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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 347
(with AM1828-2)
135th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 347's Bill Analysis](#)

Version: In House Ways and Means

Primary Sponsor: Rep. Jones

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	\$0	Loss between \$5.6 million and \$17.2 million	Loss similar to FY 2025, rising with inflation
Local Permissive Sales and Use Tax Revenue (levied by counties and transit authorities)			
Revenues	\$0	Loss between \$1.4 million and \$4.5 million	Loss similar to FY 2025, rising with inflation
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	\$0	Loss between \$0.2 million and \$0.6 million	Loss similar to FY 2025, rising with inflation

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.

- The bill exempts certain trailers, utility vehicles, compact tractors, and all-purpose vehicles from state and local sales and use tax for farmers submitting copies of Schedule F from their federal tax return to the Tax Commissioner.
- LBO is unaware of any reliable public source(s) of data needed to precisely estimate the bill's fiscal effect; however, a rough estimate of the total revenue loss from the exemption is between \$7 million and \$22 million annually.

Detailed Analysis

The bill exempts certain types of trailers, utility and all-purpose vehicles, and compact tractors from state and local sales and use tax for farmers. Consumers claiming the exemption are required to either provide a vendor with a certificate from the Tax Commissioner verifying that the consumer has submitted copies of Schedule F from their federal tax return (regarding farm income and expenses) for the three most recent taxable years, or provide the Tax Commissioner with such documents following an applicable purchase.

Sales and use tax exemption fiscal effect

The items excluded from sales and use tax under the bill span broad categories of defined goods. Trailers used to transport agricultural materials, inclusive of livestock/feed trailers and semitrailers; utility vehicles commonly used for grounds maintenance; all-terrain vehicles; self-propelled mini-bikes; trail bikes; riding lawn mowers; and small utility tractors all qualify.

LBO is unaware of any reliable public source(s) which may be used to precisely estimate the Ohio sales tax collected from the range of items included in the bill's tax-exempt categories, or the number of qualifying items purchased by Ohio farmers in any taxable year. Without such data, any estimate is unavoidably rough. Nevertheless, LBO compiled estimates in the table below utilizing pieces of publically available data from private market research firms, as well as trade magazine articles and consumer analytic publications.

Estimated Yearly Sales and Use Tax Exemptions by Item				
Category**	Estimated Quantity	Exempted Purchases (in millions)	Estimated State Tax Loss (in millions)	Estimated Local Tax Loss (in millions)
Trailers	1,500-5,000	\$50-\$165	\$2.8-\$9.5	\$0.7-\$2.4
UTVs*	2,000-6,000	\$34-\$102	\$2.0-\$5.9	\$0.5-\$1.5
APVs*	1,000-3,000	\$9-\$27	\$0.5-\$1.6	\$0.1-\$0.4
Compact Tractors	400-700	\$8-\$14	\$0.5-\$0.8	\$0.1-\$0.2
Total	4,900-14,700	\$101-\$308	\$5.8-\$17.8	\$1.4-\$4.5

*UTVs represent utility vehicles and APVs represent all-purpose vehicles.

**About 65,910 Ohio taxpayers submitted [Schedule F](#) when filing their federal tax returns in 2021, which was used as the basis for the current number of Ohio farmers when estimating consumption of the above qualifying items.

Data from the most recently available year of the Internal Revenue Service (IRS) Statistics of Income publication was used to estimate the number of Ohio farmers. The state's portion of the sales and use tax loss from farmer purchases is estimated to be between \$6 million and \$18 million. Counties and transit authorities are permitted to levy limited sales and use taxes in addition to the statewide 5.75% rate. As a result, these divisions of local government would incur added revenue losses, equal to about 25% of state sales tax revenue reductions stated on an all-funds basis. The overall annual revenue loss to local and state governments is estimated to be

between \$7 million and \$22 million; however, numerous simplifying assumptions were made to reach this estimate.

LBO assumes the tax exemption would take effect beginning June 1, 2024, and state tax revenue losses would begin in FY 2025. The state sales and use tax loss would be shared by the GRF (96.60% in FY 2025, 96.68% in subsequent years), the Local Government Fund (LGF), and the Public Library Fund (PLF, both receiving 1.70% in FY 2025, 1.66% in subsequent years). Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas. The bill is estimated to reduce LGF and PLF revenues for FY 2025 by between \$0.2 million and \$0.6 million.