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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

H.B. 342
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 342's Bill Analysis

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 marriage bonus to an employee would reduce PIT revenue by roughly between $14 million and $35 million per year, potentially beginning in FY 2027.
- The state GRF would bear 98.25% of the total revenue loss, or between $13.8 million and $34.4 million, while the remining 1.75%, or roughly between $245,000 and $613,000, 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 marriage bonus to an employee pursuant to a qualifying marriage bonus policy. The bill specifies that a marriage bonus is additional compensation paid to an employee in the calendar year that the employee marries upon the employee's submission of a marriage license or record of marriage to the employer. The credit must be claimed for the taxable year in which the bonus was paid. If a taxpayer holds a direct or indirect equity interest in an employer that paid a marriage bonus, the taxpayer must claim the taxpayer's distributive or proportionate share of the credit for the taxpayer's taxable year that includes the last day of the entity's taxable year. 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 credit to $1,000 per employee and limits the aggregate amount of marriage bonuses paid by a single employer that is eligible for the credit to $50,000 per taxable year. The credit must be claimed in the order required under existing law. Any credit amount in excess of the aggregate amount of tax due, after allowing for any other credits preceding the credit in that order, 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, including the taxpayer's qualifying marriage bonus policy and pay stubs for the compensated employee. The bill requires an employer to maintain certain records associated with the credit under the bill for at least five years. The bill allows the Tax Commissioner to adopt any necessary rules to administer the credit.

Fiscal effect

Not all employers could claim the tax credit. Employers that are government or nonprofit entities would 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 individual proprietors could claim the credit. In addition, individual owners of pass-through-entities (PTEs) could claim their shares of the credit (i.e., owners of businesses organized as partnerships and S corporations).

According to Ohio Department of Health Marriage & Divorce reports, in 2023 a total of 60,080 marriages occurred in Ohio. 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 for adults between age 20 and 74 were between 64% and 74%. 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 annual count of marriages for men and women working for employers subject to the PIT would be about 18,673 and 16,150, respectively.[1] 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 marriage bonus from such employers, the estimated total credits that could be claimed would be roughly $35 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 $14 million per year. Actual revenue losses under the bill, could be higher or lower than the estimates, depending on the number of marriages by employees working for eligible employers, the amount of credit claims by such employers, and their associated tax liabilities.

Currently, PIT receipts are 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% of revenue losses from the PIT, or between $13.8 million and $34.4 million, would be borne by the GRF, while the remaining 1.75% or between $245,000 and $613,000 will be borne by the LGF.

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[1] The estimated total marriages for working men employed for eligible employers is 18,673 (i.e., [60,080 x 74% x 42%] = 18,673) and the estimated total marriages for working women employed for eligible employers is 16,150 (i.e., [60,080 x 64% x 42%] = 16,150).