

Tax Provisions

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- Homestead tax exemption expanded
- Local government funds freeze lifted
- New funding method and distribution procedures for local government funds started

INTRODUCTION

Am. Sub. H.B. 119 (H.B. 119) makes few changes to Ohio's tax structure and generally maintains the framework established by Am. Sub. H.B. 66 of the 126th General Assembly. The expansion of the homestead exemption (property tax relief targeted to the elderly and disabled) is the most significant tax proposal in the operating budget for FYs 2008-2009. The increased expenditures for the homestead exemption will not be paid from existing GRF tax revenues. Instead, GRF interest savings from the "securitization" of tobacco settlement moneys will pay for the expansion of the program.²³ H.B. 119 ends the "freeze" of the local government funds, and provides a new funding method and new deposit and distribution procedures for those funds.

REAL PROPERTY TAX

Homestead Exemption

The operating budget act expands the homestead exemption to \$25,000 of market value for homeowners who are either (a) age 65 or older, (b) permanently and totally disabled, or (c) surviving spouses age 59 to 64 of persons who applied and qualified for the tax reduction under (a) or (b). Under previous law, applicants with income under \$27,000 were eligible for three tiers of property tax exemptions ranging from \$1,130 up to \$5,700 of taxable value. The income ceiling for eligibility and the three tiers of exemptions are eliminated. Tax relief will be at the effective millage rate for the real property. Participants in the current homestead exemption program are to receive the greater of the tax relief under the current program or that provided by the new program. The state will reimburse school districts and other local governments for forgone tax receipts. The change would be effective for tax year 2007 for real property, paid one year in arrears, and tax year 2008 for homeowners whose primary residences are taxed as manufactured or mobile homes, paid concurrently.

The initial application deadline for the expanded homestead exemption is October 1, 2007. For homesteads in housing cooperatives, the nonprofit corporation that owns and operates the housing cooperative was to obtain applications from the auditor and provide them to occupants by August 1. Applications were to be returned to the corporation by September 1, and the corporation is to file them with the auditor by October 1. For an applicant whose request for a homestead exemption is denied, the auditor's deadline in CY 2007 to notify the applicant of the reason for the denial is extended to November 1.

²³Details of the securitization of the Tobacco Master Settlement Agreement (MSA) stream of payments are available in another section of this document.

The additional cost to the state for reimbursing school districts and other units of local government for forgone tax revenues is estimated at \$128.5 million in FY 2008, \$257 million in FY 2009, and growing amounts in future years.

County auditors will be compensated for the additional costs of administering the expanded homestead exemption, in an amount equal to 1% of property tax relief reimbursement paid to counties for the homestead exemption and the 2.5% rollback. The reimbursement to the county auditor for expenses relating to the homestead exemption is to be paid on the first day of August of each year. The estimated cost to the state for compensation to county auditors is \$3 million in FY 2009. However, H.B. 119 leaves in place compensation provided in current law (R.C. 323.156), of 2% of the amount of these reductions, which appears to imply total compensation to county treasurers and auditors equaling 3% of these costs.

The expected cost of the expanded homestead exemption to the state in FYs 2008 and 2009 about equals the savings on GRF interest associated with the securitization of future tobacco settlement payments, according to the estimates in the executive budget proposal. The securitization is a borrowing to be repaid with future tobacco settlement payments. Anticipated homestead exemption costs of \$128.5 million in FY 2008 and \$257 million in FY 2009 approximate the sum of (1) interest savings to the GRF from use of proceeds from the tobacco securitization in lieu of funds from issuance of GRF-backed bonds for capital needs of primary, secondary, and higher education facilities, plus (2) interest earnings to the GRF from investment of proceeds from the tobacco securitization that have not yet been spent for educational facilities. Specific amounts are not appropriated for these purposes in H.B. 119, but instead, in Section 518.03, the Director of Budget and Management is required to determine appropriate amounts, following issuance of the bonds, and to transfer or increase appropriations with Controlling Board approval to the line items from which the reimbursements to school districts and other local governments are paid. Interest charges on the securitization would initially accrue at an annual rate of \$252 million to \$265 million per year for borrowing \$5.04 billion at the interest rates of 5% to 5.25% estimated in the executive budget proposal, but these interest charges would be non-GRF.

