OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

H.B. 400
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 400's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. McClain

Local Impact Statement Procedure Required: No

Eric Makela, Economist

Highlights

Fund	FY 2020	FY 2021	Future Years
State General Revenue Fund			
Revenues	$0	Loss between $0.8 million and $1.4 million	Losses to increase up to 20% annually until FY 2024
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	$0	Loss between $13,000 and $24,000 each	Losses to increase up to 20% annually until FY 2024

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.

- The bill provides a personal income tax credit of 5¢ per gallon of "higher ethanol blend" gasoline sold at retail service stations during the year the bill is enacted and the three calendar years thereafter. The credit is nonrefundable, but any unused credit amounts can be carried forward to succeeding taxable years. Revenue losses after FY 2024 would be due solely to previously unused carryforward credits.
- The credit applies to "higher ethanol blend" gasoline, defined as fuel comprised of between 15% and 85% ethanol.[1]

[1] Most gasoline sold at retail service stations contains approximately 10% ethanol.

Detailed Analysis

The bill allows persons with an ownership stake in a retail service station to claim an income tax credit of 5¢ per gallon of higher ethanol blend gasoline sold at their station. The credit is allowable during the taxable year the bill becomes law, and during the three subsequent taxable years. If the retail service station is owned by multiple investors via a partnership, limited liability company, or S corporation, each investor can claim the credit in proportion to their share of ownership. The credit is not valid for service stations owned by C corporations.

The bill is anticipated to create a loss of GRF revenue between $0.8 million and $1.4 million in FY 2021, and losses of between $13,000 and $24,000 each for the Local Government Fund (LGF) and Public Library Fund (PLF). 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 first becomes effective for tax year 2020. The credit is applicable for ethanol retail sales occurring in and through CY 2023, thus significant revenue losses will cease after FY 2024.[3]

While data on ethanol production and sales is available from a variety of data sources, the data generally does not differentiate between ethanol utilized in "higher ethanol blend" fuel and ethanol mixed in normal proportions with unleaded gasoline, which comprises the vast majority of ethanol sold in the U.S. In particular, both the U.S. Energy Information Administration (EIA) and the Renewable Fuel Association (RFA) provide total consumption and production estimates for ethanol, but do not provide details as to the percentage composition of ethanol in the end product.

The above estimates utilize two data sources. The lower bound estimate is based on a private research study of ethanol gallonage in Ohio produced by Stillwater Research, LLC. The upper bound estimates are calculated utilizing reported sales of E15 and E85 in the state of Minnesota, adjusting the Minnesota gallonage totals by the ratio of ethanol fueling stations in each state. The upper bound estimates assume consumers of "higher ethanol blend" gasoline in Ohio and Minnesota have the same ethanol consumption behavior aside from convenience to ethanol-providing retail service stations. The above estimates also assume that consumption of "higher ethanol blend" gasoline grows 20% per year.[4] Because the 20% EIA estimate includes consumed ethanol mixed in other forms of gasoline, this is likely an upper bound on the future growth rate.

HB0400IN/lb

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

[3] Losses could continue after FY 2024 if credits are carried forward from previous years.

[4] EIA Annual Energy Outlook, https://www.eia.gov/outlooks/aeo/pdf/appb.pdf.