Northwood's ability to attract or retain workers. The 1994 *Public Finance Quarterly* study found household location substantially less responsive to local fiscal conditions than employment location. More recent research published in the *American Economic Journal: Economic Policy* identified responses to income-tax differences among highly mobile, high-income workers, but those effects were demonstrated among workers with unusually high geographic mobility and are less applicable to Northwood's broader workforce. Northwood and the benchmark communities also draw from the same regional labor market, within which municipal income taxation is common. Taken together, the available evidence suggests that differences in municipal income tax rates within the range evaluated are unlikely to be a significant factor in Northwood's ability to attract or retain its broader workforce.

Overall, the research and local experience suggest that municipal income tax rates alone are unlikely to materially determine Northwood's business attraction, retention, or workforce competitiveness. Increasing the rate would narrow Northwood's current tax-rate differential with several nearby communities, but Rossford's experience demonstrates that a 2.25% rate can coexist with substantial business investment and growth within the same regional economy. Research also indicates that the economic development implications of higher taxes are influenced by how the resulting revenue is used, particularly when it supports infrastructure, public services, or other investments that contribute to a community's competitiveness. Ultimately, business and workforce decisions are influenced by numerous factors, making it difficult to predict whether a particular income tax increase would affect an individual future location, expansion, retention, or workforce decision.

Long-Term Stability and Sustainability

Northwood's municipal income tax has historically provided a substantial and recurring source of revenue, although collections fluctuate with changes in employment, wages, business profitability, and broader economic conditions. A longer historical review illustrates the potential effect of a significant economic downturn on the City's income tax base. During the Great Recession, total income tax collections declined from approximately $4.43 million in 2007 to $3.74 million in 2009, a decrease of approximately 15.7%. Withholding collections, which represent the largest component of the City's income tax base, declined approximately 14.7% over the same period. Collections subsequently recovered to approximately $4.34 million in 2011 and exceeded their pre-recession level in 2012.

More recent experience demonstrates that income tax collections can also experience significant short-term fluctuations outside of a traditional recession. Total collections declined from approximately $7.4 million in 2023 to $6.5 million in 2024 and remained essentially flat in 2025. Taken together, these periods demonstrate that while the income tax provides recurring revenue, the underlying tax base should not be expected to increase consistently from year to year.

To evaluate the resilience of the modeled rate increases, the approximately 15.7% decline experienced between 2007 and 2009 was applied to the current income tax base. As shown in Table 5, each rate continues to generate substantial additional recurring revenue under the recession scenario, but the amount declines proportionately with the underlying tax base. The 1.64% scenario generates approximately $611,000 under the current tax base but approximately $515,000 following a 15.7% contraction, falling below the City's $600,000 minimum revenue target. The 1.68% scenario generates approximately $786,000 under the current tax base and approximately $662,000 following the contraction, remaining within the City's target range. At 1.75%, additional revenue declines from approximately $1.09 million to approximately $920,000, remaining above the City's $600,000–$800,000 revenue target even under a downturn comparable to the Great Recession.

The stress test also illustrates an important consideration when selecting a rate for long-term sustainability. A rate calibrated closely to the City's immediate revenue target provides less capacity to absorb an economic contraction, expenditure growth, or other changes in the tax base. This is particularly evident at the 1.64% modeled lower-target scenario, which would fall below the $600,000 minimum under a contraction comparable to the Great Recession. A higher rate provides greater recurring revenue and a larger cushion during periods of declining collections, potentially reducing the likelihood that another rate increase would be necessary in the near term. That additional capacity must be weighed against the correspondingly greater cost to taxpayers.s

Modeled Tax Rate	Additional Revenue: Current Base	Additional Revenue: 15.7% Contraction	Revenue Reduction
1.64%	$611,092	$515,151	(95,941)
1.68%	$785,690	$662,336	($123,353)
1.75%	$1,091,236	$919,912	($171,324)
2.00%	$2,182,471	$1,839,823	($342,648)
2.25%	$3,273,707	$2,759,735	($513,972)
2.50%	$4,364,943	$3,679,647	($685,296)

Table 5: Modeled Income Tax Revenue Stress Test

Overall, Northwood's historical experience indicates that the municipal income tax is a sustainable recurring revenue source, but not a fixed or consistently growing revenue stream. Historical downturns have produced meaningful reductions in collections, followed by periods of recovery and longer-term growth. The long-term sustainability of a proposed rate therefore depends not only on whether it meets the City's immediate revenue target, but also on the amount of additional capacity the City wishes to maintain for economic downturns, future expenditure growth, and other changes in fiscal conditions.

Property Tax Levy

This section evaluates the potential impacts of implementing a new property tax levy in Northwood. The analysis considers potential revenue generation, taxpayer impacts, the City's existing property tax structure and tax base, and Northwood's municipal property tax millage relative to comparable communities.

Current Property Tax Structure and Base

Northwood currently levies 1.60 mills of municipal property tax, all of which is inside millage and supports the City's General Fund. Because inside millage is authorized within Ohio's constitutional ten-mill limitation, it does not require voter approval. Northwood currently has no outside, voter-approved municipal property tax millage, meaning a new property tax levy would represent an expansion of the City's existing property tax structure rather than an increase to an existing voted levy.

