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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 114
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 114's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Sen. Antani

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2022	FY 2023	Future Years
State General Revenue Fund			
Revenues	Loss of \$16.1 million	Loss of \$16.4 million	Losses estimated to increase between 1% and 2% per year
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of \$265,000 (each fund)	Loss of \$270,000 (each fund)	Losses estimated to increase between 1% and 2% per year
Counties and transit authorities			
Revenues	Loss of \$4.1 million	Loss of \$4.1 million	Losses estimated to increase between 1% and 2% per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Expanding the existing sales and use tax exemption on diapers and incontinence products, to include purchases by individuals outside the Medicaid Program, reduces revenue from the state sales and use tax (SUT). Distributions to the GRF, Local Government Fund (LGF), and Public Library Fund (PLF) are reduced beginning in FY 2022.

- At the current state sales tax rate of 5.75%, SUT revenue losses would total \$16.7 million in FY 2022. Losses are expected to grow between 1% and 2% per year thereafter.
- Counties and transit authorities are expected to lose around \$4.1 million in sales tax revenue during CY 2022.

Detailed Analysis

The bill expands a current sales and use tax (SUT) exemption to include all sales of incontinence products, designed to be worn by an individual “who cannot control the individual’s bladder or bowel movements.” Currently, the exemption applies only to diaper sales made to Medicaid recipients pursuant to a prescription. The current exemption on diapers was added by S.B. 26 of the 133rd General Assembly, and came into effect on April 1, 2020. The size of Ohio’s infant and toddler diaper market is approximately \$207 million and the size of Ohio’s adult incontinence product market is approximately \$93 million.¹

Fiscal effect

The bill results in a loss in SUT revenue of around \$16.7 million in FY 2022 and \$16.9 million in FY 2023. State sales tax is deposited in the GRF. Under current law, the Local Government Fund (LGF) and Public Library Fund (PLF) each receive 1.66% of state GRF tax revenue, so distributions to each local fund would decrease by about \$265,000 in FY 2022, and the GRF loss from the bill would be \$16.1 million in FY 2022. Permissive county and transit authorities’ sales taxes share the same tax base as the state SUT. Sales tax revenue for these local governments is about 24.5% of state sales tax revenue. Thus, revenue to county governments and transit authorities is expected to decrease by approximately \$4.1 million from the bill.

Data and considerations

For the analysis, every child under the age of four and every adult over the age of 80 is counted as being a part of the incontinence product market. Estimated 2021 market revenue for the U.S. is multiplied by Ohio’s share of residents in the diaper market to obtain the size of Ohio’s diaper market in dollars, resulting in a tax base of approximately \$300 million. The portion of the tax base that is derived from sales to Medicaid recipients, already exempt from sales and use tax under current law, is subtracted from the estimated tax base. Next, market growth was taken into account, and the tax base was projected through the upcoming biennium.² Last, the state sales tax rate of 5.75% is applied to that figure, to obtain the \$16.7 million reduction in state tax revenue.

The bill is assumed to become effective July 1, 2021.

SB0114IN/zg

¹ According to data from Statista market research, demographic information from the U.S. Census Bureau, and the UVA Weldon Cooper Center for Public Service.

² The ratio of Ohio residents who are expected to participate in the diaper market is estimated to grow steadily over the next ten years. GRF revenue losses are expected to rise between 1% and 2% per year.