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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

S.B. 286
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 286's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: Yes

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Highlights

- Allowing an up to \$500 nonrefundable tax credit against the state personal income tax (PIT) for certain purchases by eligible volunteer firefighters would reduce revenue from the PIT. The estimated revenue loss could be up to \$4.8 million per fiscal year.
- The nonrefundable credit applies to taxable years ending on or after the effective date of the bill. If the effective date is prior to the end of 2020, the revenue loss would begin in FY 2021.
- The state GRF would bear 96.62% of any FY 2021 revenue loss from the income tax credit. The remaining 3.38% would be borne by the Local Government Fund (LGF, 1.68%) and the Public Library Fund (PLF, 1.70%).
- The GRF would bear \$4.6 million of a \$4.8 million revenue loss, while the combined revenue loss to the LGF and PLF would be approximately \$162,000 per fiscal year. Any revenue loss to the LGF and PLF will decrease distributions to counties, municipalities, townships, public libraries, and other political subdivisions.

Detailed Analysis

The bill allows a volunteer firefighter to claim up to \$500 in nonrefundable credits against the state personal income tax (PIT) for certain purchases related to firefighting-related safety or protective items. The credit applies to taxable years ending on or after the effective date of the bill. The bill defines a "volunteer firefighter" as an individual who is authorized to act as a firefighter under section 3737.66 of the Revised Code and who serves as a firefighter in a volunteer capacity for a nonprofit fire company or for the fire department of a municipal corporation, township, township fire district, or joint fire district.

Fiscal effect

The nonrefundable tax credit would reduce state PIT revenue by up to \$4.8 million in FY 2021, the first year the credit may be claimed if the effective date of the bill is before January 1, 2021. The GRF would bear 96.62% of any PIT revenue loss in FY 2021 or approximately \$4.6 million per year.¹ The remaining revenue loss of up to \$162,000 per year would be borne by the Local Government Fund (LGF, 1.68%) and the Public Library Fund (PLF, 1.70%). Moneys deposited into the LGF and PLF are distributed to counties, municipalities, townships, public libraries, and other political subdivisions.

According to Department of Public Safety data as of August 2020, there were 9,577 certified volunteer firefighters and 28,735 certified firefighters in Ohio. Assuming only individuals with volunteer firefighter certifications claimed up to \$500 in nonrefundable income tax credits, the estimated revenue loss would be up to \$4.8 million per year.

The credit may provide an incentive for a professional firefighter to purchase his or her own firefighting-related safety or protective items and to volunteer during off-duty hours in order to claim the credit. However, the estimate provided above assumes that incentive is not sufficiently strong to cause a significant number of professional firefighters to do that. The actual revenue loss may be higher or lower than the estimate and depending on each eligible taxpayer's income and other deductions. Generally, if the nonrefundable credit is greater than a volunteer firefighter's annual tax liability before any other credits, the difference will not be refunded. For example, assuming a single volunteer firefighter makes about \$28,420 per year and has no other income or deductions, the volunteer firefighter's estimated tax liability before credits would be about \$500, thus, such volunteer firefighter would be able to claim the maximum allowable nonrefundable tax credit under the bill.

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¹ Under current law, the LGF and PLF shares will both revert to 1.66% of GRF tax revenue beginning in FY 2022. The FY 2021 shares are governed by uncodified provisions of H.B. 166 of the 133rd General Assembly.