OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 292 of the 132nd G.A.

Status: As Passed by the House

Sponsor: Rep. Scherer

Local Impact Statement Procedure Required: No

Subject: Modifications to personal income tax residency test

State & Local Fiscal Highlights

- H.B. 292 modifies the test for determining an individual's state of residence for income tax purposes by adding several explicit criteria for establishing the presumption that an individual is not an Ohio resident. Provisions in the bill will impact future personal income tax revenues by an indeterminable amount. This assessment is shared by the Department of Taxation.
- The bill's changes would first apply to taxable years beginning in 2018, which largely correlates with GRF revenues received in FY 2019.

Detailed Fiscal Analysis

Beginning with tax year (TY) 2018, the bill revises the personal income tax (PIT) residency test to specify certain criteria by which a taxpayer's nonresident claim can be evaluated. Under the bill, an individual that has fewer than 213 contact periods in Ohio during the taxable year, may be regarded as a nonresident based upon (1) an out-of-state home that does not benefit from business depreciation accounting, (2) an in-state home that does not benefit from the owner-occupied property tax rollback offered by Ohio (both of which depend on ownership and occupancy), (3) not holding a valid Ohio driver's license, and (4) not receiving an in-state college tuition rate dependent on an Ohio address, if the individual was enrolled in an Ohio college at any time during the taxable year.

For the most recent year for which data is available, tax department information shows that fewer than 6% of Ohio's 5.4 million PIT returns were filed by nonresidents. As of this writing, LSC is uncertain whether this legislation would increase or decrease the number of nonresident returns filed by taxpayers. On one hand, the bill adds explicit factors to the existing statute, but the enumerated factors limit the potential avenues of discovery that may be considered by the Tax Commissioner. Any potential fiscal effects will begin in FY 2019, when annual tax returns for TY 2018 are filed.

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