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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

S.B. 235  
134<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for S.B. 235's Bill Analysis](#)

**Version:** As Passed by the Senate

**Primary Sponsor:** Sen. Roegner

**Local Impact Statement Procedure Required:** Yes

Philip A. Cummins, Senior Economist

### Highlights

- The bill exempts documentary service charges from sales and use taxation. Annual revenue losses to the state GRF might range in the low tens of millions of dollars, and to counties and transit authorities in high single-digit millions of dollars, depending mainly on motor vehicle sales.
- The bill exempts income tax electronic filing fees from sales and use taxation. The Department of Taxation estimates that the state revenue loss from this provision would amount to \$8.3 million annually. That implies a revenue loss to counties and transit authorities of about \$2.1 million.
- GRF revenue losses would reduce revenue sharing with local governments and libraries through the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065), totaling an estimated \$1.1 million annually, possibly ranging to \$1.3 million, to both funds.
- The bill would go into effect on or after the first day of the first month beginning after its effective date, so could reduce revenues starting in FY 2022.

### Detailed Analysis

The bill exempts from sales and use taxes two types of fees.

#### Documentary service charges

The bill excludes from the sales and use tax documentary service charges imposed by a dealer for a retail or wholesale sale or lease of a motor vehicle or for retail sale of a manufactured home or mobile home. The fee is permitted, not required, but is commonly charged. For either transaction, the amount of the documentary service charge cannot be more than the lesser of

the amount allowed in a retail installment sale, or 10% of the amount the buyer or lessee is required to pay pursuant to the contract, excluding tax, title, and registration fees, and any negative equity adjustment. The former is limited to \$250.<sup>1</sup>

In FY 2021, Bureau of Motor Vehicles data indicate that 2.2 million new and used cars and trucks were titled in Ohio, up from 1.9 million in FY 2020. If a documentary service fee of \$250 was charged on all of these vehicle transactions, state revenues in FY 2021 would have totaled \$31.3 million, up from \$27.6 million the year before. County and transit authority sales and use taxes are charged on the same tax base as used by the state, and would have totaled \$7.8 million in FY 2021, up from \$6.9 million in FY 2020. These amounts approximate upper limits on revenue losses from these transactions if the bill had been in effect in those years.

In 2020, 1,927 new manufactured or mobile homes were shipped to Ohio, according to U.S. Census Bureau data. Revenue losses from an exemption from sales and use taxes for a \$250 documentary service fee, if charged on each of these transactions, would have totaled about \$28,000 to the state and \$7,000 to counties and transit authorities.

The Department of Taxation estimates that exempting documentary service charges from tax would result in a revenue loss of over \$24 million.

## **Charges to electronically file income tax returns**

The bill excludes from the sales and use tax provision of services to file electronically any federal, state, or local individual income tax return, report, or other related document or schedule with a federal, state, or local government entity or to electronically remit a payment of any such individual income tax to such an entity.

In tax year (TY) 2019, nearly 5.8 million state income tax returns were filed with Ohio's Department of Taxation, including more than 5.4 million resident returns. These filers would also have filed federal returns and in some cases school district or municipal income net profit tax returns. Many returns are filed electronically: 91.0% for TY 2019, 92.8% for TY 2020 (as of October 15). The Department of Taxation provides through its website without charge a feature through which taxpayers can file state and school district returns and electronically remit payments. Those making use of this capability would not have incurred sales tax charges. Many taxpayers use tax software to file or employ professional accountants. One widely used tax software service, TurboTax, lists online four levels of service ranging in price from \$0 for simple federal and state returns up to \$120 for a more complex federal return plus \$50 for a state return.<sup>2</sup> The Department of Taxation estimates that exempting electronic income tax filing fees from tax would result in a revenue loss of \$8.3 million. This estimate implies a revenue loss to counties and transit authorities of about \$2.1 million, based on 2020 local tax rates and revenues.

## **Revenue sharing**

The Local Government Fund (LGF) and Public Library Fund (PLF) each receive 1.66% of GRF tax revenue in codified law. The PLF in the current biennium receives 1.70% under an uncodified provision of H.B. 110 of the 134<sup>th</sup> General Assembly, the main operating budget.

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<sup>1</sup> R.C. 1317.07.

<sup>2</sup> <https://turbotax.intuit.com/personal-taxes/online>.

Revenue losses to the two funds would total \$1.1 million to \$1.3 million annually, based on the above estimates of projected revenue losses. LGF receipts are paid to municipalities, counties, townships, and special districts. PLF funds are nearly all distributed to public libraries, with a small portion paid to local governments.