



Bethany Boyd

Bill Analysis
Legislative Service Commission

S.B. 221

123rd General Assembly
(As Reported by S. Ways & Means)

Sens. Cupp, Brady, DiDonato, Fingerhut, Horn, Kearns, Oelslager, Prentiss, Watts, Blessing

BILL SUMMARY

- Allows a person who qualifies for the Ohio Energy Credit Program on the basis of age, but who previously qualified on the basis of a disability before turning age 65, to continue deducting from income an amount equal to the previously deducted disability benefits.

CONTENT AND OPERATION

Overview of the Ohio Energy Credit Program

Under continuing law, the Ohio Energy Credit Program (R.C. 5117.01 to 5117.12) provides financial assistance to lower-income persons who are at least age 65 or permanently and totally disabled for payment of their winter heating bills. Such persons who use separately metered electricity or gas to heat their households receive a monthly credit on their energy bills from December through April, equal either to (1) 25% of the amount charged, for a person who has a "total income" of more than \$5,000, but not more than \$9,000 (or a "current total income" of more than \$2,500, but not more than \$4,500), or (2) 30% of the amount charged, for a person who has a "total income" of \$5,000 or less (or a "current total income" of \$2,500 or less). The state fully reimburses energy companies for revenue losses resulting from credits granted under the Program.

Instead of a monthly credit, a qualifying person is eligible for an annual direct cash payment of \$125 if (1) the household's primary heating system is not separately metered, or (2) the person's total income is less than \$9,000 (or less than \$4,500 for current total income) and the person buys fuel oil, bottled propane, coal, wood, or kerosene to heat the household. The Tax Commissioner makes the cash payment to the qualifying person by January 15 each year.

In determining eligibility for a credit or cash payment under the Energy Credit Program, "total income" is defined as the federal adjusted gross income

(AGI) of a person and his or her spouse for the year preceding the year in which an application is made, *minus* the first \$5,200 of disability benefits included in AGI, *plus* Social Security, railroad pension payments, other retirement benefits not included in AGI, and interest on federal, state, and local government obligations. The entire amount of disability benefits paid on account of military injury is excluded from total income. "Current total income" is similarly defined, but is based on AGI for the first six months of the year (thus deducting the first \$2,600 of disability benefits) in which the application for the Program is made.

Neutralizing income effect of converting disability benefits to retirement benefits

(sec. 5117.01)

The bill addresses situations in which persons who previously qualified for the Ohio Energy Credit Program on the basis of being disabled have reached the age when they qualify because they are age 65 or older. This triggers a change in the way their benefits are characterized, which affects their eligibility. Since disability benefits are deducted from income, at least in part, in determining eligibility for the exemption, whereas retirement benefits are fully included, a person who receives disability benefits one year and retirement benefits the next year may have to report the increase in total or current total income. The increase may decrease the amount of a person's monthly credit, or may completely disqualify a person for the credit or a direct cash payment. Thus, a change in how a person's income is characterized, from disability benefits to retirement benefits, may modify or eliminate the person's credit or cash payment, regardless of any change in the amount of income the person receives.

The bill prevents the change in the characterization of benefits from affecting a person's eligibility for the Program. Under the bill, for persons who once qualified on the basis of disability and who subsequently qualify on the basis of age, the manner in which total or current total income is computed is modified so that they may deduct an amount equal to the amount of disability benefits they deducted just prior to when they began qualifying for the Program on the basis of age.

Specifically, if an applicant received disability benefits that were *not* included in AGI in the year preceding a year in which the applicant applies for a credit or payment on the basis of attaining age 65 or older, the applicant is to subtract an amount equal to the disability benefits received in that preceding year, to the extent included in total or current total income and not subtracted as disability benefits in the current year. If the applicant's disability benefits *were* included in AGI in the year preceding a year in which the applicant applies on the basis of age, the applicant is to subtract an amount equal to the amount of

disability benefits that were subtracted in that preceding year, to the extent included in total or current total income and not subtracted as disability benefits in the current year.

Technical matters

(Sections 3 to 5)

R.C. 5117.01 appears twice in the bill, but that duplication is required because the existing version of that statute is repealed July 1, 2000, and a new version takes effect on that date (due to the electric deregulation act, Am. Sub. S.B. 3 of the 123rd General Assembly, which changes on that date the administration of the Program, from the Tax Commissioner to the Director of Development). Thus, both versions of the statute must appear in the bill.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	12-14-99	p. 1248
Reported, S. Ways & Means	01-20-00	p. 1319

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