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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

H.B. 133
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 133's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Craig

Local Impact Statement Procedure Required: Yes

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Highlights

- Authorizing a nonrefundable credit against the state personal income tax (PIT) for any employer that meets certain requirements and provides to some or all employees an individual coverage health reimbursement arrangement (HRA) could decrease PIT receipts by tens of millions of dollars per year, as early as FY 2027 when tax year 2026 PIT returns are filed.
- PIT receipts are deposited in the GRF. Thus, 96.6% of revenue losses from the PIT would be borne by the GRF, while the remaining will be borne by the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065), each of which receives 1.7% of GRF tax revenue under the statutory formula.

Detailed Analysis

The bill authorizes a nonrefundable credit against the state personal income tax (PIT) for any employer that employs between two and 50 total employees, provides to some or all employees an individual coverage health reimbursement arrangement (HRA), and contributes at least \$400 per employee to that arrangement during a taxable year. The owner of a direct or indirect interest in such an employer that is a pass-through entity (PTE) is also eligible for the tax credit. The credit equals \$400 multiplied by the number of the employer's employees who were provided benefits under an HRA, cumulatively and regardless of an employee's length of tenure, during the taxpayer's taxable year.

The credit would begin in the first taxable year that ends on or after the bill's effective date, which LBO assumes to be tax year (TY) 2026. The bill allows the Tax Commissioner to request that a taxpayer claiming the credit under the bill to furnish necessary information

supporting the claim for the credit, and credit will not be allowed unless the requested information is provided.

Fiscal effect

Information on the number of employers that employ between two and 50 employees in Ohio that provide and contribute to an HRA for their employees are undetermined. However, the potential cost of the tax credit could be in the tens of millions of dollars per year, depending on the number of employers that meet the eligibility requirements and the number contributing to an HRA for their employees. The information and assumptions below illustrate the potential PIT revenue loss.

According to [2022 County Business Patterns](#) data, published by the U.S. Census Bureau, about 155,000 businesses (i.e., their legal form is either an S-corporation, sole proprietorship, or partnership) that employed between one and 49 employees were in Ohio. Those businesses employed approximately 1.1 million people. HRAs are relatively new, so [statistics are sparse](#), but it is plausible that HRAs are offered by about 4% of all firms that offer employer-sponsored health insurance.¹ Assuming those employers provided and contributed up to \$400 to HRAs to 4% of such total employees and claimed the PIT credit, the estimated revenue loss would be about \$17.6 million per year (i.e., [1.1 million x 4%] x \$400 = \$17.6 million). Annual revenue losses could begin as soon as FY 2027 when TY 2026 PIT returns are filed.

Currently, PIT receipts are deposited in the GRF. Thus, 96.6% or about \$17.0 million of revenue losses from the PIT would be borne by the GRF, while the remaining 3.4% or about \$0.6 million will be borne by the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065). Currently, each fund receives 1.7% of GRF tax revenue under the statutory formula.

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¹ According to Figure 8.1 of the Kaiser Family Foundation's 2024 Employer Health Benefits Survey, files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey (PDF).