

Executive

Personal Income Tax

TAXCD30 Income tax: increase dependent exemptions

R.C. 5747.025

Increases the dependent exemption amount by \$2,500 for each dependent under the age of 18, beginning in 2023, for income taxpayers. (Currently, each taxpayer, spouse, and dependent is entitled to a personal exemption ranging from \$1,900 to \$2,400, depending on the taxpayer's income.)

Fiscal effect: The all funds tax revenue loss is estimated at \$136.0 million in FY 2024 and \$135.4 million in FY 2025. Revenue to the Local Government Fund (LGF, Fund 7069) and Public Library Fund (PLF, Fund 7065) would each be reduced by 1.66% of these amounts under current law. The operating budget introduced by the Executive would increase each percentage to 1.7% in codified law. The GRF would bear the rest.

TAXCD17 Employer income tax withholding reconciliation

R.C. 5747.07, 5747.072; Section 803.60

Requires employers who withhold and remit employee income taxes on a partial weekly basis to file annual reconciliation returns starting in 2024 instead of filing quarterly as under current law.

Fiscal effect: May result in cost savings for the Department of Taxation.

Sales and Use Taxes

TAXCD29 Sales tax exemption for baby products

R.C. 5739.01, 5739.02; Section 803.50

Exempts child diapers, creams, and wipes, car seats, cribs, and strollers from the sales tax, beginning October 1, 2023.

Fiscal effect: The executive estimates that these exemptions will reduce GRF revenue by \$10.7 million in FY 2024 and \$16.0 million in FY 2025.

TAXCD22 Duplicate vendor's license obtained during suspension

R.C. 5739.31

Allows the Tax Commissioner to suspend any sales tax vendor's license obtained by a person during the period of suspension on another vendor's license issued to that person or obtained by any person who sells at retail without a vendor's license on more than one occasion.

Fiscal effect: None.

TAXCD11 Sales and use tax criminal penalties

R.C. 5739.99

Modifies sales and use tax criminal fraud and licensure offenses and penalties by classifying offenses to the closest classified misdemeanors based on their current penalties, applying more severe charges against repeat offenders, and changing the culpable mental state from recklessly to negligently.

Fiscal effect: May discourage tax evasion, particularly by repeat offenders.

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Commercial Activity Tax

TAXCD5 Research and development tax credit changes

R.C. 5726.56, 5751.51

Makes the following changes to the law governing the tax credit for research and development expenses available under the commercial activity tax (CAT) or the financial institutions tax (FIT):

Allows the Tax Commissioner to audit representative samples of a taxpayer's qualified research and development expenses and issue an assessment based on the audit;

Requires a taxpayer consisting of multiple persons claiming a tax credit to compute the credit on a member-by-member basis, rather than across the entire taxpayer group and allows the credit only on the basis of members who were a part of the group on the last day of the year;

Requires taxpayers claiming a tax credit to maintain records to substantiate the claim and retain them for four years.

Fiscal effect: May facilitate administration of the FIT and the CAT with possible revenue effects. If there are revenue effects, they would most likely be revenue gains to the GRF of an uncertain magnitude.

TAXCD4 CAT references to motor carriers

R.C. 5751.033, Section 803.30

Modifies a commercial activity tax (CAT) provision related to situsing transportation service and delivery receipts to Ohio by applying such provisions to common carriers rather than motor carriers. Specifies that this change is intended to be remedial and clarify existing law.

Fiscal effect: None.

TAXCD10 CAT credit for net operating losses

R.C. 5751.53, 5751.98

Delays the year in which a commercial activity tax (CAT) credit for certain net operating losses accrued under the defunct corporation franchise tax becomes refundable, rather than nonrefundable, from calendar year 2030 to 2040.

Fiscal effect: Revenue gain of uncertain magnitude during the period from 2030 to 2040.

Cigarette Taxes

TAXCD12 Cigarette tax license renewal deadline

R.C. 5743.15, Section 757.10

Extends the deadline for renewing annual retail, wholesale, importer, and manufacturer cigarette tax licenses to June 1 of each year instead of the 4th Monday in May, and applies the extension to all current licenses.

