



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 114 of the 132nd G.A.

Status: As Introduced

Sponsor: Sen. Hite

Local Impact Statement Procedure Required: No

Subject: Nonrefundable tax credits for the training of commercial vehicle drivers

State and Local Fiscal Highlights

STATE FUND	FY 2018	FY 2019	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Loss of up to \$2.9 million	Loss of \$2.9 million or more, depending on credit carryforwards
Local Government and Public Library Funds (counties, municipalities, townships, and public libraries)			
Revenues	- 0 -	Loss of up to \$0.1 million	Loss of \$0.1 million or more, depending on credit carryforwards

Note: The state fiscal year is July 1 through June 30. For example, FY 2018 is July 1, 2017 – June 30, 2018.

- The bill creates a nonrefundable tax credit against the personal income tax (PIT) or the commercial activity tax (CAT) for employers that train their employees to be commercial vehicle operators.
- The tax credit would reduce GRF tax revenue. The revenue loss would be shared by the state GRF (96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). Funds deposited into LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.

Detailed Fiscal Analysis

The bill creates a nonrefundable tax credit of up to \$25,000 against the PIT or the CAT for employers that train their employees to obtain a commercial driver's license (CDL) or to operate a commercial motor vehicle. If the amount of the credit exceeds the tax otherwise due in any year, the excess may be carried forward and applied to a future tax liability for up to five years. The credit applies to nonwage training expenses paid on or after January 1, 2018. Nonwage training expenses are described in the bill as any cost customarily incurred by an employer to train an employee who is qualified to obtain a CDL or to operate a commercial motor vehicle.

To obtain the credit, an employer must first apply to the Director of Development Services with an estimate of the training expenses that the employer expects to pay in the upcoming year. The Director may certify up to \$50,000 of estimated training expenses as eligible for the tax credit. Then, in January of the year after the year the expenses are incurred, the employer applies to the Director for the tax credit, which equals one-half of the employer's actual training expenses.

The bill specifies that the total amount of credits awarded in any year may not exceed \$3 million. However, if in any year the amount of credits awarded is less than the annual cap, the difference may be carried forward and added to the maximum amount to be awarded the following year. LSC assumes that the potential revenue loss from the credit would be up to \$3 million in FY 2019, the first year the credit may be used against the PIT and the CAT. However, due to the provision regarding nonawarded credits carried forward to another year, it is possible the fiscal cost of the bill may exceed the cap of \$3 million in subsequent years, dependent on the amount and timing of credit awards by the Director of Development Services and the Ohio Tax Credit Authority, and credit carryforwards by taxpayers.

Under permanent law, the revenue loss from the bill would be shared by the state GRF (96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). Thus, the GRF loss would be up to \$2.9 million per year and the combined loss to the LGF and the PLF would be \$0.1 million. Also, under current law, the GRF receives 75.0% of CAT revenues. The remaining CAT receipts are used by the state to reimburse school districts and other local governments for the reductions and phase-out of local taxes on tangible personal property. Reimbursements for such purposes are deposited into the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund. The GRF is required to subsidize the required reimbursements if CAT receipts are insufficient. As a result, the GRF may bear additional revenue loss.