Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 128 of the 131st G.A.

Date: May 26, 2015

Status: As Introduced

Sponsor: Reps. Sears and Amstutz

Local Impact Statement Procedure Required: No

Contents: Authorizes an income tax credit for donations to the permanent endowment fund of an eligible community foundation

State Fiscal Highlights

STATE FUND	FY 2016	FY 2017	FUTURE YEARS
General Revenue Fund			
Revenues	Loss of up to $20 million	Loss of up to $20 million	Loss of about $20 million per year
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- Nonrefundable credits for authorized donations to eligible foundations in tax years 2015-2019 could reduce personal income tax revenue, with total credits per year subject to a maximum of $20 million.
- Credits not claimed against taxes due could be carried forward up to five years, which might result in credits claimed totaling less than $20 million in some years and more in other future years.
- The GRF would bear the loss. Revenue losses to the Local Government Fund (LGF, Fund 7069) and Public Library Fund (PLF, Fund 7065) that would otherwise occur would be offset by transfers.
- The Department of Taxation's costs to administer the program would be defrayed by application fees from taxpayers requesting authorization to claim the credit.
- The Department would incur costs to gather information from eligible community foundations and prepare a required annual report on the operation of the program.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill allows a credit against the personal income tax for an authorized irrevocable donation of cash or publicly traded securities to a permanent endowment fund of an eligible community foundation. The donations may be made in a taxable year beginning on or after January 1, 2015, and before January 1, 2020. To claim the credit, a taxpayer must first receive authorization for the donation from the Department of Taxation. A community foundation is eligible if it is exempt from federal income taxation,[1] is accredited by the Community Foundations National Standards Board, and publishes at least annually and circulates widely within its community an audited report of its fund balances, activities, and donors.

Twenty-nine community foundations in Ohio were accredited by the Community Foundations National Standards Board as of May 21, 2015, based on information downloaded on that date from the organization's website. To be accredited by that organization, according to information on the website, a community foundation must be (1) nonprofit and exempt from income tax, (2) in good standing with federal and state regulators, (3) independent from outside control, (4) nonsectarian, (5) building permanent funds with contributions from numerous donors, (6) supporting broad-based charitable interests in a geographic area, and (7) providing leadership on issues important to the community. The 29 accredited community foundations in Ohio are located in various towns around the state.

An individual taxpayer may claim a credit for a percentage of the authorized donations during a year. The percentage is 50% for total donations during a taxable year of less than $1,000, and 20% for total donations of $1,000 or more, up to a maximum of $10,000 for an individual return or $20,000 for a joint return. The wording of the bill may be unclear whether these upper limits are the maximum credit per taxpayer or the maximum donation for which a 20% credit may be claimed. The credit is nonrefundable but may be carried forward for up to five tax years. The total of all credits that the Department may authorize is limited to $20 million per calendar year, starting with taxable years beginning on or after January 1, 2015, through taxable years beginning before January 1, 2020 (i.e., $100 million total credits). Thus the bill could potentially affect state revenues starting in calendar year 2015 and extending through 2024 including the five-year carryforward.

The credit may reduce GRF revenue by up to about $20 million per year, starting in FY 2016. Initially, some portion of the credits might be carried forward, so that the initial reduction in GRF revenue could be less than $20 million. In subsequent years, credits carried forward and used plus new credits might result in reductions of GRF revenue in excess of $20 million per year.

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[1] Under certain specified sections of the Internal Revenue Code.

Under current law, unchanged by the bill, 1.66% of GRF revenue is transferred to each of the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065). A $20 million reduction in annual personal income tax revenue as a result of the bill would reduce distributions to these funds, except that the bill requires the Director of Budget and Management to credit to each of the funds an amount equal to the loss of revenue that would otherwise result. The Director is to credit these amounts by June 7 of each year for credits claimed in taxable years ending in the preceding year.

The bill authorizes the Department of Taxation to charge a reasonable application fee to defray its costs for administering the credit. In addition to costs to process applications for authorization of the donations, the Department would incur costs to prepare an annual report required by the bill. This report is to be prepared by the end of June in each year from 2016 through 2020. The Tax Commissioner is to report on the number and amount of authorized donations and the amount of credits granted. Eligible community foundations are to report to the Commissioner on all donations received in the prior year, and the Commissioner may disapprove applications to make authorized donations to a community foundation that does not provide this report.

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