



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 182 of the 131st G.A.

**Date:** May 18, 2015

**Status:** As Introduced

**Sponsor:** Rep. Schuring

**Local Impact Statement Procedure Required:** No

**Contents:** Revises law governing joint economic development districts and enterprise zones

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

- The bill modifies law governing statewide joint economic development districts (JEDDs) and enterprise zones.
- A prohibition on including residences of electors in JEDDs is eased, allowing inclusion of mixed-use facilities that are part residential.
- The bill allows income of persons residing in JEDDs to be subject to the JEDD income tax, potentially increasing revenue. It allows taxation of income of persons employed or residing in the district, net profits of business operating there, or both.
- A business that operated in the unincorporated part of a JEDD prior to the JEDD's creation may apply for exemption from the JEDD income tax, which may reduce JEDD revenue.
- The fiscal effect of other changes in JEDD law appears uncertain.
- The bill allows verification that criteria for creation of a new enterprise zone are met by either the Development Services Agency or school boards, rather than only the former in current law, which may ease creation of enterprise zones.

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## Detailed Fiscal Analysis

The bill reorganizes law governing statewide joint economic development districts (JEDDs), consolidating into Revised Code section 715.72 provisions currently in sections 715.73 through 715.78 and repealing the latter sections. Not included are JEDDs organized under restricted procedures in Revised Code sections 715.70 and 715.71, available only to certain municipal corporations and townships. The bill makes a number of changes affecting statewide JEDDs, of which only those that appear to have fiscal effects are discussed here. Further details on the various changes are in the LSC Bill Analysis. The bill also revises law pertaining to enterprise zones.

### Joint economic development districts

JEDDs are geographic areas specified in contractual agreements between one or more municipal corporations, one or more townships, and in some cases one or more counties. Within a JEDD, the parties seek to foster economic development, job creation or preservation, and improved economic welfare. These objectives are pursued through provision of new, expanded, or additional services, facilities, or improvements, paid for by imposition of an income tax. Revenue from the JEDD income tax may also be used for other purposes of the parties to the contract.

The bill generally continues a prohibition in current law on designation of land where electors reside as part of a JEDD, but allows inclusion of a "mixed-use facility" within the territory of a JEDD. A mixed-use facility is one used for both residential and commercial or industrial purposes. The bill further provides that the tax base may include the income of persons living within the JEDD, whereas current law does not apply to incomes of individuals residing in the JEDD except to the extent that the income is earned there. These changes may increase JEDD revenue.

The bill allows the JEDD income tax to be levied on either income of persons living or working in the JEDD, or net profits of businesses operating in the JEDD, or both. Current law requires the tax to be levied on both income of persons working in the JEDD and net profits of businesses operating in the JEDD. This increased flexibility may facilitate approval of new JEDDs.

The bill lets contracting parties exclude from a JEDD parcels that are within JEDD boundaries. Income or net profit earned in excluded parcels is not subject to JEDD income tax. Current law does not either authorize or prohibit such exclusions. The fiscal effect of explicitly permitting such exclusions is uncertain.

The bill requires JEDD income tax revenue to be used to carry out the district's economic development plan "and for any other lawful purpose of the contracting parties pursuant to the contract" including utility services provided by contracting parties. Current law requires JEDD income tax revenue to be used for purposes of the district and of the contracting parties. The fiscal impact of this change is not clear, but it may alter use of this revenue.

The bill allows the property owners of a majority of acreage in a JEDD to approve a new JEDD contract or amendment of a JEDD contract. Current law requires approval of a majority of the owners. This change could make approval of new or amended contracts more likely. A majority of business owners, if any, also must approve, unchanged from current law.

The bill creates a procedure for an owner of a business that operated in the unincorporated part of a JEDD prior to creation of the JEDD to apply to the Director of Development Services for exemption from the JEDD income tax for the business and its employees. To be exempted, the business and employees must derive no or negligible benefit from the services, facilities, and improvements under the economic development plan. Availability of this exemption may reduce JEDD revenue.

### **Enterprise zones**

Enterprise zones are geographic areas in which businesses may receive partial or full exemption for a specified term of years from property taxes, for eligible new investments. Municipal and county governments administer enterprise zones.

The bill lets a municipality or county apply to either the Development Services Agency or to the school board of each school district where a proposed enterprise zone would be located for verification that all criteria for creation of a new zone are met. Under current law, only the Development Services Agency may certify that all criteria are met. This change may ease creation of enterprise zones.