



Ohio Legislative Service Commission

Bill Analysis

Megan Cummiskey

Sub. H.B. 408

130th General Assembly

(As Reported by H. Finance and Appropriations)

Reps. Sears and Amstutz, Burkley, Duffey, Ruhl, McGregor, Baker, Stebelton, Sprague, Brenner, Derickson, Romanchuk, Smith, Schuring, Ashford, Sykes, Antonio, Beck

BILL SUMMARY

- Authorizes an income tax credit for donations to the permanent endowment fund of an eligible community foundation.
- Limits total credits to \$20 million per year.
- Requires the Department of Taxation to administer the credit.
- Requires the Tax Commissioner to request information from recipient communication foundations about donations for which a tax credit may be claimed.
- Requires the Tax Commissioner in each year from 2015 to 2019 to prepare an annual report regarding the number and amount of donations made and tax credits received under the bill.
- Requires the Director of OBM to annually credit the Local Government Fund and Public Library Fund an amount to offset any reduction in the amount distributed from the GRF to those funds due to the tax credit.

CONTENT AND OPERATION

Endow Ohio tax credit

The bill authorizes a nonrefundable income tax credit for individuals and entities that donate to the permanent endowment fund of an eligible community foundation. For total authorized donations made during the taxpayer's taxable year of less than \$1,000, the credit equals 50% of the authorized donations. For total authorized

donations during the taxpayer's taxable year of \$1,000 or more, the credit equals 20% of the authorized donations, but may not exceed \$10,000 for individual returns or \$20,000 for joint returns.

To qualify for the credit, a taxpayer must make the donation of cash or publicly traded securities to the eligible foundation on or after January 1, 2014. A community foundation is "eligible" if it is exempt from federal income taxation, is accredited by the Community Foundations National Standards Board, and publishes an audited report of its fund balances, activities, and donors at least once a year. The foundation's permanent endowment fund must be held in perpetuity, be used for the benefit of charitable causes in Ohio, and have an annual spending rate of 5% or less.

Before receiving a credit, the taxpayer must receive approval for the donation from the Department of Taxation. The Department must approve the taxpayer's application if the annual total credit limit of \$20 million has not been reached. Once an application is approved, the taxpayer must make the donation within 60 days of receiving approval. A community foundation that does not receive an approved donation within that 60 days must notify the Department, and the Department must make the previously approved amount available to other taxpayers. The Department may charge a reasonable fee for the processing of credit applications.

If the amount of a credit exceeds the taxpayer's tax liability for the year in which the donation is made, the taxpayer may carry forward the excess credit for up to five taxable years.¹

Community foundation report to the Tax Commissioner

The bill requires the Tax Commissioner to request a report from each eligible community foundation for which the Commissioner approves an application for a tax credit of both of the following:

(1) The total amount of all donations the foundation received in the preceding calendar or foundation fiscal year;

(2) The number of donations received in that period in each of the following ranges: less than \$500, \$500 to \$1,000, more than \$1,000 to \$2,500, more than \$2,500 to \$5,000, more than \$5,000 to \$10,000, and more than \$10,000.

¹ R.C. 5747.78 and 5747.98.



Under the bill, the Commissioner may disapprove an application for a tax credit for donations to any eligible community foundation that fails to comply with the Commissioner's request within 90 days after the request is made.²

Tax Commissioner report regarding community foundation donations

Not later than the last day of June in each year from 2015 to 2019, the bill requires the Commissioner to prepare a report that includes the following:

(1) For the 12-month period ending with the preceding April:

(a) The number of authorized donations for which a tax credit was claimed under the bill's provisions;

(b) The total amount of such donations; and

(c) The amount of credits granted for such donations.

(2) The information described in (1) above from each report made for the preceding years.

The Commissioner is required to submit copies of the report to the Governor, the Office of Budget and Management, the President and Minority Leader of the Senate, the Speaker and Minority Leader of the House of Representatives, and the chairpersons and ranking members of the standing committees primarily responsible for appropriations and for taxation.³

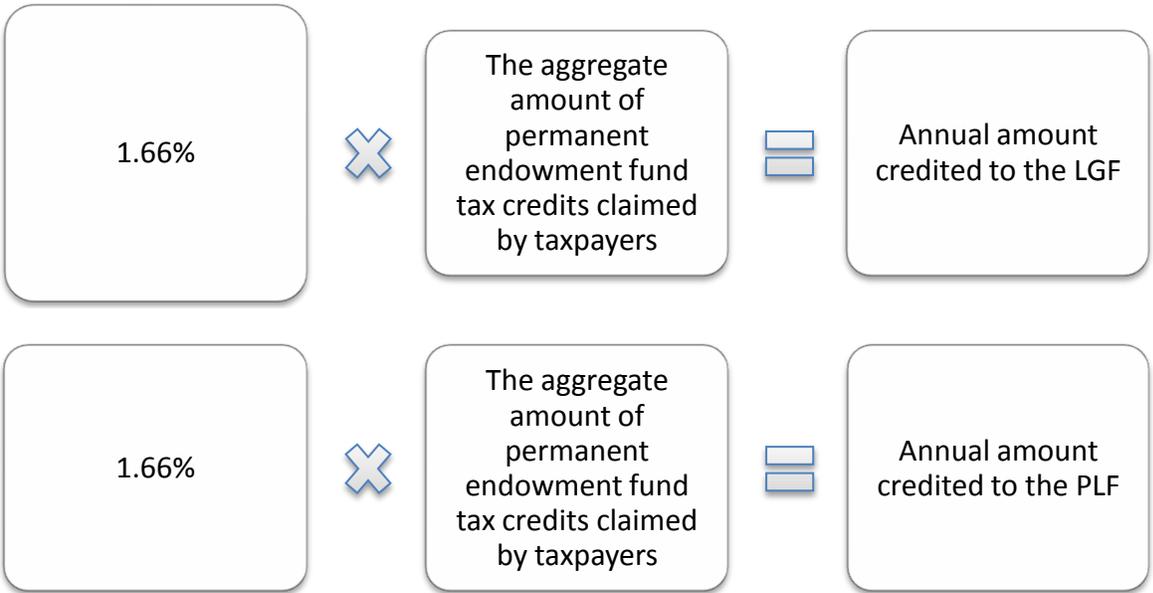
Transfers to the Local Government Fund and Public Library Fund

The bill requires the Director of Budget and Management, on or before the seventh day of June each year, to credit an amount to the Local Government Fund (LGF) and Public Library Fund (PLF) based on the percentage of fiscal year 2013 General Revenue Fund (GRF) revenue necessary to fund the LGF and PLF at fiscal year 2013 levels (1.66%) and the amount of tax credits approved under the bill. The amounts to be credited are based on the following formulae:

² R.C. 5747.78(E).

³ R.C. 5747.78(F).





The bill also requires the Commissioner to provide any information to the OBM Director required for the Director to make the annual transfers to the LGF and PLF. Additionally, the OBM Director must develop a schedule identifying the specific tax revenue sources to be used to make those annual transfers, but may revise those schedules as the Director determines necessary.⁴

HISTORY

ACTION	DATE
Introduced	01-21-14
Reported, H. Finance & Appropriations	02-26-14

H0408-RH-130.docx/emr

⁴ R.C. 131.51.