Real Estate Assessment Fund

County real estate assessment funds are used to defray the expenses of county auditors' property and estate tax-related duties and of boards of revision. The percentages of property tax collections credited to these funds was generally increased July 1 and will increase again in CY 2011. Percentages of tax collections paid to county real estate assessment funds previously ranged from 3.5% of collections, for amounts up to \$100,000, down to 0.6% for amounts in excess of \$150 million. Since July 1, they have ranged from 4% to 0.585%. These ranges will be from 4% to 0.75% beginning in CY 2011.

LOCAL GOVERNMENT FUNDS

Am. Sub. H.B. 119 continues to "freeze" distributions to the three local government funds – Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRA), and Library and Local Government Support Fund (LLGSF) – until the end of CY 2007 (first half of FY 2008). Under the "freeze," amounts that would otherwise be credited to the local funds are credited instead to the GRF. The "freeze" affects deposits and distributions of receipts from the personal income tax, the sales and use tax, the corporation franchise tax, the public utilities excise tax, and the kilowatt-hour tax.

During the "freeze" period, monthly distributions from the local funds to each county undivided local fund will equal the previously frozen amounts for the corresponding month in the first half of FY 2007. However, only five monthly deposits will be made (July through November) to each local fund. No deposits will be made in December and monthly amounts that would otherwise be credited to

the local funds are credited to the GRF. However, local governments would continue to receive their distributions in December. Under current local funds deposit and distribution procedures, local funds revenue allocations are deposited one month ahead of the distributions to each county undivided local fund. The distributions from the local funds to each county's undivided local fund for the month of July through December 2007 will be based on the deposits made in June through November 2007.

H.B. 119 makes several changes to the local funds after the expiration of the "freeze." Beginning in January 2008, the Local Government Fund (LGF) and Local Government Revenue Assistance Fund (LGRAAF) will be merged into one fund. The merged fund will continue to use the Local Government Fund (LGF) name.

The operating budget act also provides a new local government funding method and new deposit and distribution procedures for local government funds. According to the new funding method, all tax revenues previously credited to the local funds will instead be credited to the GRF. Subsequently, in each month, a percentage of total tax revenues credited to the GRF in the preceding month will be credited to each local fund – 3.68% to the LGF and 2.22% to the LLGSF. The enacted budget requires the Director of Budget and Management to develop a schedule that identifies the specific tax revenue sources that will be used to make monthly credits from the GRF to the LGF and LLGSF for distribution to the local governments. The tax revenue sources may be revised from time to time if necessary.

SALES AND USE TAX

Sales Tax Exemption For School Fundraising Sales

The operating budget act removes the six-day limitation on the number of days in a year that a student or school-related organization may conduct fundraising sales. Previously, such sales were exempted only if conducted on six or fewer days per year. This provision will reduce state revenue by up to \$1.0 million each year of the biennium. The potential revenue loss to local governments (from the local permissive and transit authority sales taxes) may be up to \$0.2 million per year.

Sales of Motor Vehicles to Nonresidents

H.B. 119 imposes the sales tax on motor vehicle purchases by nonresidents unless the purchaser's home state has no similar tax or does not provide a credit against its tax for taxes paid in Ohio. Under previous law, sales to nonresidents were exempt. Am. Sub. H.B. 119 grants an exemption if the nonresident's state provides a similar nonresident exception, does not provide a credit for sales or use tax paid to this state, or does not impose a sales or use tax on the ownership or use of motor vehicles. If a nonresident's state does not provide a nonresident exception and the nonresident would pay lower net tax if the sale occurred in the nonresident's state, the Ohio tax is reduced to the amount that would be collected by the nonresident's state, with a .5% tax portion distributed to the county in which the sale occurs. According to the Department of Taxation, the tax will apply to residents of Michigan, Indiana, South Carolina, California, Florida, Washington, Arizona, and Massachusetts. Changes to the taxation of motor vehicle sales to nonresidents apply only to outright sales, and not to leases or rentals. Also, if a motor vehicle sale to a nonresident is exempted from taxation under another provision of existing law, the modified tax computation does not apply. The enacted budget requires motor vehicle dealers to remit payment of the sales and use tax due on motor vehicles purchased by nonresidents using the Ohio Business Gateway until June 30, 2008. H.B. 119 provides for the distribution of five-sixtieths of the tax revenue collected from such sales to the county where the sale is situated under origin-based siting.

