OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 52
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 52's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Gavarone

Local Impact Statement Procedure Required: Yes

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Highlights

- Exempting sales of U.S. and Ohio flags from sales and use tax would reduce state revenue from the tax, likely by $1.0 million to $2.1 million per year. It would reduce revenue to the Local Government Fund (LGF) and Public Library Fund (PLF) by a combined amount between $30,000 and $70,000, thereby reducing revenue shared with counties, municipalities, townships, and public libraries statewide.
- It would also reduce permissive county and transit authority tax collections by a combined amount between $0.25 million and $0.53 million; local sales taxes share the same tax base with the state sales tax.

Detailed Analysis

The bill exempts sales of United States and Ohio flags from sales and use tax. The exemption begins to apply in the first month beginning after the bill's 90 day effective date.

A number of uncertainties make estimating the fiscal effect of such an exemption imprecise. For instance, while the Flag Manufacturers Association of America estimates 150 million flag sales nationwide, those flags could range from tiny ones that sell for 50¢ to large tapestries that sell for hundreds of dollars. As of this writing LBO staff found no data sources specifically on flag sales in Ohio, or on the percentage of those sales that were made to the state or to local governments; such sales would be exempt from the sales tax under current law.

Ten states have already exempted United States and their respective state flags from sales and use tax. While most of those states either report a negligible or "not available" fiscal impact, some states (Pennsylvania, Florida, and Rhode Island) have reported estimates of tax revenue loss from the exemption. Using those numbers and adjusting for the tax rate and population of Ohio, LBO estimates that the state could lose anywhere from $1.0 million to $2.1 million in annual sales tax revenue. Revenue from the sales tax is deposited into the GRF. Under codified law, the Local Government Fund (LGF) and Public Library Fund (PLF) will each receive 1.66% of GRF tax receipts in FY 2024 and years thereafter. The sales tax exemption would then reduce revenues to the LGF and PLF by a combined amount between $30,000 and $70,000 annually. Revenue to those funds is distributed to counties, municipalities, townships, and public libraries statewide. In addition, counties and local transit authorities are permitted by law to levy a local sales tax. As such, local tax collections will be reduced by a combined amount between $0.25 million to $0.53 million annually. The state and local revenue losses will likely grow in future years, at a pace that generally matches inflation of the products being exempted.

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