Greenbook

LSC Analysis of Enacted Budget

Department of Taxation

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Legislative Service Commission

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- The Department oversees and enforces taxes and fees that raise nearly $30 billion in annual revenue
- For municipal taxes on business net profits, taxpayers are allowed to choose either to file with TAX or with the cities or villages levying the tax, or their service providers, under a change enacted in the budget

Department of Taxation

OVERVIEW

Agency Overview

The Ohio Department of Taxation (TAX) is responsible for the administration and enforcement of most state and locally levied taxes. Headed by the Tax Commissioner, the Department administers all state taxes except the insurance taxes and the motor vehicle license tax. The Department performs such duties as registering taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, conducting audits, and enforcing Ohio tax laws. In addition, the Department oversees the administration of the real property tax by local governments.

The Department of Taxation is also responsible for determining the amounts of various revenue distributions to local governments, including motor fuel tax distributions, reimbursement of local governments for property tax relief, permissive sales and use tax distributions, and allocations to counties from the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065).

Appropriation Overview

The Department of Taxation's budget includes funds in four fund groups, as shown in Table 1. The General Revenue Fund accounts for 3.4% of the Department's budget and Dedicated Purpose Funds account for 3.6%. Most of TAX's outlays (93%) are from Fiduciary Funds, mainly tax refunds.

Table 1. Agency Appropriations by Fund Group, FY 2018-FY 2019 (Am. Sub. H.B. 49)

Fund Group	FY 2017 (Actual)	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
General Revenue	$67,270,743	$67,260,978	-0.01%	$69,903,545	3.9%
Dedicated Purpose	$59,109,476	$69,691,020	17.9%	$68,273,453	-2.0%
Fiduciary Funds	$2,283,071,771	$1,912,032,500	-16.3%	$1,877,188,500	-1.8%
Holding Account	$0	$25,500	NM	$25,500	0.0%
TOTAL	**$2,409,451,991**	**$2,049,009,998**	**-15.0%**	**$2,015,390,998**	**-1.6%**

The enacted budget provides the Department of Taxation with GRF administrative funding of $67.3 million for FY 2018 and $69.9 million for FY 2019. The FY 2018 GRF appropriation total is little changed (less by under $10,000) from FY 2017 expenditures. The appropriation total for FY 2019 is $2.6 million (3.9%) higher than for FY 2018. The two line items that account for GRF administrative funding are 110321, Operating Expenses, and 110404, Tobacco Settlement Enforcement. The latter account has an appropriation of $0 in FY 2018 under a plan to use cash balances in Fund 6390 (line item 110614, Cigarette Tax Enforcement) in FY 2018 for programs supported by both GRF and non-GRF funds. The appropriation for line item 110614 increases to $2.0 million in FY 2018 then declines to $1.8 million in FY 2019. A similar plan is to use cash balances in Fund 2280 (line item 110628, CAT Administration) in place of spending from GRF line item 110321, Operating Expenses. The appropriation for line item 110628 rises to $17.5 million in FY 2018 then declines to $15.0 million in FY 2019.

The budget provides the Department of Taxation with total administrative funding of $137.0 million for FY 2018 and $138.2 million for FY 2019. Total appropriations for FY 2018 are $10.6 million (8.4%) higher than expenditures in FY 2017. Total appropriations for FY 2019 are $1.2 million (0.9%) higher than for FY 2018. The increase in administrative funding in FY 2018 reflects the increase in the CAT Administration line item noted in the previous paragraph, and increased funding for Municipal Income Tax Administration, STARS Development and Implementation, Local Tax Administration, Tax Amnesty Promotion and Administration, and School District Income Tax Administration, all of which are discussed below. The amounts for administration do not include funds that are distributed to other units of government or to taxpayers by the Department of Taxation. Administrative funding accounts for only about 7% of the Department of Taxation's total budget.

Total funding in the enacted budget for the Department of Taxation is $2,049.0 million for FY 2018 and $2,015.4 million for FY 2019. Total FY 2018 appropriations are $360.4 million (15.0%) lower than expenditures in FY 2017, mainly reflecting smaller tax refunds. Total funding for FY 2019 is $33.6 million (1.6%) lower than for FY 2018, mainly reflecting a smaller appropriation for tax refunds, and also the end of the 2018 tax amnesty program enacted in H.B. 49 and discussed below. These amounts include the administrative funding described above, distributions of tax refunds, and other distributions of revenues by the Department of Taxation. Not included are funds in the State Revenue Distribution Funds, a separate set of appropriations in the budget which now includes the Municipal Income Tax line item, previously in the Department of Taxation budget.

Staffing of the Department in the next biennium was projected at 1,020, down from 1,075 in the FY 2016-FY 2017 biennium and 1,200 in the FY 2014-FY 2015 biennium. The planned number of employees by organizational unit is shown in Table 2.[1]

Table 2. Department of Taxation Staffing		
Organizational Unit	**FY 2016-FY 2017 Number**	**FY 2018-FY 2019 Projected Number**
Tax Commissioner	9	8
Chief Counsel	47	52
Tax Equalization	19	16
Criminal Investigations Division	32	35
Human Resources	8	9
Internal Audit	4	8
Organizational Development	12	9
Administrative Counsel	0	0
Office of Agency Performance	20	18
Information Services Division	116	100
Audit	249	254
Taxpayer Services	136	125
Compliance	109	86
Business Tax	56	60
Excise and Energy	28	27
Personal and School District Income Tax	73	74
Employment Tax	54	48
Revenue Processing	67	54
Budget and Fiscal Services	23	25
Tax Analysis	8	7
Legislation	2	2
Communications	3	3
TOTAL	**1,075**	**1,020**

The next several pages detail changes made by H.B. 49 to administrative functions and procedures at the Department of Taxation, followed by an analysis of appropriation line items in the Department's budget. Following that section of the Greenbook is a section detailing changes made affecting the State Revenue Distributions section of H.B. 49, including an analysis of the funding provided through line items in that section of the budget act. The Greenbook concludes with a section that explains changes in tax law made by H.B. 49.

[1] The biennium figures were those estimated for the Department's budget proposals.

Major Initiatives

The enacted budget allows taxpayers to file returns for municipal taxation of business profits with either local jurisdictions or the Department of Taxation. Businesses operating in multiple cities or villages would be subject to a uniform set of rules governing municipal taxation of net profits. The Department would distribute tax collections to the appropriate municipalities. The budget provides an additional $2.25 million in FY 2018 and $5.0 million in FY 2019 for the Department's administrative costs from the expected additional workload. These amounts are the increments above the yearly amounts appropriated in the previous biennium for municipal income tax administration, used to pay the Department's costs to administer collection of the municipal income tax on electric light and local exchange telephone companies.

The Department is taking over responsibility in the current biennium for maintenance and improvement of the State Taxation Accounting and Revenue System (STARS). STARS is an integrated system of hardware and software to allow the Department, for example, to identify taxpayers delinquent in payment of one tax but owed a refund of another tax. It replaces legacy systems that generally functioned separately, unable to interact with one another. In the upcoming biennium, the Department will take over responsibility for system maintenance and improvement. Funding for STARS is budgeted to be provided by shifting surplus balances from six other funds used by the Department, totaling up to $6.0 million in the biennium.

Auditing software used by the Department is to be replaced by a new software package that will include additional taxes, be capable of communicating with STARS, and be accessible by the Board of Tax Appeals. The older program, Office and Field Audit Support Tool (OFAST), has been in use since 2003. OFAST cannot be used for auditing newer taxes including the commercial activity tax (CAT) and the financial institutions tax. The new software is expected to enhance auditors' accuracy and efficiency. Development of the replacement for OFAST is expected to be completed in June 2018.

Thwarting theft of income tax refunds remains a priority. The Department's computer systems include fraud detection capabilities. Analysis of data is used to flag potentially fraudulent returns, reducing the number of taxpayers told either to take a quiz to validate their identities or submit additional information.

The Department is expected to participate in a project to improve the Ohio Business Gateway portal, used for electronic filing and payment of business taxes. This participation would include advising on technical and business aspects of the upgrade as it is being designed and tested.

Administrative Changes

The budget act requires the Department to report (1) the tax liability, before credits, arising from the taxation of business income taxable at 3%, (2) the liability arising from nonbusiness income taxable under the graduated rate schedule, and (3) the total amount of claimed income tax credits. Under continuing law, business income is deductible up to $250,000, with any excess taxable at a 3% rate, and other (nonbusiness) income such as wages, investment income, and retirement income is taxable under the state's graduated rate schedule. This requirement will have no fiscal effect, as the Department began reporting these amounts starting with release of data for taxable year 2015.

H.B. 49 requires the Tax Commissioner to publish electronically an annual report for the preceding tax year showing the current agricultural use value and market value by taxing district of land on the agricultural land tax list. Users of the report must be able to sort the information by county and by school district. This requirement may increase Department of Taxation expenses, which would likely be paid from non-GRF ALI 110623, Property Tax Administration.

H.B. 49 transfers the collection and refund responsibilities related to the public utility excise tax from the Treasurer of State to the Tax Commissioner. It requires all payments to be made to, and all refunds to be made by, the Commissioner, except for tax payments required to be made by electronic funds transfer, which will continue to be paid to the Treasurer. It shortens the maximum tax filing extension that the Tax Commissioner may allow for public utilities from 60 to 30 days, removes a requirement that excise tax penalties not paid within 15 days be certified to the Attorney General for collection (another existing law still provides for certification of tax debts, but not within 15 days), and allows the Commissioner to assess the excise tax against utilities. The transfer would minimally decrease the Treasurer of State's administrative costs. Currently, the Commissioner determines and certifies the amount of tax due to the utility company and the Treasurer. However, the company pays the tax and estimated tax installments to the Treasurer, though tax reports are filed with the Commissioner. The Treasurer also issues refunds, although the Commissioner determines refund amounts. The public utility excise tax is imposed on the basis of the gross receipts of various classes of utilities, including natural gas, water-works, and pipe-line companies. All revenue from the public utility excise tax is credited to the GRF.

H.B. 49 eliminates the requirement that county auditors submit to the Tax Commissioner a list of vendor's licenses issued and requires county auditors to use a system provided and maintained by the Tax Commissioner to issue sales tax licenses. It requires the Tax Department to make public an electronic list containing the name, account number, and business address of holders of vendor's licenses, direct pay permits, and sellers use tax accounts.

The budget act disallows reinstatement of a sales tax vendor's license that has been suspended for the vendor's repeated failure to remit sales taxes if the vendor has delinquent employer income tax withholding filing or payment obligations. Under prior law reinstatement of the vendor's license was allowed if the vendor filed and paid the sales tax delinquency regardless of whether the licensee was current on employer withholding obligations. The act authorizes the Commissioner to suspend the vendor's license of any vendor that has repeatedly failed to file or pay employer income tax withholdings. These changes are expected to have only minimal fiscal effect.

H.B. 49 authorizes the Tax Commissioner to deny licenses or registrations to applicants that are delinquent in the reporting or payment of any tax, charge, or fee administered by the Commissioner. This change affects licenses and registrations required for wholesale distributors and retail dealers of tires, motor fuel dealers, cigarette wholesalers, and other tobacco product distributors. It could result in additional administrative costs to the Department of Taxation, but may also result in offsetting revenues from improved tax compliance of affected parties.

The enacted budget requires the Tax Commissioner to notify the Department of Commerce's Division of Liquor Control if a liquor permit holder seeking to renew or transfer ownership of the permit is delinquent in paying or reporting various state taxes. In continuing law, notification of sales tax or employer income tax withholding delinquencies is required. This provision adds requirements to notify the Division of delinquencies in horse racing taxes, alcoholic beverage taxes, motor fuel taxes, petroleum activity taxes, use taxes, cigarette and other tobacco product taxes, commercial activity taxes, and gross casino revenue taxes. The liquor permit may not be renewed or transferred unless the tax delinquency is resolved. The additional notification requirement may result in more punctual tax revenue collections from permit holders, and may increase administrative costs to the Department of Taxation for monitoring and enforcement.

H.B. 49 explicitly permits denial or revocation of a license if an applicant knowingly files false or fraudulent information with the Department of Taxation, the Treasurer of State, a county auditor, a county treasurer, or a county clerk of courts, with intent to defraud the state or a political subdivision.

The budget act increases from semiannually to monthly the frequency of excise tax filing and payment for wholesale cigarette dealers. It provides that the monthly filing and payment will be due on the last day of the month covered by the filing. The purpose of the filing is to reconcile the taxes due on cigarettes in a dealer's inventory with the taxes already paid through the purchase of tax stamps. If the tax on some cigarettes has not yet been paid by purchase of a stamp, the dealer must report the discrepancy and pay the deficiency. The Department indicated that dealers were encouraged to report monthly once STARS was implemented for this tax in 2016, so any one-time revenue gain from accelerated receipt of tax payments probably occurred at that time.

The enacted budget amends a section of continuing law that provides that any tax payable to the state and administered by the Tax Commissioner does not have to be paid if the amount due is $1.00 or less. H.B. 49 includes fees and charges in this wording. According to February 2017 testimony by the Tax Commissioner before the House Finance Committee, there was a $1.00 minimum for most taxes and fees administered by the Department. The new wording affects primarily wireless 9-1-1 charges, or E911 charges, levied on retail sales of a prepaid wireless calling service. Under prior law applicable to E911 charges, all amounts were required to be collected or refunded.[2]

The budget act returns authority to decide on property tax exemption applications for state university property to the Tax Commissioner. Previously, authority to decide on such applications was transferred to county auditors in 2011. Returning this authority to the Tax Commissioner may result in a minimal increase in the Department of Taxation's costs.