The taxation of motor vehicle sales to nonresidents may increase revenues to the GRF by up to \$29.0 million in FY 2008 and \$30.0 million in FY 2009. Revenue gain to local governments may be up to \$2.6 million in each year of the biennium.

Sourcing of Sales

Under current law, a vendor that sells a taxable good or service to a person is required to collect the Ohio sales tax and any sales or use tax imposed by the state and the county or transit authority where the sale is deemed to be taxable under "situs" or sourcing rules. Since CY 2003, vendors have been required to use a new set of sourcing rules called destination-based sourcing for determining where a sale is taxable. Under these rules, a sale generally is taxable where the consumer takes possession of the goods, at the consumer's address, or where the service is performed. Because the destination-based sourcing rules do not assign the tax to the point of sale, a vendor selling to multiple taxing jurisdictions (including other states) must determine the use tax rates of those other jurisdictions. To assist vendors with this effort, the Streamlined Sales and Use Tax Agreement (SSTA) authorizes vendors to use certified service providers, which calculate the appropriate tax, collect it, and remit it to the appropriate state on the vendor's behalf. To provide time for vendors to convert to the destination-based sourcing rules and for certified service provider services to be established, Ohio law provided a transition period. The general deadline for conversion to the destination-based rules was May 1, 2006, subject to a significant exception: for vendors whose sales to consumers in other jurisdictions are less than \$30 million per year, the deadline to start the new sourcing rules was extended until December 31, 2007.

The enacted budget authorizes retail vendors with annual delivery sales in Ohio of less than \$500,000 to continue to use origin-based situs rules for determining the appropriate sales tax jurisdiction. H.B. 119 authorizes all retail vendors currently using origin-based situs to continue to do so if the Tax Commissioner determines that the Streamlined Sales and Use Tax Agreement does not allow origin-based situs by vendors with delivery sales of less than \$500,000. The enacted budget also authorizes out-of-state sellers with annual delivery sales in Ohio of less than \$500,000 to collect Ohio use taxes at a single uniform rate if the Commissioner makes that determination, and provides for the distribution of use tax collected at a single uniform rate to counties and transit authorities.

This provision has no direct fiscal effect on state revenue. The elimination of the requirement for all vendors to convert to destination-based sourcing might prevent Ohio from becoming a party to the SSTA. If Ohio is excluded from the SSTA, the use tax (imposed on Ohio residents when they make remote purchases outside Ohio) may not be collected and remitted to Ohio if remote vendors (located in other states) choose not to apply destination-based sourcing for Ohio purchases because the state is not a member of SSTA. Thus, Ohio may potentially forgo potential revenue gains from the taxation of certain remote sales. The provision generally affects the distribution of certain sales tax revenues to local governments, but does not substantially change the total amount of revenue collected by all local governments within the state. The magnitude of the potential shifting of taxable sales, and the net fiscal effect on various local jurisdictions is indeterminate.

Remittance and Reporting Requirements

The enacted budget modifies the sales and use tax remittance and reporting requirements for persons required to remit taxes by electronic funds transfer by requiring only one remittance of estimated tax per month instead of two. The remittances will be based on 75% of anticipated liability for the current month plus unpaid liabilities for the previous month (instead of actual concurrent collections or past liability). The act also authorizes the Tax Commissioner to require reporting and remittance through alternative electronic means, including the Ohio Business Gateway. These provisions appear to have no fiscal effect.

COMMERCIAL ACTIVITY TAX

H.B. 119 essentially keeps the commercial activity tax (CAT) untouched. Taxpayers will pay 60% and 80% of their tax liability in FY 2008 and FY 2009, respectively. However, Am. Sub. H.B. 67 (transportation budget bill, 127th General Assembly) eliminated the possibility of triggered upward adjustments in the commercial activity tax rate when CAT revenue falls more than 10% below revenue targets during the test periods (FY 2009 and FY 2011), while retaining the possibility of downward rate adjustments for any test period when revenue exceeds the target by more than 10%.

