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Office of Research
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Office

H.B. 45
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 45's Bill Analysis](#)

Version: As Re-referred to Senate Finance

Primary Sponsors: Reps. West and Roemer

Local Impact Statement Procedure Required: No

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The bill would have no direct fiscal effect due to a timing issue. The bill would create a tax amnesty period from July 1, 2022 to August 31, 2022; this fiscal note was written after that period had expired. Similarly, the bill includes a \$250,000 appropriation for FY 2022, which has ended; however the bill reappropriates the unexpended, unencumbered balance of the FY 2022 appropriation in FY 2023.

It is unclear how the bill's provisions could be implemented retroactively. It would thus have no fiscal impact on the state or its political subdivisions.¹

The direct effects of tax amnesty programs in general are, by suspending penalties and fees that are typically charged for failure to pay taxes due or for late filings, to reduce revenue from such penalties and fees. There are likely to be indirect effects, however, due to the incentive for taxpayers to come forward and pay tax liabilities that have not yet been detected but that they owe. The indirect effects could yield an increase in revenue collected by the state and (in the case of local taxes) political subdivisions, potentially offsetting any loss in fee revenue. The state has implemented four similar amnesties during the last 20 years, yielding revenue amounting to \$35.2 million in FY 2002, \$58.9 million in FY 2006, \$65.7 million in FY 2012, and \$14.3 million in FY 2018; some of these tax liabilities might have been identified by the Tax Department in subsequent years without the amnesties.

The details of each amnesty differ somewhat, in terms of the specific taxes for which the amnesty was allowed and the length of time of the amnesty. Moreover, the smaller yield from the most recent amnesty might be due to diminishing returns from implementing multiple

¹ The local impact determination was made on February 16, 2021, prior to the proposed amnesty date, and thus reflects potential revenue effects from a timely implementation of the bill's provisions.

amnesties over time. LBO cannot predict with any precision what a future amnesty might raise through such indirect effects, but the amount could be in the millions, or perhaps tens of millions.