Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

S.B. 118
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 118's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: Yes

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Revised

Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	Potential loss of up to $96.7 million	Potential loss of up to $96.7 million or more	Potential loss of up to $96.7 million or more per year
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Potential loss of up to $3.3 million	Potential loss of up to $3.3 million or more	Potential loss of up to $3.3 million or more per year

Note: The fiscal year for the state, school districts, and certain other local governments 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.

- A nonrefundable income tax credit for selling rental or new single family housing to owner-occupants could result in income tax revenue losses capped at $100 million per year.
- The credit could be carried forward up to five years or transferred to another taxpayer so potentially the tax revenue loss in some years could exceed $100 million.
- Distributions to the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) could be reduced by up to $1.66 million each under codified law.
- Application for the credits could only be made for property in municipal corporations where more than half of housing units are renter occupied. This provision could limit revenue losses to less than the $100 million cap imposed by the bill, but many large cities as well as smaller municipalities in the state appear likely to qualify.

Detailed Analysis

The bill would provide a credit, the home ownership potential energized (HOPE) credit, against the state income tax for owners of single family rental housing or newly constructed single family housing, who sell the homes to individuals who occupy these homes as their primary residences. The credit would be nonrefundable but could be carried forward up to five years, and could be transferred to another taxpayer. Taxpayers could claim the credit for the tax year in which a certificate evidencing the credit is issued or in the next tax year. Each credit would be for the lesser of $50,000 or 50% of the seller's cost to renovate the rental home in preparation for sale or to construct the newly constructed home.

Application for the credit could be made in a municipal corporation in which more than half of the housing units are renter occupied. The municipal corporation could exclude parts of its territory from eligibility for the credit, and the credit would not be available for condominium units. Issuance of certificates for the credits would be administered by the Department of Development, which could not issue more than $100 million of total credits in any fiscal year.

At up to $50,000 for each credit, the $100 million maximum yearly limit could be fully committed by issuance of as few as 2,000 certificates. Census Bureau data show more than 1.5 million renter-occupied housing units statewide in 2021, though not all were in cities or villages. Potentially the $100 million maximum certificate issuance could be reached year after year. With delayed use of credits and five-year carryforward, yearly GRF revenue losses could exceed $100 million in some years.

The restriction that only municipal corporations with more than half of the housing units renter occupied could sharply limit the program. In 2021, U.S. Census Bureau data show 5.3 million housing units statewide in Ohio, of which 30.1% are rental units, well below the 50% threshold. Owner-occupied units were 61.6% of total 2021 housing units in the state and vacant units were 8.3%. The bill does not address whether vacant units that are for rent or that are rented but not occupied would be counted toward qualification to participate in the tax credit program. Percentages of each housing type in cities and villages would of course differ from these statewide averages, but potentially many municipalities would not qualify as places where application could be made for the credits.

The bill provides that eligible municipal corporations are to be determined based on any U.S. Census Bureau American Community Survey (ACS) published subsequent to the bill's effective date. The bill's requirement to wait for the next ACS publication could delay implementation of the bill's provisions. An ACS query of 2017-2021 data indicates that 85 municipalities would have been eligible, if eligibility had been figured based on those years, including many of the state's larger cities. For some of the villages, the small ACS sample sizes make the estimates of questionable reliability.

The program would increase administrative costs for the departments of Development and Taxation.

Loss of $100 million of GRF tax revenue would reduce distributions to the Local Government Fund (LGF) and the Public Library Fund (PLF) by $1.66 million each under codified law. Money is distributed from the LGF to counties, municipalities, townships, and special districts, and from the PLF mainly to public libraries.

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