H.B. 49 eliminates the requirement that half of the application fees paid to have various pollution control or energy conversion facilities certified for property tax and sales tax exemptions be credited to the Exempt Facility Administration Fund (Fund 5W70) to defray TAX's costs of administering the issuance of certificates for such tax exemptions. Payment of these administrative costs is authorized by appropriation item 110627, Exempt Facility Administration, from Fund 5W70. Instead, the act earmarks all revenue arising from such fees to the appropriate state oversight agency, either the Environmental Protection Agency (EPA) or the Development Services Agency (DSA). The provision would decrease revenue allocated to Fund 5W70 and increases revenue allocated to the appropriate oversight agencies' fund, either the Clean Air – Non Title V Fund (Fund 4K20) or the Surface Water Protection Fund (Fund 4K40) for use by EPA, or the Exempt Facility Inspection Fund (Fund 5X10) for use by DSA.[3]

[2] Each seller of a prepaid wireless calling service must file a monthly return with the Tax Commissioner to remit the wireless 9-1-1 charges due in a manner similar to vendors remitting sales tax collections. Revenue from this charge supports the wireless enhanced 9-1-1 system (E911) through which individuals can request emergency service. H.B. 49 also provides that interest (1) is charged for late wireless 9-1-1 fee remittances, and (2) is payable on refunds of overpaid fee remittances, as is the case with unpaid or overpaid sales or use tax remittances.

[3] In prior law, half of the fee (0.5% of the total exempt facility project cost, not to exceed $2,000 per facility) was credited to Fund 5W70 and the other half went to the appropriate oversight agencies' fund – Fund 4K20, Fund 4K40, or Fund 5X10.

Under continuing law, property used for pollution control or converting oil or natural gas to other forms of energy in industrial or commercial settings may be exempted from property taxation, and purchases of such property may be exempted from sales and use taxation. TAX receives exemption applications, makes final determinations, and handles administrative appeals. EPA and DSA provide TAX with opinions on whether property qualifies for the exemption.

The budget act eliminates a requirement that appeals of late property tax penalty waiver decisions by a county board of revision be first appealed to the Tax Commissioner, allowing for direct appeal to the Board of Tax Appeals. It requires county auditors who do not waive a penalty to present that decision before the board of revision for review. This change may reduce the Department's costs.

H.B. 49 removes the Tax Commissioner's authority to issue a severance permit that a severer must obtain before severing natural resources in Ohio. Severers continue to be able to obtain these permits from the Department of Natural Resources (DNR). The budget act requires a severer subject to severance tax to establish a tax account with the Commissioner, and authorizes the Commissioner to request DNR to revoke a severance permit if a severer or well owner fails to comply with severance tax obligations. Eliminating the Commissioner's severance permit issuance authority may reduce TAX's costs and increase DNR's costs, likely by minimal amounts. Establishment of severance tax accounts with TAX may increase the Department's costs, but may also contribute to more efficient administration of the severance tax.

H.B. 49 decreases from three to one the number of municipal tax administrator representatives on the Ohio Business Gateway Steering Committee. This change will have no fiscal effect.

The enacted budget amends the Revised Code to eliminate a fee covering the Department's costs to administer the income tax refund check-off system. Details regarding this change may be found in the "**ANALYSIS OF ENACTED BUDGET**" section of this Greenbook under ALI 110606. The budget act reduces the Tax Commissioner's role in distributing revenue from the income tax checkoff for the Ohio Political Party Fund (Fund 6420). Details regarding this change may be found in the "**ANALYSIS OF ENACTED BUDGET**" under ALI 110613.

H.B. 49 eliminates the August estate tax settlement date, and requires county treasurers to distribute all estate tax revenue received in the preceding calendar year on February 25. Previously, treasurers were required to make semiannual settlements on February 25, and August 20 for estate tax revenue received. The estate tax was repealed for deaths occurring after 2012. However, revenue is still being collected from lengthy estate settlements. The revenue is distributed to the municipal corporation or township where the tax originates (80%) and to the state GRF (20%).

Vetoed Provisions

The Governor vetoed 47 provisions of H.B. 49, including some pertaining to tax law. The House of Representatives voted July 6, 2017, to override 11 of the Governor's vetoes, and the Senate concurred August 22 with six of these veto overrides, none of which pertained to tax law. Vetoes are discussed in this Greenbook at the ends of the "**STATE REVENUE DISTRIBUTIONS**" and "**TAX PROVISIONS**" sections.

ANALYSIS OF ENACTED BUDGET – DEPARTMENT OF TAXATION

Introduction

This section provides an analysis of each appropriation item in TAX's budget. In this analysis, TAX's line items are grouped into two major categories. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation included in the budget. The two categories used in this analysis are as follows:

1. Tax Administration
2. Revenue Distribution

The Revenue Distribution category within the Department of Taxation budget, listed above and in the table that follows, is separate and distinct from the State Revenue Distributions and the funds within that portion of the budget. Information on both the Department of Taxation and the State Revenue Distributions is included in this Greenbook.

To aid the reader in finding each item in the analysis of the appropriations for TAX, Table 3 below shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order in which the line items appear in the budget bill.

Table 3. Categorization of TAX's Appropriation Line Items for Analysis of the Enacted Budget			
Fund	**ALI and Name**		**Category**
General Revenue Fund Group			
GRF	110321	Operating Expenses	1: Tax Administration
GRF	110404	Tobacco Settlement Enforcement	1: Tax Administration
Dedicated Purpose Fund Group			
2280	110628	CAT Administration	1: Tax Administration
4330	110602	Municipal Data Exchange Administration	1: Tax Administration
4350	110607	Local Tax Administration	1: Tax Administration
4360	110608	Motor Vehicle Audit Administration	1: Tax Administration
4370	110606	Income Tax Refund Contribution Administration	1: Tax Administration
4380	110609	School District Income Tax Administration	1: Tax Administration
4C60	110616	International Registration Plan Administration	1: Tax Administration
4R60	110610	Tire Tax Administration	1: Tax Administration
5BP0	110639	Wireless 9-1-1 Administration	1: Tax Administration
5BW0	110630	Tax Amnesty Promotion and Administration	1: Tax Administration
5JM0	110637	Casino Tax Administration	1: Tax Administration
5MN0	110638	STARS Development and Implementation	1: Tax Administration
5N50	110605	Municipal Income Tax Administration	1: Tax Administration
5N60	110618	Kilowatt Hour Tax Administration	1: Tax Administration
5NY0	110643	Petroleum Activity Tax Administration	1: Tax Administration
5V70	110622	Motor Fuel Tax Administration	1: Tax Administration
5V80	110623	Property Tax Administration	1: Tax Administration
5W70	110627	Exempt Facility Administration	1: Tax Administration
6390	110614	Cigarette Tax Enforcement	1: Tax Administration
6880	110615	Local Excise Tax Administration	1: Tax Administration
Fiduciary Fund Group			
4250	110635	Tax Refunds	2: Revenue Distribution
5CZ0	110631	Vendor's License Application	2: Revenue Distribution
6420	110613	Ohio Political Party Distributions	2: Revenue Distribution
Holding Account Fund Group			
R010	110611	Tax Distributions	2: Revenue Distribution
R011	110612	Miscellaneous Income Tax Receipts	2: Revenue Distribution

Category 1: Tax Administration

The Department of Taxation administers the state's tax laws to ensure compliance in filing and payment of taxes and to determine tax liabilities. Table 4 below shows the line items used to fund this function of the Department of Taxation and the appropriated funding levels. These line items are discussed in the paragraphs that follow the table.

Table 4. Appropriated Amounts for Tax Administration, Department of Taxation				
Fund		**ALI and Name**	**FY 2018**	**FY 2019**
General Revenue Fund				
GRF	110321	Operating Expenses	$67,260,978	$69,735,978
GRF	110404	Tobacco Settlement Enforcement	$0	$167,567
		General Revenue Fund Subtotal	***$67,260,978***	***$69,903,545***
Dedicated Purpose Fund Group				
2280	110628	CAT Administration	$17,496,584	$14,996,584
4330	110602	Municipal Data Exchange Administration	$178,156	$178,156
4350	110607	Local Tax Administration	$21,000,000	$21,000,000
4360	110608	Motor Vehicle Audit Administration	$1,523,113	$1,523,113
4370	110606	Income Tax Refund Contribution Administration	$38,800	$38,800
4380	110609	School District Income Tax Administration	$6,427,960	$6,427,960
4C60	110616	International Registration Plan Administration	$705,869	$705,869
4R60	110610	Tire Tax Administration	$255,836	$255,836
5BP0	110639	Wireless 9-1-1 Administration	$298,794	$298,794
5BW0	110630	Tax Amnesty Promotion and Administration	$1,500,000	$0
5JM0	110637	Casino Tax Administration	$75,000	$75,000
5MN0	110638	STARS Development and Implementation	$3,000,000	$3,000,000
5N50	110605	Municipal Income Tax Administration	$2,400,000	$5,150,000
5N60	110618	Kilowatt Hour Tax Administration	$100,000	$100,000
5NY0	110643	Petroleum Activity Tax Administration	$1,000,000	$1,000,000
5V70	110622	Motor Fuel Tax Administration	$5,175,897	$5,175,897
5V80	110623	Property Tax Administration	$6,000,000	$6,000,000
5W70	110627	Exempt Facility Administration	$49,500	$49,500
6390	110614	Cigarette Tax Enforcement	$1,965,511	$1,797,944
6880	110615	Local Excise Tax Administration	$500,000	$500,000
		Dedicated Purpose Fund Group Subtotal	***$69,691,020***	***$68,273,453***
Total Funding: Tax Administration			**$136,951,998**	**$138,176,998**

The tax administration function includes several components. The Taxpayer Services Program provides information to taxpayers and improves compliance with tax laws by telephone and email, and through presentations to groups. Tax Processing reviews paper and electronic submissions of tax forms, enters the data into the Department's computer systems, and retains tax returns. Tax Compliance audits returns and issues notices and assessments for unpaid taxes, matches persons delinquent in making child support payments with taxpayers owed Ohio income tax refunds, provides the first level of appeal of the Tax Commissioner's findings in tax disputes, and engages in other enforcement and investigation activities. Tax Policy and Analysis monitors and analyzes tax legislation, gives technical assistance to the executive and legislative branches, and provides for the legal counsel needed in tax cases. Local Government Services gives information and assistance to units of local government, and provides for administration of certain local taxes.

Summary information is provided below first for the GRF line items, then for the Dedicated Purpose Fund Group items, with those that have the largest appropriations listed first.

Operating Expenses (110321)

This GRF line item pays for personal services, maintenance, and equipment expenses of TAX. Appropriated funding for this line item is $67.3 million in FY 2018, $0.1 million (0.2%) more than spending in FY 2017, and $69.7 million in FY 2019, $2.5 million (3.7%) more than in FY 2018. The administrative costs of the Taxpayer Services, Tax Processing, and Tax Policy and Analysis functions, and most of these costs for the Tax Compliance function, are paid from this line item.

Tobacco Settlement Enforcement (110404)

This GRF line item pays for enforcement of cigarette tax laws. Funding is eliminated for this line item in FY 2018, and rises to $0.2 million in FY 2019. The drop in FY 2018 and rise in FY 2019 are both related to a funding shift in FY 2018 to the Cigarette Tax Enforcement line item to use excess balances in Fund 6390.

Local Tax Administration (110607)

This line item, drawing on Fund 4350, is used to pay costs incurred by TAX in collecting and administering the county and regional transit authority sales and use taxes. The budget appropriates $21.0 million to fund this function in each of FY 2018 and FY 2019, an increase of $1.8 million (9.2%) from the FY 2017 expenditure. Revenues to the fund, from a 1% fee on net collections of this tax, have been growing. A transfer of excess cash balances from Fund 4350 to Fund 5MN0 is included in the budget to fund spending on STARS Development and Implementation. H.B. 49 also allows a portion of this appropriation to be used to pay travel expenses incurred by members of Ohio's delegation to the Streamlined Sales Tax Project.

CAT Administration (110628)

This line item, Fund 2280, provides funding for administration of various taxes including the CAT. Funding of ALI 110628 is $17.5 million in FY 2018, an increase of $2.4 million (16.2%) from outlays in FY 2017, and $15.0 million in FY 2019, a decrease of $2.5 million (14.3%) from FY 2018. This line item was funded by 0.85% of CAT receipts. Under a provision of the enacted budget, this percentage was reduced to 0.75% beginning July 1, 2017. A transfer of excess cash balances from Fund 2280 to Fund 5MN0 is included in the budget to fund spending on STARS Development and Implementation.

School District Income Tax Administration (110609)

Expenses of TAX to administer the school district income tax are paid from this line item, Fund 4380. These expenses include costs to convey information to employers about the tax rate in any school district. Funding is from 1.5% of school district income tax collections. The Department distributed revenues to 193 school districts in the latest quarter. This line item has funding appropriated at $6.4 million in each year of the next biennium, $1.3 million (26.4%) more than spending in FY 2017. Revenue to the fund has trended upward from year to year along with the number of districts levying an income tax. A transfer of excess cash balances from Fund 4380 to Fund 5MN0 is included in the budget to fund spending on STARS Development and Implementation.

Property Tax Administration (110623)

Costs of TAX to administer property taxes are paid from this line item, Fund 5V80. Taxes included are the personal property tax on public utilities and the tax on real property. This line item includes funding recommended at $6.0 million in each of FY 2018 and FY 2019, $2.1 million (25.7%) less than spending in FY 2017. Revenue to this fund increased due to an increase in pipeline activity subject to the tax on public utility personal property, according to TAX, while organizational changes reduced funding needed for property tax administration. A provision of the transportation budget, H.B. 26, amended R.C. 5703.80 to reduce revenue to this fund. A transfer of excess cash balances from Fund 5V80 to Fund 5MN0 is included in the budget to fund spending on STARS Development and Implementation.