The enacted budget dedicates 70% of annual CAT revenue in FY 2019 and thereafter to the School District Tangible Personal Property Tax Replacement Fund (SDRF). Moneys in the fund are to be appropriated for school funding. Previously, 100% of post-FY 2018 CAT revenue was to be distributed to the GRF. The act reduces to 30% distributions to the GRF. Also, H.B. 119 maintains the end of distributions to the Local Government Tangible Personal Property Tax Replacement Fund in FY 2018. The bill also makes various technical corrections to existing law's provisions reimbursing school districts and other taxing units for the phase-out of business personal property taxation. These provisions have no fiscal effect in the biennium. The enacted budget allows the expiration of the temporary petroleum industry two-year exemption from the CAT.

PERSONAL INCOME TAX

Income Tax Deduction for Organ Donation Expenses

H.B. 119 allows an income tax deduction of up to \$10,000 for specified expenses, such as travel, lodging, and wages forgone by a taxpayer in connection with the donation of one or more of the taxpayer's human organs to another human being. A taxpayer may use this tax deduction only once for all taxable years beginning with taxable year 2007. This provision will decrease revenue from the personal income tax by an estimated \$147,000 in FY 2008. The revenue loss may increase in future years if this tax deduction measure encourages more taxpayers to donate their organs.

MUNICIPAL INCOME TAX

Exemption for Compensation Paid to Employees of Air Force Bases

H.B. 119 exempts from municipal income taxes the compensation paid to an employee who works within the boundaries of an Air Force base, unless the person resides within the municipal corporation. This exemption may not create a revenue loss to the extent municipal corporations are not currently taxing the compensation of nonresidents who work at Ohio's Air Force bases. Am. Sub. H.B. 119 also requires that, for any future annexation or merger of any territory lying within the boundaries of a United States military base in Ohio, a municipal corporation must obtain the approval of the Secretary of Defense of the United States.

Disclosure of Aggregated Data

The operating budget act allows a municipal corporation to authorize its tax administrator, by ordinance or resolution, to publish tax-related statistics in a manner that does not disclose information with respect to individual taxpayers. This change is expected to have no fiscal effect.

CORPORATE FRANCHISE TAX

Tax Credits for Alternative Fuels

H.B. 119 authorizes, for FY 2008 and FY 2009, nonrefundable corporation franchise tax and personal income tax credits for retail sales through a metered pump of E85 blend fuel and blended biodiesel fuels.²⁴ The credits have no carry forward provision. The tax credits will reduce state revenues from the personal income tax and the corporation franchise tax in FY 2008 and FY 2009 by less than \$1.0 million each year. The revenue loss will be limited to the biennium for the corporate franchise tax (which will be eliminated in FY 2010 for nonfinancial corporations²⁵). Revenue loss from the personal income tax credit may extend beyond the biennium to FY 2010, although the fiscal effect may be minimal. The tax credits also will reduce revenues to local governments from the distribution of state receipts from the personal income and the corporation franchise taxes.

Extension of the Coal Tax Credit

H.B. 119 extends from January 1, 2008, to January 1, 2010, the \$1 per ton corporation franchise tax credit for electric companies burning Ohio coal, and the income tax credit for individuals or estates that are proprietors or pass-through entity investors. This provision may reduce GRF revenue by up to \$2.6 million in FY 2009. The loss to local governments (from the distribution of corporation franchise and personal income tax revenues to local government funds) may be of up to \$150,000. The GRF revenue loss in FY 2010 may be minimal because the credit will only apply against the personal income tax.

