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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 8**  
**133rd General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 8's Bill Analysis](#)

**Version:** As Passed by the Senate

**Primary Sponsor:** Sen. Schuring

**Local Impact Statement Procedure Required:** Yes

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### **Highlights**

- The direct effect under the bill of nonrefundable state tax credits for up to 10% of qualifying investments in Opportunity Zones in this state would be GRF revenue losses of uncertain magnitude. Allocation of credits would be capped at \$50 million per biennium.
- Distributions to each of (1) the Local Government Fund (LGF, Fund 7069), transferred to local governments, and (2) the Public Library Fund (PLF, Fund 7065), paid mainly to public libraries, would be reduced by 1.66% of any GRF tax revenue reductions.
- The bill reduces the maximum amount of tax credits under the current InvestOhio credit from \$100 million per fiscal biennium previously to \$50 million, effective for any fiscal biennium starting on or after July 1, 2019. Historical usage of the credit has been low, implying that this change is unlikely to affect use of this credit by taxpayers.

### **Detailed Analysis**

#### **Summary of provisions with fiscal effects**

S.B. 8 would create nonrefundable credits against state income tax liability for participation in a new federal program by Ohio taxpayers at designated locations in Ohio. The extent to which Ohio taxpayers would participate in the program appears uncertain. Total credits allocated in any fiscal biennium would be limited to \$50 million. To the extent that Ohio taxpayers reduce their taxes by claiming credits for investments under the program, state GRF tax revenues would be reduced, possibly beginning in FY 2020. For a similar program in H.B. 166 of the 133<sup>rd</sup> General Assembly, the main operating budget, the administration estimates a GRF revenue loss of \$30 million in FY 2021. LGF revenue-sharing payments to units of local government would be reduced, under codified law, by 1.66% of GRF tax revenue reductions. Revenue-sharing payments

through the PLF, mainly to public libraries but also to other local governments, would also be reduced by 1.66% of GRF tax revenue reductions under codified law.

The Development Services Agency and the Department of Taxation would incur costs to administer the new credit program. The Development Services Agency would incur costs to issue an annual report required by the bill.

### **Additional information**

The federal Opportunity Zone program is aimed at encouraging investment in economically distressed communities nationwide by designating selected areas as such zones. Taxpayers who invest in these zones can qualify for federal income tax benefits. The new federal program was enacted as part of the Tax Cuts and Jobs Act in December 2017. An official list of the Opportunity Zones was published in July 2018.

At the state level, to qualify for the new Ohio tax credit that the bill would create, (1) an investor would have to invest in an Ohio qualified opportunity fund, and (2) the fund would need to invest in projects located in Ohio opportunity zones. The taxpayer could apply during January 1 through February 1 for investments in the fund that the fund invested in Ohio opportunity zone projects during the previous calendar year. The taxpayer's credit would equal 10% of the investment. An Ohio qualified opportunity fund is a qualified opportunity fund under federal law that invests in qualified property in one of 320 zones in the state. The zones, in 73 of Ohio's counties, are census tracts meeting specified criteria as low-income communities. Counties with such zones, and the number of zones in each, are listed in the table at the end of this Fiscal Note.

The credit could be used to offset liabilities under the state personal income tax. Unused credits could be carried forward up to five years. Credits would be transferrable but could only be transferred once. Tax credit certificate issuance to a taxpayer would be limited such that the taxpayer could not claim more than \$1 million in credits in any fiscal biennium. Total credits allocated in any fiscal biennium would be limited to \$50 million or less. Also, the bill precludes, for any one investment, issuance for credits under both the program that the bill would establish and the InvestOhio program of small business investments. The bill reduces the cap on tax credits under InvestOhio from \$100 million in prior biennia to \$50 million in the biennium that starts in FY 2020. The proposed caps on total credits under InvestOhio and the new Opportunity Zone program total \$100 million, which equals the current law cap for the InvestOhio credit. The reduction in the cap appears unlikely to reduce credits claimed under InvestOhio, as far fewer credits appear to be claimed under that program than these limits. In tax year (TY) 2015, Ohio income taxpayers claimed \$5.7 million in InvestOhio credits, and in TY 2016, they claimed \$2.5 million. Thus, the new Opportunity Zone program appears likely to result in more credits claimed in total under the two programs than in the past under InvestOhio.

Federally Designated Opportunity Zones in Ohio							
County	Number of Zones	County	Number of Zones	County	Number of Zones	County	Number of Zones
Adams	1	Franklin	43	Lorain	5	Sandusky	1
Allen	3	Gallia	1	Lucas	17	Scioto	4
Ashtabula	2	Geauga	1	Mahoning	10	Seneca	1
Athens	4	Greene	2	Marion	1	Stark	8
Belmont	2	Guernsey	1	Medina	2	Summit	16
Brown	2	Hamilton	30	Meigs	1	Trumbull	5
Butler	5	Hancock	1	Mercer	1	Tuscarawas	2
Carroll	1	Harrison	1	Miami	1	Union	1
Champaign	1	Henry	1	Monroe	1	Van Wert	2
Clark	4	Highland	2	Montgomery	18	Vinton	1
Clermont	2	Hocking	1	Morgan	1	Warren	1
Clinton	1	Holmes	1	Muskingum	2	Washington	1
Columbiana	1	Jackson	2	Noble	1	Wayne	2
Crawford	2	Jefferson	3	Perry	2	Williams	1
Cuyahoga	64	Knox	1	Pickaway	1	Wood	1
Defiance	2	Lake	2	Pike	1	Wyandot	1
Erie	2	Lawrence	2	Portage	1	<b>Total</b>	<b>320</b>
Fairfield	2	Licking	2	Richland	3		
Fayette	1	Logan	1	Ross	3		