OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 498
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 498's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Fraizer

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2022	FY 2023	Future Years
State General Revenue Fund			
Revenues	Loss up to $9.7 million	Loss up to $9.7 million	Loss up to $9.7 million per year
Expenditures	Possible increase	Possible increase	Possible increase
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss up to $332,000	Loss up to $332,000	Loss up to $332,000 per year
Expenditures	Commensurate decrease	Commensurate decrease	Commensurate decrease

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.

- Refundable state income tax credits for qualifying expenses to help seniors and disabled persons remain in their homes could reduce revenues by up to $10 million per year. The tax credits would first be available for tax years beginning on or after January 1, 2021.
- Lower tax revenues would reduce distributions through the Local Government Fund and Public Library Fund to local governments and public libraries, and reduce amounts retained by the GRF.

- The Ohio Department of Aging will incur new operating costs to administer the tax credit program. Factors affecting the cost would include how many qualifying taxpayers participate and how complex the applications are to review.

Detailed Analysis

The bill would allow qualifying taxpayers to claim refundable state income tax credits for disability-related home expenses to help them stay in their homes rather than relocating to assisted living facilities. To qualify, a taxpayer or the taxpayer's spouse or dependent must be either older than 59 years of age or permanently disabled. Disability-related home expenses are costs to facilitate activities of daily living and to increase the time that the taxpayer, spouse, or dependent can stay in the residence before needing assisted living.[1] Refundable expenses include modifications to the home to improve accessibility and provide universal visitability as specified in Ohio Department of Aging (ODA) guidelines, including but not limited to the cost of installation of wheelchair ramps, bathtub bars, and zero-step entrances, and costs for personal care and assistive technology.

ODA would be responsible for establishing guidelines and administering credits, including prescribing the form of application to be submitted by taxpayers and approving applications. The cost of each credit would equal the cost of disability-related home expenses, up to a maximum of $5,000 per taxpayer. ODA would ensure that total credits per calendar year would not exceed $10 million, that no taxpayer is approved for a credit who had previously been approved, and that approved transactions do not include any between family members or between a pass-through entity and someone with an ownership interest in the entity.

Assuming that a large number of qualifying taxpayers will apply for the credit, ODA could incur significant costs to verify eligibility, ensure that the claimed expenses comply with guidelines, and otherwise administer the program. The costs could include hiring additional employees or potentially contracting with outside entities to manage the application process. The Department might by rule charge qualifying taxpayers an application fee; this is not addressed in the bill. If so, the fee could offset some of the administrative cost. The Department of Taxation may also incur costs for a new income tax credit program.

A reduction in state income tax revenue, as with other GRF taxes, would reduce distributions to each of the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) by 1.66% of the revenue reduction under codified law. During the FY 2020-FY 2021 biennium, distributions to these funds are increased, to 1.68% to the LGF and to 1.70% to the PLF under provisions of H.B. 166 of the 133rd General Assembly. The bill specifies that the program would apply starting in tax year 2021, hence would be unlikely to reduce GRF revenue or alter distributions to the LGF or PLF until FY 2022.

Potential indirect fiscal effects

An indirect effect of the bill may be a reduction in GRF spending on Medicaid, thereby partially offsetting the revenue loss. The magnitude of any such savings appears indeterminate. Not all taxpayers claiming the credit would have nursing home or assisted living stays paid by

[1] Activities of daily living include eating, toileting, transferring, bathing, dressing, and continence.

Medicaid. Also, the federal government typically reimburses around 60% of the cost of spending on nursing home and assisted living stays paid by Medicaid.

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