www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

S.B. 257
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 257's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. O'Brien and Rulli

Local Impact Statement Procedure Required: Yes

Jean J. Botomogno, Principal Economist

Highlights

Fund	FY 2021	FY 2022	Future Years
State General Revenue Fund			
Revenues	Sales tax loss between $1.7 million and $2.4 million; additional losses from PIT and CAT credits	Sales tax loss between $1.7 million and $2.4 million; additional losses from PIT and CAT credits	Revenue losses growing depending on the rate of adoption of electric vehicles and infrastructure growth
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of up to $0.1 million from the sales tax credit; additional losses from PIT and CAT credits	Loss of up to $0.1 million from the sales tax credit; additional losses from PIT and CAT credits	Revenue losses growing depending on the rate of adoption of electric vehicles and infrastructure growth
Expenditures	Commensurate reduction	Commensurate reduction	Commensurate reduction
Counties and transit authorities			
Revenues	Permissive sales tax loss between $0.4 million and $0.5 million	Permissive sales tax loss between $0.4 million and $0.5 million	Revenue losses growing depending on the rate of adoption of electric vehicles

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 authorizes a temporary credit against the sales tax on the purchase or lease of a plug-in electric vehicle. The credit would reduce state sales and use tax revenue. The revenue decrease would affect the GRF, the Local Government Fund (LGF), and the Public Library Fund (PLF). During the FY 2020-FY 2021 biennium, state GRF tax revenue is distributed to the LGF (1.68%) and PLF (1.70%), while the GRF retains 96.62% of the revenue. The bill will also reduce revenue from local permissive county and transit authority sales taxes (which share the same tax base as the state sales and use tax) which are imposed on relevant purchases.
- The bill also authorizes temporary nonrefundable personal income tax (PIT) or commercial activity tax (CAT) credits for a taxpayer that purchases and installs a charging station on the taxpayer's premises. The credits will reduce revenue from the PIT and CAT by amounts that are uncertain, but may be roughly the same order of magnitude as the sales tax revenue loss in the near term. Revenue from the PIT is deposited in the GRF and CAT revenue is deposited primarily (85%) into the GRF; the remaining 15% is split between two tangible personal property tax replacement funds.
- If the bill were effective at the beginning of FY 2021, revenue losses after FY 2025 would decline, being limited to carryforwards of unused PIT and CAT credits.

Detailed Analysis

The bill authorizes two temporary tax incentives for plug-in electric vehicles. They are defined in the bill as four-wheeled vehicles (1) designed for use on public highways, (2) required to be registered in Ohio, (3) able to reach speeds of at least 55 miles per hour, and (4) powered by a battery capable of being recharged from an external power source and storing at least four kilowatt hours of electricity.

First, the bill authorizes a credit against the sales tax on the purchase or lease of a plug-in electric vehicle. The credit for a vehicle for personal use is $500 and applies only to one sale or lease of an electric vehicle by the purchaser per year. The credit for a vehicle for business use is $1,000 and may apply to the purchase or lease of up to ten such vehicles per year. In either case, the credit may not exceed the tax due on the purchase.

The second tax incentive in the bill is an income tax and commercial activity tax (CAT) nonrefundable credit for a taxpayer that purchases and installs electric vehicle supply equipment for charging stations on the taxpayer's premises. The credit equals the lesser of $1,500 or the cost of purchasing and installing the charging station. Any unclaimed balance in excess of the taxpayer's tax liability may be carried forward and claimed in future years or tax periods. A taxpayer subject to both the income tax and the CAT may claim the credit against only one of those taxes.

The two tax incentives only apply to purchases after the bill's effective date and before the five-year anniversary of that date. This fiscal note assumes that the credits apply to purchases of both plug-in electric vehicles (PHEVs) and battery electric vehicles (BEVs), as their batteries are capable of being recharged from an external power source.[1]

Fiscal impact

Sales tax

The bill is estimated to reduce state sales and use tax revenue by between $1.8 million and $2.5 million in FY 2021 and in FY 2022, based on an estimated near-term demand for electric vehicles. Based on current prices, the sales tax on the purchase or lease of most electric vehicles would exceed the value of the sales tax credits. The tax incentive may provide a boost to sales of plug-in electric vehicles. Thus, the initial revenue loss is likely to grow in future years, but LBO has not found a reliable way of measuring the potential impact of the bill on buyers of electric vehicles and changes to the overall rate of adoption of such vehicles.

The loss in state sales and use tax revenue would be borne in part by the Local Government Fund (LGF) and Public Library Fund (PLF). The LGF receives 1.68% of GRF tax revenue during the current biennium while the PLF receives 1.70%, and the GRF retains 96.62% under uncodified provisions of H.B. 166, the operating budget act. Under current law, each fund will receive 1.66% of GRF tax revenue, the percentage in codified law, beginning July 1, 2021, while the GRF share will increase to 96.68%. The potential loss to the GRF would be between $1.7 million and $2.4 million in FY 2021 and in FY 2022, and the combined loss to the LGF and PLF would be up to $0.1 million in FY 2021 and in FY 2022.

The bill will also reduce permissive county and transit authorities' sales taxes which share the same tax base as the state sales and use tax. The revenue loss to counties and transit authorities would be between $0.4 million and $0.5 million in FY 2021 and in FY 2022. The potential revenue loss is likely to grow in future years.

PIT and CAT

The credits against these taxes for purchasing and installing electric vehicle supply equipment at charging stations will reduce receipts from the PIT and the CAT by uncertain amounts. Revenue from the PIT is deposited in the GRF. CAT revenue is deposited into the GRF (85%), the School District Tangible Property Tax Replacement Fund (13%), and the Local Government Tangible Property Tax Replacement Fund (2%).

As of this writing, LBO has not found reliable data to estimate the potential number of electric vehicle stations that may be installed in Ohio by PIT and CAT taxpayers. Thus, the fiscal costs of this provision is undetermined. The number of qualifying charging stations would presumably be linked to the number of plug-in electric vehicles owned by Ohio residents, but the fact that some business owners may own fleets of the vehicles and need only one or two charging stations complicates the revenue estimate. The revenue loss from these credits would plausibly be a similar order of magnitude as the sales tax revenue loss at the beginning of the

---

[1] LBO estimates about 25,000 electric vehicles may be registered in Ohio. The Ohio Bureau of Motor Vehicles will be able to provide more accurate data on electric vehicles after CY 2020, the first year during which the agency is required to collect specific registration fees associated with such vehicles.

program.[2] Nevertheless, those losses are likely to increase in the future as the infrastructure to power electric vehicles continues to grow.

Costs associated with purchasing and installing electric vehicle equipment for charging stations vary greatly, from $1,500 to $40,000 per charging unit, and possibly more, though those costs have been gradually coming down over the years. The size of the investment generally depends on the type of charging unit, whether they are for residential or nonresidential purposes, and whether the charging units are for public use or for private use. Nonresidential charging stations (including fleet operators) are likely to operate more than one charging unit.

SB0257IN/lb

[2] This analysis assumes that current owners of electric vehicles that charge their vehicles at public charging stations will continue to so do. However, if a large number of those owners decide to invest in charging units/stations at their personal residences due to the tax incentives, the revenue loss under the PIT and the CAT could exceed sales and use tax losses.