Motor Fuel Tax Administration (110622)

Costs for TAX to administer the motor fuel tax are paid from this line item, Fund 5V70, which is funded by 0.275% of the revenues from the tax. Revenues of the fund are stable, fluctuating in a narrow range. The budget appropriates $5.2 million for both FY 2018 and FY 2019, $0.3 million (6.3%) more than spending in FY 2017. A transfer of excess cash balances from Fund 5V70 to Fund 5MN0 is in the budget to fund spending on STARS Development and Implementation.

The enacted budget includes a technical correction to a motor fuel tax statute amended by H.B. 26 of the 132nd General Assembly, the Transportation Appropriations Act, which eliminated the Tax Commissioner's authority to publish on the Department's website information related to the quantity of motor fuel on which dealers paid tax. The technical correction puts back into the section wording allowing the Tax Commissioner to publish this information. This change will have no fiscal effect.

Municipal Income Tax Administration (110605)

This appropriation item, Fund 5N50, was used in past budgets to pay the Department's costs to administer the municipal income tax on electric light and local exchange telephone companies. The budget expands use of this fund to pay the cost of administering a municipal income tax on business net profits. Under a provision of the budget, taxpayers are permitted to elect either to pay this tax through the Department or directly to the municipal governments (or their collection agencies) to which the tax is owed. Revenue to Fund 5N50 to cover the Department's increased costs for administration would be from a 0.5% fee on municipal net profit taxes collected by the Department. The appropriation to line item 110605 is $2.4 million in FY 2018, $2.3 million more than outlays in FY 2017, and $5.2 million in FY 2019, $2.8 million more than in FY 2018.

The budget act directs the Tax Commissioner, if the Commissioner determines that the Municipal Income Tax Administration Fund (Fund 5N50) has insufficient cash to pay expenses of administering centralized collection of municipal corporation taxes on net profits, to certify the additional cash needed to the Director of Budget and Management. The Director is to transfer cash from the GRF to Fund 5N50 if the Director determines that sufficient funds are available in the GRF. If such a cash transfer is made, the Director and Commissioner are to jointly develop a plan to repay the GRF.

In addition, the Commissioner is to certify to the Director any additional appropriation needed due to the new administrative duties. The Director is to approve the appropriation increase if sufficient funds are available in Fund 5N50. The budget act appropriates the needed amount.

STARS Development and Implementation (110638)

This line item, Fund 5MN0, has been used since FY 2014 to pay costs of the State Tax Accounting and Revenue System. The STARS project was begun in 2008 to facilitate more efficient tax collection, by replacing the Department's numerous legacy systems with an integrated package of hardware and software. In FY 2018, the Department takes over responsibility for maintenance and upgrades of the system. The budget appropriates $3.0 million in each of FY 2018 and FY 2019, more than the expenditure of $0.8 million under this line item in FY 2017 but less than the $3.7 million spent in FY 2016. Under temporary language in the main operating budget bill, funding is provided by transfers from six of the Department's other administrative funds: Fund 2280, Fund 4350, Fund 4360, Fund 4380, Fund 5V70, and Fund 5V80. The budget limits these transfers of cash to a total of $6.0 million in the biennium.

Cigarette Tax Enforcement (110614)

The costs for TAX to enforce cigarette and tobacco tax laws are paid from this line item, Fund 6390. The line item is funded from retail, wholesale, and tobacco product license fees that are renewed annually. Appropriated funding is $2.0 million in FY 2018, $0.4 million (25.4%) more than spending in FY 2017, and $1.8 million in FY 2019, $0.2 million (8.5%) less than in FY 2018. The decrease in FY 2019 matches the increase in funding to GRF line item 110404, Tobacco Settlement Enforcement, from zero in FY 2018. This higher non-GRF appropriation in FY 2018 is intended to use available balances in Fund 6390.

Motor Vehicle Audit Administration (110608)

The Department's costs to investigate sales and use tax returns filed for motor vehicle transactions, to determine if tax liabilities have been met, are paid from this line item, Fund 4360. The source of funding is $0.25 from issuance of each vehicle certificate of title. The budget appropriates $1.5 million in each of FY 2018 and FY 2019, $0.1 million (7.9%) more than expenditures in FY 2017. A transfer of excess cash balances from Fund 4360 to Fund 5MN0 is included in the budget to fund spending on STARS Development and Implementation.

Petroleum Activity Tax Administration (110643)

This line item, Fund 5NY0, is used to pay the Department's costs to administer the tax on gross receipts of motor fuel suppliers. The budget appropriates $1.0 million in each of FY 2018 and FY 2019 for this purpose, $0.1 million (15.5%) more than expenditures in FY 2017. Revenue to the fund is from 1% of the balance, after payment of any refunds, in the Petroleum Activity Tax Fund (Fund R057). The petroleum activity tax is levied at a rate of 0.65%.

Tax Amnesty Promotion and Administration (110630)

The budget includes provision for a tax amnesty program from January 1 to February 15, 2018. The Director of Budget and Management is to transfer $1.5 million from the GRF to the Tax Amnesty Promotion and Administration Fund (Fund 5BW0) to cover the Department's costs to promote and administer the program.

Other Tax Administration (110602, 110606, 110610, 110615, 110616, 110618, 110627, 110637, and 110639)

Other administrative functions of the Department of Taxation are paid from these nine line items. Details on each are included in the Catalog of Budget Line Items (COBLI) for TAX. The appropriation for each of these line items is less than $1.0 million per year in FY 2018 and FY 2019, and they total about $2.2 million in each year. Appropriations to most line items in this group are increased, by less than $0.1 million, or unchanged from expenditures in FY 2017. The exception is ALI 110615 (Fund 6880), Local Excise Tax Administration, for which the appropriation is $0.5 million in each of FY 2018 and FY 2019, down $0.1 million (17.0%) from expenditures in FY 2017. The Department's costs are paid from this line item to administer local taxes in Cuyahoga County on cigarettes, beer, wine, and mixed beverages. Revenue to the fund is from a 2% tax on these sales. The lower appropriation is intended to bring spending into closer alignment with reduced fund revenues attributed to falling cigarette sales in the county.

The enacted budget amends the Revised Code to eliminate a fee covering the Department's costs to administer the income tax refund check-off system. Spending related to the fee is appropriated under ALI 110606, Income Tax Refund Contribution Administration. The fee was taken from each of the six funds that receive contributions from checkoffs on the personal income tax form, and was capped at 2.5% of contributions. Taxpayers may contribute all or part of their refunds to one or more of these funds. Revenue to the Income Tax Contribution Fund (Fund 4370) was $20,798 in FY 2017, near the lower end of its range in recent years. The balance in this fund at the end of FY 2017, $92,265, was more than sufficient to cover the annual appropriations of $38,800 for each of FY 2018 through FY 2019.

Category 2: Revenue Distribution

The Department of Taxation distributes revenue to the parties specified in law. Table 5 below shows the line items that are used to fund this function of the Department of Taxation, as well as the enacted funding levels. As noted above, funding included in this Revenue Distribution category within the Department of Taxation's budget does not include the amounts for funds within State Revenue Distributions. In the enacted budget act, appropriation item 110995, Municipal Income Tax (Fund 7095), was not included in the Department of Taxation budget as in past years, but was instead placed in the State Revenue Distributions section of the budget act.

Table 5. Appropriated Amounts for Revenue Distribution, Department of Taxation				
Fund	**ALI and Name**		**FY 2018**	**FY 2019**
Fiduciary Fund Group				
4250	110635	Tax Refunds	$1,911,472,500	$1,876,628,500
5CZ0	110631	Vendor's License Application	$380,000	$380,000
6420	110613	Ohio Political Party Distributions	$180,000	$180,000
		Fiduciary Fund Group Subtotal	***$1,912,032,500***	***$1,877,188,500***
Holding Account Fund Group				
R010	110611	Tax Distributions	$25,000	$25,000
R011	110612	Miscellaneous Income Tax Receipts	$500	$500
		Holding Account Fund Group Subtotal	***$25,500***	***$25,500***
Total Funding: Revenue Distribution			**$1,912,058,000**	**$1,877,214,000**

Tax Refunds (110635)

Appropriations to this line item are used to pay refunds of taxes or fees for which amounts in excess of those owed have been paid. Amounts in this line item are by far the largest in the budget for TAX. Receipts of the Tax Refund Fund are transferred from current receipts of the same tax or fee for which the refund arose. The appropriation for FY 2018 is $1,911.5 million, $359.6 million (15.8%) lower than expenditures from the fund in FY 2017. The appropriation for FY 2019 is $1,876.6 million, $34.8 million (1.8%) lower than for FY 2018. Any additional amounts needed to pay required refunds are appropriated by the budget act.

Other Revenue Distributions (110611, 110612, 110613, and 110631)

Other line items in the Department of Taxation revenue distribution category have total appropriations of $585,500 in each of FY 2018 and FY 2019, up from expenditures of $537,371 for the same four line items in FY 2017. The largest item is ALI 110631, Vendor's License Application, for which the appropriation is $380,000 in each year of the biennium, higher than spending in FY 2017 by 2.9%. Amounts collected are distributed back to counties. Any additional amounts needed to make required payments are appropriated by the budget act. The act changes law pertaining to vendor's licenses, providing that reinstatement of a license would not be permitted if the vendor has delinquent employer income tax withholding filing or payment obligations outstanding. The Tax Commissioner is authorized to suspend a vendor's license if the vendor has repeatedly failed to file or pay employer income tax withholding. County auditors will no longer be required to submit a list of vendor's licenses issued to the Tax Commissioner, but instead are to issue the sales tax licenses using a system provided and maintained by the Commissioner. The Department is to make public an electronic list of names, business addresses, and account numbers of holders of vendor's licenses, direct pay permits, and sellers use tax accounts.

The next largest item is ALI 110613, Fund 6420, Ohio Political Party Distributions, used to receive funds from the state income tax checkoff to support public financing of Ohio political parties and distribute the funds to qualified political parties. The amounts appropriated for this line item are $180,000 in each of FY 2018 and FY 2019, 7.2% higher than amounts distributed in FY 2017. The budget act reduces the Tax Commissioner's role in distributing revenue from the income tax checkoff for Fund 6420. Instead of distributing half of proceeds from the checkoff to statewide major political parties and half to their county party committees based on relative numbers of checkoffs, as under prior law, the Commissioner is to distribute all such receipts to the statewide parties which are to allocate half to county committees based on information from the Commissioner. This may result in a minimal reduction of Department of Taxation costs.

Analysis of Enacted Budget – State Revenue Distributions

Introduction

The State Revenue Distributions section of the budget act contains appropriations for line items used by agencies to distribute money to designated recipients under various programs. Each of the funds in State Revenue Distributions is administered by a state agency, but the funds are not included as part of the budget of the administering agency. Administering state agencies do not spend this money on operations, but only distribute it as specified in state law. The Department of Taxation accounts for the majority of both the line items and the dollar amounts in State Revenue Distributions.

Most of these funds are distributed to units of local government such as counties, municipalities, public libraries, school districts, and transit authorities. For example, two GRF line items, with total recommended funding of $3.67 billion for the biennium, are used to reimburse school districts and local governments for property tax revenue losses from the homestead exemption and the 2.5% and 10% property tax rollbacks. Though specific dollar amounts are specified for each line item in the State Revenue Distributions section, language in Section 387.20 of H.B. 49 appropriates additional amounts for any of these line items if needed to make required payments.

The State Revenue Distributions section of H.B. 49 as enacted includes three new line items that were not in the previous main operating budget act, H.B. 64 of the 131st General Assembly: 110997, Medicaid Local Sales Tax Transition Fund (Fund 7104); 110995, Municipal Income Tax (Fund 7095); and 110648, Poundage Fee Compensation Fund (Fund 5UD0). These first two items are discussed below. The third item was vetoed, and is excluded from the table and discussion that follow.

A key change for the State Revenue Distribution funds in the enacted budget is the modification of the distribution of money from the LGF. The redistribution codifies payment of $10 million to townships and $2 million to small villages each year that would otherwise have been distributed to cities and villages that levy income taxes. Remaining money that would under codified law be distributed directly to municipalities is instead redirected to various opioid addiction treatment and law enforcement programs. These changes are discussed more fully below.

The budget includes payments to counties and transit authorities to ease the transition away from reliance on sales taxes collected by Medicaid health insuring corporations (MHICs) on health care service transactions. Beginning in July 2017, state and permissive local sales taxes on these transactions are no longer being collected, in order to bring Ohio into compliance with a federal ruling. State payments to help offset the local revenue loss will be made from appropriation item 110997, Medicaid Local Sales Tax Transition Fund (Fund 7104), and are discussed in more detail below.

Another notable change in the State Revenue Distributions section of the budget act is in ALI 110995, Municipal Income Tax (Fund 7095), included in the State Revenue Distributions section in this budget instead of the Department of Taxation section as was previously the case. Under continuing law, Fund 7095 receives 98.5% of taxes collected by the Department of Taxation on behalf of local governments from electric companies and telephone and telecommunications companies subject to the municipal income tax, and distributes these revenues back to municipalities.[4] The budget act greatly expands potential use of Fund 7095, by permitting but not requiring businesses to file a single annual or estimated municipal income tax return with the state. This line item would be used to distribute tax receipts to municipalities. Businesses could instead continue filing with the municipal corporations or service providers where they earn profits as in the past. For businesses that file with the state, the Department of Taxation would administer the filing process, and would retain 0.5% of revenues to defray administrative expenses.

