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S.B. 297
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill authorizes a new personal income tax (PIT) credit of up to $1,500 per year for a taxpayer that pays tuition and fees to an Ohio college or university at which the taxpayer, the taxpayer's spouse, or a dependent of the taxpayer is earning a degree in nonprofit, public, or organizational management. Up to 8,000 taxpayers could be eligible for this credit every year, depending on how the bill's codified language is administered. Under that scenario, the bill could reduce PIT receipts up to $12 million per year.
- The bill provides an income tax credit of up to $500 for taxpayers who earn certain professional designations listed in the bill. If fewer than 2,000 individuals annually obtain these credentials, the tax revenue loss would be less than $1 million per year.
- The bill authorizes a new sales and use tax exemption for sales of goods and services to nonprofit organizations that relocate at least 50 full-time jobs to Ohio. The tax revenue loss attributable to this provision is indeterminate, as it is predicated on the behavioral response of applicable organizations.
- Under codified law, the majority (96.68%) of any tax revenue losses would be borne by the GRF. The remaining revenue losses would be borne by two local government funds, the Local Government Fund (LGF) and Public Library Fund (PLF). Each fund receives 1.66% of GRF tax revenues.

Detailed Analysis

The bill authorizes the following tax incentives: (1) an income tax credit for tuition and fees paid to earn a degree in nonprofit, public, or organizational management, (2) an income tax credit for taxpayers who earn certain professional designations, and (3) a sales and use tax exemption for purchases by nonprofit organizations that relocate jobs to Ohio.

LBO assumes the personal income tax (PIT) revenue losses would begin with tax returns filed for tax year (TY) 2022, which corresponds with FY 2023 revenue receipts. Separately, LBO assumes the sales tax exemption would first affect state revenues in FY 2023. The majority (96.68%) of any tax revenue losses would be borne by the GRF. The remaining revenue losses would be borne by two local government funds, the Local Government Fund (LGF) and Public Library Fund (PLF). The LGF and PLF each will receive transfers equal to 1.66% of GRF tax receipts under current law beginning with FY 2024.[1]

Income tax credit for earning a degree in nonprofit management

The bill provides an income tax credit "for a taxpayer who pays tuition and fees during a taxable year to an eligible institution at which the taxpayer, the taxpayer's spouse, or a dependent of the taxpayer is enrolled in or attending a program that culminates in a degree or specialization in nonprofit, public, or organizational management." The credit equals the amount of tuition and fees paid in the taxable year less any amounts reimbursed from another source, up to $1,500.

If the bill only applies to those students that declare their major to specifically be "nonprofit, public, or organizational management," then the bill will have a limited scope. On the other hand, if students that enroll in general variations of this codified language (e.g., public administration), then the bill could apply to approximately 1.2% of Ohio's annual college enrollment, or nearly 8,000 students.

The credit is nonrefundable. If the credit exceeds a taxpayer's PIT liability for the year in which the credit is claimed, the taxpayer may carry forward the excess credit to future taxable years. LBO assumes most of the applicable college students are dependents on someone else's tax return, so the relevant taxpayer will likely exhaust the entire PIT credit within a year or two of its origin. The tax revenue loss of this provision could be up to $12 million per year, depending on how the bill is administered.

Income tax credit for earning certain professional designations

The bill also authorizes an income tax credit for a taxpayer who incurs expenses to complete certain accreditations or certifications, as enumerated by the bill. The credit equals the lesser of $500 or 50% of the expenses incurred to complete the program or receive credential, including any review and testing costs. The credit is nonrefundable, and taxpayers may carry forward any excess credit to future taxable years.

LBO staff does not have a forecast for the number of individuals that may obtain these specific credentials in the coming years. Nevertheless, if fewer than 2,000 individuals annually obtain these credentials, the tax revenue loss would be less than $1 million per year. Potentially, the tax credit will incentivize more individuals to seek these credentials, but LBO does not have a reliable basis for estimating this behavioral effect.

[1] During the current biennium, the PLF receives 1.70% of GRF tax revenue due to an uncodified provision of H.B. 110. The percentage in codified law, 1.66%, would resume in FY 2024, the year of the initial revenue losses.

Sales tax exemption for sales to certain nonprofit organizations

The bill authorizes a sales and use tax exemption for the sale of goods or services to a nonprofit organization that relocates jobs to Ohio. To qualify, the organization must relocate at least 50 full-time jobs from one or more other states to Ohio after the bill's 90-day effective date but within one year after the organization first establishes a physical presence in the state. To qualify for the exemption, the nonprofit organization must first apply to the Director of Development for a job relocation exemption certificate. If approved, the certificate is valid, and the exemption applies, for one year from the date of issuance. The certificate may be renewed annually in each of the two following years.

The tax revenue loss attributable to this sales tax provision is indeterminate, as it is predicated on the behavioral response of out-of-state nonprofit organizations.

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