OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 8
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 8's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: Yes

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Highlights

- The direct effect of nonrefundable state tax credits for up to 3% of qualifying investments in Opportunity Zones in this state may be GRF revenue losses of uncertain magnitude. The Opportunity Zones were created under the federal Tax Cuts and Jobs Act of December 2017.
- To the extent that GRF tax revenue is reduced by the bill, distributions to local governments through the Local Government Fund (LGF, Fund 7069) would be reduced by 1.66% of those revenue reductions. Distributions through the Public Library Fund (PLF, Fund 7065), mainly to public libraries, would also fall by 1.66% of revenue losses.

Detailed Analysis

Summary of provisions with fiscal effects

S.B. 8 would create nonrefundable credits against state income tax liability for participation in a new federal program by Ohio taxpayers at designated locations in Ohio. The federal program is aimed at encouraging investment in economically distressed communities nationwide by designating selected areas as Opportunity Zones. Taxpayers who invest in these zones can qualify for federal income tax benefits. The new federal program was enacted as part of the Tax Cuts and Jobs Act in December 2017. An official list of the Opportunity Zones was published in July 2018.

At the state level, to qualify for the new Ohio tax credit that the bill would create, an investor would have to invest $250,000 or more in an Ohio qualified opportunity fund. Such a fund is a qualified opportunity fund under federal law that invests in qualified property in one of 320 zones in the state. The zones, in 73 of Ohio's counties, are census tracts meeting specified criteria as low-income communities. Counties with such zones, and the number of zones in each, are listed in the table at the end of this Fiscal Note.

The credit could be used to offset liabilities under the state personal income tax, the domestic or foreign insurance tax, or the financial institutions tax. Unused credits could be carried forward up to five years. Credits would be transferrable but could only be transferred once.

A taxpayer could apply for a credit equal to 1% of the taxpayer's investment in an Opportunity Zone project in the preceding tax year. Five years after completion of the project, the taxpayer could apply for an additional credit equal to 2% of the taxpayer's investment in the project, but approval of the application would depend on estimated increased taxes for the project equaling or exceeding credits issued. A taxpayer applying for the 2% credit would have to submit with the application an estimate by a certified public accountant of the increased state and local tax collections for the project. The Director of Development Services could revise the estimate if it did not comply with rules that may be adopted for these estimates. The Director would be required to deny the application for the state tax credit if the amount of credits previously awarded for the project exceeded the estimated increase in tax collections.

Fiscal effect

The extent to which Ohio taxpayers will participate in the program appears uncertain. To the extent that Ohio taxpayers reduce their taxes by claiming credits for investments under the program, state GRF tax revenues would be reduced. No dollar limit is set in the bill on the amount of such credits that may be claimed. For the 2% credit, GRF tax increases deemed to have resulted from an Opportunity Zone project could be less than the amount of credits issued, even if the total of state plus local tax increases attributed to the project exceeds these credits. LGF revenue-sharing payments to units of local government would be reduced, under codified law, by 1.66% of GRF tax revenue reductions. Revenue-sharing payments through the PLF, mainly to public libraries but also to other local governments, would also be reduced by 1.66% of GRF tax revenue reductions under codified law.

Federally Designated Opportunity Zones in Ohio			
County	Number of Zones	County	Number of Zones
Adams	1	Logan	1
Allen	3	Lorain	5
Ashtabula	2	Lucas	17
Athens	4	Mahoning	10
Belmont	2	Marion	1
Brown	2	Medina	2
Butler	5	Meigs	1
Carroll	1	Mercer	1
Champaign	1	Miami	1
Clark	4	Monroe	1

Federally Designated Opportunity Zones in Ohio			
County	**Number of Zones**	**County**	**Number of Zones**
Clermont	2	Montgomery	18
Clinton	1	Morgan	1
Columbiana	1	Muskingum	2
Crawford	2	Noble	1
Cuyahoga	64	Perry	2
Defiance	2	Pickaway	1
Erie	2	Pike	1
Fairfield	2	Portage	1
Fayette	1	Richland	3
Franklin	43	Ross	3
Gallia	1	Sandusky	1
Geauga	1	Scioto	4
Greene	2	Seneca	1
Guernsey	1	Stark	8
Hamilton	30	Summit	16
Hancock	1	Trumbull	5
Harrison	1	Tuscarawas	2
Henry	1	Union	1
Highland	2	Van Wert	2
Hocking	1	Vinton	1
Holmes	1	Warren	1
Jackson	2	Washington	1
Jefferson	3	Wayne	2
Knox	1	Williams	1
Lake	2	Wood	1
Lawrence	2	Wyandot	1
Licking	2	**TOTAL**	**320**

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