Fiscal effect: None.

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Other Taxation Provisions

TAXCD14 Jobs creation and retention tax credit recapture

R.C. 122.17, 122.171

Authorizes the Tax Credit Authority to adjust the amount that a noncompliant taxpayer must repay from a job creation or jobs retention tax credit one time within 90 days after initially certifying a repayment amount to the Tax Commissioner or Superintendent of Insurance.

Fiscal effect: Potential revenue gain or loss affecting GRF, depending on whether the repayment amount is adjusted upward or downward.

TAXCD34 Increase motion picture tax credit annual cap

R.C. 122.85

Increases the total amount of motion picture tax credits that may be awarded each fiscal year, from \$40 million to \$75 million.

Fiscal effect: The executive estimates that this provision will decrease GRF tax revenues starting in FY 2025, by \$17.0 million.

TAXCD37 Historic rehabilitation tax credit cap

R.C. 149.311

Increases, from \$60 million to \$120 million, the amount of historic building rehabilitation tax credits that may be awarded by the DEV Director in FY 2025. (The cap was previously increased to \$120 million for both FYs 2023 and 2024; it would revert to \$60 million in FY 2026.)

Fiscal effect: Reduction in state tax revenues up to \$60 million in FY 2025 only, with 96.68% of the revenue loss borne by the GRF under codified law. The refundable historic building rehabilitation tax credit may be claimed against the personal income tax, the financial institutions tax, the domestic insurance tax, and the foreign insurance tax. (The Tax Expenditure Report includes an estimate that under current law, i.e. without the increase proposed for FY 2025, the credit would result in a decline in the GRF revenue loss from \$104.7 million in each of FY 2023 and FY 2024 to \$52.4 million in FY 2025).

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TAXCD32 Low-income housing tax credits

R.C. 175.16, 175.12, 5703.21, 5725.36, 5725.98, 5726.58, 5726.98, 5729.19, 5729.98, 5747.83, and 5747.98

Authorizes a nonrefundable credit against the income tax, insurance premiums tax, or financial institutions tax that piggybacks on the federal low-income housing tax credit (LIHTC) for affordable housing projects.

Allows the Director of the Ohio Housing Finance Agency (OHFA) to reserve a state tax credit for any project in Ohio that receives a federal LIHTC allocation, as long as the project is located in Ohio and begins renting units after July 1, 2023.

Prohibits the Director from reserving any credits after June 30, 2027.

Generally limits the amount of state credits that may be reserved in a fiscal year to \$100 million, but allows unreserved credit allocations and recaptured or disallowed credits to be added to the credit cap for the next fiscal year.

Limits the amount of credit reserved for any single project to an amount necessary, when combined with the federal credit, to ensure financial feasibility and requires the director to reserve credits to ensure projects create additional housing units on account of the state credit.

Fiscal effect: The executive estimates the GRF tax revenue loss at \$10.0 million in FY 2024 and \$20.0 million in FY 2025.

TAXCD31 Single-family housing development tax credit

R.C. 175.17, 175.12, 5703.21, 5725.37, 5725.98, 5726.59, 5726.98, 5729.20, 5729.98, 5747.84, and 5747.98; Section 821.10

Authorizes a nonrefundable tax credit against the insurance premiums, financial institution, or income tax for investment in the development and construction of affordable single-family housing.

Requires local governments and economic development entities to submit applications for the credit, but allows them to allocate credits to project investors.

Allows the Executive Director of the Ohio Housing Finance Agency (OHFA) to reserve a state tax credit for any project in Ohio that may qualify for the credit, as long as the project is located in Ohio and meets affordability qualifications adopted by the OHFA.

Prohibits the Executive Director from reserving any credits after June 30, 2027.

Generally limits the amount of state credits that may be reserved in a fiscal year to \$50 million, but allows unreserved credit allocations and recaptured or disallowed credits to be added to the credit cap for the next fiscal year.

Limits the amount of credit reserved for any single project to the amount by which the fair market value of the project's homes exceed the project's development costs.

