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H.B. 519
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 519's Bill Analysis

Version: As Passed by the Senate

Primary Sponsor: Rep. A. White

Local Impact Statement Procedure Required: No

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Highlights

- Local criminal justice systems may experience some increase in their annual operating costs if additional persons are arrested, prosecuted, and sanctioned as a result of the bill's expansion of the offense of possessing a criminal tool. These costs may be offset somewhat by a related gain in court costs, fees, and fines, if collected. The net annual fiscal effect of the expenditure increase and related revenue gain for any given local jurisdiction is likely to be minimal.
- To the extent that additional offenders are found guilty or sentenced to either community control or prison for the offense of possessing a criminal tool, the Department of Rehabilitation and Correction (DRC) may experience an increase in supervision/ incarceration expenditures over time, although likely minimal.
- The bill reduces the state's gas tax rates on gasoline and diesel fuel from 38.5¢ and 47¢ per gallon, respectively, to 1/100th of a cent (i.e., $0.0001) for 90 days and appropriates $725 million in FY 2027 to GRF item 110413, Tax Relief Hold Harmless, to be treated as revenue arising from motor fuel and motor fuel use taxes during the temporary reduction period.
- During the reduction period, the appropriation in item 110413 would more than offset the estimated motor fuel tax (MFT) revenue loss of roughly $698 million, based on fuel consumption in October through December of last year. The actual MFT revenue loss may be lower or higher than the estimated amount depending on actual fuel consumption and consumers' behavioral response during the reduction period.
- The bill appropriates $250,000 in FY 2027 to GRF item 110414, Administrative Expenses, to be used by the Department of Taxation for administration of the MFT.

- The bill may also increase administrative costs for the Attorney General (AGO) related to any investigations or enforcement actions of Consumer Sales Practices Act (CSPA) violations. Any increase in such costs for AGO would be paid from its existing budget.

Detailed Analysis

Possession of criminal tools

The bill expands the offense of possessing a criminal tool by adding the possession or control of an electronic device or tool designed or adapted to unlock or turn on a vehicle and intended to be used in a theft of a motor vehicle. Under current law, the offense of possession of criminal tools is a first degree misdemeanor for which a court may impose a jail term of not more than 180 days, a fine of up to $1,000, or both. If circumstances indicate the device was intended to be used in the commission of a felony, the penalty elevates to a fifth degree felony which is punishable by a definite prison term of 6, 7, 8, 9, 10, 11, or 12 months, a fine of $2,500, or both.

The bill adds an additional condition that would elevate the penalty. If the circumstances indicate that an electronic device or tool was involved in the offense (namely the theft of a motor vehicle), possessing criminal tools is a felony of the fourth degree, which is punishable by a definite prison term of 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, or 18 months, a fine of up to $5,000, or both. Generally, fourth and fifth degree felonies are subject to mandatory community control rather than prison unless certain elements are present that would require a sentence of incarceration.

Fiscal effect

Local criminal justice systems

The bill is not expected to lead to many new cases for local criminal justice systems to process. In practice, it may make existing cases easier to charge. Additionally, it is also likely a charge of possession of criminal tools as a theft offense involving a motor vehicle would not be the sole criminal charge facing an offender. To the extent that new criminal cases result from violations of the bill's prohibitions, there could be increases in local criminal justice system costs, including investigating, prosecuting, adjudicating, and sanctioning the offender, as well as paying for defense counsel if the offender is indigent.

System costs may be offset to some degree by the collection of fines, and court costs and fees imposed by the court. Fines are generally credited to a county's general fund, while local court costs and fees can be deposited for a mix of general and special purposes. For misdemeanors, state court costs are $29 and credited as follows: $20 to the Indigent Defense Support Fund (Fund 5DY0) and $9 to the Victims of Crime/Reparations Fund (Fund 4020). For felonies, state court costs are $60 divided as follows: $30 to Fund 5DY0 and $30 to Fund 4020. The annual revenue gain to the state because of violations of the bill will be minimal at most annually.

Department of Rehabilitation and Correction

The Department of Rehabilitation and Correction (DRC) may be minimally impacted by the bill. However, as stated previously, fourth and fifth degree felonies are generally subject to mandatory community control rather than prison unless certain elements are present which would require incarceration. Community control is typically a less expensive sentencing option.

It is likely that a few additional offenders may be sentenced to prison as a result of the bill. DRC's 2025 Annual Report cited the current marginal cost to house an offender was $13.47 per day, or $4,917 per year. Marginal costs are those that increase or decrease directly on a per-person basis with changes in prison population. Such costs include medical care, food service, clothing and bedding (for inmates), and mental health services. Any increase in DRC's GRF-funded incarceration costs is likely to be no more than minimal annually.

Temporary motor fuel tax reduction

The bill reduces the state's motor fuel tax (MFT) rates on gasoline and diesel fuel from 38.5¢ and 47¢ per gallon, respectively, to 1/100th of a cent (i.e., $0.0001) for 90 days, beginning with the date that is three days after the provision's effective date. Fuel tax notices reflecting the reduced tax rates under the bill are not required to be produced and distributed by the Director of Agriculture during the temporary reduction period. However, the bill allows the owner or operator of a retail service station to temporarily alter the fuel tax notice that is affixed to a retail pump at the owner or operator's retail service station during the 90-day period.

