Executive

Personal Income Tax

TAXCD24 Revisions to the small business income tax deduction

R.C. *5747.01, 5733.40, Section 803.110*

(1) Revises the small business income tax deduction to allow individuals to deduct 100% of business income derived from businesses with gross receipts not exceeding $2 million for the taxable year, with no cap on the deduction.

(2) Allows individuals to deduct 50% of business income derived from businesses with gross receipts exceeding $2 million for the taxable year. Limits the aggregate deduction for business income from businesses with gross receipts exceeding $2 million to no more than $125,000 (or $62,500 for spouses filing separate returns).

(3) Makes two adjustments to the amount of pass-through entity "withholding" tax that must be paid by some pass-through entities as follows:

(a) Allows an entity to exclude from its adjusted qualifying amount any compensation or guaranteed payment paid to an owner holding at least a 20% share to the extent the compensation or payment is otherwise taxable by Ohio regardless of the owner being a related member with respect to the entity. (Currently, such compensation or payment is considered part of the owner's distributive share of income from the entity and therefore taxable to the entity as part of the adjusted qualifying amount.)

(b) Allows an entity to exclude from the withholding tax base any amount paid as an expense to a related person or entity ("related member") if the related member is subject to Ohio income tax on the basis of that amount.(This proposal would preclude an entity owner from reclassifying compensation or guaranteed payments received from the entity as a redistributive share of the entity's income, which may be, or include, business income. Currently, the only expenses paid to related members that may be excluded from the entity withholding tax base are compensation and guaranteed payments paid to owners who hold at least a 20% share of the entity.)

Fiscal effect: These changes are estimated by the executive to reduce personal income tax, on an all-funds basis, by $337.8 million in FY 2016 and by $358.2 million in FY 2017. Under current law, the GRF would have received these amounts, with 96.68% being retained and the rest being transferred in equal shares to the Local Government Fund (LGF) and the Public Library Fund (PLF). The GRF revenue loss would be $326.6 million in FY 2016 and $346.3 million in FY 2017. The LGF and PLF would each experience revenue losses of $5.6 million in FY 2016 and $5.9 million in FY 2017.

Executive

TAXCD25 Means test Social Security income tax deduction

R.C. *5747.01, Section 803.120*

Restricts the state income tax deduction for Social Security and Tier One railroad retirement benefits to taxpayers whose federal adjusted gross income (FAGI) is less than or equal to $100,000 rather than allowing all taxpayers to deduct such benefits as under current law. (Deductible Social Security benefits include old-age, survivor, and disability insurance benefits. Tier One railroad retirement benefits are the equivalent of Social Security benefits for railroad employees.)

Fiscal effect: Increases personal income tax revenue by an estimated $112.9 million on an all-funds basis in FY 2016 and $115.5 million in FY 2017, based on tax year (TY) 2012 data (the latest published). Increases distributions to the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) by an estimated $1.9 million each in both years. The increase in revenue to the GRF net of the LGF and PLF distributions is $109.1 million in FY 2016 and $111.6 million in FY 2017.

TAXCD22 Income tax rate reduction

R.C. *5747.02*

Reduces income tax rates for all brackets by 15% for the 2015 taxable year, and by 23% from 2014 rates for the 2016 taxable year and thereafter.

Fiscal effect: Annual fiscal effects would depend on the timing and magnitude of withholding changes. Assuming withholding rates are reduced 15% for FY 2016 and 23% for FY 2017 and thereafter, personal income tax revenue on an all-funds basis would be reduced an estimated $1.98 billion in FY 2016 and $2.72 billion in FY 2017. Transfers to each of the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) would be reduced by an estimated $33 million and $45 million, respectively, in these two years. GRF revenue net of LGF and PLF distributions would be reduced $1.92 billion and $2.63 billion in FY 2016 and FY 2017.

Executive

TAXCD19 Income tax personal exemption amount increase

R.C. *5747.025*

Increases the personal exemption amounts (applicable to the taxpayer, spouse, and dependent) available to income taxpayers with an Ohio adjusted gross income (OAGI) of $80,000 or less, beginning with the 2015 taxable year. Increases the amount from $2,200 to $4,000 for those taxpayers with an OAGI of $40,000 or less. Increases the amount from $1,950 to $2,850 for those taxpayers with an OAGI between $40,000 and $80,000.