The budget act makes other changes to municipal taxation of net profits. Those changes are explained in detail in the Tax Provisions section of this Greenbook.

The budget act directs 1.68% of GRF tax receipts to the PLF during FY 2018 and FY 2019, under a provision of temporary law. H.B. 64 of the 131st General Assembly temporarily increased the PLF share of GRF tax receipts to 1.70% for FY 2016 and FY 2017. Under codified law, the PLF share of GRF tax receipts would revert to 1.66%, the same share that it received prior to FY 2016.

H.B. 49 makes appropriations from two funds that receive funding from the state motor fuel tax: the Gasoline Excise Tax Fund (Fund 7060) and the State and Local Government Highway Distribution Fund (Fund 7068). The transportation budget act, H.B. 26, abolishes Fund 7068 effective January 1, 2018, as part of a number of changes to the allocation of motor fuel tax revenue. The FY 2019 appropriation in H.B. 49 from Fund 7068 appears therefore to authorize spending from a fund that will no longer exist at that time.

Line items are listed below in the same order in which they appear in the budget act, except for those included in the "other" category at the end of this section. The following table shows the line items that are included in State Revenue Distributions, as well as the enacted appropriation amounts. Summary information is provided following the table, first for the GRF line items, then for items in other fund groups with those that have the largest appropriations listed first.

[4] The other 1.5% of taxes collected from these companies goes to Fund 5N50, discussed above, to pay Department costs to administer this tax.

Table 6. Appropriated Amounts for State Revenue Distributions				
Fund		**ALI and Name**	**FY 2018**	**FY 2019**
General Revenue Fund				
GRF	110908	Property Tax Reimbursement – Local Government	$641,015,200	$645,785,000
GRF	200903	Property Tax Reimbursement – Education	$1,180,084,800	$1,199,315,000
		General Revenue Fund Subtotal	**$1,821,100,000**	**$1,845,100,000**
Revenue Distribution Fund Group				
5JG0	110633	Gross Casino Revenue Payments – County	$128,400,000	$126,500,000
5JH0	110634	Gross Casino Revenue Payments – School Districts	$85,600,000	$84,300,000
5JJ0	110636	Gross Casino Revenue – Host City	$12,500,000	$12,400,000
7047	200902	Property Tax Replacement Phase Out – Education	$207,311,667	$165,229,141
7049	336900	Indigent Drivers Alcohol Treatment	$2,250,000	$2,250,000
7050	762900	International Registration Plan Distribution	$22,000,000	$22,000,000
7051	762901	Auto Registration Distribution	$325,000,000	$325,000,000
7060	110960	Gasoline Excise Tax Fund	$375,000,000	$375,000,000
7065	110965	Public Library Fund	$386,300,000	$398,100,000
7066	800966	Undivided Liquor Permits	$14,600,000	$14,600,000
7068	110968	State and Local Government Highway Distributions	$196,000,000	$196,000,000
7069	110969	Local Government Fund	$381,800,000	$393,500,000
7081	110907	Property Tax Replacement Phase Out – Local Government	$30,844,526	$16,700,147
7082	110982	Horse Racing Tax	$60,000	$60,000
7083	700900	Ohio Fairs Fund	$1,000,000	$1,000,000
7104	110997	Medicaid Local Sales Tax Transition Fund	$207,000,000	$0
		Revenue Distribution Fund Group Subtotal	***$2,375,666,193***	***$2,132,639,288***
Fiduciary Fund Group				
4P80	001698	Cash Management Improvement Fund	$3,100,000	$3,100,000
6080	001699	Investment Earnings	$120,000,000	$125,000,000
7001	110996	Horse Racing Tax Local Government Payments	$240,000	$240,000
7062	110962	Resort Area Excise Tax Distribution	$1,200,000	$1,200,000
7063	110963	Permissive Sales Tax Distribution	$2,577,800,000	$2,653,900,000
7067	110967	School District Income Tax Distribution	$435,200,000	$451,200,000
7085	800985	Volunteer Firemen's Dependents Fund	$300,000	$300,000
7093	110640	Next Generation 9-1-1	$1,000,000	$1,000,000
7094	110641	Wireless 9-1-1 Government Assistance	$25,700,000	$25,700,000
7095	110995	Municipal Income Tax	$8,000,000	$8,000,000
7099	762902	Permissive Tax Distribution – Auto Registration	$180,000,000	$180,000,000
		Fiduciary Fund Group Subtotal	***$3,352,540,000***	***$3,449,640,000***

Table 6. Appropriated Amounts for State Revenue Distributions				
Fund		**ALI and Name**	**FY 2018**	**FY 2019**
Holding Account Fund Group				
R045	110617	International Fuel Tax Distribution	$36,100,000	$36,100,000
		Holding Account Fund Group Subtotal	***$36,100,000***	***$36,100,000***
Total Funding: State Revenue Distribution			**$7,585,406,193**	**$7,463,479,288**

Property Tax Reimbursements

In Ohio, property tax rollbacks and the homestead exemption would reduce real property tax receipts of local governments, except for reimbursements from the GRF by the state. Real property taxes owed by residential and agricultural real property owners are reduced 10%, commonly referred to as the 10% rollback. Business property owners do not receive the rollback. Homeowners are eligible for an additional 2.5% rollback of taxes on their owner-occupied primary residences. The rollbacks were limited to existing levies and renewal levies beginning with those approved by voters in November 2013, eliminating rollbacks for new or replacement levies approved in that month's election and thereafter. Lower-income homeowners age 65 or older or totally and permanently disabled are eligible for a further tax reduction, known as the homestead exemption, for up to $25,000 of market value of their homes. Homeowners who received the homestead exemption for tax year 2013, when means-testing was reinstated, are eligible to continue receiving the exemption without regard to income.

Property Tax Reimbursement – Education (200903)

This appropriation item funds the rollback and homestead exemption reimbursements for school districts and joint vocational school districts (JVSDs). As in past budget acts, a temporary law provision in H.B. 49 directs the Department of Education, rather than the Tax Commission, to make these payments directly to school districts, notwithstanding requirements in permanent law. For FY 2018, the appropriation is $1,180.1 million, an increase of 2.5% from actual spending in FY 2017. For FY 2019, $1,199.3 million is appropriated, an increase of 1.6% from FY 2019.

Property Tax Reimbursement – Local Government (110908)

Appropriation item 110908 is used to pay these reimbursements to units of local government other than school districts. For FY 2018, the appropriation is $641.0 million, an increase of 0.4% from actual spending in FY 2017. For FY 2019, $645.8 million is appropriated, an increase of 0.7% from the FY 2018 appropriation.

Permissive Sales Tax Distribution (110963)

This appropriation item, with the largest appropriation amounts of any single line item in the State Revenue Distributions, is used by the Tax Commissioner to distribute revenue from county and transit authority permissive taxes to the county or transit authority of origin. The revenue distributed is from county and transit authority permissive sales and use taxes and from county permissive cigarette taxes and alcoholic beverage taxes. All 88 counties levy sales and use taxes. Excise taxes on cigarettes and alcoholic beverages are levied only by Cuyahoga County. In H.B. 49, the line item name differs from that in the prior main operating budget by the addition of the word "Sales" to the name. For FY 2018, the appropriation is $2,577.8 million, a decrease of $33.2 million (1.3%) from actual spending in FY 2017. For FY 2019, $2,653.9 million is appropriated, an increase of $76.1 million (3.0%) from the FY 2018 appropriation.

School District Income Tax Distribution (110967)

This line item is used by the Tax Commissioner to distribute school district income tax collections to the districts of origin. As noted above, 1.5% of amounts collected is retained by the Department to defray administrative costs. For FY 2018, the appropriation is $435.2 million, an increase of $9.2 million (2.2%) from actual spending in FY 2017. For FY 2019, $451.2 million is appropriated, an increase of $16.0 million (3.7%) from FY 2018.

Public Library Fund (110965)

Money from the PLF is distributed through counties to individual libraries. Historically, a small portion has been paid to municipal corporations in a few counties. In permanent law, 1.66% of total GRF tax revenues each month is distributed to counties the following month. During the current biennium, a provision of temporary law in H.B. 49 directs that the percentage to be used is instead 1.68%. A similar temporary law provision in H.B. 64 of the 131st General Assembly set the PLF share of GRF tax revenue at 1.70% in FY 2016-FY 2017. For FY 2018, the appropriation is $386.3 million, $7.7 million (2.0%) more than expenditures in FY 2017. For FY 2019, $398.1 million is appropriated, $11.8 million (3.1%) more than in FY 2018.

Local Government Fund (110969)

Money is distributed through the LGF directly to counties and to some municipalities. Historically, most of the money distributed through the LGF has gone to county undivided local government funds (CULGFs), for further distribution to the various political subdivisions within each county, and a smaller portion has been distributed directly by the Department of Taxation to cities and villages that levy income taxes. Counties further distribute part of their CULGF revenue to cities, villages, townships, and special districts, and retain part for county use. In permanent law, 1.66% of total GRF tax revenues each month is distributed the following month. Distributions to each county from the LGF are at least $750,000 or the amount distributed to the county in FY 2013, whichever is less. The proportionate shares of other counties are adjusted to produce the funds needed to meet this minimum distribution requirement.

The enacted budget modifies distribution of money from the LGF, keeping unchanged the aggregate amount of money transferred to the LGF. The budget enacts in permanent law a provision of temporary law in FY 2016-FY 2017 that shifted $1.0 million each month from the direct municipal distributions to the CULGFs, designated to go to townships (83.34%) and villages with populations under 1,000 (16.66%). Half of this money is paid based on road miles in each township or small village, with the rest divided evenly.

After subtraction of the money for townships and small villages, H.B. 49 changes the use of all the remaining LGF money that would otherwise be distributed directly to municipalities. This money is instead paid to a newly created fund, the Targeting Addiction Assistance Fund (Fund 5TZ0), to pay for various opioid addiction treatment and law enforcement programs in the departments of Health, Rehabilitation and Correction, Mental Health and Addiction Services, Job and Family Services, and Medicaid. Spending for these programs is appropriated at a total of $17.65 million in each year of the biennium.

Gasoline Excise Tax Fund (110960)

This appropriation item is used to distribute funds to municipal corporations, counties, and townships for construction and maintenance of public highways and roads, and related purposes. These distributions are funded from motor vehicle fuel taxes. For each of FY 2018 and FY 2019, the appropriation is $375.0 million, $0.3 million (0.1%) more than expenditures in FY 2017.

Auto Registration Distribution (762901)

This appropriation item is used by the Registrar of Motor Vehicles to return money to the counties and districts of registration. The counties and districts use the money for planning, construction, and maintenance of public roads and related purposes. For each of FY 2018 and FY 2019, the appropriation is $325.0 million, $0.7 million (0.2%) less than expenditures in FY 2017.

State and Local Government Highway Distributions (110968)

This line item is used to appropriate funding for payments to units of local government. The amount of this fund's balance that is derived from applying the variable cents per gallon levy to fuel sales at stations operated by the Ohio Turnpike Commission is paid to the Commission. The remaining balance is distributed among counties, municipal corporations, townships, and the state Highway Operating Fund, to be spent for construction and maintenance of public highways and roads, and related purposes. For each of FY 2018 and FY 2019, $196.0 million is appropriated, $1.1 million (0.6%) less than expenditures in FY 2017.

Property Tax Replacement Phase Out – Education (200902)

This appropriation item provides direct reimbursements to school districts and JVSDs for the value of the lost property tax revenue above the increase in state aid caused by the phase-out of the tax on general business tangible personal property (TPP) and reduction in tax assessment rates on deregulated electric and natural gas utility tangible personal property. The budget act continues the phase-out of these reimbursements. The reimbursements are funded by 13% of revenues from the CAT, down from 20% of CAT revenues in the previous biennium. The appropriation to this line item is $207.3 million in FY 2018, $38.2 million (15.5%) less than expenditures in FY 2017. The appropriation is $165.2 million in FY 2019, $42.1 million (20.3%) less than in FY 2018. The budget act provides that the Director of Budget and Management may transfer from the GRF to Fund 7047 amounts necessary to fund required reimbursements, may make temporary transfers from the GRF to ensure sufficient balances in that fund, and may replenish the GRF for such transfers.

Permissive Tax Distribution – Auto Registration (762902)

This appropriation item is used by the Registrar of Motor Vehicles to distribute motor vehicle license taxes paid with applications for motor vehicle registration to the local governments levying these taxes. For FY 2018 and FY 2019, the appropriation is $180.0 million, an increase of $0.9 million (0.5%) from actual spending in FY 2017.

Gross Casino Revenue Payments – County (110633)

This fund receives 51% of casino tax revenues. The money is distributed to all counties in the state in proportion to population. Appropriations to this line item total $128.4 million in FY 2018, $5.2 million (3.9%) less than expenditures in FY 2017, and $126.5 million in FY 2019, $1.9 million (1.5%) less than in FY 2018. The line item name is changed from Gross Casino Revenue County Distribution in the main operating budget for the FY 2016-FY 2017 biennium.

Investment Earnings (001699)

This appropriation item is used to pay investment earnings from the State Treasurer's investment pool to the funds that ultimately receive them, including the GRF. Increases in amounts appropriated in the biennium reflect an expectation of higher interest rates. For FY 2018, the appropriation is $120.0 million, an increase of $28.1 million (30.6%) from actual payments in FY 2017. For FY 2019, the appropriation is $125.0 million, an increase of $5.0 million (4.2%) from FY 2018.

