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Office of Research and Drafting

Legislative Budget Office

H.B. 340
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. Williams

Local Impact Statement Procedure Required: Yes

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Highlights

- Authorizing a nonrefundable tax credit against the state personal income tax (PIT) for an employer or a taxpayer, who owns a direct or indirect interest in an employer, that pays a childbirth bonus to an employee would reduce PIT revenue by approximately between $33 million and $86 million per year, potentially beginning in FY 2027.
- The state GRF would bear 98.25% of the total revenue loss, or between $32.4 million and $84.5 million, while the remining 1.75%, or between $0.6 million and $1.5 million, would be borne by the Local Government Fund (LGF, Fund 7069).

Detailed Analysis

The bill authorizes a nonrefundable credit against the state personal income tax (PIT) for an employer or a taxpayer who owns a direct or indirect interest in an employer that pays a childbirth bonus to an employee pursuant to a qualifying childbirth bonus policy. A childbirth bonus means additional compensation of at least $1,000 paid to an employee in the calendar year that the employee or the employee's spouse gives birth to or adopts a child upon the employee's submission of a copy of a birth or adoption record to the employer. The credit applies to taxable years ending on or after the bill's effective date, which LBO assumes to be tax year (TY) 2026; thus, the estimated revenue loss would begin in FY 2027.

The bill limits the amount of the PIT credit to $1,000 per employee, and it limits the total amount of childbirth bonuses paid by a single employer that are eligible for the credit to $50,000 per taxable year. The bill specifies that any excess of the amount of the credit over a taxpayer's tax liability may be carried forward for five taxable years, but the amount of the excess credit allowed in any such year must be deducted from the balance carried forward to the next year.

The bill allows the Tax Commissioner to require a taxpayer to furnish any necessary information to support a claim for a credit under the bill, including the taxpayer's qualifying childbirth bonus policy and pay stubs for the compensated employee. The bill also allows the Tax Commissioner to adopt any necessary rules to administer the tax credit. The bill requires employers to maintain for at least five years certain records regarding childbirth bonus and qualifying childbirth bonus policy.

Fiscal effect

Not all employers could claim the tax credit. Employers that are government or nonprofit entities owe no income tax, thus they could not claim the credit. The income of businesses organized as C corporations is not subject to the state PIT, thus those employers could not claim the credit, either. However, employers that are organized as sole proprietors could claim the credit. In addition, the individual owners of pass-through entities (i.e., businesses organized as S corporations or partnerships) could claim their shares of the credit.

According to Ohio Department of Health Birth data in 2019 through 2023, the average number of live births by Ohio residents statewide was 129,815. Based on a report, *Adoption by the Numbers 2021 & 2022* (PDF),[1] the average number of adoptions in Ohio between 2019 and 2023 was about 4,115. Thus, the estimated live births and adoptions would be about 133,930 per year (i.e., 129,815 + 4,115 = 133,930). In addition, based on data for the Labor force participation rate by age and sex in 2023, published by the U.S. Department of Labor Statistics (BLS), the average rates were between 75% and 84% for adults in the applicable age range. Additionally, based on data from the 2023 County Business Patterns, published by the U.S. Census Bureau, about 2.1 million employees worked for a total of about 162,700 employers that were organized as S corporations, proprietorships, and partnerships statewide. Consequently, LBO assumes about 42% of Ohio employees work for employers subject to the state PIT.

Based on data above, the estimated live births and adoptions to men and women working for employers subject to the PIT would be about 47,250 and 42,188, respectively.[2] These estimated figures were proportionately distributed to data on employers subject to the PIT, by the number of employees. Assuming each of those men and women received a $1,000 childbirth bonus from such employers, the estimated total credits that could be claimed would be roughly $86 million per year. However, when taking into account the existing business income tax deduction and the proportion of such employers that may still be able to apply the nonrefundable tax credit against their PIT liability, the total credits claimed by such employers is estimated at roughly $33 million per year. Actual revenue losses under the bill could be higher or lower than the estimates, depending on the number of live births and adoptions by employees working for eligible employers, the amount of credit claims by such employers, and their associated tax liabilities.

The estimated annual revenue losses could begin as soon as FY 2027 when TY 2026 PIT returns are filed, if the bill were enacted in calendar year 2026. Currently, PIT receipts are

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[1] Drumm, A. R., Davi, N., & Hanlon, R. (2025) *Adoption by the Numbers: 2021 & 2022*. National Council for Adoption. Alexandria, VA.

[2] The estimated births and adoptions to working men is 47,250 (i.e., [133,930 x 84% x 42%] = 47,250) and the estimated births and adoptions to working women is 42,188 (i.e., [133,930 x 75% x 42%] = 42,188).

deposited in the GRF. In addition, the Local Government Fund (LGF, Fund 7069) receives 1.75% of GRF tax revenue under the statutory formula. Thus, 98.25% or between $32.4 million and $84.5 million of revenue losses from the PIT would be borne by the GRF, while the remaining 1.75% or between $0.6 million and $1.5 million will be borne by the LGF.

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