Fiscal effect: According to executive estimates, increasing the personal exemption amounts will reduce personal income tax receipts by $184 million in FY 2016 and by $188 million in FY 2017. The GRF will bear 96.68% of this revenue loss; the remaining revenue losses will be split equally between the LGF and PLF.

TAXCD23 Means test for retirement income tax credits

R.C. *5747.055, 5747.05, 5747.08, 5747.71, and 5747.98; Section 803.70*

Applies a means test to the retirement income credit, the lump-sum retirement credit, the lump-sum distribution credit, and the senior citizen credit. For taxable years beginning in 2015 and thereafter, only taxpayers with Ohio taxable income of less than $100,000 would be eligible for the credits.

Fiscal effect: Increases personal income tax revenue by up to an estimated $24.9 million in FY 2016 and $25.5 million in FY 2017. Distributions to each of the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) would increase an estimated $0.4 million in each year. Revenue retained by the GRF, net of distributions to the LGF and PLF, would increase an estimated $24.1 million in FY 2016 and $24.6 million in FY 2017. Revenue gains would grow in future years as numbers of retirees increase. Retirement income credits were 79% of the total of these four types of credits in tax year 2012 (latest published), and senior citizen credits were 16%.

Sales and Use Taxes

TAXCD9 Sales tax rate increase, base expansion, and other sales tax changes

R.C. *5739.01, 5739.011, 5739.02, 5739.03, 5739.10, 5739.12, 5741.02; sections 803.30 and 812.60*

Increases the rate of the state sales and use tax from 5.75% to 6.25% beginning October 1, 2015.

Subjects the following services to sales and use taxation beginning October 1, 2015: (1) cable television services; (2) transfer of bad debt; (3) travel services; (4) research and public opinion polling services; (5) public relations services; (6) lobbying services; (7) management consulting services; (8) parking services; (9) debt collection services; and (10) repossession services.

Repeals the exemption for the sale of services by the state, political subdivisions, and other government entities.

Reduces the trade-in credit for purchases of a watercraft or new motor vehicle from a licensed dealer to 50% of the trade-in value. (Under current law, the taxable "price" of a watercraft or new motor vehicle for sales and use tax purposes is reduced by the value of any motor vehicle or watercraft accepted by the dealer as part of the transaction).

Clarifies that the impoundment of motor vehicles by the state or a political subdivision is not subject to sales and use taxation.

Limits the vendor discount for timely filing of sales or use tax returns to $1,000 per month. (Under current law, the discount equals 0.75% of the amount due on the return)

Executive

Fiscal effect: The executive estimates the tax rate increase, the expansion of the sales tax base to include specified services, capping the vendor discount at $1,000 per month, and the 50% reduction in the trade-in value of motor vehicles and watercraft would yield additional all funds receipts of $1,136.6 million in FY 2016 and $1,485.4 million in FY 2017. More specifically, the tax increase and base expansion would increase sales tax revenue by $1,041.7 million and $1,354.2 million, the reduction in the value of trade-in would increase revenue by $73.8 million and $101.6 million, and the limitation on the vendor discount would add $21.1 million and $29.6 million. Under current law, the GRF share of the total would be $1,098.9 million in FY 2016 and $1,436.1 million in FY 2017, with the difference between the all-funds figures and the GRF figures being split equally between the Local Government Fund and the Public Library Fund. The base expansion, the reduction in the value of trade-ins, and the limitation on the vendor discount may increase revenue from county permissive and transit authorities sales and use taxes by $120.2 million in FY 2016 and $167.1 million in FY 2017.

Commercial Activity Tax

TAXCD4 CAT revenue allocation changes

R.C. *5751.02, 5751.20*

Increases the share of commercial activity tax (CAT) revenue credited to the GRF from 50% to 75%, reduces from 35% to 20% the share credited to the School District Tangible Property Tax Replacement Fund (Fund 7047), and decreases from 15% to 5% the share credited to the Local Government Tangible Property Tax Replacement Fund (Fund 7081), beginning July 1, 2015.

