



- The Library and Local Government Stabilization Fund (LLGSF) receives payments from personal income tax revenues. The ability for practices to form corporations could decrease personal income tax revenue credited to the LLGSF.
- The number of practices that would choose to establish LLC's or corporations is unknown.
- A provision in Am. Sub. H.B. 215 will allow the state to receive personal income tax revenue from association partners who are not residents of Ohio.

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## ***Detailed Fiscal Analysis***

### **STATE EFFECTS**

#### ***Types of Combined Practice***

The bill permits individuals licensed by the Medical Board, Optometry Board, Psychology Board, Pharmacy Board, Nursing Board, Board of Chiropractic Examiners, and physical therapists licensed by the Occupational Therapy, Physical Therapy, and Athletic Trainers Board to engage in a combined form of practice. Under this bill, the combined practice can be established as one of the following types of organizations:

1. A corporation formed under the General Corporation Law (ORC 1701.)
2. A limited liability company formed under the Limited Liability Company Law (ORC 1785.)
3. A partnership
4. A professional association formed under the Professional Association Law (ORC 1785.)

Of these four structures, only a corporation is required to file corporate franchise tax. Under current law, medical doctors and osteopaths cannot operate as a corporation or limited liability company (LLC). This bill would allow these professionals, as well as optometrists and chiropractors, the option of forming corporations and LLC's. This could potentially increase corporate franchise tax revenue. LBO cannot predict the amount of increased revenue attributed to corporations and LLC's because the number of potential practices choosing to operate as a corporation or LLC is unknown.

### **LOCAL EFFECTS**

#### ***Local Government Fund & Local Government Revenue Assistance Fund***

The Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAFF) both receive revenue from the state's corporate franchise tax and personal income tax. Under this bill, medical doctors and osteopaths will be permitted to practice as a corporation or a LLC. As discussed above, corporations pay corporate franchise taxes and while members of an LLC pay the personal income tax. It is impossible to determine how many professionals would

elect to form corporations. For this reason, LBO estimates that there will be a potential indeterminate net effect on revenues to the LGF and the LGRAF.

### ***Library and Local Government Stabilization Fund***

Revenues to the Library and Local Government Stabilization Fund (LLGSF) could decrease indeterminately. The LLGSF is funded by the personal income tax. Under this bill, certain professionals will be allowed to form practices as corporations. Although the exact number is not known, the increase in corporations will decrease personal income tax revenues, which will adversely affect the LLGSF.

### ***Personal Income Tax and Am. Sub. H.B. 215***

Under current state law, it is difficult to ensure that partners who are non-residents of Ohio pay personal income tax to the state. A provision in Am. Sub. H.B. 215 would ensure payment and would provide indeterminate increases in personal income tax revenue.

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## ***Synopsis of Changes from Preceding Version***

This synopsis compares the fiscal effects of the changes in this bill to the previous version (As Passed by the Senate). The main effect of the changes occurring in the House Health, Retirement, and Aging Committee is the addition of the professions of pharmacists and physical therapists to the group eligible to form the new business arrangements. There will be minimal fiscal effects as a result of this change.