Fiscal effect: The executive estimates the GRF tax revenue loss from this credit at \$5.0 million in FY 2024 and \$10.0 million in FY 2025.

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TAXCD19 Municipal income tax cross-reference

R.C. 718.01, Sections 803.10 and 820.10

Corrects an erroneous cross-reference in the municipal income tax law governing the deduction of net operating losses. Requires municipalities that levy an income tax to adopt an ordinance or resolution incorporating the correction and applying it starting in tax year 2023..

Fiscal effect: Potential increase in costs, likely minimal, for municipalities that levy an income tax.

TAXCD20 Municipal income tax rate decrease notification

R.C. 718.80

Requires a municipal corporation to notify the Tax Commissioner any time there is a decrease, in addition to an increase as required under current law, in the municipal corporation's income tax rate.

Fiscal effect: Potential increase in costs, likely minimal, for municipalities that levy an income tax.

TAXCD21 Tax Commissioner's municipal income tax report

R.C. 718.84, Section 803.80

Requires the Tax Commissioner to provide information to municipal corporations on any businesses that had apportionable municipal taxable income, i.e., net profits, to such a municipal corporation, as reported to the Commissioner, in the preceding six months as opposed to in any prior year under current law.

Fiscal effect: May result in cost savings to the Department.

TAXCD16 Delivery of tax notices

R.C. 5703.056, 4303.271, 5703.37, 5703.53, 5711.29, 5725.05, 5727.47, 5731.27, 5735.024, 5735.04, 5735.041, 5735.042, 5735.043, 5735.044, 5736.07, 5739.05, 5739.19, 5739.30, 5741.11, 5743.61, 5747.07, 5749.06, and 5751.06

Authorizes TAX to send any tax notice currently required to be sent by certified mail by ordinary mail or electronically.

Removes a requirement that taxpayers must consent to electronic delivery before receiving certain tax notices electronically.

Eliminates certain recordkeeping requirements a delivery service must meet to be used by the Commissioner to deliver tax notices.

Fiscal effect: May result in cost savings for the Department.

TAXCD13 Department of Taxation information sharing

R.C. 5703.21, 1346.03, 1509.11, 4301.441, and 5749.17

Streamlines the authority of TAX to share confidential tax information with certain state agencies by generally authorizing TAX to share information with any state or federal agency when disclosure is necessary to ensure compliance with state law.

Fiscal effect: None.

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TAXCD8 FIT: Definition of Financial Institution**R.C. 5726.01, Section 803.70**

Specifically provides that, for purposes of the financial institutions tax (FIT), a "financial institution" includes all entities consolidated in a federal regulatory report and, in the case of small bank holding companies, all entities that would be included in a consolidated report if the company were required to file one.

Fiscal effect: None.**TAXCD9 Repeal of FIT deduction for REIT investments****R.C. 5726.04, 5726.041 (repealed)**

Repeals an expired financial institutions tax (FIT) deduction for an institution's investment in a qualifying real estate investment trust.

Fiscal effect: None. The deduction was completely phased out in tax year 2017.**TAXCD18 Fuel use tax personal liability****R.C. 5728.16**

Imposes personal liability for the fuel use tax on individual owners, employees, officers, and trustees who are responsible for reporting and paying the tax for a taxpayer.

Fiscal effect: May result in increased collection of fuel use taxes.**TAXCD36 Eliminate corporation franchise tax filing requirement****R.C. 5733.031, Section 757.30**

Eliminates a requirement that taxpayers file amended corporation franchise tax reports due to a federal tax adjustment. (The corporation franchise tax was fully repealed in 2013.)

TAXCD33 Sports gaming tax rate**R.C. 5753.021, Section 803.40**

Increases the sports gaming receipts tax rate, from 10% to 20%, beginning July 1, 2023.

Fiscal effect: Will increase sports gaming tax receipts by an undetermined amount, likely in the tens of millions per year. Revenue gains would be deposited into the Sports Gaming Profits Education Fund (98%) and the Problem Sports Gaming Fund (2%).**TAXCD39 Business Incentive Tax credits****Section: 757.20**

Provides estimates of the amounts of business incentive tax credits that may be authorized and claimed during the biennium and the amount of authorized credits that may be outstanding at the end of the biennium.