Fiscal effect: None. While the proposed allocation change increases the amount of CAT receipts directly credited to the GRF it reduces "excess" CAT receipts that are transferred back to the GRF. Under current law, CAT receipts deposited into Fund 7081 and Fund 7047 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase-out of property taxes on general business tangible personal property. Any "excess" receipts that are not needed for making such payments are transferred back to the GRF. The executive budget resumes the phase-out of these reimbursement payments (see comparison document entries TAXCD14 and TAXCD15).

Executive

TAXCD6 Decrease in CAT minimum tax for certain taxpayers

R.C. *5751.03, Section 803.90*

Decreases to $150 from the current $800 the commercial activity tax (CAT) due on the first $1 million in taxable gross receipts for taxpayers that have between $1 million and $2 million in annual taxable gross receipts. Subjects the remaining gross receipts above $1 million to the proposed tax rate of 0.32%.

Begins to apply to tax periods beginning on or after January 1, 2016.

Fiscal effect: Reduces all-fund CAT revenue by about $14.1 million each in FY 2016 and FY 2017. Under the proposed distribution of CAT revenue in the executive budget, the GRF would receive 75% of CAT receipts, the School District Tangible Property Tax Replacement Fund (Fund 7047) would receive 20% and the Local Government Tangible Property Tax Replacement Fund (Fund 7081) would receive 5%. Thus, the yearly revenue loss to the GRF would be $10.6 million. Yearly revenue to Fund 7047 and Fund 7081 would decrease $2.8 million and $0.7 million, respectively.

TAXCD7 CAT rate increase

R.C. *5751.03, Section 803.90*

Increases the commercial activity tax rate due on a taxpayer's taxable gross receipts in excess of $1 million from 0.26% to 0.32%.

Fiscal effect: Increases all-funds CAT revenue by $294.6 million in FY 2016 and $406.9 million in FY 2017. Under the proposed distribution of CAT revenue in the executive budget, the GRF will receive 75% of CAT receipts, the School District Tangible Property Tax Replacement Fund (Fund 7047) will receive 20% and the Local Government Tangible Property Tax Replacement Fund (Fund 7081) will receive 5%. Therefore, distributions to the GRF from the rate increase are estimated at $221.0 million in FY 2016 and $305.2 million in FY 2017. Distributions to Fund 7047 would be $58.9 million and $81.4 million; and distributions to Fund 7081 would be $14.7 million and $20.3 million.

Executive

Cigarette Taxes

TAXCD12 Changes to cigarette minimum prices

R.C. *1333.99, 5743.01, 5743.05, 5743.15, 5743.20, 5743.36, 5743.361, 5743.362, 5743.363, 5743.364, 5743.365, and 1333.11 through 1333.211 (Repealed); Section 812.20*

Changes the calculation of retail and wholesale cigarette minimum prices, effective July 1, 2015, which results in a new minimum retail price that generally is 108% of the minimum wholesale price (with some adjustments if county taxes apply to the cigarettes). (Under current law, minimum prices generally equal the invoice cost of the cigarettes to the wholesaler or retailer plus a "cost of doing business" mark-up - 3.5% for wholesalers and 8% for retailers, over invoice, is the default mark-up in the absence of proof of higher cost; the mark-ups do not explicitly include state and county excise taxes).

Requires manufacturers to certify the list price of each cigarette brand they will sell in the state, and requires the Department of Taxation to post the price of each brand on its web site.

Eliminates the 1.8% tax stamping discount provided to wholesale dealers as consideration for affixing tax stamps to cigarette packages.

Moves language regarding the enforcement of cigarette minimum pricing from R.C. Chapter 1333. (UCC trade practices) to Revised Code Chapter 5743. (Cigarette and other tobacco taxes).

Fiscal effect: Increases revenue from the cigarette tax by $19.7 million in FY 2016 and $19.3 million in FY 2017. Cigarette tax revenue is deposited in the GRF.

TAXCD17 Increase cigarette excise tax rate

R.C. *5743.02, 5743.32, Sections 757.30, 803.50*

Increases the rate of the cigarette excise tax from the current $0.0625 per cigarette ($1.25 per pack) to $0.1125 per cigarette ($2.25 per pack) beginning July 1, 2015. Applies the rate increase to cigarettes and tax stamps in dealers' inventories on July 1, 2015.

