



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 120
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 120's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Sens. Fedor and Manning

Local Impact Statement Procedure Required: No

Eric Makela, Economist

Highlights

Fund	FY 2022	FY 2023	Future Years
State General Revenue Fund			
Revenues	Loss of \$515,000	Loss of \$520,000	Losses to increase marginally until all participants take full credit amount
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of \$10,000 each	Loss of \$10,000 each	Losses to increase marginally until all participants take full credit amount

- Increasing the limit for an existing state income tax deduction for qualifying Ohio educators who spend personal money on supplies or training, from \$250 in current law to \$1,000, reduces revenue from the state personal income tax (PIT). Distributions to the GRF, Local Government Fund (LGF), and Public Library Fund (PLF) are reduced beginning in FY 2022.
- The increase in the deduction's limit becomes applicable for the tax year (TY) during which the bill is passed, assumed to be TY 2021 for this fiscal note.

Detailed Analysis

Currently, qualifying Ohio educators who spend money on qualified expenses can deduct up to \$250 of those expenditures when calculating their Ohio adjusted gross income (OAGI).¹ S.B. 120 increases this exemption to \$1,000. In the bill, qualifying Ohio educator means an individual who both qualifies for the federal deduction described in footnote 1, and who holds a certificate, license, or permit described in R.C. Chapter 3319 or R.C. section 3301.071. Qualified expenses include continuing education and professional development courses, as well as books, supplies, and any equipment and supplementary materials used by educators in the classroom. The deduction's expansion takes effect for the tax year in which the bill is passed.

Fiscal effect

LBO estimates the bill will reduce GRF revenue from the personal income tax (PIT) by approximately \$515,000 in FY 2022 and by \$520,000 in FY 2023. Under current law, the Local Government Fund (LGF) and Public Library Fund (PLF) are each to receive the allocation provided in codified law, equal to 1.66% of PIT revenue for each fund during upcoming fiscal years. As such, distributions to the LGF and PLF will be reduced by approximately \$10,000 each per fiscal year upon passage of S.B. 120.

Data sources and assumptions

The data used in the analysis come from two sources. First, the Internal Revenue Service (IRS) publishes state-level calculations of participation in itemized deductions, such as the \$250 federal deduction allowed on qualified educator expenses. For TY 2018, 110,350 federal tax returns from Ohio claimed the educator expenses deduction, reducing the taxable income of these individuals by almost \$28 million.

Second, estimates of qualified expenditures per taxpayer were derived from a survey conducted by the U.S. Department of Education, National Center for Education Statistics (NCES).² According to the survey, the average unreimbursed amount spent by teachers on classroom supplies was \$479 during the 2014-2015 school year. Of all public school teachers who took part in the survey and were not reimbursed for personal classroom expenses, 44% spent under \$250 of their own money, 36% spent between \$250 and \$500, and 20% spent over \$500.

LBO assumes the rate of expenditures by qualifying Ohio educators follows the same distribution as reported by all public school teachers in the survey,³ and remains unaffected by the pandemic, both during the most recent school year and in future school years. The analysis also assumes that passage of S.B. 120 will not induce changes in spending patterns on qualified expenses; to the extent that the increased limit encourages additional teacher spending, the actual revenue loss would exceed the estimate. Additionally, the fiscal estimate assumes the bill becomes effective during CY 2021.

SB0120IN/lb

¹ Ohio's deduction applies the same definition of "qualified educator expenses" as is applied to the \$250 deduction allowed on federal tax returns. Amounts taken as deductions in OAGI cannot include the \$250 already deducted on a taxpayer's federal return.

² "Public School Teacher Spending on Classroom Supplies," NCES 2018-097, May 2018.

³ See footnote 2.