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Property Taxes and Transfer Fees

TAXCD15 Electronic conveyance forms

R.C. 319.202

Allows county auditors to accept real property and manufactured home conveyance forms electronically.

Fiscal effect: May reduce costs of county auditors.

Appropriation Language

TAXCD23 Tax refunds

Section: 409.20

Requires Fund 4250 ALI 110635, Tax Refunds, to be used to pay refunds. Appropriates additional amounts if needed for this purpose.

TAXCD24 Vendor's license payments

Section: 409.20

Requires Fund 5CZ0 ALI 110631, Vendor's License Application, to be used to make vendor license fee payments to county auditors. Appropriates additional amounts if necessary to make such payments.

TAXCD25 International registration plan administration

Section: 409.20

Requires Fund 4C60 ALI 110616, International Registration Plan Administration, to be used for audits of persons with vehicles registered under the International Registration Plan.

TAXCD26 Travel expenses for the streamlined sales tax project

Section: 409.20

Allows the Tax Commissioner to disburse available funds from Fund 4350 ALI 110607, Local Tax Administration, for paying travel expenses incurred by members of Ohio's delegation to the Streamlined Sales Tax Project. Requires any such reimbursements to be done in accordance with applicable state laws and guidelines.

TAXCD27 Tobacco settlement enforcement

Section: 409.20

Requires GRF ALI 110404, Tobacco Settlement Enforcement, to be used by the Tax Commissioner to pay specified tobacco enforcement costs.

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TAXCD28 Ohio tax system support fund

Section: 409.20

Requires Fund 5ZA0 ALI 110650, Ohio Tax System Operating Expenses, to be used to pay costs incurred to maintain and support the Ohio Tax System. Requires TAX to submit a plan requesting the OBM Director to transfer necessary cash to the Ohio Tax System Support Fund (Fund 5ZA0) from various funds used by TAX. Authorizes the OBM director to make such transfers and limits the transfer to Fund 5ZA0 to \$8,000,000 during the biennium.

Fiscal effect: The executive budget provides \$3.0 million in FY 2024 and \$5.0 million in FY 2025 to ALI 110650, Ohio Tax System Support.

TAXCD35 Tax-favored home purchasing savings account research

Section: 701.10

Directs the Tax Commissioner and Treasurer of State to jointly study and design a tax-favored savings account for home purchases.

Fiscal effect: Study and design of a new program may entail some one-time costs but any such costs are likely to be limited.

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OBMCD12 Eliminate certain reporting requirements

R.C. 126.30, 131.02, 153.17, 3333.021, 3333.12, 3333.122, 5123.0412, 5727.28, 5727.42, 5727.91, Repealed: 131.38

Eliminates the following reporting requirements for agencies to submit certain information to OBM:

- (1) Interest charges paid related to an agency's purchase or lease of goods or services;
- (2) Unpaid amounts due to the state that an agency is unable to collect;
- (3) Information on segregated custodial funds maintained by an agency;
- (4) Notification, by the owner of a public work, of execution of a takeover contract for the takeover of a defaulted public works contract;
- (5) Refunds of certain higher education grants provided by ODHE;
- (6) Tax refunds to certain entities.

Removes OBM from the list of recipients required to receive a fiscal analysis prior to the implementation of any action or adoption of a rule by the ODHE Chancellor expected to have an effect on the revenue or expenditures of any university.

Removes the requirement that DODD submit an annual report to OBM on the use of the DODD's Administration and Oversight Fund.

Fiscal effect: Negligible reduction in statewide agency expenditures due to reduced reporting requirements.

Executive

School Funding**EDUCD42 Power plant valuation adjustment****Section: 265.310**

Requires ODE to make an additional payment to school districts that have at least one power plant in their territory and that experience both at least a 10% decrease in public utility tangible personal property (PUTPP) value and an overall negative change in PUTPP subject to taxation between either: (1) tax year (TY) 2017 and the preceding tax year (e.g., TY 2023, for purposes of the FY 2024 payment); or (2) the preceding tax year and the second preceding tax year (e.g., between TY 2022 and TY 2023, for purposes of the FY 2024 payment).