Medicaid Local Sales Tax Transition Fund (110997)

A new item in the budget for the State Revenue Distributions is the Medicaid Local Sales Tax Transition Fund, ALI 110997 (Fund 7104). This line item would be used to make two equal payments to counties and transit authorities, with the first payment due by November 1, 2017, and the second due in January 2018. The payments total approximately $207 million and are to mitigate the effects of, and assist in adjustment to, the reduced sales tax revenues of counties and transit authorities resulting from repeal of the sales tax collected by MHICs on health care service transactions.[5] The exact amounts to be distributed to each county and transit authority are specified in Section 387.20 of H.B. 49. These amounts are based in part on actual total and MHIC sales tax distributions in calendar years 2015 and 2016, and in part on the per capita sales tax base relative to the statewide average per capita sales tax base.

The tax base will exclude MHICs health care service transactions beginning July 1, 2017, implying that the last deposit of local MHIC tax revenue will be in September 2017.[6] Of $207 million in state FY 2018 appropriations from this line item, $49 million is calculated to replace lost local FY 2017 revenue, and $158 million is based on a formula tied to each local taxing authority's prior reliance on revenue from the Medicaid health insuring corporation sales and use tax. No moneys are appropriated from the line item after state FY 2018. Funding for this line item would come from a transfer to Fund 7104 of up to $207 million from unclaimed funds or from a transfer of up to $200 million from the Health and Human Services Fund (Fund 5SA4), at the discretion of the Director of Budget and Management.

Other State Revenue Distributions (001698, 110617, 110634, 110636, 110640, 110641, 110907, 110962, 110982, 110995, 110996, 336900, 700900, 762900, 800966, and 800985)

Appropriations to the 16 other items in the State Revenue Distributions are each under $100 million per year and total $244.5 million in FY 2018 and $229.0 million in FY 2019, 3% of total appropriations in this section of the act. Appropriations to these items range from $85.6 million in FY 2018 to Gross Casino Revenue Payments – School Districts, ALI 110634, down to $60,000 in each year of the biennium to Horse Racing Tax, ALI 110982. The largest declines among these budget items are in appropriation item 110907, Property Tax Replacement Phase Out – Local Government, which

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[5] The budget act does not include any provision ending the sales tax on MHICs. Rather, section 5739.01(B)(11) of the Revised Code includes a provision in continuing law that ends the sales tax after the Medicaid Director notifies the Tax Commissioner that the federal Centers for Medicare and Medicaid Services has issued a determination that levying the sales tax on MHICs constitutes an "impermissible health care-related tax."

[6] For most local governments and transit authorities in Ohio, the fiscal year is the calendar year (excepting school districts which typically use the same fiscal year as the state). A change in the tax base on July 1 will not affect local revenue streams until October because sales and use taxes are administered by the state and largely collected based on the previous month's economic activity. It is usually two calendar months after collections are paid to the state that the appropriate portion is distributed to each local jurisdiction.

reimburses local governments other than school districts for past reductions in their tangible personal property tax revenues. The budget continues the phase-out of these payments. A new appropriation item is ALI 110995, Municipal Income Tax, discussed in more detail elsewhere in this Greenbook,[7] with appropriations of $8.0 million in each of FY 2018 and FY 2019. As with all other appropriation items in the State Revenue Distributions section of the budget act, additional amounts are appropriated by the act if needed to make required payments.

All appropriation items are described in LSC's Catalog of Budget Line Items.

Vetoed State Revenue Distributions Provisions

H.B. 49 as enacted included provisions that slowed the phase down of tangible personal property tax loss replacement payments to school districts. These provisions would have resulted in replacement payments higher than in the schedule enacted in H.B. 64 of the 131st General Assembly. The Governor vetoed these changes, thereby keeping the phase down on that schedule.

The Governor vetoed a provision that would have penalized a municipal corporation that did not timely publish a plan to equalize water and sewer rates, and that did not charge its residents and nonresidents the same sewer and water rates, by reducing its LGF payments by 20%. The Governor also vetoed a related provision that would have withheld LGF funding from a municipal corporation that (a) required, as a condition of providing water or sewer services to another subdivision's territory, annexation, direct payments to the municipal corporation not related to providing such services, or compliance with any requirement not related to the services, or that (b) withdraws or threatens to withdraw service for the subdivision's failure to make such payments or comply with such conditions. The LGF penalty would have applied only against a municipal corporation that operates a municipal water or sewerage system serving nonresidents and residents of the municipal corporation and having a population of over 700,000 in the most recent federal decennial census. The provision would have applied currently only to the city of Columbus. The estimated LGF funding that would have been withheld from Columbus is about $4.4 million per year. The city of Columbus received an estimated $19.8 million from the LGF in FY 2017.

Certain provisions were vetoed that relate to a new franchise fee on health insuring corporation plans. H.B. 49 creates a monthly franchise fee on these plans beginning July 2017, as described in the Greenbook for the Department of Medicaid (ODM). The enacted bill included a provision that the Governor vetoed, which would have required the ODM Director to seek federal approval to increase the franchise fee by enough to raise up to an additional $207 million each fiscal year beginning not

[7] See page 5 and page 41 for additional information.

sooner than FY 2019 and ending FY 2024, to be distributed to counties and transit authorities that lost sales tax revenues due to the end of the sales tax on Medicaid health insuring corporations. This new franchise fee is intended to replace the sales and use tax on the Medicaid managed care organization payments, ended June 30, that the Centers for Medicare & Medicaid Services (CMS) deemed an impermissible health care tax. The vetoed provision was intended to allow for continuation of financial support to counties and transit authorities beyond the support offered by ALI 110997, Medicaid Local Sales Tax Transition Fund, described above.

ANALYSIS OF ENACTED BUDGET – TAX PROVISIONS

Introduction

The enacted budget contained numerous provisions affecting taxes. The dollar magnitude of the changes resulting from these provisions was small relative to the changes made by recent main operating budget acts.

Many of the taxes discussed below are deposited in the GRF. Under current law pertaining to the local government funds, the changes included here affect transfers to the LGF (1.66%) and the PLF (1.68% in the current biennium), with the GRF retaining the rest of the changes (96.66% in the current biennium).[8] The GRF taxes are the sales and use tax, state personal income tax, cigarette and other tobacco products taxes, domestic and foreign insurance taxes, certain utility taxes (kilowatt-hour excise, public utility excise, and natural gas distribution or Mcf taxes), the financial institutions tax, alcoholic beverage and liquor gallonage taxes, and petroleum activity tax. In addition, as discussed below, commercial activity tax receipts are deposited in the GRF and two other funds, with the GRF share rising from 75% to 85% July 1, 2017.[9]

Sales and Use Tax

Sales and use taxes are levied by the state and by counties and transit authorities. The local sales taxes share the state sales tax base, with revenue collected by the state and then sent to the appropriate local entity (see explanation for ALI 110963 in the State Revenue Distributions section of this Greenbook).

Because sales taxes will no longer be collected on transactions of MHICs, sales tax revenues to both the state and to local governments that levy sales taxes will be reduced. This change is not a result of any provision of H.B. 49 but is discussed here because the budget act does include provisions related to this change. In FY 2017, sales taxes on MHICs transactions totaled $1,018.3 million, of which the state share was $815.5 million [all funds] and the counties and transit authorities received $202.8 million. Instead of sales tax, the MHICs will be paying an additional fee.[10]

The budget act provides a three-day sales tax "holiday" in August 2018 during which sales of clothing, school supplies, and instructional materials within certain price ranges are exempt from sales and use taxes. An item of clothing is exempt if the price is

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[8] In codified law, the PLF and GRF shares are 1.66% and 96.68%, respectively.

[9] Two other GRF taxes have been phased out but continued to generate small amounts of tax revenue in FY 2017: the corporate franchise tax and the estate tax.

[10] As explained above, the budget provides temporary financial support for counties and transit authorities to replace these payments through RDF line item 110997, Medicaid Local Sales Tax Transition Fund. The new fees are described in the Department of Medicaid Greenbook.

$75 or less, while school supplies and instructional materials must be priced at or below $20 per item to qualify for the exemption; the terms of this sales tax holiday are the same as the terms that applied during sales tax holidays in August of 2015, 2016, and 2017.[11] The 2018 holiday is estimated to decrease state sales and use tax revenues by $15.2 million [all funds] in FY 2019. The revenue loss to counties and transit authorities is estimated at $3.7 million.

H.B. 49 increases from five to six the number of years during which the operator of a 2013 computer data center project must meet the capital investment requirement associated with an existing sales and use tax exemption. Continuing law authorizes the Tax Credit Authority to fully or partially exempt from taxation the purchase of certain computer data center equipment if the operator of the data center agrees to make a $100 million capital investment at a site in this state within a specified number of years. Extending the period for satisfying this requirement may result in a sales tax revenue loss, probably less than $1 million per year.

A new exemption from sales and use tax is provided by H.B. 49 for purchases of a digital audio work electronically transferred through a machine such as a jukebox that accepts direct payments, automatically plays the selected audio work once, and operates exclusively to play such audio works in a commercial establishment. These transactions become exempt beginning October 1, 2017. The sales tax exemption will result in an uncertain decrease in revenue to the GRF.

Counties and transit authorities will be permitted to increase their local sales and use tax levies in increments of 0.10% under a provision of H.B. 49, rather than 0.25% as under prior law. This change is effective beginning July 2018, and is expected to have no fiscal effect.

H.B. 49 requires certain out-of-state sellers to collect and remit use tax, beginning January 1, 2018, regardless of whether those sellers have a physical presence or a substantial nexus with Ohio. The change applies to (1) a seller that has annual Ohio sales in excess of $500,000, and (2) either uses in-state computer software to make Ohio sales, or provides or enters into an agreement with a third party to provide content distribution networks in Ohio, to accelerate or enhance delivery of the seller's website to Ohio consumers. This change might result in an increase of an uncertain magnitude in use tax revenues.

State Income Tax

As with the sales and use tax, state personal income tax revenues are deposited in the GRF. Consequently, changes discussed below affect transfers to the LGF and the PLF.

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[11] The 2017 tax holiday, enacted in S.B. 9 of the 132nd General Assembly, took place in August.

The budget act increases the maximum income tax deduction for contributions to a federally tax-advantaged college savings plan or disability expense savings account to $4,000 (from $2,000) annually for each beneficiary, starting in tax year 2018. It creates the Joint Committee on Ohio College Affordability to study and develop strategies to reduce the cost of attending colleges and universities in Ohio. The increased deduction amount is estimated to decrease personal income tax revenue by $6.9 million [all funds] per year beginning in FY 2019.

H.B. 49 replaces the low income tax credit in prior law with a tax bracket that starts with income[12] of $10,500 and is indexed for inflation. The two lowest tax brackets in prior law are eliminated for individual taxpayers, leaving seven brackets. Taxpayers with incomes below the new lowest tax bracket would owe no tax. Previously, the low income tax credit exempted taxpayers with incomes below $10,000 from tax. The increase in incomes no longer subject to tax is estimated to reduce income tax revenue by roughly $3 million per year.

Commercial Activity Tax

H.B. 49 increases the share of CAT revenue credited to the GRF from 75% to 85% beginning July 1, 2017, and decreases the shares allocated to reimburse school districts and other local taxing units for their loss of tangible personal property taxes, from 20% to 13% for school districts (Fund 7047) and from 5% to 2% for other taxing units (Fund 7081).

This change will have no net effect on the amount of money available through Fund 7047 and Fund 7081 to make required payments to units of local government. While the allocation change increases the amount of CAT receipts directly credited to the GRF by $174.3 million in FY 2018 and $180.2 million in FY 2019, it reduces "excess" CAT receipts that are transferred back to the GRF. Under continuing law, CAT receipts deposited into Fund 7081 and Fund 7047 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase-out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF.

Of the 85% of CAT revenue deposited in the GRF in the current biennium, 1.66% is transferred to the LGF and 1.68% is transferred to the PLF, with the GRF retaining the balance.

[12] For individuals, the income referenced for the graduated tax rate schedule is Ohio Adjusted Gross Income less Taxable Business Income and Exemptions. For trusts, the income referenced is Modified Ohio Taxable Income and for estates, it is Ohio Taxable Income.

H.B. 49 extends a temporary provision to July 1, 2019, that authorizes owners of an historic rehabilitation tax credit certificate to claim the credit against the CAT if the owner cannot claim the credit against another tax. A nearly identical provision of H.B. 64 of the 131st General Assembly authorized certificate owners to claim the credit against the CAT through June 30, 2017. In the absence of this extension, the credit could only be applied against the income tax, financial institutions tax, and the insurance company franchise taxes. The change may result in loss of GRF revenues, potentially in the millions, with corresponding decreases in LGF and PLF distributions.

The budget act reduces the percentage of CAT revenue credited to the Revenue Enhancement Fund (Fund 2280) from 0.85% to 0.75% beginning July 1, 2017. This fund is used by the Department to pay various administrative costs including those associated with collection of the CAT. The lower percentage will reduce funding available from this source by about $1.7 million each year.

Tax on Cigarettes and Other Tobacco Products

Revenues from taxes on cigarettes and other tobacco products are deposited in the GRF. Consequently, changes discussed below affect transfers to the LGF and the PLF.

H.B. 49 sets a maximum tax that may be imposed on the newly defined "premium cigar" equal to $0.50 per cigar, effective July 1, 2017. A premium cigar is defined by the act as a roll of tobacco with (a) a binder and wrapper consisting entirely of leaf tobacco, (b) no tip or filter or mouthpiece that is not made of tobacco, and (c) a weight of at least six pounds per 1,000 rolls. The $0.50 tax is subject to upward inflation adjustment each July, tied to the consumer price index. Receipts from the tax on other tobacco products will be reduced an estimated $1.4 million in FY 2018 and $1.5 million in FY 2019 by this change [all funds presumably]. Under prior law, the tax rate on such cigars was 17% of the wholesale price of the cigar.