For tax year 2025, Northwood has approximately $193.3 million in taxable assessed value across its three taxing districts. Residential property represents the largest component of the City's tax base, with approximately $106.7 million in taxable assessed value, or about 55% of the total. Commercial property accounts for approximately $43.4

million, while industrial property contributes approximately $34.2 million. Together, commercial and industrial property represent approximately 40% of Northwood's taxable assessed value. The remaining tax base consists primarily of public utility personal property, agricultural property, and railroad property.

Property Class	Taxable Assessed Value	Share of Tax Base
Residential	*$106,673,610*	*55.2%*
Commercial	*$43,353,670*	*22.4%*
Industrial	*$34,158,720*	*17.7%*
Public Utility Personal Property	*$7,167,200*	*3.7%*
Agricultural	*$1,721,510*	*0.9%*
Railroad	*$197,234*	*0.1%*
Total	***$193,271,944***	***100.0%***

Table 6: Northwood Taxable Property Tax Base, 2025

At the City's existing 1.60-mill rate, the 2025 taxable assessed value corresponds to approximately $309,000 in gross municipal property tax before accounting for collection factors or other adjustments. This existing property tax represents a relatively limited component of the City's current revenue structure. According to the City's 2025 Annual Comprehensive Financial Report, property taxes accounted for approximately 3% of total governmental activities revenue in 2025. The City's existing property tax therefore represents a relatively small revenue source, while the size of the underlying taxable property base provides capacity for additional revenue generation through new millage.

Historical Property Valuation Trends

Northwood's property tax base has experienced substantial growth over the period reviewed. Total assessed property value increased from approximately $158.1 million in 2017 to $216.2 million in 2024, an increase of approximately 36.7%. This represents a compound annual growth rate of approximately 4.6% over the seven-year period. Growth was not uniform from year to year, however. Total assessed value changed relatively little between 2018 and 2020 and again between 2021 and 2023, while larger increases occurred in 2021 and particularly in 2024. The 2024 increase of approximately 17.9% was the largest annual increase during the period reviewed.

Residential property accounted for the largest share of long-term valuation growth. Residential assessed value increased from approximately $69.1 million in 2017 to $106.6 million in 2024, an increase of approximately 54.3%. Commercial assessed value increased approximately 25.0%, from $32.1 million to $40.1 million, while industrial assessed value increased approximately 14.6%, from $28.8 million to $33.1

million. As a result, growth in Northwood's property tax base over this period was driven disproportionately by increases in residential valuation.

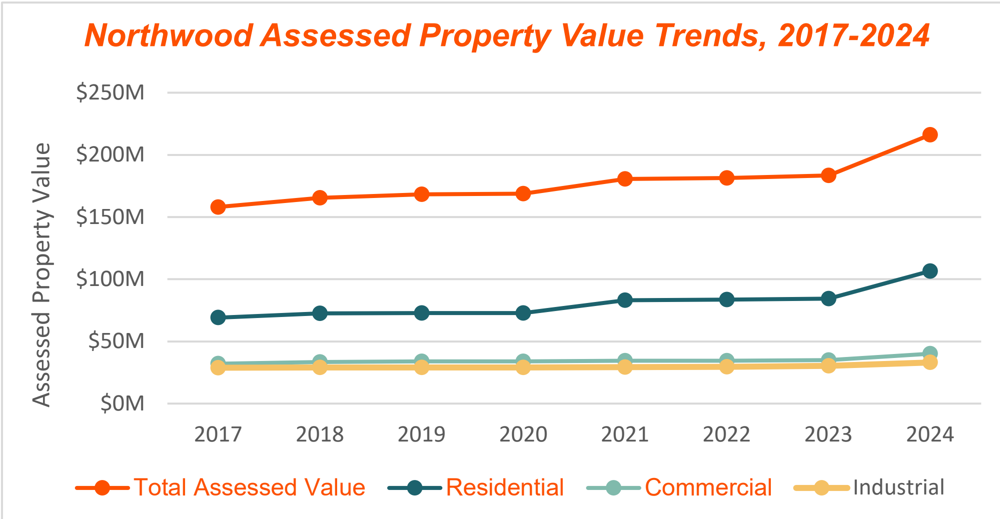

Figure 3

The historical figures used for this trend analysis should be distinguished from the taxable assessed value used to model the revenue generated by a new property tax levy. The historical series is drawn from the Wood County Auditor's annual property tax abstracts, which provide a consistent basis for examining how property values have changed over time. Levy modeling uses the Auditor's DTE Form 4259, a separate tax-rate calculation report that identifies the taxable values applicable to calculating property tax rates and levy revenue. Because the two reports are prepared for different purposes and do not measure the tax base in exactly the same way, their totals should not be expected to match. The historical abstract data are therefore used to evaluate valuation trends, while the applicable taxable values are used separately for levy revenue calculations.

Revenue Yield Modeling

The revenue-generating potential of an additional property tax levy was modeled using Northwood's 2025 taxable assessed value of approximately $193.3 million. Based on this tax base, each additional mill would generate approximately $193,272 in gross annual property tax revenue. The model evaluates additional millage in 0.5-mill increments and holds the current taxable base constant to isolate the revenue effect of changes in millage.

