



Ohio Legislative Service Commission

Bill Analysis

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H.B. 355

129th General Assembly
(As Introduced)

Reps. Blair, Boose, Brenner, Bubb, Baker, Damschroder, Letson, Young, Kozlowski

BILL SUMMARY

- Allows taxpayers to make contributions via the income tax return to a taxpayer-designated fund of the state treasury or for a purpose designated by the taxpayer.
- Allows taxpayers to contribute all or a portion of the taxpayer's refund or to add the contribution to their tax payment.
- Requires the Tax Commissioner to administer the program and to credit the most appropriate state fund for a contribution made for a taxpayer-designated purpose.

CONTENT AND OPERATION

Taxpayer contributions on income tax returns

Under continuing law, a taxpayer who claims an income tax refund on the taxpayer's return may contribute any part of the refund to the Natural Areas and Preserves Fund, Nongame and Endangered Wildlife Fund, Military Injury Relief Fund, or the Ohio Historical Society Fund by indicating on the return the fund or funds to which the taxpayer wishes to make a contribution, and by writing in the proper space on the return the refund amount to be contributed. The income tax law designates this procedure the "income tax refund contribution system" or the "income tax contribution system."¹ Taxpayers currently may only contribute from refunds; they may not make contributions by adding to their tax payments.

¹ R.C. 149.308, 1517.11, 1531.26, 5101.98, 5502.23(A), and 5747.113(A)(2). The statute being amended by the bill does not reflect the check-off option for contributions to the Ohio Historical Society because that option was recently enacted in Am. Sub. H.B. 153 of the 129th General Assembly.

The bill requires a space to be added to a taxpayer's income tax return modeled after existing check-off options that would allow taxpayers to make contributions to the state – either by designating a fund of the state treasury to receive the contribution or by earmarking the contribution for a specific purpose. For taxable years beginning in or after 2011, a taxpayer who wants to make a contribution through this designated contribution system may use this space to contribute any part of the taxpayer's income tax refund to the taxpayer's designated fund or purpose. In addition, the taxpayer may make a contribution to the fund or purpose in excess of the taxpayer's refund by increasing the payment that accompanies the taxpayer's return. In either case, the taxpayer must designate on the return the amount of the contribution; the contribution must be at least \$1. If the taxpayer elects to increase an income tax payment, but fails to remit the full amount of the contribution the taxpayer designates, the contribution amount will be reduced accordingly. The bill further provides that a contribution cannot operate to reduce the combined amount of the state and school district income taxes shown to be due on the taxpayer's annual return.²

If the taxpayer designates a purpose for the taxpayer's contribution but not a particular fund, the Commissioner must determine the most appropriate state fund to receive the contribution. If the Commissioner cannot locate an appropriate fund, the Commissioner must credit the contribution to the General Revenue Fund.

Administrative costs

The costs of administering the income tax contribution system, which under continuing law cannot exceed 2½% of the total amount contributed under the system during a year, must be certified by the Tax Commissioner to the Director of Budget and Management, who must then transfer one-fourth of the administrative costs from each of the existing four check-off funds to the Income Tax Contribution Administration Fund.

The bill allocates the administrative costs so that the four existing funds bear four-fifths of the total cost and the taxpayer-designated contribution system funds collectively bear one-fifth of the cost.³ Each of the funds receiving taxpayer-designated contributions would bear a share of that one-fifth that is proportionate to that fund's contributions relative to the other funds receiving those contributions.

² R.C. 5747.113(A)(2).

³ R.C. 5747.113(D). Under current law, the Ohio Historical Society Fund is required to contribute one-fourth of the costs. However, since the statute amended by the bill does not reflect the recent addition of the Ohio Historical Society check-off, the bill divides the costs into fourths instead of fifths. If enacted, the bill would be harmonized with current law to divide the costs equally between the four existing funds and, collectively, the designated contribution system funds. R.C. 1.52(B).

Biennial report to be made to the General Assembly

The bill requires that the Tax Commissioner issue a report to the General Assembly on the effectiveness of the taxpayer-designated contribution system in January of every odd-numbered year, beginning in January 2013. The report must address the amount of money contributed to each state fund under the designated contribution system. Such reports currently are required by the administrators of the other four funds that currently are part of the income tax contribution system.⁴

HISTORY

ACTION	DATE
Introduced	10-26-11

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⁴ R.C. 5747.113(E)(3).