KWH Tax

Revenue from the kilowatt-hour tax is distributed to the GRF. The change discussed below affects transfers to the LGF and the PLF.

H.B. 49 exempts from the kilowatt-hour tax any use of electricity by a qualified end user in a chlor-alkali manufacturing process. It specifies that if the electricity is received from a municipal electric company, the end user must first obtain the consent of the legislative authority of the municipal corporation that owns or operates the utility. It defines a "chlor-alkali manufacturing process" as "a process that uses electricity to produce chlorine and other chemicals through the electrolysis of a salt solution."[13] The provision is estimated to reduce revenue from the kilowatt-hour tax by approximately $0.5 million or more per year.

Severance Tax

Ohio's severance taxes are levied on extraction of certain minerals in the state, based on the weight or volume of the minerals. Tax revenues are paid into various non-GRF funds.

H.B. 49 removes the existing $1,000 limit on a severance tax exemption for natural resources severed from land owned by the severer and instead exempts gas severed by an "exempt domestic well," generally a gas well owned by a landowner for the purpose of providing gas for the owner's domestic use. This provision applies on and after October 1, 2017. The budget act also expressly removes the requirement for owners of exempt domestic wells designated on or after June 30, 2010, to file severance tax returns. These changes are expected to have a minimal fiscal effect on the Oil and Gas Well Fund used by the Department of Natural Resources. Under prior law, individuals with gas wells on their property do not pay the severance tax on the first $1,000 of market value of gas they use themselves. According to testimony by the Tax Commissioner to the House Finance Committee, these domestic wells are not metered and market prices change frequently. Therefore, those individuals may not be able to accurately determine whether they have gone over the threshold and owe the severance tax.

Tax Credits

Tax credits reduce tax revenue, with the effects depending on the taxes against which the credits may be claimed, the taxes against which they are actually claimed, and whether the credits are refundable or not. Credits against GRF taxes affect distributions through the LGF and PLF to local governments.

The budget act makes several changes to the motion picture tax credit, which can be claimed under the personal income tax, the CAT, and the financial institutions tax. The act does not change the annual $40 million cap on the value of credits that may be issued in a fiscal year, except that it does permit, if the amount of credits allowed in any fiscal year is less than $40 million, the difference to be carried forward and added to the cap in the following fiscal year. It also requires the Director of Development to charge a tax credit application fee equal to 1% of the estimated value of the credit or $10,000, whichever is less, and to give priority to tax-credit eligible productions that are

[13] Continuing law exempts from the tax electricity used in a "qualifying manufacturing process," but only if the qualified end user uses at least three million kilowatt-hours of electricity in the process per day. A "qualifying manufacturing process" is "an electrochemical reaction in which electrons from direct current electricity remain a part of the product being manufactured."

television series or miniseries. To be eligible for the credit, under H.B. 49 a motion picture company is required to show that it has already secured funding equal to at least 50% of the motion picture's total production budget. These changes may reduce tax receipts beginning in FY 2018 depending on the amount of underutilized motion picture credits for FY 2017 and years thereafter. The current application fee is subject to DSA discretion and is lower than the amount specified in the provision. Under continuing law, any additional application revenues are credited to DSA's Business Assistance Fund, which H.B. 49 renames the Tax Incentives Operating Fund. These provisions are generally effective September 29, 2017.

The budget act allows employers that apply for a job creation tax credit (JCTC) to count compensation paid to certain "work-from-home" employees for the purposes of qualifying and complying with the terms of the JCTC agreement. Continuing law allows employers to receive a JCTC based on "home-based employees," but special conditions and reporting requirements apply. Home-based employees must be paid at least 131% of the federal minimum wage, and the JCTC agreement must not include any employees who work at the project location and must expire before 2019. H.B. 49 specifies that "work-from-home" employees are treated the same as employees who work at the project location as long as the work-from-home employees reside in Ohio and are supervised from the project location. It specifies that the movement of a work-from-home employee to another residence or the migration of their work duties to the project location does not trigger a provision under continuing law that requires employers subject to a JCTC agreement to notify the impacted political subdivisions before relocating a substantial number of employment positions. The refundable JCTC applies against the insurance taxes, the petroleum activity tax, the financial activity tax, and the individual income tax. The tax revenue loss from this provision may be minimal or none. Though JCTC for work-at-home employees has been available for several years, no firm had ever applied for this credit as of August 11, 2017, according to the Development Services Agency.

The enacted budget requires that the main operating biennial state budget submitted by the Governor and enacted by the General Assembly is to include detailed estimates regarding the amount of business incentive tax credits authorized in each year of the biennium, the amount of credits claimed in each year of the biennium, and the amount of credits that will remain outstanding at the end of the biennium. It defines "business incentive tax credits" to include the job creation tax credit, job retention tax credit, historic preservation tax credit, motion picture tax credit, New Markets tax credit, research and development tax credit, and small business investment tax credit (i.e., InvestOhio). Section 757.40 of H.B. 49 provides estimates of business incentive credits that may be authorized in each of FY 2018 and FY 2019, credits expected to be claimed each year, and authorized credits expected to remain outstanding at the end of the FY 2018-FY 2019 biennium.

H.B. 49 requires persons claiming tax credits to provide the Tax Commissioner with any applicable certificate or credit tracking form when claiming the credit regardless of whether the Commissioner requests it. The act provides that, if such a certificate or form is used but the taxpayer has not provided it when the corresponding tax return is filed, the credit must be denied. The requirement applies to credits against any tax or fee that is administered by the Commissioner and for which a certificate or tracking form is used to support or monitor a person's right to claim the credit. This provision is expected to have no fiscal effect.

The budget act modifies how the annual "cap" on New Markets Tax Credits issued is determined, while generally retaining the amount of the cap at $10 million per year. It changes the basis for the Director of Development Services' determination of the cap, from an amount based on qualified investment credits claimed by a taxpayer in a year to the amount of tax credits the Director of Development Services may approve in a year. It also eliminates the New Markets Tax Credit Operating Fund, which application fees and other fees related to administration of the New Markets Tax Credit program, and directs such revenue instead to the Tax Incentives Operating Fund (Fund 5JR0), renamed by the act. This change will have no fiscal effect, other than changing the fund into which fees are deposited.

Property Tax

Property taxes in Ohio are predominantly local taxes with about two-thirds paid to school districts and one-third paid to other units of local government. A fraction of 1% goes to the state to defray costs of administering real and public utility tangible personal property taxes.

H.B. 49 prescribes in statute factors that must be considered in computing the current agricultural use value (CAUV) of agricultural land for property tax purposes. Generally, the value of land for property tax purposes is required to be based on the highest and best use of that land. Taxation under CAUV bases the value of farmland for tax purposes on an evaluation of its value if used for farming purposes. Previously, most of the details of the formula for taxation under CAUV were determined by rule.

H.B. 49 requires the formula used to compute CAUV values to employ a capitalization rate[14] and requires (1) the equity yield rate in the capitalization rate formula to equal the greater of the 25-year average of the total rate of return on farm equity published by the United States Department of Agriculture or another published

[14] The capitalization rate is used to calculate the value of a given property from an annual profit for an average Ohio farm, considering only agricultural factors.

source, or the loan interest rate, and (2) a holding period of 25 years for calculating equity build-up and land value appreciation in the formula. The act also places a ceiling on the taxable value of CAUV land used for conservation purposes by requiring the land to be valued as though it included the least productive type of soil. The act phases in these changes over two reassessment or update cycles, and specifies that during the first three-year cycle in each county (beginning with tax year 2017), the tax value of CAUV land will include one-half of the difference between its value under the new versus the old formula.

The required changes to the formula would reduce tax revenues to schools by an estimated $4 million in tax year 2017, payable in FY 2018, and would reduce tax revenues to other units of local government by a similar amount. Revenue losses would increase to an estimated $6 million to each of schools and other local governments in tax year 2018, payable in FY 2019, and would rise each year until tax year 2022 when they would total an estimated $14 million to each of schools and other local governments. GRF reimbursements of property tax rollbacks and the homestead exemption would increase to an estimated $1 million per year, as effective tax rates on residential real property subject to tax reduction factors would increase because of lower tax values on CAUV land.

The budget act exempts from property taxation a retail store owned and operated by a charitable nonprofit housing organization that sells primarily donated household items, if the proceeds of such sales are used solely for the purposes of the organization. It specifies that the exemption applies to tax year 2017 and thereafter, and to exemption applications pending or on appeal when the provision takes effect. Habitat for Humanity ReStores and possibly other similar establishments would be exempt from property tax, estimated at approximately $164,000 per year or more.

H.B. 49 exempts from property taxation a property that meets all four of the following conditions: (1) less than 75% of the rentable square footage is rented to tenants, (2) it is owned by a municipality, after being conveyed by a community improvement corporation (CIC), (3) it was conveyed to that CIC by a federal agency, and (4) the property is subject to an agreement that requires the municipal corporation to convey the property back to the CIC before the property may be developed. The exemption is retroactive to tax year 2016 and applies to every year thereafter. If owners of eligible properties are currently paying property taxes, the exemption would reduce receipts to local authorities, shift the tax burden to other taxpayers, or some combination thereof.

The budget act authorizes a county or municipal corporation, under certain circumstances, to extend the term of a community reinvestment area (CRA) property tax exemption without triggering an existing law requiring that the CRA conform to various requirements and limitations enacted in 1994. The change may result in loss of tax revenue to units of local government.

Under continuing law, a CRA is a geographic area designated by a municipal corporation or county in which real property improvements are exempted from taxation. CRAs created after mid-1994 are subject to various limitations and requirements including school board approval in some circumstances, standardized agreements, and clawbacks, among others, which would apply even to pre-existing CRAs if they are altered later. However, certain pre-1994 CRAs were given limited ability to be altered by up to two amendments before the post-1994 provisions would be triggered.

Continuing law specifies the substance of amendments that would or would not trigger application of the 1994 limitations and requirements. One such action is any increase in the term of any CRA tax exemption or category of exemptions. H.B. 463 of the 131st General Assembly increased the maximum exemption term for improvements to 15 years from what had been 10 or 12 years depending on the type of property and the cost of renovations. The budget act allows a municipal corporation or county to amend its CRA resolution to increase the term of a CRA exemption for improvements without the change counting as an amendment that would trigger the 1994 law, provided the increase is no more than the 15-year term authorized in H.B. 463, and that the prior maximum term was the 10 or 12 maximum year term authorized before H.B. 463.

H.B. 49 requires a township to obtain the approval of affected school districts before extending the term of a tax increment financing (TIF) property tax exemption originally granted before 1995, unless the district has waived that requirement. It permits a school district to condition its approval on receiving compensation for foregone property tax revenue as a result of the extension. Continuing law authorizes a township with a population of at least 15,000 to extend a TIF exemption originally granted before 1995 for up to 15 additional years, but the law prior to H.B. 49 only required that an affected school district receive a 14-day notice before the township took formal action to approve the extension. The change would provide negotiating leverage to affected school districts regarding a share of revenue from payments in lieu of taxes (PILOTs) that under current law would go for purposes approved by a township. The most likely result would be to increase PILOT revenue to certain school districts and decrease revenue to the township's purposes by a corresponding amount. Alternatively, however, a PILOT might not be extended at all.

The budget act eliminates redundant language in the Revised Code that exempts cemetery grounds "with no view to a profit" from property taxation. It retains a section of continuing law, R.C. 5709.14, that broadly exempts all not-for-profit cemetery grounds from taxation. The change will have no fiscal effect.

H.B. 49 extends the filing deadline by which manufactured and mobile home owners must apply for the homestead exemption by 18 months, from the first Monday in June of the year preceding the year for which the exemption is sought, to December 31 of the year for which the exemption is sought. It extends the deadline by which such homeowners must report changes in circumstances that would affect the owner's exemption, from the first Monday in June to December 31. It requires that county auditors provide the form in February, rather than January, of each year for manufactured and mobile homeowners to report changes in circumstances that would affect an existing homestead exemption. It applies the changes beginning in the 2017 tax year. These changes will have no fiscal effect.

The budget act requires property tax resolutions to include the following information in addition to prior requirements: (1) whether the tax is a renewal or a replacement of an existing tax with an increase or decrease (previously, the resolution had to state whether the tax was a new levy or the renewal or replacement of an existing levy), (2) the term of the tax, (3) the subdivision's territory in which the tax will be voted upon and levied, (4) the date of the election, (5) the first tax year to which the tax will apply, and (6) each county in which the subdivision has territory. These changes will generally have no fiscal effect, although the inclusion of more complete information may help to prevent errors including those that could result in loss of tax revenue.

H.B. 49 extends indefinitely the authority of a county or municipal corporation to enter into an enterprise zone agreement with a business. Previously, that authority was scheduled to expire October 15, 2017. The extension will result in loss of tax revenue to units of local government as a result of tax exemptions for a portion of the value of new investments by participating businesses. The tax revenue losses would be permissive for the county or municipal governments administering the zones, but not for other units of local government.