Calculates the payment for an eligible district generally based on a recomputation of the district's FY 2019 foundation aid using the preceding year's total taxable valuation (instead of the three-year average valuation used to determine funding for FY 2019) and the change in local property taxes between TY 2017 and the preceding tax year.

Requires ODE to make payments for FY 2024 in June 2024, and payments for FY 2025 in June 2025.

Fiscal effect: The bill earmarks \$7 million in each fiscal year for the payments from GRF ALI 200550, Foundation Funding - All Students (see EDUCD35).

Executive

GOVCD3 Electronic notification, meeting, and data storage law changes

R.C. 127.15, 173.03, 753.19, 1121.38, 1509.06, 1513.071, 1513.08, 1513.16, 1565.12, 1571.05, 1571.08, 1571.10, 1571.14, 1571.15, 1571.16, 1707.02, 1707.04, 1707.042, 1707.091, 1707.11, 1707.43, 1733.16, 2941.401, 3111.23, 3301.05, 3302.04, 3310.521, 3313.41, 3313.818, 3314.21, 3319.081, 3319.11, 3319.16, 3319.291, 3319.311, 3321.13, 3321.21, 3704.03, 3734.02, 3734.021, 3734.575, 3746.09, 3752.11, 3772.031, 3772.04, 3772.11, 3772.12, 3772.13, 3772.131, 3781.08, 3781.11, 3781.25, 3781.29, 3781.342, 3904.08, 4121.19, 4123.512, 4123.52, 4125.03, 4141.09, 4141.47, 4167.10, 4301.17, 4301.30, 4303.24, 4507.081, 4508.021, 4509.101, 4510.03, 4510.41, 4735.13, 4735.14, 5107.161, 5120.14, 5165.193, 5165.86, 5166.303, 5168.08, 5168.22, 5168.23, 5525.01, 5703.37, 5709.83, 5736.041, 5751.40, 1509.031, 3745.019, Repealed: R.C. 5123.195

Implements a 2020 initiative of the Common Sense Initiative to make changes throughout the Revised Code to partly reflect the advancements in technology related to notifications, meetings, data storage, and certain other government functions. (For more detailed analysis of these changes, please see the Electronic Notification and Meetings section (pages 311-338) of the LSC Bill Analysis for H.B. 33.)

Makes specific changes, including removal of obsolete provisions, to facilitate the use of electronic communications, including websites, in the daily operations for the following entities: CAC, COM, DODD, ODE, Ohio EPA, INS, ODJFS, ODPS, PUCO, TAX, ODOT, and ODWIS.

Modifies the type of communication media through which a required notice of events or services may be made by generally adding the option of electronic, including email, delivery or mail delivery by a commercial/common carrier and removing the outdated telegraph method for the following entities: CEB, CAC, COM, ODE, Ohio EPA, ODJFS, ODM, ODNR, PUCO, DRC, ODWIS, and municipalities.

Permits meeting via electronic means, instead of in-person meetings, on specified matters provided that the meetings still allow for interactive public attendance for the following entities: Ohio Advisory Council for the Aging, Internet- or computer-based community schools, school districts or other public schools, ODPS-Register of Motor Vehicles, counties, townships, and municipalities.

Permits or requires the establishment of electronic means of submission for such services as licensure, approvals, and other by the following entities: ODNR’s Division of Oil and Gas Resources Management, school districts, ODE, solid waste management districts, and courts of record.

Modifies or removes references related to creating or retaining stenographic records of certain proceedings for the following entities: COM, ODNR, ODE, school districts, Ohio EPA, and ODWIS.

Fiscal effect: TAX has estimated savings of approximately \$3.4 million per year for the agency. Ohio EPA has estimated annual savings of over \$750,000. Other affected state agencies will also likely realize some administrative cost savings as will affected local governments.