Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 121** DATE: **May 15, 2007**

STATUS: **As Introduced** SPONSOR: **Rep. Setzer**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Exempts sales of motor vehicles used for vanpooling from the sales and use tax**

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Up to $190,000 loss	Up to $190,000 loss
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- Exempting sales of motor vehicles used for vanpool ridesharing from the sales and use tax would reduce the sales and use tax base and revenues. The reduction in state sales and use tax revenues would decrease revenues to the General Revenue Fund (GRF). Under current Revised Code provisions, the GRF receives 95.2% of state sales and use tax revenues.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties, Municipalities, and Transit Authorities			
Revenues	Potential loss	Up to $54,000 loss per year	Up to $54,000 loss per year
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Exempting sales of motor vehicles used for vanpool ridesharing from the sales and use tax would reduce the sales and use tax base and revenues. The reduction in state sales and use tax revenues would decrease distributions to the local government funds from the state sales and use tax. Under current Revised Code provisions, state sales tax receipts are distributed to the Local Government Fund (4.2%) and the Local Government Revenue Assistance Fund (0.6%).

- Exempting sales of motor vehicles used for vanpool ridesharing would also reduce revenues from the county permissive sales tax, the county additional sales tax, and the transit authority sales tax. These local sales taxes have the same base as the state sales and use tax.

Detailed Fiscal Analysis

Prior to 2003, Ohio sales and use tax law provided an exemption for the sale or lease of a motor vehicle to be used exclusively for a vanpool ridesharing arrangement (when the vendor had a contract with the Department of Transportation). A vanpool ridesharing arrangement typically involves an organization that helps commuters join existing vanpool routes or helps them establish a new one. Once a vanpool group is formed, the riders rent a vehicle from a vanpool provider. The provider, which owns the vehicle, charges a monthly fee for the vehicle's use. Am. Sub. H.B. 95 of the 125th General Assembly eliminated this exemption.

H.B. 121 restores the tax exemption and would decrease the sales and use tax base. Therefore, the exemption would reduce revenues from the sales and use tax. The state revenue loss from the exemption may be up to $200,000 per year. State sales tax receipts are distributed to the General Revenue Fund (GRF at 95.2%), the Local Government Fund (LGF at 4.2%), and the Local Government Revenue Assistance Fund (LGRAF at 0.6%). Thus, the GRF revenue loss would be up to $190,000 per year. The combined revenue loss to the LGF and LGRAF would be up to $10,000 per year.

The sales tax base for the county permissive sales tax, the county additional sales tax, and the transit authority sales tax is the same as that of the state sales and use tax. Thus, the exemption would reduce revenues from the local county and transit authority sales taxes. The revenue loss from the exemption to the local county permissive and transit authority taxes would be up to $44,000 per year.

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