KILOWATT-HOUR TAX

The operating budget act reduces the tax rate for self-assessing commercial or industrial electricity purchasers starting the meter reading period that includes July 1, 2008. Currently self-assessors pay a tax of \$0.00075 per kilowatt hour for the first 504 million kilowatt hours used in a year, plus a tax of 4% of the "total price" of electricity purchased, where total price is defined to be the total amount paid for electricity. The budget act reduces the 4% tax rate for self-assessors to 3.5%. H.B. 119 also eliminates the shares of revenue that formerly were distributed to the Local Government Fund and the Local Government Revenue Assistance Fund, and increases the share going to the GRF by a corresponding amount. Under the new distribution formula, the revenue loss from the decrease in tax rate will be approximately \$3.7 million per year for the GRF, \$1.5 million per year for the School District Property Tax Replacement Fund, and \$0.7 million annually for the Local Government Property Tax Replacement Fund. These revenue losses will begin in FY 2009.

KILOWATT-HOUR TAX AND NATURAL GAS (MCF) TAX

The enacted budget ensures that payments from the Local Government Property Tax Replacement Fund, funded by portions of these taxes, that derive from county-wide levies be apportioned among the various levies and levy purposes instead of the county general fund. H.B. 119 also provides that replacement payments to each local taxing unit must be retained by the county in the county

²⁴ E85 is a blend of 85% ethanol and 15% gasoline. E20, a blend of biodiesel fuel and 80% diesel fuel, is expected to generate the bulk of sales of biodiesel fuel blends.

²⁵ Am. Sub. H.B. 66 of the 126th General Assembly.

undivided income tax fund if the amount to be distributed is less than \$5; any such retained amounts must be added to the next distribution amount. These provisions would affect the distribution of property tax replacement payments between various funds and jurisdictions at the local level. The first provision would shift a portion of such payments from a county's general fund to another fund, depending on the reason for the levy that is responsible for that portion of the payment. For example, payments that derive from a county MR/DD levy will now go to the fund that supports the county's MR/DD board, while such payments currently go to the general fund. The second provision may delay very small payments to local taxing units within a county.

H.B. 119 extends from CY 2008 to CY 2009 the time during which a new school district, created between CY 2000 and CY 2004, will receive 100% of its utility property tax replacement payments for current fixed-rate levy losses. The payments were scheduled to begin phasing out in CY 2009 at 75%; the phase-out resumes in CY 2010 with no other changes to the former schedule. This provision may increase the payment made to Manchester Local School District from the School District Property Tax Replacement Fund by approximately \$1.0 million in FY 2009, which would reduce the amount available for transfer to the Half-Mill Equalization Fund or to the GRF by an equivalent amount.

The operating budget act requires the Director of Budget and Management to transfer excess School District Property Tax Replacement Fund balances to the Half-Mill Equalization Fund to the extent required to make half-mill equalization payments, and then to transfer any remaining funds to the GRF. Previous law permitted the Ohio School Facilities Commission to request the Controlling Board to transfer any balance remaining in the fund, after such payments are made, to the Public School Building Fund.

H.B. 119 also provides additional property tax replacement payments to a school district that has a nuclear power plant located within its territory, if the district experiences a reduction of greater than 10% in the assessed value of electric company tangible personal property between tax years 2005 and 2006. This may increase payments from the School District Property Tax Replacement Fund to one of the two school districts in Ohio, Perry Local School District and Benton Carroll Salem LSD, in which a nuclear plant is located. Any such increase in payments would reduce the amount available for transfer to the Half-Mill Equalization Fund or to the GRF by an equivalent amount.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

The operating budget act repeals the \$300 per month cigarette excise tax and use tax exemptions for cigarettes brought into Ohio for personal consumption. The potential GRF revenue gain from the repeal will be up to \$25 million per year according to the Department of Taxation. However, actual collections will depend on enforcement of this provision, and the revenue increase may be less.

H.B. 119 clarifies that "other tobacco product" has the same meaning as "tobacco product" under the cigarette tax law. The bill includes certain retail dealers in the definition of persons that are authorized recipients of tobacco products as long as the person purchases cigarettes with the appropriate tax stamp affixed. The bill also specifies that an individual who possesses packs of cigarettes without tax stamps is guilty of a minor misdemeanor for a first offense if the number of cigarettes is 1,200 (generally sixty packs) or less, and holds an individual guilty of a first degree misdemeanor for a subsequent offense. These provisions have no fiscal effect.