Fiscal effect: The executive estimates the higher rate will increase cigarette tax receipts by $415.0 million in FY 2016 and $337.1 million in FY 2017. Cigarette tax receipts are deposited in the GRF.

TAXCD18 Increase tobacco products tax rate

R.C. *5743.51, 5743.01, 5743.62, 5743.63, Section 803.60*

Increases the rate for the excise tax levied on tobacco products other than cigarettes to 60% of such products' wholesale price from the existing rate of 17%, or in the case of little cigars, 37%. Specifies the rate increase will begin July 1, 2015.

Fiscal effect: The executive estimates the higher rate will increase other tobacco (OTP) excise tax receipts by $83.5 million in FY 2016 and $86.6 million in FY 2017. Revenue from OTP is deposited in the GRF.

TAXCD8 Elimination of the OTP discount for timely filing of returns

R.C. *5743.52, 5743.62; Section 803.40*

Eliminates the existing 2.5% discount to taxpayers for timely filing their other tobacco products tax returns.

Fiscal effect: The executive estimates this provision increases OTP revenue by $3.5 million in FY 2016 and $3.7 million in FY 2017. OTP revenue is deposited into the GRF.

TAXCD11 Taxation of vapor products

R.C. *5744.02, 715.013, 5703.052, 5743.45, 5744.01, 5744.03 through 5744.15, 5747.97, 5747.99, and 5751.01*

Levies a tax, starting January 1, 2016, on vapor products containing, made from, or derived from nicotine at a rate equivalent to the tax on cigarettes. Specifies that the tax is measured in milliliters or grams if the products are sold in solid form.

Executive

Fiscal effect: The executive estimates the tax on vapor products would increase revenue from other tobacco products tax by $6.4 million in FY 2016 and $15.9 million in FY 2017. Revenue from OTP is deposited in the GRF.

Kilowatt-hour and Natural Gas Consumption Taxes

TAXCD3 Kilowatt-hour excise tax: all revenue to GRF

R.C. *5727.81, 5727.811, and 5727.84*

Requires that 100% of revenue from the kilowatt-hour excise tax be deposited into the GRF beginning July 1, 2015, instead of 88% to the GRF, 9% to the School District Property Tax Replacement Fund (Fund 7053) and 3% to the Local Government Property Tax Replacement Fund (Fund 7054) as under current law.

Fiscal effect: None. Under current law, kilowatt-hour excise tax receipts deposited into Fund 7053 and Fund 7054 are used to make reimbursement payments to school districts and other local taxing units, respectively, to partially reimburse them for previously legislated reductions in property tax assessments on tangible personal property of electric and natural gas utilities as part of the deregulation of some aspects of such utilities. Any "excess" receipts that are not needed for making such payments are transferred back to the GRF. The executive budget resumes the phase-out of these reimbursement payments (see comparison document entries TAXCD14 and TAXCD15). Reimbursement payments that are needed for FY 2016 and thereafter will be funded by CAT receipts deposited into Funds 7081 and 7047.

Property Taxes and Transfer Fees

TAXCD15 Tangible personal property tax replacement payments - schools

R.C. *5709.92, 5727.84, 5727.85, 5751.20, and 5751.21*

Beginning in FY2016, resumes the phase-out of the state's payments to school districts that partly reimburse districts for the loss of general business and public utility tangible personal property (TPP) tax revenue based on a district's combined general business and utility property tax replacement payments in FY 2015.

Prescribes different phase-out schedules for different classes of tax levies as follows:

Executive

(1) Current expense levies: Specifies that replacement payments for such levies be phased out according to the ratio of a district's FY 2015 payment amount to its total operating revenue from state and local sources ("total sources") and according to a district's tax capacity, a measure that considers both a district's property wealth and income wealth. Groups school districts into five quintiles by tax capacity. For a 5th quintile (highest capacity) district, specifies that the replacement payment will only be made in FY 2016 if the district's FY 2015 payment represents more than 2% of its total resources; increases the percentage threshold to 4% in FY 2017 and by 2 percentage points each year thereafter. Prescribes the initial percentage and annual increment for a 4th quintile district at 1.75%, a 3rd quintile district at 1.5%, a 2nd quintile district at 1.25%, and a 1st quintile (lowest capacity) district at 1%. For all joint vocational school districts (JVSDs), specifies that the initial percentage and annual increment be 2%. (Under current law, school districts and JVSDs receive annual payments equal to the amount by which a district's FY 2011 payment exceeds 4% of its total resources or the amount the district received in FY 2013.)

