OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 48
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 48's Bill Analysis

Version: As Passed by the House

Primary Sponsors: Reps. A. Mathews and Santucci

Local Impact Statement Procedure Required: No

Kyuhan Choi, Economist

Highlights

Fund	FY 2026	FY 2027	Future Years
State General Revenue Fund			
Revenues	Loss up to $8.9 million	Loss up to $9.4 million	Annual losses compound with inflation
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss up to $310,000	Loss up to $330,000	Annual losses compound with inflation

Note: The fiscal year for the state, school districts, and certain other local governments 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 increases the existing personal income tax (PIT) deduction for tuition savings plans and STABLE accounts by doubling the amount that may be claimed by married taxpayers filing joint returns and annually adjusting the deduction limit for all taxpayers. The bill is effective in tax year (TY) 2025, and it will reduce PIT revenues beginning in FY 2026.
- Under codified law, the GRF would bear 96.6% of any PIT revenue loss, while the Local Government Fund (LGF) and Public Library Fund (PLF) would each bear 1.7%.

Detailed Analysis

Existing law grants a personal income tax (PIT) deduction (up to $4,000 per beneficiary) for taxpayers who contribute to a 529 tuition savings plan or a STABLE[1] account. The bill raises the PIT deduction limit for joint filers from $4,000 per beneficiary to $8,000 per beneficiary beginning in tax year (TY) 2026. The bill also indexes these contribution limits for inflation, based on increases in the national gross domestic product (GDP) deflator, beginning in TY 2026.

Fiscal effect

Contributions to Ohio 529 Plans and State Income Tax Deductions		
Tax Year	Contributions	Income Tax Deduction
2020	$868,368,484	$569,868,243
2021	$1,066,226,238	$606,398,751
2022	$942,639,375	$595,961,796
2023	$934,452,765	$631,736,308
2024	$1,049,691,774	Unavailable

Source: Ohio Tuition Trust Authority; Ohio Department of Taxation

The provisions in H.B. 48 are expected to increase the tax deduction up to $287 million in TY 2025. By assuming a 3.2% marginal income tax rate would apply to the excluded income (on weighted average), the state revenue loss would be nearly $9.2 million for FY 2026 when TY 2025 income tax returns are filed.

The annual inflation adjustment could increase the tax deduction up to $304 million in TY 2026, as compared to current law. Applying the marginal income tax to these amounts suggests a revenue loss of $9.7 million in FY 2027. Under codified law, the GRF would bear 96.6% of any PIT revenue loss, while the Local Government Fund (LGF) and Public Library Fund (PLF) would each bear 1.7%.

The above estimates incorporate the changes from S.B. 33 of the 134th General Assembly, which expanded the state income tax deduction to include contributions to out-of-state tuition savings programs, effective January 1, 2023. Although taxpayer data reflecting this policy change is not yet available, evidence from other states suggests the S.B. 33 expansion could increase the PIT deduction by 50%. The impact of H.B. 48 could vary depending on the actual effects of the S.B. 33 expansion once fully realized.

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[1] Ohio STABLE accounts allow individuals with disabilities to save and invest money without losing eligibility for certain public benefits programs. Approximately 2,000 tax returns claimed this deduction in TY 2022.