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Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Powell and McClain

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SUMMARY

- Temporarily authorizes a nonrefundable income tax credit for donations to a certain state-certified charitable organizations.
- Requires the Tax Commissioner to maintain and publish on the Department of Taxation's website a list of such organizations.

DETAILED ANALYSIS

Certified charitable organization donation credit

The bill temporarily authorizes an income tax credit for cash donations to certain state-certified charitable organizations. The credit equals 50% of a taxpayer's donations made during a taxable year, up to a maximum credit of \$500 (or \$1,000 if filing a joint return). It is only available for donations made in 2023 through 2027.

To qualify for the tax credit, the taxpayer must donate to a charitable organization that is certified by the Tax Commissioner as meeting the following criteria:

1. It is either (a) a nonprofit federally tax exempt 501(c)(3) organization or (b) a community action agency that receives at least some of its funding through the federal Community Services Block Grant (CSBG). (A community action agency is an organization designated as such by the Development Services Agency and that provides services and activities to address poverty in the community.)
2. It spends at least 50% of its budget on services benefiting low-income Ohio residents and their households (i.e., a household whose income is less than 150% of the federal poverty line), residents with a chronic illness or disability, or residents receiving the federal Temporary Assistance for Needy Families (TANF) block grant. (Such services include cash assistance, medical care, child care, food, clothing, shelter, job placement, and job training services.)

3. It does not perform or promote nontherapeutic abortions or contract with such a person, and it is not affiliated with such a person. (Affiliation and promotion are defined in the same manner as for an existing law requiring the Department of Health to ensure that certain federal funds are not used to perform or promote nontherapeutic abortions or to contract with, or be affiliated with, a person that performs or promotes such abortions.¹)

To obtain certification, the organization must apply to the Commissioner demonstrating that it meets the above criteria, and must provide two statements – one that it intends to continue spending at least 50% of its budget benefiting the Ohio residents described in (2), above, and one that it satisfies the nontherapeutic abortion prohibition described in (3), above. The Commissioner must notify the organization whether it qualifies for certification within 30 days of receiving a completed application and must maintain and publish on the Department of Taxation’s website a list of all certified charitable organizations.

The Commissioner may, at the Commissioner’s discretion, request that any certified charitable organization be recertified, in which case the organization must submit any information demonstrating that it continues to qualify as a certified charitable organization. The Commissioner may revoke certification for any organization that no longer qualifies, but the organization may reapply for certification.

The credit is available for donations made directly by a taxpayer or made by a pass-through entity (e.g., an LLC or partnership), in which case the owners of the entity each claim their distributive share of the credit on their individual returns.

To claim the credit, the taxpayer must submit to the Commissioner a receipt or other documentation from the certified charitable organization acknowledging the amount of the taxpayer’s donation. The credit is nonrefundable, which means that the credit may not exceed a taxpayer’s tax liability in any year. However, if the credit does exceed a taxpayer’s liability for the first year, the unused amount may be carried forward to the following year.²

HISTORY

Action	Date
Introduced	04-12-21

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¹ R.C. 3701.034, not in the bill.

² R.C. 5747.77, 5747.08, and 5747.98.