OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 60
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 60's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Antani and Kelly

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2020	FY 2021	Future Years
State General Revenue Fund			
Revenues	Loss of $11.7 million	Loss of $11.7 million	Marginal increase in losses each year
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of $201,000, each fund	Loss of $202,000, each fund	Marginal increase in losses each year
County Government Permissive Sales Tax Revenues			
Revenues	Loss of $2.6 million	Loss of $2.6 million	Marginal increase in losses each year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Exempting infant and toddler diapers from the sales and use tax will reduce state sales and use tax revenue by about $12.1 million in both FY 2020 and FY 2021; it is assumed the tax will be enacted at the beginning of FY 2020. The GRF would bear $11.7 million of the revenue loss. GRF revenue losses may grow approximately 0.25% per year thereafter.

- The Local Government Fund and Public Library Fund will each lose approximately $201,000 in FY 2020 revenues, based on current law.
- At current permissive county sales and use tax rates, county governments will lose around $2.6 million in FY 2020.

Detailed Analysis

The bill would exempt "diapers designed to be worn by an infant or toddler" from Ohio's general sales and use tax base. Resulting losses in GRF revenues will also affect the Local Government Fund (LGF) and Public Library Fund (PLF). In total, state and county sales and use tax revenues are expected to decrease by approximately $14.7 million annually.

For the analysis, every child under the age of three is counted as being a part of the diaper market. Estimated 2018 diaper revenue for the U.S. is multiplied by Ohio's share of children under three years old to obtain the size of Ohio's diaper market revenue. Using data from Statista Market Research, demographic information from the U.S. Census Bureau, and data from the UVA Weldon Cooper Center for Public Service, the CY 2018 Ohio market for infant and toddler diapers is estimated to have amounted to approximately $211 million. This total is multiplied by the statewide 5.75% tax rate to estimate the $12.1 million loss in state sales tax revenue, which is borne primarily by the GRF. The LGF and PLF each receive 1.66% of total GRF tax revenues under current law, so each fund would lose an estimated $201,000 annually. Losses to the LGF and PLF reduce the loss to the GRF to a net $11.7 million. To estimate losses to county governments, Ohio's diaper market revenue is multiplied by each county's share of total population, then multiplied by each county's sales and use tax rate. The sum of losses for all counties is $2.55 million for FY 2020.[1]

To estimate revenue losses going forward, both growth in diaper revenues and Ohio's anticipated demographic changes are accounted for. Nationally, infant and toddler diaper revenues are estimated to grow around 1% per year. The population of children under three in Ohio is estimated to remain constant over the next ten years. GRF revenue losses are expected to rise by 0.25% per year.

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[1] There would be a somewhat smaller additional loss of permissive sales tax revenue to transit authorities.