Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL: **Sub. H.B. 484**

DATE: **May 25, 2000**

STATUS: **As Enacted – Effective October 5, 2000**

SPONSOR: **Rep. Buehrer**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Requires all multi-wheeled agricultural tractors operated on roads to be equipped with lights; provides tax credit for installation of lights.**

State Fiscal Highlights

STATE FUND	FY 2001	FY 2002	FUTURE YEARS
General Revenue Fund			
Revenues	Potential loss of up to $1.1 million	Potential loss of up to $1.1 million	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2001 is July 1, 2000 - June 30, 2001.

- The estimated GRF revenue loss is $2.2 million. It is not likely all farms will take the credit in the first year and take the full amount available for the credit. The actual revenue loss is contingent on the year in which the credit is taken and the amount of the credit. LBO assumed one-half of the credit would be taken in FY 2001 and the other half taken in FY 2002.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2000	FY 2001	FUTURE YEARS
Counties, Municipalities, and Townships (LGF, LGRAF, LLGSF)			
Revenues	- 0 -	Potential loss of up to $0.15 million	Potential total loss of up to $0.15 million in FY 2002
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 estimated LGF, LGRAF, LLGSF revenue loss is $0.3 million. It is not likely all farms will take the credit in the first year and take the full amount available for the credit. The actual revenue loss is contingent on the year in which the credit is taken and the amount of the credit. LBO assumed one-half of the credit would be taken in FY 2001 and the other half taken in FY 2002.

Detailed Fiscal Analysis

The bill requires additional lighting for multi-wheeled agricultural tractors, defined as having 2 or more wheels on each side and used for drawing other vehicles or machinery, that are used on streets or highways during low-visibility or night-time conditions. The lighting shall be such that the extreme left and right sides of the tractor are indicated by flashing, amber lights, visible to the front and rear, reflectors visible to the front, and by red reflectors visible to the rear.

Violation of the bill's requirements is punishable as a minor misdemeanor on a first offense. If within one year the offender violates the bill's provisions a second time, the offense is a misdemeanor of the fourth degree, and so forth with the third offense within the one year being a misdemeanor of the third degree.

The bill allows a nonrefundable tax credit against the corporate franchise tax for farms organized as corporations or the state personal income tax for farms not organized as corporations. The credit equals the lesser of 50 percent or $1,000 for the sum of expenditures for lights and reflectors mandated by this bill

LBO called two farm equipment dealers in the central Ohio area. One reported the estimated cost for parts and labor to install reflectors and blinking lights would be at least $200 and the other estimated the cost to be $250 to $300; the cost varying by type of tractor. Labor costs represent about 75 percent of the installation cost, with the actual cost of parts being around $50. Most of the new models of farm machinery have this modification installed in the factory; it has been an industry standard for the past 10 years. Of course, the price to the taxpayer would be lower should the installation be done themselves. The Ohio Agricultural Statistics Service (OASS) reports that approximately 150,000 wheeled-tractors are on Ohio farms that were manufactured before 1993, of which approximately 40,000 tractors would qualify as multi-wheeled. If all of these tractors were to be upgraded at $250 per tractor, the estimated maximal revenue loss is approximately $7.2 million.

But, assuming half the multi-wheeled tractor owners do it themselves (no labor cost) and the other half pay a dealership to perform the work, then the maximal revenue loss is $4.3 million. Then, further assuming that 40 percent of the tractors currently meet the bill's standards, the total estimated revenue loss is approximately $2.5 million.

Therefore the, revenue loss is approximately $2.5 million, of which $2.2 million is designated for state GRF and $0.3 million is designated for local government funds (LGF, LGRAF, and LLGSF). The actual revenue loss is contingent on the year in which the credit is taken and the amount of the credit. With an effective date of October 5, 2000, the tractor owner would have one year in which to make the upgrade, through October 5, 2001. The expenditures may be credited in either tax year 2000 (filed in FY 2001) or tax year 2001 (filed in FY 2002). For this analysis, LBO assumed half of the credits were claimed in FY 2001 and the other half in FY 2002.

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