OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 197
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 197's Bill Analysis

Version: As Reported by House Ways and Means

Primary Sponsors: Reps. Stoltzfus and Creech

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2023	FY 2024	Future Years
State General Revenue Fund			
Revenues	Loss of up to $1.45 million	Loss of $1.45 million or more, depending on credit carryforwards	Loss of $1.45 million or more per year, depending on credit carryforwards
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of up to $50,000	Loss of $50,000 or more, depending on credit carryforwards	Loss of $50,000 or more per year, depending on credit carryforwards

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 creates a temporary nonrefundable tax credit against the personal income tax (PIT) for employers that train their employees to be commercial vehicle operators. The credit applies to training expenses incurred on or after January 1, 2022, and before January 1, 2026.
- Under codified law, the revenue loss would be shared by the state GRF (96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.

Detailed Analysis

The bill creates temporary nonrefundable tax credit of up to $25,000 against the personal income tax (PIT) for employers that train their employees to obtain a commercial driver's license (CDL) or to operate a commercial motor vehicle. If the amount of the credit exceeds the tax otherwise due in any year, the excess may be carried forward and applied to a future tax liability for up to five years. The credit applies for calendar year 2021 through 2024, and applies to training expenses paid on or after January 1, 2022, but before January 1, 2026. Training expenses are described in the bill as any cost customarily incurred by an employer to train an employee who is qualified to obtain a CDL or to operate a commercial motor vehicle, excluding wages for the employee being trained. The bill specifies that the credit is allowed against a taxpayer's PIT aggregate tax liability. Thus, to the extent a taxpayer's business income is tax exempt due to the business income deduction in codified law, the tax credit would apply against the taxpayer's nonbusiness income tax liability. The credit may be claimed by employers that are sole proprietors or organized as a pass-through entity (partnership, limited liability company, or S-corporation).

To obtain the credit, an employer must first apply to the Director of Development Services on or before the first of December of each year with an estimate of the training expenses that the employer expects to pay in the upcoming year. The Director may certify up to $50,000 of estimated training expenses as eligible for the tax credit for every application. Then, in January of the year after the year the expenses are certified and incurred,[1] the employer applies to the Director for the tax credit, which equals one-half of the employer's actual training expenses. The application shall be submitted on a form prescribed by the Director and include an itemized list of tax credit-eligible training expenses incurred by the employer for each employee and the identities of those employees. The bill also requires an employer that was issued a tax credit certificate to file with the Director, one year after the credit was issued, a form identifying all employees whose training is the basis of that credit and who quit or were terminated during the preceding year, and the amount of the credit attributable to those employees. This form should be filed on or before January 21 of the year following the issuance year stated on the tax credit certificate. Finally, the bill requires the Director to annually submit a report to the General Assembly that includes the total number of employees reported to the Director for the preceding year and related tax credits.

The bill specifies that the total training expenses that may be certified in any year (for all applicants) may not exceed $3 million. The tax credits that may be awarded are 50% of the certified training expenses, yielding a maximum revenue loss the first year of $1.5 million. However, if in any year the amount of credits awarded is less than the annual cap, the difference may be carried forward and added to the maximum amount to be awarded the following year. This fiscal note assumes that the first year the credit may be used against the PIT would be FY 2023 (tax year 2022). Due to the provision regarding nonawarded credits carried forward to another year, it is possible the fiscal cost of the bill may exceed the cap of $1.5 million in FY 2024 or in subsequent years, dependent on the amount and timing of credit awards by the Director of Development Services and the Ohio Tax Credit Authority, and credit carryforwards by taxpayers.

[1] The bill specifies that this application may be submitted after January 1 and before January 21.

The GRF would bear 96.68% of any revenue loss while the Local Government Fund (LGF) and Public Library Fund (PLF) each would bear 1.66% of any such revenue loss under codified law. Thus, the GRF loss would be up to $1.45 million in FY 2023 and the combined loss to the LGF and PLF would be up to $50,000.

The bill would increase costs for the Development Services Agency. However, LBO expects additional administrative expenditures as a result of the bill to be absorbed within existing appropriation levels of the agency.

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