TANGIBLE PERSONAL PROPERTY TAX

H.B. 119 requires tangible personal property leased to a telephone, telegraph, or interexchange telecommunications company (other than in a sale and leaseback transaction) to be taxed at the same assessment percentage as is general business personal property until the general business property tax is completely phased out at the end of tax year 2008, unless the property is used to render public utility service. In tax years 2009 and 2010, that property will be assessed at the phase-down percentage applying to such property that is used to render public utility service, and the value of the property will be determined in the same manner as property owned by those companies. Tangible personal property of a telephone, telegraph, or interexchange telecommunications company shall be valued in the same manner as other public utility property. Those companies will continue to file a single return with the Tax Commissioner instead of with county auditors. The \$10,000 exemption for personal property is not applicable to any personal property valued under the public utility property valuation law.

Under these provisions, assessment percentages for tangible personal property leased to a telephone, telegraph, or interexchange telecommunications company, other than in a sale-leaseback transaction, and not used to render public utility service, are 12.5% in tax year 2007, 6.25% in tax year 2008, 10% in tax year 2009, 5% in tax year 2010, and 0% thereafter. If these companies would otherwise have been subject on this property in all years to the phase-out schedule for telecommunications property, the assessment rates would have been 7.5 percentage points higher in tax year 2007 and 8.75 percentage points higher in tax year 2008. The cost of this provision to local governments is uncertain. State reimbursements to local governments for forgone tax receipts would not be affected by this change.

SCHOOL DISTRICT INCOME TAX

H.B. 119 authorizes school boards to levy an income tax to be apportioned between permanent improvements and current operating expenses. Prior law does not appear to have precluded such levies, but the enacted budget requires that the respective portions levied for current expenses and permanent improvements each year be limited by the apportionment. It also permits the board of education of a school district in which a school district income tax is levied to reduce the tax rate by a multiple of 0.25% without voter approval. Permitting a board of education to lower the school district income tax rate without seeking voter approval may avoid the cost of obtaining approval to make such a change through an election.

MOTOR FUEL TAX AND MOTOR FUEL USE TAX

Am. Sub. H.B. 67, the transportation budget act, reduced the motor fuel tax shrinkage and evaporation discount and refund amounts for the FY 2008 - 2009 biennium. Under current law, a motor fuel dealer that files a complete and timely monthly tax report is entitled to deduct a discount equal to 3% of the fuel gallonage the dealer received minus 1% of the fuel gallonage sold to retailers. Am. Sub. H.B. 66 of the 126th General Assembly reduced the discount percentages for the FY 2006-2007 biennium. H.B. 67 reduced the percentages to 1% (minus 0.5% of gallonage sold to retailers). Similarly, retailers who purchase fuel on which the motor fuel tax has been paid are granted a refund of 1% of the taxes paid under current law, and H.B. 119 reduces this percentage to 0.5%. In addition, H.B. 67 permitted retailers to claim a vendor discount for motor fuel they purchase, with the discount equaling 0.9% of the fuel tax paid on the fuel purchased. Am. Sub. H.B. 119 amends this section of H.B. 67 to permit motor fuel dealers to claim this discount.

These provisions will increase revenue from the tax by approximately \$20.5 million in both FY 2008 and FY 2009. H.B. 67 specifies that between \$15 million and \$19.2 million of this amount is to be transferred each year to the Highway Safety Fund (Fund 036). This leaves an increase between \$1.3 million and \$5.5 million each year to be shared by several state funds and local governments. Specifically, the Highway Operating Fund (Fund 002) would receive an increase of about 71.3%, the Waterways Safety Fund (Fund 086) would receive 0.875%, the Wildlife Boater Angler Fund (Fund 5P2) would receive 0.125%, and the Local Transportation Improvement Program Fund (Fund 052) would receive about 3.6%. Municipalities, counties, and townships would share the remaining approximately 23.8% of the increase.

LODGING TAX

H.B. 119 authorizes a county with a population greater than 65,000 and less than 70,000, and which last increased its tax rate to 3% in November 1984, to increase lodging taxes by not more than 1% to pay the expenses of the county's convention and visitors' bureau to promote travel and tourism. The only county in this population range, based on the 2000 Census, is Marion County. Data from the Department of Taxation indicate that Marion County's 3% tax raised \$297,810 in CY 2005, divided among the county and two of its subdivisions. A 1% additional tax might raise about \$100,000. The provision is permissive, and probably will result in higher lodging taxes.