As shown in Table 7, an additional 3.0 mills would generate approximately $579,816, falling slightly below the City's $600,000 minimum revenue target. An additional 3.5 mills would generate approximately $676,452, while 4.0 mills would generate approximately $773,088, placing both scenarios within the City's targeted range of $600,000 to

$800,000 in additional annual revenue. At 4.5 mills, estimated additional revenue increases to approximately $869,724, exceeding the upper end of the target range. For additional context, 9.5 additional mills would produce total municipal millage of 11.1 mills—equal to the highest rate among the benchmark communities—and generate approximately $1.84 million in additional gross annual revenue.

Additional Millage	Estimated Additional Gross Revenue	Total City Millage
0.5	$96,636	2.1
1.0	$193,272	2.6
1.5	$289,908	3.1
2.0	$386,544	3.6
2.5	$483,180	4.1
3.0	$579,816	4.6
3.5	$676,452	5.1
4.0	$773,088	5.6
4.5	$869,724	6.1
5.0	$966,360	6.6
9.5	$1,836,083	11.1

Table 7: Estimated Revenue from Modeled Property Tax Millage

Based on the current taxable base, approximately 3.10 additional mills would be required to generate $600,000, while approximately 4.14 additional mills would be required to generate $800,000. These would be in addition to the City's existing 1.6 mills, resulting in total City millage of approximately 4.70 mills and 5.74 mills, respectively. The modeling therefore indicates that an additional levy of approximately 3.1 to 4.1 mills would be required to achieve the City's stated revenue objective.

These estimates represent gross levy revenue rather than projected cash collections. Actual revenue received by the City may differ from the modeled amounts due to differences between taxes levied and ultimately collected. The estimates also hold the 2025 taxable assessed value constant and therefore do not attempt to forecast future changes resulting from property reappraisal, new construction, changes in taxable value, delinquencies, or collection patterns. The modeled results should consequently be interpreted as estimates of the revenue-generating capacity of additional millage based on Northwood's current taxable property base.

Property Owner Impact Scenarios

To illustrate how the proposed levy would affect individual property owners, the analysis applies the additional millage required to generate $600,000, $700,000, and $800,000 to five actual Northwood parcels. The examples include two single-family homes, one multifamily property, one commercial property, and one industrial property.

The estimated increase for each parcel is calculated by multiplying its taxable assessed value by the additional millage required under each revenue scenario. The table also presents each parcel's current net property tax liability so that the proposed increase can be understood in the context of the property's existing tax burden. Current tax amounts are taken from Wood County's Treasurer's records and include taxes levied by all applicable taxing authorities. Special assessments are excluded because they are separate charges and would not affect the cost of the proposed City levy.

Property Type	Assessed Value	Current Net Tax	Additional Tax: $600K	Additional Tax: $700K	Additional Tax: $800K
Single-family 1	*$39,770*	*$1,444.64*	*+$123.46*	*+$144.04*	*+$164.62*
Single-family 2	*$88,280*	*$3,565.48*	*+$274.06*	*+$319.74*	*+$365.41*
Multifamily	*$51,390*	*$1,886.50*	*+$159.54*	*+$186.13*	*+$212.72*
Commercial	*$70,430*	*$5,141.24*	*+$218.65*	*+$255.09*	*+$291.53*
Industrial	*$688,850*	*$50,287.32*	*+$2,138.49*	*+$2,494.90*	*+$2,851.32*

Table 8: Modeled Property Tax Impact Example

Across the residential examples, the proposed levy would increase annual property taxes by approximately $123 to $365, depending on the property and revenue target. The multifamily property would experience an increase of approximately $160 to $213. Dollar increases are larger for commercial and industrial properties because the levy applies proportionately to taxable assessed value: the selected commercial property would pay approximately $219 to $292 more annually, while the selected industrial property would pay approximately $2,138 to $2,851 more.

Relative to the current net tax bills, the modeled residential and multifamily increases range from approximately 7.7% to 11.4%. The commercial and industrial examples increase by approximately 4.3% to 5.7%. These differences do not result from different proposed levy rates; the same additional millage applies citywide. Instead, they reflect differences in the existing effective tax burden among property classes and individual parcels.

Benchmark Communities

Northwood's total municipal property tax rate of 1.60 mills is the second lowest among the benchmark communities, exceeding only Holland's 0.80 mills. It is substantially below Oregon at 2.50 mills, Perrysburg at 5.65 mills, and Rossford at 11.10 mills. Like Holland and Oregon, Northwood relies entirely on inside millage and has no voter-approved outside municipal millage. In contrast, Perrysburg supplements its 2.80 mills of inside millage with 2.85 mills of outside millage, while most of Rossford's 11.10-mill municipal rate—9.30 mills—is voter-approved outside millage.

Municipality	General Fund Mills	Inside Millage	Outside Millage	Total Municipal Millage
Northwood	1.60	1.60	0.00	1.60
Rossford	1.80	1.80	9.30	11.10
Perrysburg	1.88	2.80	2.85	5.65
Oregon	2.00	2.50	0.00	2.50
Holland	0.80	0.80	0.00	0.80

Table 9: Municipal Property Tax Millage Comparison, Tax Year 2025

Housing and Economic Development Implications

The modeled property tax levy would increase the recurring cost of owning residential, commercial, and industrial property in Northwood. However, its potential economic effects should be considered in the context of the size of the increase, Northwood's existing property tax position, and the purposes for which the resulting revenue would be used.

