



Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: [H.B. 360 of the 128th G.A.](#)

Date: August 11, 2010

Status: As Introduced

Sponsor: Reps. Snitchler and Morgan

Local Impact Statement Procedure Required: Yes

Contents: To grant an income tax credit for individuals who obtain journeyman status and who reside in Ohio

State Fiscal Highlights

STATE FUND	FY 2011	FY 2012	FUTURE YEARS
General Revenue Fund			
Revenues	Potential loss between \$3.5 million and \$3.9 million	Potential loss between \$7.0 million and \$7.7 million	Increasing losses in every year until the sixth year when potential loss will be between \$21.0 million and \$23.2 million
Expenditures	May increase for ODJFS	May increase for ODJFS	May increase for ODJFS

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The nonrefundable credit against the personal income tax would reduce total revenues for six years after the credit was awarded to an eligible taxpayer. The credit would be equal to a taxpayer's net tax liability.
- According to Ohio Department of Job and Family Services (ODJFS) data about journeymen, more than 4,500 people may become eligible every year. This would yield a potential GRF revenue loss of at least \$21.0 million in the sixth year and every year thereafter.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
Counties, municipalities, townships, and public libraries (LGF and PLF)			
Revenues	Minimal loss	Loss of several hundred thousand dollars	Annual revenue loss peaks at an amount between \$1.3 million and \$1.5 million
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.

- The nonrefundable tax credit for journey persons may reduce personal income tax revenue. The Local Government Fund (LGF) and Public Library Fund (PLF) would bear 3.68% and 1.97%, respectively, of any such revenue loss. In future biennia, the PLF would bear 2.22% of the total income tax revenue loss.

Detailed Fiscal Analysis

The bill authorizes an income tax credit for an individual who, on or after the bill's effective date, completes an apprenticeship program registered with the Ohio State Apprenticeship Council and resides in Ohio. The credit eliminates the individual's net tax liability for six years. The individual must claim the credit for the individual's taxable year that includes the date the credit application was approved and for each of the succeeding five taxable years.

The individual must apply to the Director of Job and Family Services for the credit within one year after completing the apprenticeship program. If the individual is entitled to the credit, the Director must issue a tax credit certificate to the individual, which must state the individual's name and Social Security number, the date the credit application was approved, and the taxable years for which the credit must be claimed.

Fiscal effect

The total revenue loss from H.B. 360 could be between \$3.7 million and \$4.1 million in the first year, but it could be between \$22.3 million and \$24.7 million in the sixth year and every year thereafter. Table 1 provides a more detailed illustration of the revenue impact of this legislation.

The journeyman tax credit would be applicable only to those individuals that earn the proper designation after the bill becomes law. Upon enactment, Ohioans that complete an appropriate program will be eligible for the journeyman credit for six years. In the event that a person becomes a nonresident of Ohio before the six-year period is complete, the bill has a "clawback" provision which holds the taxpayer liable for the total value of the credit claimed in both the current and all prior years. Information from the Ohio Department of Job and Family Services (ODJFS), which provides data about registered apprenticeship programs, suggests that approximately 4,500 people will annually complete a registered apprenticeship program.

The journeyman tax credit in H.B. 360 is available to those that complete a program that is registered with the Ohio State Apprenticeship Council in ODJFS. Data on recent graduates suggest that those who complete a registered apprenticeship program can earn an average yearly wage of \$40,500, which would likely yield a net annual tax liability between \$827 and \$913. These estimated annual tax liabilities were derived, in part, from the effective tax rates of joint filers and single filers earning a comparable salary in recent years. If 4,500 individuals attain journeyman status in a given year, the total revenue loss that year could be as much as \$4.1 million. However, the annual revenue loss would be a sum less than this amount depending on a variety of factors such as: whether the journeyman is filing jointly, the number of dependents claimed on their return, and the frequency with which the "clawback" provision is employed. Furthermore, the income tax rates for tax year (TY) 2011 will be lower than those in effect for TY 2009-TY 2010 (per H.B. 318 of the 128th General

Assembly), and lower tax rates reduce the journeypersons' net tax liability as well as the corresponding value of the journeyperson tax credit.

Revenue from GRF taxes, such as the personal income tax, is distributed to the General Revenue Fund (GRF), the Local Government Fund (LGF), and the Public Library Fund (PLF). In the current biennium, the GRF will bear 94.35% of any revenue loss, but in successive biennia, the GRF's share of the total revenue loss will be 94.1%. The local government funds will bear 5.65% of the loss in FY 2011 and 5.90% of the loss in future biennia. The GRF revenue loss would be between \$3.5 million and \$3.9 million in FY 2011, and would grow to between \$21.0 million and \$23.2 million in FY 2016 and every year thereafter.¹ The revenue loss to the local government funds would be about \$0.2 million in FY 2011, and between \$1.3 million and \$1.5 million in FY 2016 and thereafter.

Fiscal Year	Personal Income Tax	GRF	LGF and PLF
2011	3.7 – 4.1	3.5 – 3.9	0.2
2012	7.4 – 8.2	7.0 – 7.7	0.4 – 0.5
2013	11.2 – 12.3	10.5 – 11.6	0.7
2014	14.9 – 16.4	14.0 – 15.5	0.9 – 1.0
2015	18.6 – 20.6	17.5 – 19.3	1.1 – 1.2
2016	22.3 – 24.7	21.0 – 23.2	1.3 – 1.5

Note: Sum of GRF, LGF, and PLF figures may not equal Personal Income Tax total because of rounding

ODJFS must administer the journeyperson tax credit. Presently, ODJFS does not administer any state tax credits, but the agency does administer the Work Opportunity Tax Credit (WOTC) program, which is authorized by the federal government. LSC staff is unsure as to whether the additional responsibility would increase ODJFS expenditures. ODJFS did not have sufficient time to respond to a request for its evaluation of the fiscal impact of H.B. 360.

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¹ Personal income tax brackets are indexed to inflation beginning in TY 2010. If the annual growth rate in journeypersons' wages is equal to inflation, the foregone revenue on account of this tax credit will remain constant after FY 2016 as long as the number of people earning the journeyperson designation every year remains constant.