The budget act (1) authorizes counties participating in a regional transportation improvement project (RTIP) to create a transportation financing district that, similar to a TIF incentive district, generates funding for transportation projects by exempting improvements to nonresidential parcels from property taxation and collecting service payments equivalent to the exempted amount from the owners of those parcels, (2) requires the counties to obtain the approval of each property owner and each subdivision and taxing unit within a proposed transportation financing district before approving the district, (3) allows municipal corporations to pledge contributions of income tax revenue and counties and transit authorities to pledge contributions of sales tax revenue for RTIP projects if the revenue may lawfully be spent for that purpose, (4) specifies that contributions of revenue to an RTIP by the state, a political subdivision, or a taxing unit may take any form and may be made subject to any terms that are mutually agreeable to the revenue contributor and the governing board of the RTIP; (5) limits the duration of an RTIP to 15 years or, if the governing board is authorized to issue securities, 20 years after the first such issuance, and (6) requires unencumbered funds that are held by the governing board on the date the RTIP is dissolved to be distributed proportionally to the state and to each political subdivision and taxing unit that contributed revenue to the RTIP (unless the cooperative agreement provides otherwise). Revenue impacts to affected counties and political subdivisions are permissive in nature.

Municipal Income Taxes

H.B. 49 amends Chapter 718 of the Revised Code, the municipal income tax chapter, to allow businesses to file a single annual or estimated tax return through the Ohio Business Gateway (OBG). Businesses would not be required to file through OBG but could continue to file with local municipalities or their service providers as in the past. Businesses filing through OBG can report and pay the total tax due to all of the municipalities in which the businesses earned net profits. The election to file through OBG renews automatically every year until terminated by the taxpayer. The Department would administer business taxes filed through OBG. The Tax Commissioner would not be required to refund tax overpayments amounting to less than $10 for each return or assessment, regardless of how many municipalities are covered by the return or assessment. Under continuing law, municipalities need not refund tax overpayments less than $10. For municipal net profits taxes filed through OBG, 0.5% of collections would be retained to defray the Department's administrative expenses. Distribution of the balance of revenue collected to municipalities would be monthly.

The budget act eliminates the "throwback" rule, effective in 2018. Under the throwback rule, sales of goods shipped from a municipality to elsewhere are apportioned to that municipality if the taxpayer's employees are not soliciting sales at the destination location to which the goods are shipped. H.B. 49 instead requires that sales be apportioned to the municipal corporation where the property is received by the purchaser. Removal of the throwback provision will create fiscal losses for certain municipalities, especially those that have a high concentration of warehouses and distribution centers. Statewide revenue loss from this provision is uncertain, but is likely to be significant.

Additional provisions in H.B. 49 related to collection of municipal income taxes on business net profits through OBG include a requirement that the Tax Commissioner provide semiannual reports regarding taxpayers electing to file such returns. Some of the information to be included in these reports is specified. The act also provides that a municipality may file a writ of mandamus (a directive that required action be taken) on the ground that the Commissioner has "violated the Commissioner's fiduciary duty" in administering the municipality's income tax.

The budget act authorizes municipal corporations to impose a penalty not exceeding 50% of the unpaid amount for employers that do not timely remit municipal income tax withholdings. Prior law mandated that the penalty equal 50% of the unpaid amount. This change is expected to have only a minimal fiscal effect.

H.B. 49 allows individual municipal income taxpayers to pay fourth-quarter estimated payments until the 15th day of the first month of the ensuing taxable year (January 15 for calendar year taxpayers), for taxable years beginning in 2018. The current fourth-quarter estimated tax payment deadline (December 15 for calendar year taxpayers) is retained for taxpayers that are businesses. The change will have no fiscal effect except for timing.

The budget act requires the Department to study the feasibility of accepting municipal income tax returns through an existing joint federal/state program, the Modernized e-File (MeF) program, and to issue a report on its findings before January 1, 2018. The MeF is a web-based electronic tax filing system developed and maintained by the Internal Revenue Service and made available to taxpayers through approved private-sector tax filing software providers. The Department will incur costs to conduct the study and prepare the report.

School District Income Tax

School district income taxes are levied against the income of persons who reside in districts that levy the tax. They are administered by the Department which retains 1.5% of collections to defray costs of administration.

The budget act prescribes the manner in which school district income tax applies to a school district resulting from the consolidation of territory of two or more districts, specifying that the tax will be levied at the rate and according to the other terms of the "surviving" school district into which territory of another district is merged. H.B. 49 requires the board of education of a surviving school district to report certain tax-related information to the Tax Commissioner before such a consolidation takes effect. School district income tax collection is administered by the Department, which retains 1.5% of amounts collected, deposited into Fund 4380, to cover the costs of administration.[15]

[15] Two school district consolidations have been completed in recent years. In FY 2015, Bettsville Local in Seneca County transferred all of its territory to Old Fort Local. In FY 2016, Ledgemont Local in Geauga County transferred all of its territory to Berkshire Local. All four districts levied school district income taxes at the time of mergers. Although additional district consolidations have been explored, LSC is not aware of any that are actively being pursued currently.

Other Local Taxes

H.B. 49 authorizes a county having a population of between 375,000 and 400,000 and that currently levies a 3% lodging tax to increase the rate of the tax by up to an additional 3%. As with the original tax, the revenue derived from the increase in rate would primarily be allocated to the county's convention and visitor's bureau. The county would be permitted, but not required, to designate a portion of the revenue to each township or municipal corporation in which lodging transactions occurred. Currently, the provision applies only to Stark County. The additional tax would raise about $1.4 million, based on 2015 data.

The budget act authorizes Summit County to extend the term of an existing 1% lodging tax for an additional 10 years by vote of the county legislative authority. The original authority for the tax is set to expire in calendar year 2017. The extension would increase lodging tax revenue to Summit County by approximately $950,000 each year. By law, revenue from the tax must be used to finance and operate a convention center by a convention and visitors bureau in the county.

H.B. 49 authorizes a municipal corporation that currently levies a 3% municipal lodging tax, located in a county (1) with a population between 300,000 and 350,000, and (2) that currently levies a 3% county lodging tax, to increase the rate of the municipal lodging tax by up to an additional 3%. The revenue from the increase is to be used for economic development and tourism-related purposes. This provision increases revenue to eligible municipal corporations in Lorain County for the stated purposes by up to about $0.4 million, based on 2015 data.

The budget act authorizes a county with a population of between 190,000 and 200,000 and that currently levies a 3% lodging tax to increase the rate of the tax up to an additional 1% to fund the construction and maintenance of a sports facility intended to house a professional sports team. The eligible county may begin levying the tax only after the county's convention and visitors' bureau enters into a contract for the construction, improvement, or maintenance of the facility. The provision specifies that if the convention and visitors' bureau has not entered into such a contract before January 1, 2019, the authority to levy the tax expires on that date. Currently, the provision applies only to Clermont County. It would raise an estimated $0.2 million, based on 2015 data.

H.B. 49 specifies that the proceeds of a 1% lodging tax that may be levied only by a county with a population between 175,000 and 225,000, that levied a lodging tax rate of 3% in 2014, and that has an amusement park with annual attendance of more than 2 million may be used to pay the construction and maintenance costs of a sports facility owned by a port authority. Previously, the revenue could only cover the costs of a county-owned sports facility. The act authorizes that county to use or pledge any or all of the proceeds from its special 1% or its general 3% lodging tax to service securities issued to construct, operate, or maintain such sports facilities, including any portion of the general lodging tax currently required to be returned to townships and municipal corporations in the county that do not levy a lodging tax. Currently, these provisions apply only to Warren County.

Other Tax Law Provisions

H.B. 49 requires the Tax Commissioner to administer a temporary tax amnesty program from January 1, 2018, to February 15, 2018, with respect to delinquent taxes including the financial institutions tax, CAT, state income tax, alcohol, tobacco, and cigarette excise taxes, state and local sales and use taxes, school district income taxes, and local alcohol and cigarette excise taxes. The amnesty does not apply to resort area excise taxes. The program applies only to taxes that were due and payable as of May 1, 2017, which were unreported or underreported, and which remain unpaid on the date on which the program commences. It does not apply to any tax for which a notice of assessment or audit has been issued, for which a bill has been issued, that relates to a still-open tax period, or for which an audit has been conducted or is pending. The Commissioner is required to waive or abate all applicable penalties and half of any interest that accrued on the taxes, if during the program a person pays the full amount of delinquent taxes owed by the person and half of any interest accrued on the taxes.

The Director of Budget and Management is to transfer $1.5 million from the General Revenue Fund to the Tax Amnesty Promotion and Administration Fund (Fund 5BW0), created by the bill, within 30 days of the effective date of Section 512.140 of H.B. 49.[16]

Delinquent tax payments received under the program are to be distributed in the same way the underlying tax is required to be distributed under current law, except that any revenue currently credited to the GRF from the underlying taxes would instead be credited up to $20 million to the GRF, with any additional receipts credited to the Budget Stabilization Fund (BSF).

The amnesty can be expected to increase revenue to the GRF and possibly also to the BSF. Ohio implemented temporary tax amnesty programs in October 2001-January 2002 (H.B. 94 of the 124th General Assembly), January-February 2006 (H.B. 66 of the 126th General Assembly), and May-June 2012 (H.B. 153 of the 129th General Assembly). According to the Federation of Tax Administrators, the earliest of the programs raised $48.5 million and the 2006 program raised $63.0 million. Those programs differed in terms of the taxes for which amnesty was offered, and presumably revealed some

[16] As explained above, appropriation item 110630 (Fund 5BW0), Tax Amnesty Promotion and Administration, with an appropriation of $1.5 million in FY 2018, is to be used for expenses of promoting and administering the tax amnesty program. The Department and the Attorney General's office are to work in close collaboration on promotion activities.

taxpayers to the Department who have been paying taxes since, and thus would not yield revenue under a new amnesty program. Given this background, LSC expects the H.B. 49 amnesty to raise perhaps tens of millions, but likely less than the revenue amounts yielded by the prior amnesties. The Department of Taxation estimates the amnesty will raise $8.7 million from CAT taxpayers, $5.8 million from personal income taxpayers, $5.5 million from sales and use taxpayers, and insignificant amounts from other taxes.

Tourism development districts (TDDs) are special districts that some townships and municipal corporations may create to fund local tourism promotion and development efforts, including by levying a gross receipts tax on local vendors. The budget act increases the maximum permissible size of a TDD from 200 to 600 acres, and authorizes municipal corporations and townships in Stark County to designate new TDDs until 2021. Under prior law, new TDDs could be designated only until 2019.

H.B. 49 requires lodging tax proceeds collected from hotels located in a TDD to be used to foster or develop tourism in the TDD, but only if that use is approved by the county's convention and visitors' bureau. It authorizes a county, township, or municipal corporation to pay such proceeds to the bureau to be used for that purpose. The budget act expands the class of permanent improvements located in a TDD towards which local governments may spend and pledge certain revenues to include such improvements that do not enhance or promote the development of tourism in the TDD. It clarifies that counties and transit authorities may only pledge or use revenue to fund permanent improvements located in a TDD if the revenue was collected as a result of activities occurring or property located in the TDD.

H.B. 49 modifies a provision authorizing counties and other local governments in which a TDD is located to enter into agreements and provide financing in relation to a stadium located in the TDD. Specific modifications include the following: (1) Authorizes agreements and financing to pertain to any permanent improvement located in, and that improves tourism in, the TDD and not just a stadium, (2) Expands and clarifies the revenue sources that may be pledged or contributed by a county or municipal corporation to fund the costs of such permanent improvements, including the servicing of debt obligations, (3) Authorizes a transit authority to enter into an agreement to provide any available funding, including increased sales tax receipts from sales in the TDD, to foster and develop tourism in the TPP. The budget act applies these modifications to any future project and any project that has already commenced or been completed. It authorizes a sign incorporating LED lights to be located within a TDD next to an interstate highway, provided the sign complies with state and federal interstate highway signage requirements and limitations. The changes may result in larger TDDs established over a longer period of time, and restrict use of revenues from activities or properties located in TDDs.

H.B. 49 also corrects a Revised Code cross-reference and a reporting date relative to TDDs. The reporting date correction, to July 1 instead of June 1 for the second report each year, addresses semiannual reporting of local vendors to the Department for tax collection and compliance purposes. The correction will have no fiscal effect.

H.B. 49 removes authority to appeal most Board of Tax Appeals decisions directly to the Ohio Supreme Court, but authorizes a party to request that the appeal be transferred to the Ohio Supreme Court if the appeal involves a substantial constitutional question or a question of great public interest. Under continuing law, decisions of the Board may be appealed to the appropriate Court of Appeals, except for decisions rendered for cases on the Board's small claims docket, which cannot be appealed. The change may increase costs of state Courts of Appeal, and decrease costs of the Ohio Supreme Court.

Vetoed Tax Provisions

As noted above, the Governor vetoed several tax provisions. The House of Representatives voted to override 11 vetoes, but none of these 11 were tax provisions, and the Senate concurred on six of these veto overrides. Consequently, as of the date that this is written, August 23, 2017, all of the Governor's vetoes of tax provisions currently remain effective.

One provision vetoed by the Governor would have exempted sales of automatic data processing, computer services, electronic information services, and electronic publishing services from the sales tax, when such services are provided primarily for the delivery, receipt, or use of another, nontaxable service. Continuing law provides that these services are not taxable when they are "incidental or supplemental" to another, nontaxable service. The provision would have applied retrospectively to all cases pending or transactions made on or after December 21, 2007. The revenue loss that would have resulted is unknown but could have been significant.

The Governor vetoed a provision that would have exempted the first $650 of the price of prescription optical aids (e.g., eyeglasses and contact lenses) and their components from sales and use tax. The exemption would have resulted in a yearly GRF revenue loss estimated at up to $22.4 million.

