Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 133 of the 131st G.A.

Date: June 2, 2015

Status: As Introduced

Sponsor: Reps. Schaffer and Ashford

Local Impact Statement Procedure Required: Yes

Contents: Creates an income tax credit for individuals that pursue education credentials in nonprofit management and authorizes a temporary sales tax exemption for certain nonprofit corporations that relocate jobs to Ohio

State Fiscal Highlights

- Creating a new income tax credit in 2015 will reduce GRF revenues by an indeterminate amount in FY 2016 and thereafter.
- Authorizing a three-year sales tax exemption for out-of-state nonprofit corporations that relocate at least 50 jobs to Ohio may reduce GRF receipts beginning in FY 2016 and thereafter.

Local Fiscal Highlights

- The Local Government Fund and Public Library Fund each receive 1.66% of GRF tax receipts. Both funds will lose revenues to the extent that taxpayers utilize the tax benefits authorized by the bill.

Detailed Fiscal Analysis

H.B. 133 creates a nonrefundable income tax credit for tuition and fees paid to earn a degree in nonprofit management or for expenses incurred to complete certain professional certification programs or obtain certain professional designations. Among the nondegree credentials, eligible professional areas include: organization management, lobbying,[1] public relations, certified fundraising executive, sports event executive, certified destination marketing executive, or certified meeting planner.

For those pursuing a degree in nonprofit management, the value of the nonrefundable credit equals the lesser of $1,500 or the amount of tuition and fees paid to the eligible institution during the taxable year. For those enrolled in professional programs, the value of the credit equals the lesser of $500 or 50% of the expenses incurred, provided that, if the taxpayer receives reimbursement for the taxpayer's expenses from any source, the amount of the credit equals the lesser of $500 or 50% of the expenses incurred after subtracting the amount reimbursed to the taxpayer. Taxpayers may carry forward either income tax credit to the extent that the credit exceeds the amount of tax due after allowing for any other credits.

Regarding the sales tax, H.B. 133 exempts sales of tangible personal property or services to a nonprofit corporation that holds a job relocation exemption certificate issued by the Tax Commissioner. The certificate is valid for three years, and it is limited to a nonprofit corporation that relocates at least 50 full-time employment positions from other state(s) to Ohio within one year after the nonprofit corporation first establishes a physical presence in Ohio.

Estimation

The revenue losses incurred on behalf of the personal income tax credit are difficult to estimate given the narrow scope of credentials to which the credit applies. In most years, the GRF revenue loss under the bill is unlikely to exceed $2 million. The revenue loss would also be dependent on rules adopted after the bill's enactment. Data limitations prevent LSC from estimating the number of taxpayers that will pursue nonprofit management degrees at eligible institutions. Moreover, the term "eligible institution" would be defined in the rule-making process, and the scope of this definition has a fiscal impact.

The Ohio Board of Regents (BOR) releases detailed statistics about degrees awarded by Ohio institutions. The data are not so specific as to identify degrees awarded in nonprofit management. BOR statistics report degrees for a more general subject field that is related to nonprofit management – public administration. In recent

[1] The Association of Government Relations Professionals (AGRP) reports that between one and three Ohio residents complete the Lobbying Certificate Program in a given year. The AGRP, formerly known as the American League of Lobbyists, is the sole granting authority for this certificate program.

years, approximately 500 degrees were awarded annually by Ohio institutions, which implies that over 2,000 individuals are studying public administration in a given year. The number is larger when accounting for those Ohio residents studying at out-of-state[2] institutions or via online universities. It is difficult to infer how many of these public administration enrollees would be eligible for the nonprofit management tax credit.

It is similarly difficult to ascertain the number of Ohio taxpayers that will earn one of the related professional certifications and designations. The credit is only applicable to unreimbursed expenses, and this granular level of detail is not widely reported for the seven professional areas cited in H.B. 133.

The sales tax exemption could yield any number of outcomes because nonprofit corporations have a wide array of sales tax liabilities. In Ohio, services are not taxable unless specifically enumerated in the Revised Code, so a service-intensive nonprofit corporation may not benefit from the exemption as much as a nonprofit corporation that conducts many retail transactions for (taxable) tangible personal property. Also, if a nonprofit corporation moved to Ohio due to the sales tax exemption, there would not be a revenue loss, since the sales that would have been taxed would not have occurred without the exemption. As a practical matter, though, it would be impossible to say with certainty whether the exemption was the determining factor in a nonprofit corporation's move. This provision of the bill, then, would likely cause a revenue loss, though LSC economists are unable to predict the magnitude of the loss. Any such revenue loss would be limited to the three years for which the exemption certificate was valid.

All personal income tax revenues and sales tax receipts are deposited into the GRF, and the Local Government Fund (LGF) and Public Library Fund (PLF) each receive 1.66% of GRF tax receipts. To the extent that provisions in H.B. 133 reduce GRF receipts, the LGF and PLF will lose revenues.

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[2] The credit applies to "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 in nonprofit management." Therefore, a scenario exists whereby an Ohio taxpayer pays tuition for a dependent pursuing nonprofit management in another state.