(2) Non-current-expense, nondebt levies: Specifies that replacement payments be made in FY 2016 at the level of 50% of a district's FY 2015 payment. Eliminates replacement payments for these levies beginning in FY 2017. (Current law provides for annual payments equal to 50% of the payment the district received in FY 2011.)

(3) Emergency and other fixed-sum levies: Phases out replacement payments for such levies in one-fifth increments over five years beginning in 2017 for utility TPP payments and in 2018 for business TPP payments. (Current law ends such payments in 2017 for utility TPP and in 2018 for business TPP).

(4) Debt levies: (Retains current law for debt levy reimbursement payments. Replacement payments for voter-approved fixed-sum debt levies will be made at the 2014 payment levels until the levy is no longer imposed. Payments for "inside-mill" debt levies that qualify for reimbursement in FY 2015 will be imbursed through FY 2016 for utility TPP and through FY 2018 for business TPP.)

Fiscal effect: Reduces TPP reimbursement payments for school districts and JVSDs. The executive budget appropriates from the Property Tax Replacement Phase Out - Education (Fund 7047) $360.9 million for FY 2016 and $249.8 million in FY 2017 for TPP reimbursement payments for school districts and JVSDs. In FY 2015, TPP reimbursements to school districts and JVSDs total $510 million.

Executive

TAXCD14 Property tax replacement payments to local taxing units

R.C. *5709.93, 5727.84, 5727.86, 5751.20, 5751.22, Section 757.10*

Beginning in FY 2016, resumes the phase-out of business and utility tangible personal property (TPP) reimbursement payments for local taxing units other than school districts and joint vocational school districts based on each unit's combined business and utility TPP reimbursement payments received in FY 2015.

Specifies that replacement payments for current expense levies be phased out according to the ratio of a taxing unit's FY 2015 payment amount to its total operating revenue from state and local sources ("total sources"). Specifies that the replacement payment will only be made in FY 2016 if the unit's FY 2015 payment represents more than 2% of its total resources; increases the percentage threshold to 4% in FY 2017 and by 2 percentage points each year thereafter. (Under current law, local taxing units receive annual payments equal to the amounts by which their CY 2010 payments exceed 6% of their total resources or the reimbursement amounts for TY 2013.)

(Retains current law for debt levy reimbursement payments. Payments for "inside-mill" debt levies that qualify for reimbursement in CY 2015 will be reimbursed through CY 2016 for utility TPP and through CY 2017 for business TPP.)

Requires each county auditor, by July 31, 2015, to certify to the Tax Commissioner the amount of money distributed from the County Public Library Fund in 2014 to each public library system that received a TPP reimbursement in 2014, for purposes of computing a library system's total resources used in TPP reimbursement determinations.

Fiscal effect: Reduce the reimbursements to counties, townships, municipal corporations, other local taxing units, and public libraries. The executive budget appropriates from the Property Tax Replacement Phase Out - Local Government (Fund 7081) $65.9 million in FY 2016 and $40.2 million in FY 2017 for reimbursement payments for local government. In FY 2015 TPP reimbursement payments for local government total $127.6 million.

Executive

TAXCD21 Appeal of TPP reimbursement computation

Section: *757.20*

Authorizes school districts and other local taxing units affected by the bill's TPP reimbursement changes to contest how the Tax Commissioner has classified a levy or calculated its total resources for the purpose of computing the reimbursement payments. Specifies that the Tax Commissioner's decision on appeal is final and that no adjustments be made after June 30, 2016.

Fiscal effect: Potential increase in administrative cost for the Department of Taxation.

