Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 60
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 60's Bill Analysis

Version: In House Ways and Means

Primary Sponsors: Reps. Antani and Kelly

Local Impact Statement Procedure Required: Yes

Eric Makela, Economist

Highlights

Fund	FY 2020	FY 2021	Future Years
General Revenue Fund			
Revenues	Loss of $19.0 million	Loss of $ 19.1 million	Increase of about 1% per year
Public Library Fund			
Revenues	Loss of $0.3 million	Loss of $ 0.3 million	Increase of about 1% per year
Local Government Fund			
Revenues	Loss of $0.3 million	Loss of $ 0.3 million	Increase of about 1% per year
Counties and transit authorities			
Revenues	Loss of $4.7 million	Loss of $ 4.7 million	Increase of about 1% per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill exempts from the sales tax "diapers, including pull-ups, underpads, or liners, any of which are designed to be worn by an individual who cannot control the individual's bladder or bowel movements."
- At the current state sales tax rate of 5.75%, state sales tax revenue losses would total $19.6 million in FY 2020. Revenue losses are expected to grow approximately 1.0% per year thereafter.
- State sales tax revenue is distributed to the GRF, Local Government Fund (LGF) and Public Library Fund (PLF). The GRF will bear the large majority of the loss, and the LGF and PLF will each lose approximately $325,400 in FY 2020 revenues. Under permanent law, each fund receives 1.66% share of GRF tax revenue.
- Counties and transit authorities are expected to lose around $4.7 million in FY 2020.

Detailed Analysis

The bill modifies section 5739.02 of the Revised Code, exempting from the sales tax "diapers, including pull-ups, underpads, or liners, any of which are designed to be worn by an individual who cannot control the individual's bladder or bowel movements." The exemption will reduce sales tax revenues under the state sales and use tax and the permissive county and transit authority sales taxes. The size of Ohio's infant and toddler diaper market is approximately $211 million, while the size of Ohio's adult diaper market is approximately $130 million for a total of $341 million.[1] The state sales tax base would thus decrease by that amount.

The state sales tax revenue loss from the bill is estimated at $19.6 million in FY 2020. State sales tax revenue is deposited in the GRF. Under current law, the LGF and PLF each receive 1.66% of state GRF tax revenues, so distributions to each local fund would decrease by about $325,400 in that year, and the GRF loss from the bill would be $19.0 million. Permissive county and transit authorities' sales taxes have the same base as the state sales and use tax. Sales tax revenue for these local governments is about 24% of state sales tax revenue. Thus, revenue to county governments and transit authorities statewide is expected to decrease by approximately $4.7 million from the bill.

For the analysis, every child under the age of three and every adult over the age of 80 is counted as being a part of the diaper market. Estimated 2019 diaper revenue for the U.S. is divided by Ohio's share of residents in the diaper market to obtain the size of Ohio's diaper market in dollars, resulting in the tax base of $341 million. Then, the state sales tax rate of 5.75% is applied to that $341 million to obtain the reduction in state sales tax revenue of $19.6 million. To estimate revenue losses going forward, both growth in diaper revenues and Ohio's anticipated demographic changes are accounted for. The ratio of Ohio residents who are expected to participate in the diaper market is estimated to grow steadily over the next ten years. GRF revenue losses are expected to rise by 1.0% per year.

The bill is assumed to be effective July 1, 2019.

HB0060H1/zg

[1] According to data from Statista market research, demographic information from the U.S. Census Bureau, and the UVA Weldon Cooper Center for Public Service.