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Legislative Budget Office

H.B. 297
(l_133_1267-4)
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 297's Bill Analysis

Version: In House Ways and Means

Primary Sponsors: Reps. Ginter and Powell

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2020	FY 2021	Future Years
State General Revenue Fund			
Revenues	$0	Loss of up to $4.4 million	Annual losses increasing around 3% per year
Local Government and Public Library funds			
Revenues	$0	Loss of approximately $0.1 million each	Annual losses increasing around 3% per 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.

- Allowing an individual to claim a nonrefundable income tax credit equal to 50% of the taxpayer's contributions to a qualifying pregnancy resource center would reduce revenue to the GRF, Local Government Fund (LGF), and Public Library Fund (PLF). There is no cap placed on the dollar amount of refunds that may be taken.
- Defines a pregnancy resource center as a 501(c) nonprofit organization whose purpose is to provide free assistance to women to allow them to carry a pregnancy to term.
- The estimates in the table are based on the experience of just one other state and should be considered rough.

Detailed Analysis

Credit description

The proposed Pregnancy Resource Center Tax Credit provides a nonrefundable credit against a taxpayer's aggregate income tax liability. If the taxpayer is a pass-through entity, the credit may be allocated among the entity's equity owners in any amount as those owners mutually agree. The credit is equal to 50% of the taxpayer's contributions to a qualifying pregnancy resource center. A pregnancy resource center is defined as a 501(c) nonprofit organization, the purpose of which is to provide free assistance for pregnant women in carrying their pregnancies to term.[1] The credit is nonrefundable, thus any credit amount exceeding the amount of tax due would not be refunded to the taxpayer.

Tax credit analysis

The above estimates are, in part, based on a tax credit analysis by the state of Missouri, where a somewhat similar tax credit has been in effect since January 1, 2007.

LBO estimates a total loss of income tax revenue of up to $4.6 million in FY 2021. Of the revenue forgone in FY 2021, up to $4.4 million would have flowed to the GRF, while approximately $0.1 million each would have been deposited into the Public Library Fund (PLF) and Local Government Fund (LGF). During the current biennium, the LGF is to receive 1.68% of GRF tax revenue while the PLF is to receive 1.7% under provisions of H.B. 166, the current operating budget act.[2] LGF revenue is distributed to counties, municipalities, townships, and special districts statewide; revenue to the PLF is distributed primarily to public libraries statewide. The timing of the estimated revenue loss assumes the bill becomes effective after January 1, 2020.

The estimates above utilize the dollar amount of pregnancy resource center tax credits redeemed in the state of Missouri; estimates are adjusted for the number of live births recorded in both Missouri and Ohio.[3, 4] The existing credit in Missouri differs from H.B. 297 in that it does not allow any taxpayer to claim a credit exceeding $50,000 per tax year, although, like the bill's credit, any amount not claimed during a tax year can be carried over to the following tax year. Also, starting in 2007, there has been a statutory limit on the dollar amount of credits which are allowed each year.[5] Beginning July 1, 2021, there is no limit imposed on this tax credit in Missouri. Also beginning on that date, Missouri's tax credit is to equal 70% of qualifying contributions, an increase from the current rate of 50%.[6] H.B. 297 does not impose a

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[1] As defined in Section 5747.77(A) of the bill, free assistance can include pregnancy tests, ultrasounds, prenatal vitamins, maternity clothing, baby clothes, baby furniture, diapers, cribs, car seats, housing and utilities assistance, and nutritional counseling for pregnant women.

[2] Under current law, both percentages will revert to the 1.66% in codified law starting July 1, 2021.

[3] https://www.cdc.gov/nchs/nvss/births.htm.

[4] Projected growth in Ohio's population of women age 15 to 49 is also considered. Demographic projections are from the University of Virginia's Weldon Cooper Center for Public Service.

[5] Missouri's credit limit is $2.5 million through June 2019, when it is set to increase to $3.5 million.

[6] https://house.mo.gov/BillContent.aspx?bill=HB126&year=2019&code=R&style=new.

limit on credits, therefore credit claims and redemptions are likely to be different than Missouri's experience.

In addition, the Missouri tax credit is available against that state's individual income tax, corporate franchise tax, insurance tax, and financial institutions tax, but LBO is unable to ascertain which share of credits redeemed were against the income tax alone. Because the Missouri credit is able to be taken against other taxes, it is possible that participation in Missouri's credit is higher than is likely to be the case in Ohio. On the other hand, the number of pregnancy resource centers seems to be much greater in Ohio than in Missouri. According to an independent online pregnancy resource center directory, there are 122 centers in Ohio[7] and 69 centers in Missouri.[8]

Because the estimates are based on the experience of a single state and due to the fact that the tax credit in that state has several features that differ from those in this bill, the revenue estimates above should be viewed as rough. LBO cannot rule out that the revenue loss from the proposed credit may significantly exceed the projections above.

Ohio Parenting and Pregnancy Program

From FY 2016 through FY 2019, an amount of $500,000 per year was earmarked from GRF ALI "TANF State Maintenance of Effort" for the Ohio Parenting and Pregnancy Program (OPPP). This program[9] is intended to provide funding for services to pregnant women as well as relatives caring for children 12 months of age or younger. During the FY 2018-FY 2019 biennium, OPPP provided a total of $928,742 in funding to six nonprofit organizations. Of these six, only one was listed on the independent directory of pregnancy resource centers utilized in this fiscal note. Applicants for these funds are subject to an application process administered by the Ohio Department of Job and Family Services (ODJFS).

The budget for the current biennium changes OPPP's annual earmark amount to $3.75 million, and changes the source of funding from the GRF to Federal Fund Group ALI 600689, TANF Block Grant. Pregnancy resource centers, as defined in H.B. 297, are defined more narrowly than organizations which have historically been eligible for GRF funds through OPPP. As such, it is currently unclear as to the number of organizations which are eligible for both OPPP and the Pregnancy Resource Center Tax Credit.

Synopsis of Fiscal Effect Changes

The As Introduced version of H.B. 297 was amended to change the credit from refundable to nonrefundable. While it is likely this change will reduce the revenue loss from the bill, LBO is unable to quantify this effect given available data. There were no fiscal effects from other changes made by the substitute bill.

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[7] https://helpinyourarea.com/ohio/.

[8] https://helpinyourarea.com/missouri/.

[9] The program was originally enacted by H.B. 59 of the 130th General Assembly.