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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 197
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 197's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Stoltzfus and Creech

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2023	FY 2024	Future Years
State General Revenue Fund			
Revenues	Loss of up to \$1.45 million	Loss of \$1.45 million or more, depending on credit carryforwards	Loss of \$1.45 million or more per year, depending on credit carryforwards
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss of up to \$50,000	Loss of \$50,000 or more, depending on credit carryforwards	Loss of \$50,000 or more per year, depending on credit carryforwards

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.

- The bill creates a nonrefundable tax credit against the personal income tax (PIT) for employers that train their employees to be commercial vehicle operators. The credit applies to training expenses incurred on or after January 1, 2022.
- The tax credit would reduce GRF tax revenue. Under codified law, the revenue loss would be shared by the state GRF (96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). 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 Analysis

The bill creates a yearly nonrefundable tax credit of up to \$25,000 against the personal income tax (PIT) for employers that train their employees to obtain a commercial driver's license (CDL) or to operate a commercial motor vehicle. If the amount of the credit exceeds the tax otherwise due in any year, the excess may be carried forward and applied to a future tax liability for up to five years. The credit applies to training expenses paid or incurred on or after January 1, 2022. Training expenses are described in the bill as any cost customarily incurred by an employer to train an employee who is qualified to obtain a CDL or to operate a commercial motor vehicle, excluding wages for the employee being trained. The bill specifies that the credit is allowed against a taxpayer's aggregate tax liability. Thus, to the extent a taxpayer's business income is tax exempt due to the business income deduction in codified law, the tax credit would apply against the taxpayer's nonbusiness income tax liability.

To obtain the credit, an employer must first apply to the Director of Development Services with an estimate of the training expenses that the employer expects to pay in the upcoming year. The Director may certify up to \$50,000 of estimated training expenses as eligible for the tax credit for every application. Then, in January of the year after the year the expenses are incurred,¹ the employer applies to the Director for the tax credit, which equals one-half of the employer's actual training expenses.

The bill specifies that the total training expenses that may be certified in any year (for all applicants) may not exceed \$3 million. The tax credits that may be awarded are 50% of the certified training expenses, yielding a maximum revenue loss the first year of \$1.5 million. However, if in any year the amount of credits awarded is less than the annual cap, the difference may be carried forward and added to the maximum amount to be awarded the following year. This fiscal note assumes that the first year the credit may be used against the PIT would be FY 2023 (tax year 2022). Due to the provision regarding nonawarded credits carried forward to another year, it is possible the fiscal cost of the bill may exceed the cap of \$1.5 million in FY 2024 or in subsequent years, dependent on the amount and timing of credit awards by the Director of Development Services and the Ohio Tax Credit Authority, and credit carryforwards by taxpayers.

The GRF would bear 96.68% of any revenue loss while the Local Government Fund (LGF) and Public Library Fund (PLF) each would bear 1.66% of any such revenue loss under codified law. Thus, the GRF loss would be up to \$1.45 million in FY 2023 and the combined loss to the LGF and PLF would be up to \$50,000.

¹ The bill specifies that this application may be submitted after January 1 and before January 21.