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H.B. 324
135th General Assembly

Bill Analysis

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Version: As Passed by the House

Primary Sponsors: Reps. McClain and Klopfenstein

Zachary P. Bowerman, Attorney

SUMMARY

- Authorizes a nonrefundable income tax and commercial activity tax credit for the retail sale of high-ethanol blend motor fuel.
- Limits the tax credit to no more than five years or to a total of $10 million, whichever occurs first.

DETAILED ANALYSIS

High-ethanol blend motor fuel tax credit

The bill authorizes a temporary, nonrefundable tax credit of 5₵ per gallon for the retail sale of high-ethanol blend motor fuel, which contains between 15% and 85% ethanol, that is sold and dispensed through metered pumps at a retail dealer's retail service station during the calendar year. The credit may be claimed by retail dealers either against the dealer's income tax or commercial activity tax (CAT) liability.[1]

Application process

To obtain the credit, a retail dealer must first apply to the Director of Development for a tax credit certificate. The application must be filed within the first 20 days of January after the calendar year in which the credit-eligible sales are made. Upon approval, the Director issues the retail dealer a tax credit certificate indicating the amount of the credit and must notify the Department of Taxation of each certificate issued. The Director may not issue more than a total of $10 million in tax credits over the term of the credit (see "**Term of credit**," below).[2]

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[1] R.C. 5747.74, 5747.98, 5751.56, and 5751.98.

[2] R.C. 122.078(A), (B), (C), and (D)(1).

Carry forward

The credit is nonrefundable, which means that the credit may not exceed a taxpayer's tax liability in any year. However, if the credit does exceed a taxpayer's liability for a particular year, the taxpayer may carry forward and apply the difference to a future tax liability. There is no limit on the number of carryforward years.[3]

Term of credit

The credit is available only for retail sales made in the taxable year or tax period that includes the credit's effective date or any of the four following calendar years. For example, if the bill becomes effective in 2024, a retail dealer may apply for a credit for retail sales occurring in years 2025, 2026, 2027, and 2028, as well as any taxable year or tax period that is still pending or has yet to begin in 2024. If, however, the Director issues a total of $10 million in tax credits before the end of that period, retail sales occurring in the remainder of that period after that $10 million maximum allowable credit amount has been reached will not qualify for the credit. A taxpayer must claim the credit for the taxpayer's taxable year in which the credit-eligible sales are made if taking the credit against the income tax or for the tax period in which the tax credit certificate is issued if taken against the CAT, which is paid quarterly.[4]

HISTORY

Action	Date
Introduced	11-08-23
Reported, H. Ways & Means	02-07-24
Passed House (88-6)	02-07-24

ANHB0324PH-135/ks

[3] R.C. 5747.74 and 5751.56.

[4] R.C. 122.078(D)(2).