Other Taxation Provisions

TAXCD26 Changes to issuances of job creation tax credits and job retention tax credits

R.C. *122.17, 122.171, 5725.98, 5726.50, 5729.98, 5733.0610, 5736.50, 5747.058, and 5751.50*

Revises the computation of Job Creation Tax Credits (JCTCs) so that the amount of the credit equals an agreed-upon percentage of the taxpayer's Ohio employee payroll (taxable income paid to Ohio residents) minus baseline payroll (taxable income paid to Ohio residents during the 12 months preceding the agreement). For Job Retention Tax Credits (JRTCs), the amount of the credit would equal an agreed-upon percentage of the taxpayer's Ohio employee payroll. (Under current law, both credits are calculated as a percentage of the taxpayer's Ohio income tax withholdings, which could include nonresidents working in Ohio.)

Removes the 75% cap currently placed on the JRTC percentage, such that the credit is multiplied by the taxpayer's Ohio employee payroll to determine the amount of the credit.

Authorizes the Tax Credit Authority to require the taxpayer to refund all or a portion of a JCTC or JRTC if the taxpayer fails to substantially meet the job creation, payroll, or investment requirements included in the tax credit agreement or files for bankruptcy.

Reduces from 60 to 30 days the amount of time a taxpayer has to submit a copy of a JCTC or JRTC certificate after a request of the Tax Commissioner or the Superintendent of Insurance.

Authorizes the Tax Credit Authority, upon mutual agreement of the taxpayer and DSA, to revise JCTC agreements originally approved in 2014 or 2015 to conform with the bill's revisions to the credit. (Otherwise, the bill's revisions to the Revised Code apply to JCTC and JRTC agreements entered into after the bill's 90-day effective date.)

Fiscal effect: Potentially reduces revenue from the insurance taxes, the financial institutions tax, the commercial activity tax, the personal income tax, and the petroleum activity tax.

TAXCD13 Elimination of recommendations for JRTC and data center sales tax exemption applications

R.C. *122.171, 122.175*

Eliminates the requirement that the Director of Budget and Management, the Tax Commissioner, and, in the case of an insurance company, the Superintendent of Insurance make recommendations with respect to applications for job retention tax credits (JRTCs) and data center sales tax exemptions. Also eliminates the requirement that these officials' review of the applications take account of the affected political subdivisions. (Under continuing law, the Director of Budget and Management, the Tax Commissioner, and, in the case of an insurance company, the Superintendent of Insurance are required to review such applications and determine the economic impact of the proposed project on the state. These determinations are submitted to the Tax Credit Authority to assist in its determination of whether to grant the credit or exemption. The bill does not change the duties of the Director of Development Services with respect to JRTC and data center sales tax exemption applications. The Director would still be required to determine the economic impact of the proposed project on both the state and the affected political subdivisions. The Director also would continue to submit recommendations on the applications.)

Fiscal effect: None.

TAXCD16 Transfers to the Next Generation 9-1-1 Fund

R.C. *128.54, 128.55, 128.57*

(1) Repeals the requirement that the Statewide Emergency Services Internet Protocol Network Steering Committee annually transfer amounts remaining in the administrative funds to the Next Generation 9-1-1 Fund. Requires the Tax Commissioner to transfer any excess amount remaining in the Wireless 9-1-1 Administrative Fund to the Next Generation 9-1-1 Fund.

(2) Requires the Tax Commissioner to transfer funds remaining in the Wireless 9-1-1 Government Assistance Fund to the Next Generation 9-1-1 Fund at the direction of the steering committee rather than after monthly disbursements are made to counties.

Fiscal effect: Minimal decrease to the Next Generation 9-1-1 Fund (Revenue Distribution Fund 7093) depending on the excess remaining, if any, in the Wireless 9-1-1 Program Fund, which would no longer be obligated to transfer its excess balance to Fund 7093.

TAXCD2 Eliminate alcoholic beverage tax credit and discount

R.C. *4301.42, 4303.33 and Section 803.20*

Eliminates the advance tax payment credit for timely payment of the beer excise tax and the alcoholic beverage tax by certain permit holders effective July 1, 2015. Eliminates the 3% alcoholic beverage tax discount for taxpayers that timely file the required monthly report effective July 1, 2015. (Under continuing law, the report shows the amount of alcohol sold by the permit holder in the state in the previous month).

Fiscal effect: Increases GRF tax revenue by an estimated $1.4 million each in FY 2016 and FY 2017. Revenue from the alcoholic beverage tax is deposited in the GRF.