For homeowners, the modeled levy would increase annual property taxes in the selected examples by approximately $123 to $365. Because property taxes are based on assessed value rather than household income, the same increase may be more difficult for fixed-income or otherwise income-constrained homeowners to absorb. Nevertheless, Northwood currently has a comparatively low municipal property tax rate. Adding the approximately 3.1 to 4.1 mills required to generate the City's revenue target would produce total municipal millage of approximately 4.70 to 5.74 mills. This would remain below Rossford's 11.10 mills, place Northwood generally near Perrysburg's 5.65 mills, and exceed the lower municipal rates in Oregon and Holland. Northwood would therefore give up some of its current property-tax advantage, but the modeled levy would not make its municipal millage unusually high within the comparison group. The difference is also likely too small, by itself, to materially alter most households' residential location decisions.

Commercial and industrial properties would experience larger dollar increases because of their higher assessed values. In the selected examples, the commercial property would pay approximately $219 to $292 more annually, while the industrial property would pay approximately $2,138 to $2,851 more. These increases represent approximately 4.3% to 5.7% of the properties' current net tax bills.

The 1994 *Public Finance Quarterly* study discussed previously found that local property and income tax policies affected employment location, although the effects varied by industry and were influenced by the public services financed through those taxes.

Businesses also consider workforce availability, transportation access, infrastructure, utilities, land and construction costs, incentives, and proximity to customers and suppliers. In Northwood's case, the relatively limited size of the modeled increase and the City's competitive municipal millage reduce the likelihood of a material negative effect on commercial or industrial investment. The increase is unlikely, by itself, to cause Northwood to lose a business location or expansion project, although it could still matter at the margin when a property-intensive business is choosing between otherwise comparable sites.

As with an income tax increase, the economic implications of a property tax levy depend partly on how the additional revenue is used. Directing revenue toward infrastructure, capital improvements, public services, or other investments that support economic development can make the additional tax more acceptable to businesses. Beyond how the levy revenue itself is spent, property-tax-based economic development tools can also influence site-location decisions. Effective use of TIF districts can give Northwood flexibility to assure businesses that property tax growth associated with their investment will directly support the infrastructure and conditions necessary for their operations, rather than providing only a broader or conceptual community benefit.

Overall, the modeled levy would create measurable but relatively limited additional costs while leaving Northwood's municipal millage within the range of the benchmark communities. It is therefore unlikely to materially affect housing or business-location decisions by itself, although it could matter at the margin. Its ultimate economic development implications would also depend on how the additional revenue is invested and how effectively Northwood uses TIF districts and other property-tax-based tools to support new development.

Long-Term Stability and Sustainability

A new property tax levy would provide Northwood with a relatively stable and predictable recurring revenue stream. Property tax collections are based on assessed property values rather than annual changes in wages, employment, or business profitability, making the revenue base generally less sensitive to short-term economic fluctuations than the municipal income tax. Northwood's tax base is also distributed among residential, commercial, industrial, and other taxable property, reducing reliance on any single taxpayer group.

Northwood's historical valuation growth supports the long-term capacity of this revenue source, although it should not be interpreted as predictable annual growth. Wood County Auditor property tax abstracts show that Northwood's total assessed value increased approximately 36.7% between 2017 and 2024, but growth was uneven and included a 17.9% increase in 2024 associated with the countywide reappraisal cycle. In addition, the Ohio Department of Taxation explains that the state's property tax reduction factors generally prevent revenue from voted levies from increasing proportionately when the value of existing real property rises. Levy revenue may increase through new construction and additions to the tax base, but appreciation and periodic reappraisals do not automatically produce equivalent revenue growth. Property tax revenue should therefore be expected to grow more slowly than the underlying assessed value.

Northwood's historical property tax collections also demonstrate that the revenue source is stable but not immune from decline. The City's annual financial reports show that government-wide property tax revenue decreased from $360,753 in 2008 to $331,711 in 2009, a one-year decline of approximately 8.05%. Applying the same proportional decline to the modeled revenue targets would reduce $600,000 to approximately $551,700, $700,000 to approximately $643,650, and $800,000 to approximately $735,600. This stress test should be interpreted cautiously because the City's financial reports from this period also document Ohio's phaseout of tangible personal property taxation. The historical decline therefore does not represent a typical reduction caused solely by changes in real property values, but it illustrates that property tax receipts should not be treated as entirely fixed.

