Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

S.B. 225
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2022-FY 2023 Biennium	Future Years
State General Revenue Fund		
Revenues	Loss of up to $164.3 million	Potential loss
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)		
Revenues	Loss of up to $5.7 million	Potential loss

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 increases the amount of historic building rehabilitation tax credits that may be issued in each of FY 2022 and FY 2023 from $60 million to $120 million. Some of the credits issued under the increase may be claimed during a subsequent fiscal year.
- For such tax credits approved in FYs 2021, 2022, or 2023, the allowable credit is increased to 35% of the dollar amount of qualified rehabilitation expenditures from 25%, except in cities with populations of 71,000 or more.
- A limit on the amount of nonrefundable Opportunity Zone credits that may be issued is increased, such that the amount claimed may not exceed $100 million in the July 2021-June 2023 biennium, up from $50 million in other biennia.
- Persons other than state income taxpayers would be allowed to invest in Ohio Opportunity Zones and could transfer acquired credits to taxpayers.

- Revenue sharing with local governments and public libraries via the Local Government Fund and Public Library Fund would be reduced.

Detailed Analysis

The bill makes changes to the historic building rehabilitation tax credit program and to the Ohio Opportunity Zone investment tax credit program that apply to FY 2022 and FY 2023 only. In addition, the bill permanently opens investment in Ohio qualified opportunity funds to entities other than taxpayers subject to the state income tax.

Revenue losses in the "**Highlights**" table above are shown in the years when the additional tax credits could be issued. Some portion of the resulting revenue losses might instead occur in subsequent years.

Historic building rehabilitation tax credits

The bill increases the total amount of rehabilitation tax credits that may be approved to $120 million for each of FY 2022 and FY 2023 from $60 million in prior law and for subsequent years. In addition, for a tax credit approved in FYs 2021, 2022, or 2023, for a rehabilitation project on which construction is started on or after the bill's effective date, a certificate holder may claim a tax credit equal to 35% of the dollar amount on the tax credit certificate if the project is not located in a municipal corporation with a population of 71,000 or more, based on the 2020 decennial census. Otherwise the tax credit equals 25% of the dollar amount on the certificate, the percentage that applies to all rehabilitation tax credits in other years. For credits approved in FYs 2021, 2022, or 2023, the total tax credit claimed for a project may not exceed $10 million for any year, up from $5 million for any other year.

In continuing law, the historic preservation tax credit can be claimed against the state personal income tax, financial institutions tax, and both foreign and domestic insurance premiums taxes. Credits in excess of tax liability may be refunded, but if any portion of the credit is refunded, the amount refunded cannot exceed $3 million. Any balance of the credit in excess of the amount claimed in the year specified on the rehabilitation tax credit certificate may be carried forward for not more than five years. The historic preservation tax credit is not transferable, and is to be applied to the tax liability of the applicant, or if the applicant is a pass-through entity,[1] to the partners or members of the pass-through entity.

Opportunity Zone credits

The bill expands the Ohio Opportunity Zone Program for FY 2022 and FY 2023 only. It allows certificates for Ohio Opportunity Zone tax credits to be issued in a total amount such that tax credits claimed in the current fiscal biennium equal $100 million or less, up from $50 million or less in any other fiscal biennium. The fiscal effect of this change is a revenue loss of up to $50 million, with the timing of the loss likely to fall mostly in FY 2022 and FY 2023, but possibly extending to future years.

The bill also allows not only state income taxpayers but also others to earn such credits by investing in projects through these funds. Only state income taxpayers may use the credits.

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[1] Pass-through entities (PTEs) include, for example, partnerships, limited liability companies, and S-corporations.

The bill permits the credits to be transferred, though only one such transfer is allowed. This is a change with no specified end date.

Ohio Opportunity Zone tax credits equal 10% of a person's investment in Ohio qualified opportunity funds that are in turn invested in projects located in Ohio Opportunity Zones, areas designated for development under the federal Tax Cuts and Jobs Act of 2017. The Ohio Opportunity Zone tax credit is nonrefundable and may be claimed against the individual income tax. The credit may be claimed by a taxpayer for the year when a qualifying investment is made in a project or for the next year. Any unused credit amount may be carried forward for up to five years.

Revenue sharing

Reductions in revenue as a result of the bill will lower amounts distributed to local governments and public libraries through the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065). In the current biennium, the PLF receives 1.70% of GRF tax revenue under a provision of H.B. 110 of the 134^{th} General Assembly, the main operating budget. In codified law, both the LGF and PLF receive 1.66% of GRF tax revenue.

All taxes affected by this bill are considered GRF taxes. If tax revenues in the current biennium decline by $170 million, distributions to the LGF and PLF will be reduced by a total of about $5.7 million and amounts remaining for use by the GRF will be reduced by about $164.3 million.

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