The enacted budget authorizes a county with a population of less than 250,000 to extend lodging taxes for up to an additional 15 years to continue to pay costs of acquiring, constructing, equipping, and improving a municipal educational and cultural facility. Current law allows this tax to be levied for this purpose for up to 15 years. Based on information published by the Department of Taxation, this provision appears to apply only to Fairfield County and raised about \$110,000 in calendar year 2005. Its extension will likely result in higher lodging taxes than otherwise.

Also, H.B. 119 allows a charter county to increase its lodging tax by up to 1% for up to ten years, to be used to pay the costs of improving, expanding, equipping, financing, or operating a convention center by a convention and visitors' bureau. This provision applies only to Summit County and is permissive. Data from the Department of Taxation indicate that Summit County and its political subdivisions raised \$4,088,484 in 2005 from lodging taxes at rates from 3% to 4.5%. An additional 1% tax might raise somewhat more than \$1 million per year.

MISCELLANEOUS TAX PROVISIONS

Pass-Through Treatment For Job Creation And Retention Tax Credits

The enacted budget requires recipients of job creation and job retention tax credits that are organized as partnerships, S corporations, limited liability companies, or other pass-through entities to elect pass-through treatment of the credit. The provision has no fiscal effect.

Delinquency Collection Funds for Foreclosure Prevention

Up to \$3 million in a county's delinquent tax and assessment collection fund may be used, under H.B. 119, for foreclosure prevention and for abating nuisances in the form of deteriorated residential buildings in foreclosure, if the county's population exceeds 1.2 million and the board of county commissioners adopts a resolution authorizing such use. Only Cuyahoga County would qualify, based on the population restriction. The money must be expended before July 1, 2008.

TIF Exemption Applications Retroactive Effective Date

Resolutions adopted by a board of township trustees of a limited home rule township pursuant to Chapter 504. and section 5709.73 of the Revised Code in December 2005 are deemed, under the bill, to have had an immediate effective date if the board unanimously adopts a resolution so declaring. This applies to TIF exemption applications for exemption under R.C. 5709.73 pending before the Tax Commissioner on July 1 and to applications filed or refiled within 90 days thereafter. The fiscal effect of this provision is unclear.

Muskingum Watershed Conservancy District

H.B. 119 specifies the notification requirements for the Muskingum Watershed Conservancy District in imposing a maintenance assessment scheduled to begin collection in CY 2008. The District will be required to send such notice, by U.S. mail, to each person who owns property within the territorial boundaries of the district that is a commercial or industrial parcel subject to the assessment. Such property would include any parcel classified by a county auditor as commercial or industrial according to the county auditor's use codes as listed in the Conservancy Appraisal Record of that District. The notice is to be sent not later than 90 days prior to the date on which the maintenance assessment is scheduled to begin collection.

County Convention Centers

The operating budget act authorizes a board of county commissioners of a county with a population greater than 400,000 to purchase, lease, construct, enlarge, improve, rebuild, equip, or furnish a convention center, if the population of the largest city in that county comprises more than one-third of the county's population. It changes the statutory criteria governing which counties may issue securities for, and operate and maintain, an arena or convention center, also authorizing these actions in a county with a population over 400,000 in which the largest city has more than one-third of the population. Based on 2000 Census figures, Cuyahoga, Franklin, Hamilton, Summit, and Lucas counties would qualify.

Earmark for the Ohio Grape Industries Fund

H.B. 119 extends through June 30, 2009 the two cents earmark of wine tax revenues that is credited to the Ohio Grape Industries Fund. In FY 2006 and FY 2007, appropriations to the Fund were \$1.3 million and \$1.1 million.

Clarification of Tax Base Change for the Foreign Insurers' Tax

H.B. 119 clarifies a change made in previous legislation to the tax base of this tax. The tax is administered by the Department of Insurance, and the details of the clarification are described in that Department's section of this document.