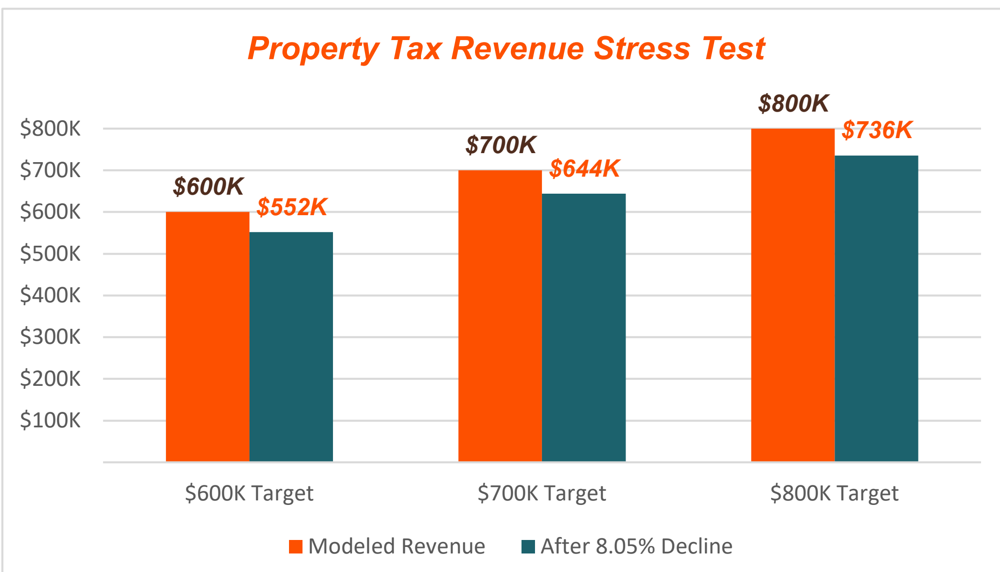

Figure 4

The principal implementation risk is that a new outside-millage levy would require voter approval under Ohio law. If approved for a limited term rather than on a continuing basis, its long-term availability would also depend on future voter renewal. Once approved, however, the levy would provide a more predictable annual revenue stream than the income tax, with comparatively limited exposure to short-term economic cycles.

That stability is accompanied by slower revenue growth and less responsiveness to rapid increases in municipal costs.

Overall, a property tax levy would provide Northwood with a stable and comparatively predictable source of recurring revenue, supported by a broad tax base that has grown over time. Its principal limitations are the need for voter approval, slower long-term revenue growth, and the possibility that future collections will not keep pace with inflation or service costs.

Municipal Income Tax Credit Adjustment

This section evaluates the potential impacts of reducing or eliminating Northwood's municipal income tax credit for residents who earn income outside the City. The analysis considers potential revenue generation, taxpayer impacts, current resident credit activity, and Northwood's credit policy relative to comparable communities.

Current Tax Credit Structure and Utilization

Northwood levies a 1.5% municipal income tax and currently provides residents with a 100% credit, up to Northwood's 1.5% rate, for municipal income taxes paid to another municipality. As a result, a Northwood resident who works in another municipality and pays an income tax of at least 1.5% generally has no additional Northwood income tax liability on those wages.

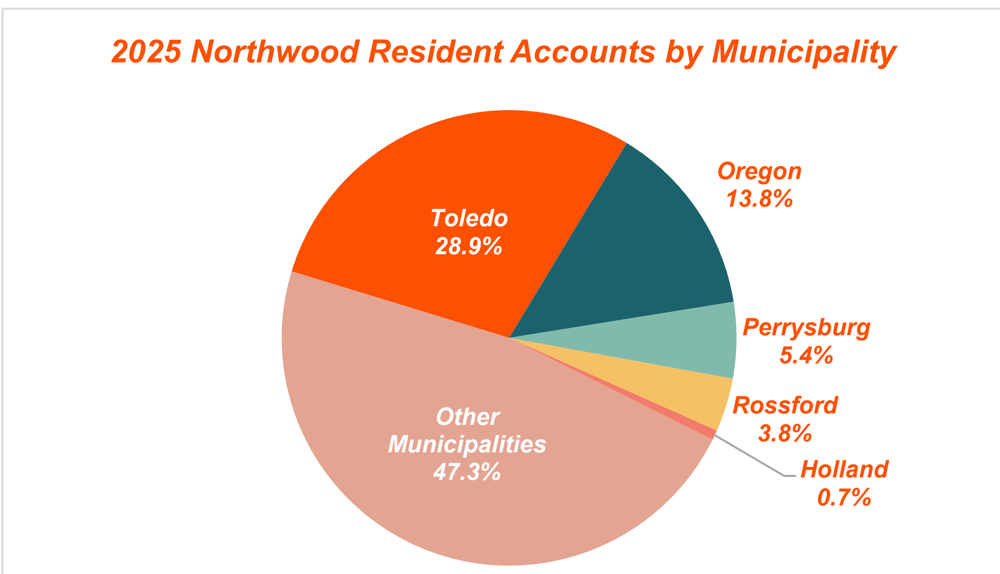

Figure 5

Residents working in municipalities with rates below 1.5% may owe Northwood the difference. Analysis of 2025 RITA resident workplace data identified approximately $53.8 million in taxable wages earned by Northwood residents working outside the City.

Based on the wages earned and municipal income taxes withheld in each workplace municipality, approximately $674,000 in tax credits were applied to this external wage income. Figure 5 illustrates the distribution of resident workplace accounts among the benchmark communities, Toledo, and other municipalities.

