
Detailed Fiscal Analysis

The bill prohibits the Department of Taxation from putting social security numbers on the outside of materials mailed to taxpayers. For 1998 taxes filed in April 1999, the Department of Taxation had placed the taxpayer's social security number on a peel-off label used to in filing their income tax return. This label allows the Department of Taxation to mail tax information booklets and process the taxpayer's return. In removing the taxpayer's social security number, the processing system of distributing and receiving tax information was altered. The Department has chosen to encrypt the individual's social security number on the label, which is decoded when processing, and has already made the necessary changes. The new system will be operational for calendar year 1999 taxes filed in April 2000.

The bill also modifies the Ohio coal tax credit to allow the credit to be taken against additional compliance facilities.

The Ohio coal tax credit was originally created to encourage electric utilities to invest in scrubbing facilities, which would allow them to continue to use Ohio coal and still comply with the phase I acid rain control requirements under Title IV of the federal "Clean Air Act Amendments of 1990." The credit was taken against the public utility excise tax. It was set equal to \$1 per ton of Ohio coal used in a compliance facility. Certain other restrictions also applied. The definition of compliance facility included "a flue gas desulfurization system [i.e., a scrubbing unit] that is connected to a coal-fired electric generating unit and that either was placed in service prior to July 10, 1991, or construction of which was commenced prior to that date". The phase I requirement took effect on January 1, 1995. The cumulative amount of the credit taken by a utility was capped at 20 percent of the total cost of the compliance facility. In the past three years the aggregate credit taken against the public utility excise tax was equal to \$16.1 million per year.

The credit was modified by the passage in June 1999, of [Am. Sub. S.B. 3](#) and [Am. H.B. 384](#). S.B. 3 (the electric deregulation bill) discontinued the public utility excise tax for electric utilities and transferred the credit to the corporate franchise tax beginning in May 2001. H.B. 384 increased the credit to \$3 per ton, removed the cap, and made certain other modifications to the credit. Abstracting from timing issues related to the transfer of the credit from the public utility excise tax to the corporate franchise tax, these changes were estimated to increase the cost of the credit to a maximum of \$53 million per year - an increase in cost of \$37 million per year. The credit was to end after 5 years.

The current bill removes the specific references to Phase I of the acid rain control, and it removes the requirement that the compliance facilities either are placed in service prior to July 10, 1991, or that construction on the facilities is commenced prior to that date.

Most of the facilities constructed to comply with the phase I requirements also meet the phase II requirements that are scheduled to take effect January 1, 2000. Beyond that the LBO is not aware at this time of any compliance facilities that have been constructed since 1991 or of any generation facilities that have been retrofitted with scrubbers since that time. Consequently, LBO does not anticipate that

the bill's changes will immediately increase the cost of the tax credit beyond that estimated in the fiscal note for H.B. 384.

Scrubbing units are connected to coal-burning power plants, which are typically base-load units. Ohio is likely to need new base load in the not-to-distant future, so that it is possible that such facilities could be constructed in the future. A 500-megawatt unit (a not-unreasonable size) would probably use 100 to 200 million tons of coal per year. Assuming the facility used all-Ohio coal, the credit would amount to \$1 to \$2 million dollars per year. If such a facility were in the planning stage today, it would probably be at least two years before the facility were constructed and utilized and another year before the tax credit could be taken. So the cost of the tax credit would increase by \$2 million per year for three years, at most. (The credit would first be taken in tax year 2002, affecting revenues beginning in FY 2003. With the carry-forward, the cost could be spread out over more years.) That assumes that the other compliance facilities continue to operate and to use Ohio coal in the same proportions as they currently do. If more than one such facility were built, the cost would increase accordingly.

Of the \$1 to \$2 million annual revenue loss, the cost to the state GRF would be \$950,000 to \$1.9 million (95.2%) per year. The cost to the local government funds would be \$50,000 to \$100,000 (4.8%) per year.

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