



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 351 of the 132nd G.A.

Status: As Passed by the House

Sponsor: Reps. Perales and Butler

Local Impact Statement Procedure Required: Yes

Subject: To require municipal corporations to exempt from taxation the military pay of members of the commissioned corps of the National Oceanic and Atmospheric Administration and Public Health Service

State & Local Fiscal Highlights

- The exemption will reduce municipal corporations' municipal income tax revenue beginning in tax year 2017. Statewide municipal income tax revenue losses are uncertain, but the potential loss may approach \$144,000 per year.
- No direct fiscal effect on the state.

Detailed Fiscal Analysis

The bill requires municipal corporations to exempt from income taxation the military pay and allowances of members of the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA) and Public Health Service (PHS). The exemption applies to taxable years beginning in or after 2017. Under existing law, municipal corporations are required to exempt from municipal income tax the military pay and allowances of members of the U.S. Army, Navy, Air Force, Coast Guard, and Marine Corps, their respective reserve components, and the National Guard.

Fiscal effect

The exemption would reduce municipal income tax revenue beginning in tax year 2017. Statewide municipal income tax revenue losses are uncertain, but the potential loss may approach \$144,000 per year.

According to data from the U.S. Public Health Service (USPHS) website,¹ there were 70 USPHS officers working in Ohio; the website did not provide data on those PHS officers' average salaries. Similarly, according to the Office of Marine and Aviation Operations (OMAO) website,² which is part of the NOAA, an agency of the U.S. Department of Commerce, there are 321 NOAA Corps officers currently serving

¹ Data for the PHS officers were derived from the Commissioned Corps of the U.S. Public Health Service website at: <https://www.usphs.gov/aboutus/agencies/dutystationmap.aspx> (visited on October 11, 2017).

² The NOAA Corps website is located at: <https://www.oma.noaa.gov/learn/noaa-corps/about>.

throughout various offices within the NOAA; these officers could be serving anywhere, and the number working in Ohio is unidentified. A federal employee database published on the U.S. Office of Personnel Management (OPM) website³ indicates that, as of March 2017, there were 11,383 NOAA employees working in the U.S. with an average annual salary of \$104,094; of the total NOAA employees, 67 of them were working in Ohio with an average annual salary of \$98,906. The ratio of NOAA employees in Ohio to the total number of NOAA employees in the U.S., multiplied by the national figure of 321 NOAA officers above, would suggest that the number of NOAA officers working in Ohio may be about two.

In addition to the uncertainty regarding the number of individuals who potentially would be eligible for the exemption, there is uncertainty regarding the number of them who reside in a municipality that levies an income tax. Rates of municipal income tax in 2015 ranged from a low of 0.5% to a high of 3.0% across the municipalities in Ohio that do levy an income tax. Assuming all 70 PHS officers and two NOAA officers are currently working in Ohio, earning average military pay of about \$100,000 per year,⁴ and residing in municipalities that levy a 2% municipal income tax, on average, the estimated statewide municipal income tax revenue loss would be \$144,000 per year. The actual revenue loss could be lower or higher than the estimate, depending on the number of NOAA and PHS officers currently working and residing in Ohio, the officers' salaries, the location of their residences, and relevant municipal income tax rates. Most likely the actual loss would be lower, as it is very unlikely that all of the estimated 72 officers live within a municipality that levies an income tax.

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³ The OPM database is located at: <https://www.fedscope.opm.gov/ibmcognos/cgi-bin/cognosisapi.dll>.

⁴ According to information posted on the USPHS website at: <https://www.usphs.gov/profession/physician/compensation.aspx>, a USPHS officer receives various types of monetary compensation, including Variable Special Pay between \$5,000 and \$12,000 per month (i.e., an average of \$102,000 per year).