Northwood's 2025 Annual Comprehensive Financial Report reports $1,141,674 in total resident tax credits. Subtracting the approximately $964,000 in outside-municipality wage taxes identified in the RITA workplace data leaves approximately $178,000 in credits associated with income not captured in the wage dataset, including Schedule C, E, and F income. Applying the approximately 69.7% relationship observed in the wage data produces an estimate of approximately $124,000 in applicable Schedule C, E, and F credits. Combined with the estimated wage-based credits, this produces a 2025 baseline of approximately $798,000 in resident income tax credits applied, as shown in Table 10. Historical financial data indicate that resident credits have remained relatively consistent in recent years, supporting the use of 2025 as a reasonable baseline for scenario modeling. The analysis therefore uses 2025 resident wage and credit activity to evaluate the potential revenue generated by alternative credit levels.

Measure	2025 Amount
Estimated Tax Credits Applied to external wage income	*$673,729*
+ Estimated Schedule C, E and F Tax Credits	*$124,000*
Estimated Total Resident Tax Credits Applied	**$797,729**

Table 10: 2025 Resident Income Tax Credit Baseline

Revenue Yield Modeling and Taxpayer Impact

Using the estimated 2025 baseline of approximately $798,000 in resident income tax credits applied, the analysis modeled the revenue implications of reducing Northwood's current 100% resident credit to 75%, 50%, 25%, or eliminating the credit entirely. The model applies each alternative credit level to 2025 resident income and tax activity to estimate the additional annual revenue that could result from an adjustment to the current credit.

Modeled Resident Tax Credit	Estimated Additional Annual Revenue
100% (Current)	-
75%	$199,432
50%	$398,865
25%	$598,297
0% (Elimination)	$797,729

Table 11: Estimated Revenue from Modeled Resident Tax Credit Adjustments

Reducing the resident credit to 75% would generate approximately $199,000 in additional annual revenue, while a 50% credit would generate approximately $399,000. Reducing the credit to 25% would generate approximately $598,000, falling just below the City's $600,000 minimum target. Full elimination is the only modeled credit adjustment that reaches the City's identified revenue range, generating approximately $798,000 based on the 2025 baseline. However, approximately $124,000 of this amount is based on estimated Schedule C, E and F credits rather than detailed taxpayer-level data. The approximately $674,000 supported directly by resident workplace data remains within the target range but provides a relatively limited margin above the City's $600,000 minimum revenue objective.

Unlike an increase in the general municipal income tax rate, a credit adjustment would concentrate the additional tax burden on Northwood residents earning taxable income outside the City who currently receive the credit. For a resident whose outside income is subject to a municipal income tax of at least 1.5%, each 25-percentage-point reduction in the credit would increase the effective Northwood tax on that income by 0.375 percentage points. At $50,000 in taxable external wage income, the additional annual cost would range from approximately $188 with a 75% credit to $750 with complete elimination. At $100,000 in taxable external wage income, the corresponding additional annual cost would range from $375 to $1,500. Because only full elimination reaches the City's revenue target under the modeled scenarios, achieving the target through a credit adjustment alone would require affected residents to pay Northwood's full 1.5% tax on qualifying external income in addition to municipal income taxes paid to their workplace municipality.

External Taxable Wage Income	75% Credit	50% Credit	25% Credit	0% Credit
$25,000	*+$94*	*+$188*	*+$281*	*+$375*
$50,000	*+$188*	*+$375*	*+$563*	*+$750*
$75,000	*+$281*	*+$563*	*+$844*	*+$1,125*
$100,000	*+$375*	*+$750*	*+$1,125*	*+$1,500*
$150,000	*+$563*	*+$1,125*	*+$1,688*	*+$2,250*

Table 12: Estimated Taxpayer Impact by Income and Modeled Tax Credit

Benchmark Communities

Northwood's resident income tax credit was compared with the same four nearby communities used in the municipal income tax rate analysis: Holland, Rossford, Perrysburg, and Oregon. The communities provide a range of population sizes, municipal income tax rates, and resident credit policies within the regional context.

Northwood currently provides a 100% credit, up to its 1.5% municipal income tax rate, for qualifying municipal income taxes paid to another municipality. Resident credit policies vary among the benchmark communities, with some providing a full credit and others limiting the amount of credit available to residents. Reducing Northwood's credit would therefore not be without regional precedent, although the degree of the reduction would determine how Northwood's policy compares with nearby communities.

Community	Resident Tax Credit Structure
Northwood	*Full Credit-- Up to 1.5%*
Holland	*Full Credit-- Up to 2.25%*
Rossford	*Half Credit-- Up to 1.13%*
Perrysburg	*Half Credit-- Up to 0.75%*
Oregon	*Full Credit-- Up to 2.25%*

Table 13: Resident Tax Credit Comparison

Equity and Policy Considerations

Adjusting Northwood's resident income tax credit presents a different distributional impact than increasing the City's general income tax rate. While a general rate increase would affect the broader municipal income tax base, a reduction in the resident credit would concentrate the additional tax burden on Northwood residents earning taxable income outside the City who currently receive the credit. Residents who work within Northwood, as well as nonresidents who work within the City, would not experience the same additional tax liability as a result of the credit adjustment.