Another provision that the Governor vetoed would have allowed Ohio new and used motor vehicle dealers with annual vehicle sales of $20 million or more per vendor license to remit the sales and use tax collected on vehicle sales directly to the state on the dealer's monthly sales or use tax return. Dealers would have been required to notify the Tax Commissioner before making an election to remit sales and use taxes directly, and to submit monthly reports to the Commissioner.[17] The Governor's veto message indicated that this provision would have resulted in a revenue loss of $18.8 million in FY 2019.[18] The Governor also vetoed a related provision pertaining to the poundage fee, which equals 1.01% of the tax collected and under continuing law defrays the cost of processing titles for automobiles and other titled vehicles, with any surplus supporting county general funds. The vetoed provision would have required the Tax Commissioner to determine monthly the poundage fees that would have been due from electing dealers under the system described above and to certify these amounts to the Director of Budget and Management. The Director was to transfer the certified amounts from the GRF to the Poundage Fee Compensation Fund (Fund 5UD0), created by H.B. 49, and then distribute the amounts to clerks of courts of common pleas. Each clerk was to deposit amounts received in the county's certificate of title administration fund.

The net effect of the changes described in the preceding paragraph would have been revenue neutral, with poundage fees ultimately due to the clerks of the courts of common pleas across the state first remitted to the GRF, then through the Poundage Fee Compensation Fund to the clerks.

The Governor vetoed a provision of H.B. 49 that would have authorized a nonrefundable tax credit for insurance companies and financial institutions that invested in special purpose "rural and high-growth industry funds" certified by the Development Services Agency (DSA) and contributed capital to certain types of businesses with substantial operations in Ohio.[19] The budget act stipulated various procedures and requirements related to the process of certifying a rural and high-growth industry fund, investment benchmarks, progress reports, credit recapture, and decertification. The total amount of credits under the program would have been limited to $60 million, and the program could have decreased financial institution and insurance tax revenue by up to $60 million beginning after the FY 2018-FY 2019 biennium and spread over at least four years. The revenue loss would have mostly affected the GRF, and the monthly distributions of GRF tax revenue which go to the LGF and the PLF, though the state Fire Marshal Fund could also have sustained losses if the credits were claimed against certain tax liabilities.

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[17] The veto keeps in place the procedure under which dealers remit the tax due to the Clerk of the Court of Common Pleas along with the application for a certificate of title for the vehicle. A similar provision of H.B. 64 of the 131st General Assembly was also vetoed by the Governor.

[18] Subsequent communication with an official at the Department of Taxation clarified that the Department expects a one-time loss due to a delay in the timing of collections.

[19] The credit would have equaled the amount of the investor's "credit-eligible capital contribution," spread evenly over a four-year period beginning three years after the date of the contribution. Half of a fund's investment was required to be made in rural businesses and half in businesses engaged in "high-growth industries" or certified by DSA as beneficial to the economic growth of the state.

The Governor vetoed a provision of H.B. 49 that would have required a discounted cash flow formula to be used to value certain producing oil and gas reserves for property tax purposes. Whether restricting valuation to this method would have changed property taxes owed on oil and gas reserves is unclear.

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TAX Department of Taxation

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
GRF	110321	Operating Expenses	$ 69,375,576	$ 67,126,795	$ 67,260,978	0.20%	$ 69,735,978	3.68%
GRF	110404	Tobacco Settlement Enforcement	$ 153,766	$ 143,948	$ 0	-100.00%	$ 167,567	N/A
General Revenue Fund Total			**$ 69,529,343**	**$ 67,270,743**	**$ 67,260,978**	**-0.01%**	**$ 69,903,545**	**3.93%**
2280	110628	CAT Administration	$ 14,114,799	$ 15,052,084	$ 17,496,584	16.24%	$ 14,996,584	-14.29%
4330	110602	Municipal Data Exchange Administration	$ 158,549	$ 171,224	$ 178,156	4.05%	$ 178,156	0.00%
4350	110607	Local Tax Administration	$ 18,984,744	$ 19,222,640	$ 21,000,000	9.25%	$ 21,000,000	0.00%
4360	110608	Motor Vehicle Audit Administration	$ 1,597,125	$ 1,411,576	$ 1,523,113	7.90%	$ 1,523,113	0.00%
4370	110606	Income Tax Refund Contribution Administration	$ 38,280	$ 38,800	$ 38,800	0.00%	$ 38,800	0.00%
4380	110609	School District Income Tax Administration	$ 4,812,044	$ 5,085,060	$ 6,427,960	26.41%	$ 6,427,960	0.00%
4C60	110616	International Registration Plan Administration	$ 636,294	$ 614,119	$ 705,869	14.94%	$ 705,869	0.00%
4R60	110610	Tire Tax Administration	$ 191,377	$ 191,998	$ 255,836	33.25%	$ 255,836	0.00%
5BP0	110639	Wireless 9-1-1 Administration	$ 246,094	$ 246,182	$ 298,794	21.37%	$ 298,794	0.00%
5BW0	110630	Tax Amnesty Promotion and Administration	$0	$0	$ 1,500,000	N/A	$ 0	-100.00%
5JM0	110637	Casino Tax Administration	$0	$ 75,000	$ 75,000	0.00%	$ 75,000	0.00%
5MN0	110638	STARS Development and Implementation	$ 3,728,789	$ 814,288	$ 3,000,000	268.42%	$ 3,000,000	0.00%
5N50	110605	Municipal Income Tax Administration	$ 4,202	$ 100,312	$ 2,400,000	2,292.53%	$ 5,150,000	114.58%
5N60	110618	Kilowatt Hour Tax Administration	$ 103,317	$ 100,000	$ 100,000	0.00%	$ 100,000	0.00%
5NY0	110643	Petroleum Activity Tax Administration	$ 884,938	$ 865,551	$ 1,000,000	15.53%	$ 1,000,000	0.00%
5V70	110622	Motor Fuel Tax Administration	$ 5,117,253	$ 4,871,057	$ 5,175,897	6.26%	$ 5,175,897	0.00%
5V80	110623	Property Tax Administration	$ 9,152,983	$ 8,079,980	$ 6,000,000	-25.74%	$ 6,000,000	0.00%
5W70	110627	Exempt Facility Administration	$ 41,000	$0	$ 49,500	N/A	$ 49,500	0.00%
6390	110614	Cigarette Tax Enforcement	$ 1,784,142	$ 1,567,274	$ 1,965,511	25.41%	$ 1,797,944	-8.53%
6880	110615	Local Excise Tax Administration	$ 719,965	$ 602,332	$ 500,000	-16.99%	$ 500,000	0.00%
Dedicated Purpose Fund Group Total			**$ 62,315,896**	**$ 59,109,476**	**$ 69,691,020**	**17.90%**	**$ 68,273,453**	**-2.03%**

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
TAX	**Department of Taxation**							
4250	110635	Tax Refunds	$ 2,193,085,954	$ 2,271,074,767	$ 1,911,472,500	-15.83%	$ 1,876,628,500	-1.82%
5CZ0	110631	Vendor's License Application	$ 390,775	$ 369,400	$ 380,000	2.87%	$ 380,000	0.00%
6420	110613	Ohio Political Party Distributions	$ 147,388	$ 167,971	$ 180,000	7.16%	$ 180,000	0.00%
7095	110995	Municipal Income Net Profits Tax	$0	$ 11,459,633	$0	N/A	$0	N/A
Fiduciary Fund Group Total			**$ 2,193,624,117**	**$ 2,283,071,771**	**$ 1,912,032,500**	**-16.25%**	**$ 1,877,188,500**	**-1.82%**
R010	110611	Tax Distributions	$ 155,000	$0	$ 25,000	N/A	$ 25,000	0.00%
R011	110612	Miscellaneous Income Tax Receipts	$ 300	$0	$ 500	N/A	$ 500	0.00%
Holding Account Fund Group Total			**$ 155,300**	**$0**	**$ 25,500**	**N/A**	**$ 25,500**	**0.00%**
Department of Taxation Total			**$ 2,325,624,656**	**$ 2,409,451,991**	**$ 2,049,009,998**	**-14.96%**	**$ 2,015,390,998**	**-1.64%**

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			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
RDF	**State Revenue Distributions**							
GRF	110908	Property Tax Reimbursement - Local Government	$ 637,634,461	$ 638,483,412	$ 641,015,200	0.40%	$ 645,785,000	0.74%
GRF	200903	Property Tax Reimbursement - Education	$ 1,153,889,717	$ 1,151,777,062	$ 1,180,084,800	2.46%	$ 1,199,315,000	1.63%
General Revenue Fund Total			**$ 1,791,524,177**	**$ 1,790,260,474**	**$ 1,821,100,000**	**1.72%**	**$ 1,845,100,000**	**1.32%**
5JG0	110633	Gross Casino Revenue Payments-County	$ 137,326,480	$ 133,594,554	$ 128,400,000	-3.89%	$ 126,500,000	-1.48%
5JH0	110634	Gross Casino Revenue Payments- School Districts	$ 90,738,157	$ 89,420,667	$ 85,600,000	-4.27%	$ 84,300,000	-1.52%
5JJ0	110636	Gross Casino Revenue- Host City	$ 13,463,380	$ 13,097,505	$ 12,500,000	-4.56%	$ 12,400,000	-0.80%
7047	200902	Property Tax Replacement Phase Out - Education	$ 357,705,800	$ 245,472,983	$ 207,311,667	-15.55%	$ 165,229,141	-20.30%
7049	336900	Indigent Drivers Alcohol Treatment	$ 1,037,037	$ 1,440,700	$ 2,250,000	56.17%	$ 2,250,000	0.00%
7050	762900	International Registration Plan Distribution	$ 19,310,566	$ 22,796,060	$ 22,000,000	-3.49%	$ 22,000,000	0.00%
7051	762901	Auto Registration Distribution	$ 326,814,046	$ 325,745,354	$ 325,000,000	-0.23%	$ 325,000,000	0.00%
7060	110960	Gasoline Excise Tax Fund	$ 373,065,255	$ 374,672,218	$ 375,000,000	0.09%	$ 375,000,000	0.00%
7065	110965	Public Library Fund	$ 377,607,444	$ 378,558,170	$ 386,300,000	2.05%	$ 398,100,000	3.05%
7066	800966	Undivided Liquor Permits	$ 14,428,994	$ 14,758,479	$ 14,600,000	-1.07%	$ 14,600,000	0.00%
7068	110968	State and Local Government Highway Distributions	$ 195,296,575	$ 197,108,808	$ 196,000,000	-0.56%	$ 196,000,000	0.00%
7069	110969	Local Government Fund	$ 368,663,863	$ 364,498,101	$ 381,800,000	4.75%	$ 393,500,000	3.06%
7081	110907	Property Tax Replacement Phase Out - Local Government	$ 76,369,906	$ 50,387,430	$ 30,844,526	-38.79%	$ 16,700,147	-45.86%
7082	110982	Horse Racing Tax	$ 55,271	$ 53,569	$ 60,000	12.01%	$ 60,000	0.00%
7083	700900	Ohio Fairs Fund	$ 832,000	$ 818,327	$ 1,000,000	22.20%	$ 1,000,000	0.00%
7104	110997	Medicaid Local Sales Tax Transition Fund	$0	$0	$ 207,000,000	N/A	$ 0	-100.00%
Revenue Distribution Fund Group Total			**$ 2,352,714,774**	**$ 2,212,422,923**	**$ 2,375,666,193**	**7.38%**	**$ 2,132,639,288**	**-10.23%**
4P80	001698	Cash Management Improvement Fund	$ 22,018	$ 529,753	$ 3,100,000	485.18%	$ 3,100,000	0.00%
6080	001699	Investment Earnings	$ 63,724,556	$ 91,894,086	$ 120,000,000	30.59%	$ 125,000,000	4.17%
7001	110996	Horse Racing Tax Local Government Payments	$ 238,078	$ 179,964	$ 240,000	33.36%	$ 240,000	0.00%
7062	110962	Resort Area Excise Tax Distribution	$ 1,182,920	$ 1,197,181	$ 1,200,000	0.24%	$ 1,200,000	0.00%

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			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
RDF	**State Revenue Distributions**							
7063	110963	Permissive Sales Tax Distribution	$ 2,556,628,566	$ 2,611,010,194	$ 2,577,800,000	-1.27%	$ 2,653,900,000	2.95%
7067	110967	School District Income Tax Distribution	$ 410,432,147	$ 426,022,629	$ 435,200,000	2.15%	$ 451,200,000	3.68%
7085	800985	Volunteer Firemen's Dependents Fund	$ 281,470	$ 224,650	$ 300,000	33.54%	$ 300,000	0.00%
7093	110640	Next Generation 9-1-1	$0	$0	$ 1,000,000	N/A	$ 1,000,000	0.00%
7094	110641	Wireless 9-1-1 Government Assistance	$ 25,689,296	$ 25,689,296	$ 25,700,000	0.04%	$ 25,700,000	0.00%
7095	110995	Municipal Income Tax	$ 15,468,730	$0	$ 8,000,000	N/A	$ 8,000,000	0.00%
7099	762902	Permissive Tax Distribution - Auto Registration	$ 176,404,204	$ 179,075,571	$ 180,000,000	0.52%	$ 180,000,000	0.00%
	Fiduciary Fund Group Total		**$ 3,250,071,986**	**$ 3,335,823,324**	**$ 3,352,540,000**	**0.50%**	**$ 3,449,640,000**	**2.90%**
R045	110617	International Fuel Tax Distribution	$ 44,018,111	$ 38,457,972	$ 36,100,000	-6.13%	$ 36,100,000	0.00%
	Holding Account Fund Group Total		**$ 44,018,111**	**$ 38,457,972**	**$ 36,100,000**	**-6.13%**	**$ 36,100,000**	**0.00%**
State Revenue Distributions Total			**$ 7,438,329,048**	**$ 7,376,964,693**	**$ 7,585,406,193**	**2.83%**	**$ 7,463,479,288**	**-1.61%**