



OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 314 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Schaffer

Local Impact Statement Procedure Required: Yes

Subject: Authorize income tax credit for purchase of safety and protective items used for law enforcement

State & Local Fiscal Highlights

	FY 2018	FY 2019	FUTURE YEARS
State General Revenue Fund			
Revenues	- 0 -	Loss up to \$21.7 million	Annual loss between \$12.2 million and \$16.2 million
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	- 0 -	Loss up to \$0.7 million	Annual loss between \$0.4 million and \$0.6 million

Note: The state or school district fiscal year is July 1 through June 30. For example, FY 2018 is July 1, 2017 – June 30, 2018. For other local governments, the fiscal year is the calendar year.

- The bill grants a nonrefundable state income tax credit up to \$500 to a taxpayer that purchases safety or protective items to be used in the course of official law enforcement activities. H.B. 314 reduces GRF receipts by an estimated \$12.2 million to \$16.2 million per year. Because the bill applies to tax year 2017, the revenue loss in the first year, assumed to be FY 2019, will be higher as applicable taxpayers file amended returns to claim the tax credit.
- The state income tax revenue loss would be shared by the state General Revenue Fund (GRF, 96.66% in FY 2019 and 96.68% thereafter), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.68% in FY 2019 and 1.66% thereafter). Funds deposited into the 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

H.B. 314 authorizes law enforcement officers to claim a personal income tax credit for amounts they spend on items used to ensure their safety or protection while performing official law enforcement activities. The maximum credit amount allowed is \$500 per year. The credit is nonrefundable, which means that if the credit is more than the tax due with the law enforcement officer's annual tax return, the difference is not refunded.

The bill defines a "law enforcement officer" as a sheriff, deputy sheriff, constable, municipal police officer, police officer of a township or joint township police district, marshal, deputy marshal, or state highway patrolman, and also includes any officer, agent, or employee of the state or any of its agencies, instrumentalities, or political subdivisions, upon whom, by statute, the authority to arrest violators is conferred, when the officer, agent, or employee is acting within the limits of statutory authority. Based on information from the Ohio Attorney General, there were approximately 33,600 law enforcement officers in Ohio that met these criteria in calendar year 2016.

H.B. 314 allows the Tax Commissioner to request that a law enforcement officer or retired law enforcement officer claiming the credit furnish information as is necessary to support the claim for the credit, and no credit can be allowed unless the requested information is provided. For purposes of this analysis, between 75% and 100% of officers are assumed to claim this credit in tax year (TY) 2018 and every year thereafter.

The bill permits the credit to be claimed for taxable years beginning on or after January 1, 2017. LSC assumes this provision would create a one-time GRF cost of up to \$5.4 million in FY 2019 for law enforcement officers that file amended TY 2017 returns to claim the credit.

H.B. 314 will reduce GRF receipts by up to \$21.7 million in FY 2019 as taxpayers claim the credit for TY 2018 and some file amended returns for TY 2017. Beginning in FY 2020 and years thereafter, the bill would reduce GRF receipts by \$12.2 million to \$16.2 million per year. The Local Government Fund and Public Library Fund would lose up to \$0.7 million in FY 2019 and between \$0.4 million and \$0.6 million in successive years.