From an equity perspective, the resident credit reflects competing policy considerations. Northwood residents benefit from City services regardless of where they earn their income, providing a rationale for capturing a greater share of the municipal income tax liability associated with resident income. At the same time, residents working outside Northwood generally pay municipal income tax to the community in which they work. The Ohio Legislative Service Commission identifies this overlapping taxation as a consequence of Ohio's municipal income tax structure and notes that many municipalities provide full or partial resident credits to mitigate the effect of the same income being taxed by both the municipality of employment and the municipality of residence.

The magnitude of this tradeoff is particularly relevant to Northwood's revenue objective. As demonstrated by the taxpayer scenarios above, the additional cost to affected residents increases with both income and the degree of credit reduction. Full elimination is the only modeled credit adjustment that generates revenue within the City's $600,000 to $800,000 target range. Under that scenario, affected residents would pay

Northwood's full 1.5% tax on qualifying external income without receiving an offset for municipal income taxes paid elsewhere.

Regional practices provide additional context. Among the four benchmark communities, Holland and Oregon provide full resident credits, while Rossford and Perrysburg provide half credits. Northwood could therefore reduce its current credit while remaining consistent with approaches already used elsewhere in the region. However, none of the benchmark communities eliminates the resident credit entirely. Consequently, the only modeled credit adjustment capable of meeting Northwood's revenue objective would also represent a greater shift in resident tax policy than is currently observed among the benchmark communities.

Long-Term Stability and Sustainability

The long-term revenue generated through an adjustment to Northwood's resident income tax credit is subject to considerable uncertainty. Full elimination of the credit is estimated to generate approximately $798,000 based on 2025 activity, placing the estimate near the upper end of the City's $600,000 to $800,000 target. However, approximately $124,000 of that estimate is derived from Schedule C, E and F credits for which detailed taxpayer-level data were not available. The approximately $674,000 supported directly by resident workplace data provides a margin of only about $74,000 above the City's minimum revenue objective.

Revenue generated through a credit adjustment would vary with the number of Northwood residents earning taxable income outside the City, their earnings, the municipalities in which they work, and the amount of other qualifying income subject to the resident credit. While the historical review indicates that total resident credits have remained relatively consistent in recent years, the available historical data do not provide sufficient detail to determine whether the composition of those credits between external wage income and Schedule C, E and F income has remained similarly stable. Consequently, historical stability in total credits does not necessarily indicate that the amount recoverable through a credit adjustment would remain equally stable from year to year.

Economic conditions present an additional risk. During the Great Recession, Northwood's total municipal income tax collections declined approximately 15.7% between 2007 and 2009, while withholding collections declined approximately 14.7%. Applying a 14.7% contraction to the approximately $674,000 in credits supported by 2025 resident workplace data would reduce the potential revenue from that component to approximately $575,000, below the City's $600,000 minimum objective. Although a future downturn would not necessarily produce the same result, the scenario illustrates the limited margin available to absorb changes in employment and earnings among residents working outside Northwood.

Overall, full elimination of the resident income tax credit could generate revenue within the City's target range based on 2025 activity, but the estimate provides limited assurance that the same level of revenue could be generated consistently in future years. The limited margin above the minimum revenue objective, uncertainty regarding the composition of resident credits, and dependence on external employment and earnings make annual collections difficult to predict. Accordingly, the resident income tax credit does not appear to provide a sufficiently stable basis for reliably generating $600,000 to $800,000 in recurring annual revenue.

Comparative Analysis

Decision Matrix

Evaluation Criterion	Municipal Income Tax Increase	Property Tax Levy	Resident Income Tax Credit Adjustment
Revenue Potential	• Up to $4.36 million modeled • Substantial capacity above target • Rate can remain at or below regional comparisons	• Approximately $193,000 per mill • 3.10-4.14 mills: $600,000-$800,000 • Highest benchmark millage: approximately $1.84 million	• 75%-25% credit: < $598,000 • Elimination: $798,000 maximum
Level of Change Required	• +0.14-0.18 percentage points • New rate: 1.64%-1.68%	• +3.10-4.14 mills • Total City millage: 4.70-5.74	• Reduce credit from 100% to 0%
Distribution of Financial Burden	• Taxable compensation and business net profits within Northwood	• All taxable property according to assessed value	• Northwood residents earning taxable income outside the City
Impact on Residents	• Cost proportional to taxable income • Approximately $35-$270 in target-range examples	• Residential examples: +$123-$365 • Multifamily example: +$160-$213 • Greater concern for income-constrained owners	• Adds 1.50% of qualifying external income with elimination • Modeled income examples: $375-$2,250
Impact on Businesses	• Higher tax on taxable net profits and qualifying employee compensation	• Commercial example: +$219-$292 • Industrial example: +$2,138-$2,851	• No direct additional tax
Approval and Administration	• Voter approval • Ordinance and RITA changes • Employer and taxpayer communication • No renewal if approved without expiration	• Voter approval • County and election coordination • Renewal only if limited-term	• Generally no voter approval • Credit-policy and RITA changes • Taxpayer communication
Revenue Stability	• Generally stable long-term • Annual and economic fluctuations • Higher rate can provide a buffer	• Assessed values generally trending upward • Uneven growth • Reduction factors limit appreciation-based growth • Collections can decline	• Elimination barely reaches target • No additional buffer • External employment and earnings fluctuate
Economic Development and Competitiveness	• Research indicates little impact from an income-tax increase	• Within regional millage range • Possible marginal effect on property-intensive businesses	• No direct business tax • Elimination departs from regional practice
Equity and Fairness	• Same rate at all income levels • Greater effect on lower-income taxpayers' disposable income	• Based on property value, not income • Greater concern for fixed-income and income-constrained owners	• Burden limited to residents working outside Northwood • Taxes paid to both workplace and residence municipalities
Long-Term Stability and Sustainability	• Capacity for economic and expenditure buffer • Remains regionally competitive • One vote if no expiration	• Less short-term economic exposure • Slower revenue growth • Possible inflation/service-cost gap • Renewal depends on levy term	• Entire credit must be eliminated • No remaining policy capacity • Unstable as a stand-alone source
Key Structural Consideration	• Flexible rate • Buffer can be established when the rate is set	• Flexible millage • Duration determined by ballot terms	• Entire adjustment required • Burden concentrated • No buffer