Executive

TAXCD10 Tax Expenditure Review Committee

R.C. *5703.94, 5703.48*

Creates a temporary nine-member committee to review most existing "tax expenditures" over a four-year cycle and make recommendations whether to continue or modify those expenditures or let the expenditures expire. Establishes a schedule so that most existing expenditures are reviewed over four years.

Requires any bill enacting or modifying a tax expenditure to include a statement of the policy objectives of the expenditure.

Limits the definition of "tax expenditure" to a provision that reduces revenue to the General Revenue Fund.

Provides a mechanism for reviewing tax expenditures implemented or modified after January 2015.

Fiscal effect: None.

TAXCD20 Hydrocarbon severance taxes

R.C. *5749.02, 190.01 - 190.04, 321.50, 1509.01, 1509.02, 1509.11, 1509.34, 5703.052, 5703.19, 5749.01 - 5749.04, 5749.06 - 5749.08, 5749.10, 5749.12 - 5749.15, 5749.17, Sections 512.80, 812.20, Repealed: 1509.50*

Distinguishes "horizontal" wells from all other wells for the purpose of levying special tax rates on severances of oil, gas, natural gas liquids, and condensate from horizontal wells beginning on July 1, 2015. Repeals a cost recovery assessment imposed on all wells from which oil and gas is severed. Credits revenue from the horizontal well severance tax to the Severance Tax Receipts Fund, and requires the OBM Director to make quarterly transfers to distribute the proceeds to various funds, including the GRF.

(1) Adjusts the severance tax rate applicable to nonhorizontal wells to equal the combined rate of the current law's cost recovery assessment and the current law's severance tax rate on oil and gas. Exempts from continuing law's volume-based severance tax any gas severed from an exempt domestic well or a nonhorizontal well producing less than a

particular volume of gas in a calendar year, but imposes a $60 annual fee on the owner of each such well, payable to the Oil and Gas Well Fund.

(2) Levies a new 6.5% severance tax on oil, unprocessed gas, and condensate separated from oil or gas, severed from a horizontal well based on the volume of the resource severed or collected and multiplied by the resource's applicable spot price.

(3) Levies a new 4.5% severance tax on processed gas and natural gas liquids (NGLs) separated from oil or gas, severed from a horizontal well based on the volume of the resource collected or processed multiplied by the resource's applicable spot price.

(4) Requires the Director of Budget and Management to credit to the Oil and Gas Well Fund and Geological Mapping Fund revenue from the new horizontal well severance tax in accordance with a monthly schedule of disbursements that considers the resources of the oil and gas regulatory resources of the Department of Natural Resources (DNR).

(5) Credits 80% of the remaining revenue (after the transfers to DNR) to the GRF and credits the other 20% to provide funding for local governments.

(6) Distributes one-half of the revenue earmarked for local governments to counties in which drilled wells are located, and requires the county budget commission to determine the amounts allocated to subdivisions in each county. Distributes the other one-half of the local government revenue equally between two custodial funds administered by the new Ohio Shale Products Regional Commission to provide grants for local governments in areas with active shale well development. Prohibits money in one of the custodial funds, the Severance Tax Endowment Fund, from being used until after July 1, 2025.

(7) Requires the Governor's Office of Appalachian Ohio to provide staff and administrative assistance to the Ohio Shale Products Regional Commission upon request.

Fiscal effect: According to executive estimates, the new severance tax will increase GRF receipts by $76.5 million in FY 2016 and $183.4 million in FY 2017. Revenues available to local governments via the newly established County Severance Tax Fund will be $9.6 million in FY 2016 and $22.9 million in FY 2017. As for the two newly created custodial funds, the Severance Tax Infrastructure Fund and the Severance Tax Endowment Fund, each will receive $4.8 million in FY 2016 and $11.5 million in FY 2017. Revenues for two Department of Natural Resources funds, the Geological Mapping Fund (SSR Fund 5110) and the Oil and Gas Well Fund (SSR Fund 5180) will increase in the coming biennium as compared to their existing levels.

