



OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: S.B. 22 of the 132nd G.A.

Status: As Reported by Senate Ways & Means

Sponsor: Sen. Peterson

Local Impact Statement Procedure Required: No

Subject: To incorporate recent changes to federal adjusted gross income into Ohio law

State and Local Fiscal Highlights

- The personal income tax would lose less than a million dollars in revenue during FY 2017 based on the provisions in this bill. GRF revenues will be reduced by an amount less than \$1 million in FY 2017 when tax returns for tax year 2016 are filed. Revenue losses of an even lesser magnitude could occur in future years as well.
- The local government fund (LGF) receives a portion of all GRF tax receipts, and the LGF would lose minimal amounts based on the provisions in this bill. This would minimally reduce revenue to counties, municipalities, and townships statewide.
- Similarly, the Public Library Fund (PLF) receives a portion of GRF tax receipts, so public libraries statewide would experience a minimal revenue loss.
- Ohio Taxable Income (OTI) serves as the tax base for one of the two types of School District Income Tax. The reduction of federal adjusted gross income incorporated by this bill may reduce OTI by minimal amounts for affected school districts.

Detailed Fiscal Analysis

The definition of federal adjusted gross income (FAGI) in the Internal Revenue Code was modified on multiple occasions by federal lawmakers since February 16, 2016, and these actions reduced the tax base for a small subset of Ohio taxpayers. Because FAGI is the starting point for determining Ohio's personal income tax base, the bill reduces GRF revenues by an amount less than \$1 million in FY 2017 when tax returns for tax year 2016 are filed. Revenue losses of an even lesser magnitude could occur in future years as well.

S.B. 22 incorporates recent changes to FAGI that reduce the Ohio income tax base for:

- Certain prizes or awards won in competition in the Olympic Games or the Paralympic Games. Starting on January 1, 2016, the federal exclusion would apply to monetary prizes received from the United States Olympic Committee and the intrinsic value of the medals awarded. The exclusion would not apply to individuals with adjusted gross income above \$1 million, or half of that amount for married individuals filing a separate return;
- An employee's receipt of payments or reimbursements from a "qualified small employer health reimbursement arrangement";
- Certain severance payments to veterans with combat-related injuries paid after January 17, 1991, from which the Department of Defense withheld amounts for tax purposes despite the fact that such payments were not considered gross income.

The local government fund (LGF) receives 1.66% of all GRF tax receipts, and the Public Library Fund (PLF) receives 1.70% of those receipts (during FY 2017). The decrease in GRF receipts from the bill implies that the LGF and PLF would each lose minimal amounts, less than \$17,000 during FY 2017, as well. Those reductions would reduce revenue to counties, municipalities, townships, and public libraries statewide. Ohio Taxable Income (OTI) serves as the tax base for one of the two types of school district income tax. The reduction of FAGI incorporated by this bill will likely reduce the tax base by minimal amounts for affected school districts that use OTI as their tax base.