Comparative Considerations

The decision matrix presented above summarizes the principal distinctions among the three revenue options. Each option can generate additional recurring revenue, but the available revenue capacity, distribution of the financial burden, approval requirements, and ability to accommodate future fluctuations differ substantially. The following discussion provides additional context for those differences without identifying a preferred option.

The municipal income tax provides the broadest range of revenue-generating capacity. Northwood could meet its immediate objective with a relatively small rate increase or select a higher rate to provide additional capacity for economic downturns and future expenditure growth while remaining at or below regional comparison rates. A property tax levy could also be calibrated to meet or exceed the target, with each additional mill generating approximately $193,000 based on the current taxable assessed value. By comparison, the resident income tax credit provides a fixed maximum opportunity: only complete elimination reaches the target, generating approximately $798,000 based on 2025 activity, with no further credit adjustment available to provide additional revenue.

The options also distribute their financial burdens differently. An income tax increase would apply across taxable compensation and business net profits within Northwood, with the additional cost increasing proportionately with taxable income. Although the rate is uniform, the increase may represent a greater practical burden for lower-income taxpayers because they have less disposable income available to absorb the additional cost. A property tax levy would distribute the cost across all taxable property according to assessed value, regardless of the owner's income. A credit adjustment would create the most concentrated impact, applying only to Northwood residents earning qualifying taxable income outside the City who currently receive the credit.

Approval and implementation requirements also differ. According to Section 718.04 of the Ohio Revised Code, an increase in Northwood's municipal income tax rate would require approval by a majority of municipal voters. One election could authorize the new rate on an ongoing basis if the approved measure does not include an expiration date. Under Section 5705.191 of the Ohio Revised Code, a new property tax levy outside the ten-mill limitation would also require voter approval. A continuing levy would remain in effect without renewal, while a limited-term levy would require another vote to continue beyond its approved term. The Ohio Revised Code permits the extent of a resident income tax credit to be established by municipal ordinance or resolution, meaning a credit adjustment generally would not require separate voter approval. Each option would also require the corresponding ordinance, administrative coordination, and taxpayer communication.

Historical experience indicates that the municipal income tax has been generally stable over the longer term but remains subject to annual fluctuations and economic contractions. The City could reduce the risk of falling below its revenue objective by selecting a rate that incorporates a larger initial buffer. Property tax collections are less exposed to short-term changes in employment, wages, and business profitability, although collections can decline and state tax-reduction factors limit revenue growth from appreciation of existing property. Revenue from eliminating the resident credit would fluctuate with external employment, resident earnings, and other qualifying income. Because complete elimination is required to reach the target, the option provides no unused policy capacity to offset those fluctuations.

The economic development implications of the three options are limited but differ in form. Research indicates that municipal income taxes are only one of many factors affecting business and workforce competitiveness and are unlikely, by themselves, to determine location decisions. A property tax levy would leave Northwood's municipal millage within the regional comparison range, although the additional cost could matter at the margin for property-intensive businesses. A resident credit adjustment would impose no direct additional tax on businesses or nonresidents working in Northwood, but complete elimination would represent a greater departure from regional resident-credit practices than the full or partial credits offered by the benchmark communities.

Over the longer term, the income tax offers flexibility to establish a revenue buffer when the rate is approved, while the property tax offers less exposure to short-term economic conditions but slower revenue growth. The resident credit adjustment offers neither additional capacity beyond complete elimination nor a broad distribution of the burden. These differences frame the principal fiscal and policy considerations for City Council when evaluating the three options.

Appendix: Sources

City Financial, Demographic, and Administrative Sources

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- City of Rossford 2024 Annual Comprehensive Financial Report
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- Regional Income Tax Agency, Village of Holland Member Page
- City of Rossford Municipal Income Tax Ordinance
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- Ohio Constitution, Article XII, Section 2: Ten-Mill Limitation
- Ohio Revised Code §718.04: Authority for Municipal Income Tax and Resident Credit
- Ohio Revised Code §5705.19: Additional Property Tax Levies
- Ohio Revised Code §5705.191: Levy in Excess of the Ten-Mill Limitation
- Ohio Revised Code §5705.25: Property Tax Levy Election and Continuing-Levy Requirements
- Ohio Revised Code §§5709.40–5709.43: Municipal Tax Increment Financing