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Office of Research and Drafting

Legislative Budget Office

S.B. 250
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 250's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Reynolds

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill authorizes a nonrefundable but transferable tax credit for eligible nonprofit organizations that facilitate the development of owner-occupied housing on land they own. The GRF revenue loss would be up to $25 million per fiscal year.

Detailed Analysis

The bill authorizes the promised land tax credit, a nonrefundable but transferable credit that can be applied against insurance company taxes, the financial institution tax, or personal income tax. The credit is available to churches and other eligible nonprofit organizations that facilitate the construction of housing on land they own. To qualify, eligible organizations must contribute or lease at least one acre of property for housing development and receive a credit equal to 10% of the total cost of the project, including both construction expenses and land value.

Only the eligible nonprofit organization may apply for the credit, which is issued by the Director of Development after housing units are sold to owner-occupants. Applications are accepted twice a year (January 10 to February 1, July 10 to August 1), reviewed in order received, and subject to a $25 million annual program cap and a $2 million biennial cap per applicant. If approved, the Director must issue a tax credit certificate within 60 days after the close of the application period unless the program or applicant-specific limits have been reached.

If an eligible nonprofit organization does not have sufficient tax liability to use the credit, it may transfer some or all of the credit to another taxpayer. The transfer must be reported to the Tax Commissioner. Credits may be claimed in the year they are issued or the following year. Any person to whom a certificate is transferred may also transfer the certificate and the right to claim any remaining credit.

Finally, the bill requires the Director of Development to submit an annual report to the Governor and legislative leaders summarizing the number and location of owner-occupied housing units where credits were applied and awarded.

Fiscal effect

The bill is expected to result in a GRF revenue loss of up to $25 million per fiscal year, and with 1.75% of the revenue loss distributed to the local governments. The actual fiscal impact will depend on factors such as the number of eligible nonprofit organizations that apply, the total cost of qualifying housing projects, and the extent to which credits are claimed against insurance company, financial institution, or personal income tax liabilities. Since the credit is transferable, the timing and total fiscal impact could be spread across multiple taxpayers and fiscal years. Additionally, credits may be carried forward up to five years, potentially delaying the realization of the full revenue reduction.

There would be administrative costs for the Department of Development (DEV), which appears to be minimal. DEV already administers other tax credit programs, such as the Ohio opportunity zones tax credit program. The processes required under this bill, including processing credit applications, issuing certificates, tracking transfers, and preparing the required annual report, are expected to be absorbed within the existing administrative framework.

FNSB0250IN-136/zg