Executive

TAXCD1 Income tax distributions to counties

Section: *503.90*

Appropriates GRF funds to make any payment required by Section 9 of Article 12 of the Ohio Constitution that not less than 50% of the income, estate, and inheritance taxes collected by the state must be returned to the county, school district, city, village, or township in which such taxes originate. (Ohio's estate tax was repealed for estates of individuals dying on or after January 1, 2013.)

Appropriation Language

TAXCD27 Municipal income tax

Section: *397.10*

Specifies that FID Fund 7095 appropriation item 110995, Municipal Income Tax, be used to make payments to municipal corporations under R.C. 5745.05 and appropriates additional needed amounts.

TAXCD28 Tax refunds

Section: *397.10*

Specifies that FID Fund 4250 appropriation item 110635, Tax Refunds, be used to pay refunds under R.C. 5703.052 and appropriates additional needed amounts.

Executive

TAXCD29	Vendor's license payments

Section: *397.10*

Specifies that FID Fund 5CZ0 appropriation item 110631, Vendor's License Application, be used to make payments to county auditors under R.C. 5739.17 and appropriates additional needed amounts.

TAXCD30	International registration plan administration

Section: *397.10*

Specifies that DPF Fund 4C60 appropriation item 110616, International Registration Plan Administration, be used under R.C. 5703.12 for audits of persons with vehicles registered under the International Registration Plan.

TAXCD31	Travel expenses for the Streamlined Sales Tax Project

Section: *397.10*

Allows a portion of DPF Fund 4350 appropriation item 110607, Local Tax Administration, to be used for travel expenses incurred by members of Ohio's delegation to the Streamlined Sales Tax Project in accordance with applicable state laws and guidelines.

TAXCD32	Tobacco settlement enforcement

Section: *397.10*

Specifies that GRF appropriation item 110404, Tobacco Settlement Enforcement, be used to pay costs incurred in the enforcement of divisions (F) and (G) of R.C. 5743.03.

Executive

TAXCD33 STARS Development and Implementation Fund

Section: *397.10*

Specifies that DPF Fund 5MN0 appropriation item 110638, STARS Development and Implementation, be used to pay costs incurred in the development and implementation of the department's State Tax Accounting and Revenue System.

Requires the Director of Budget and Management to develop a schedule to transfer up to $6.0 million cash over the biennium from various funds into the STARS Development and Implementation Fund (Fund 5MN0).

Executive

AGRCD1 Wine tax revenue credited to the Ohio Grapes Industries Fund

R.C. *4301.43*

Extends through June 30, 2017, the two cents per gallon wine tax revenue that is credited to the Ohio Grape Industries Fund (Fund 4960).

Fiscal effect: Maintains the current amount of wine tax revenue credited to DPF Fund 4960 through the FY 2016-FY 2017 biennium to support marketing and production in the grape industry. Fund 4960 received nearly $1.1 million from this portion of wine tax proceeds in FY 2014 and is estimated to receive about the same amount in FY 2015. Receipts from the wine tax are otherwise credited to the GRF.

Executive

Community Schools

EDUCD80 Community school tax levies

R.C. *5705.21, 5705.212*

Expands the authority of school districts to levy property taxes for community schools to include any school district that contains a community school sponsored by an "exemplary" sponsor. (Under current law, only the Cleveland Metropolitan School District and the Columbus City School District have the authority to propose such a levy.)

Authorizes school districts other than the Cleveland Metropolitan School District to levy a property tax solely for and on behalf of one or more community schools located in the district that is sponsored by an "exemplary" sponsor. (Current law does not cap the percentage of levy revenue that may be allocated to community schools, but could imply that at least a portion must be levied for the school district's own expenses.)

Regarding the division of revenue from a tax levy among qualifying community schools, requires the following:

(1) If revenue from a tax levy is to be divided among the school district levying the tax and qualifying community schools, requires that the revenue be divided in accordance with a ratio established in the resolution levying the tax;

(2) If more than one community school qualifies for levy revenue, requires that the revenue be divided among the qualifying community schools on a per-pupil basis, with only pupils residing in the school district levying the tax counted.

Retains the authority of the Cleveland Metropolitan School District to levy a property tax to be shared with certain community schools, but removes the criteria that was enacted specifically to enable the Columbus City School District to levy such a tax.

Fiscal effect: May result in community schools receiving local levy revenue, if such levies are approved by voters.