The bill prohibits a licensed retail dealer or licensed motor fuel dealer from selling any motor fuel during the temporary reduction period without passing the full benefit of the applicable reduced rate of tax effective during that period onto the consumer or other purchaser. The bill provides that a violation of the prohibition may be considered in any licensing determination made by the Tax Commissioner and may be referred to the Attorney General (AGO). The bill classifies a violation of such prohibition as an unfair or deceptive act or practice in connection with a consumer transaction in violation of the Consumer Sales Practices Act (CSPA), subject solely to enforcement by the AGO. All powers and remedies available to the AGO to enforce the CSPA are available to the AGO to enforce the provisions of the bill.

The bill declares an emergency.

Department of Taxation

The Department of Taxation must administer the temporary MFT reduction. In doing so, it must administer a floor tax credit at the outset of the temporary reduction period that enables all gasoline and diesel fuel in possession of licensed retail dealers to effectively be tax free. Similarly, the fuel in possession of licensed retail dealers when the 90-day period expires is subject to a floor tax that essentially raises tax rates to their statutory level.

Fiscal effects

Appropriations

The bill appropriates $725 million in FY 2027 to GRF item 110413, Tax Relief Hold Harmless, to be treated as revenue arising from motor fuel and motor fuel use taxes during the 90-day tax reduction authorized under the bill.

The tax revenue losses to recipients of gas tax proceeds will begin within two months of the temporary reduction. For example, if the tax is suspended beginning October 1, the end users will not pay the tax on their fuel purchased in October. Motor fuel dealers must remit tax collections by the last day of the following month, November 30. On or around the tenth day of the subsequent month, December 10, the MFT receipts arising from October fuel purchases are distributed according to formulas specified in Chapter 5735. Consequently, suspending the gas tax from October through December will affect MFT recipients from December through February.

GRF item 110413 will offset the absence of MFT revenue during this period. The bill allows the Tax Commissioner to delay the distribution of such taxes required to be made in December 2026 by up to ten business days.

The bill also provides an appropriation of $250,000 in FY 2027 to GRF item 110414, Administrative Expenses, to be used by the Department of Taxation for administration of the MFT.

The bill's requirements may increase administrative costs for the Department of Taxation, but any increase in such costs for the Department of Taxation may be paid from item 110414 and its existing budget. The bill may also increase administrative costs for the AGO due to any investigations or enforcement actions of the CSPA violation. Any increase in such costs for AGO would be paid from its existing budget.

Offsetting revenue loss

Net collections from motor fuel and motor fuel use taxes are allocated to various state agencies and local governments as specified under continuing law. As stated above, the bill appropriates $725 million in FY 2027 to GRF item 110413, Tax Relief Hold Harmless, which must be treated as revenue arising from motor fuel and motor fuel use taxes during the 90-day tax reduction period. Therefore, the appropriation would more than offset the estimated total revenue loss of roughly $698 million to state agencies and local governments, assuming fuel consumption occurring in the final three months of calendar year 2026 remains unchanged from the level observed in the same months of the prior year. The estimate is calculated based on fuel consumption in October through December of last year, derived from the Tax Department's publication, MVR: Motor Fuel Tax Collections and Gallons Taxed, FY 2026, and the current MFT rates. The table below shows estimated allocations from appropriation item 110413 to state agencies and local governments.

During the reduction period, GRF item 110413 will not be used to offset any payments to other jurisdictions (i.e., out-of-state tax liabilities) related to the International Fuel Tax Agreement (IFTA). Such payments made in December 2025 through February 2026 totaled about $30 million, and a similar amount will likely be remitted if the fuel tax rates imposed by other states remain unchanged. Under IFTA, operators of commercial cars and tractor trailers operated or driven upon a public highway in two or more jurisdictions must pay fuel use tax equal to the amount of fuel used in the applicable jurisdictions. For example, an Ohio operator owes fuel use tax to Michigan for miles traveled in Michigan based on Michigan's tax rate. The tax is filed by the operator based on his or her jurisdiction (e.g., an operator who is based in Ohio would file such tax with the Ohio Department of Taxation), and the operator must pay for any obligation through a quarterly filing requirement. Thus, the suspension of Ohio's gas tax does not absolve the operator from paying fuel use taxes to other jurisdictions. Currently, the Ohio Department of Taxation collects such amounts from these taxpayers and forwards those collections to applicable jurisdictions. This practice will continue during the temporary reduction period authorized by the bill.

The actual tax revenue loss associated with the temporary rates reduction may be lower or higher than the estimated amount depending on actual fuel consumption and consumers' behavioral response during the temporary reduction period. If consumers in Ohio respond by increasing their fuel consumption (i.e., higher level than during October through December in 2025), the potential revenue loss may be higher than the estimated amount. Research published in the Journal of Applied Econometrics (PDF) previously observed that: "While most price changes

are difficult to predict, gasoline tax changes are known well in advance, so forward-looking gasoline buyers will accelerate gasoline purchases in the days leading up to gasoline tax increases, and delay gasoline purchases in the days leading up to gasoline tax decreases." Potentially, this behavioral effect will be evident in Ohio's consumption during both the outset and conclusion of the temporary reduction period.

Estimated Allocations to State Agencies and Local Governments from Item 110413

Category	Estimated Allocation ($ in millions)
Ohio Department of Transportation	$373.6
Debt Service	$73.1
Ohio Public Works Commission	$16.8
Ohio Department of Natural Resources	$6.7
Ohio Department of Taxation	$1.5
Public Utilities Commission of Ohio	$0.3
Ohio Turnpike Commission	$0.7
Local Governments	$225.3
Total Estimated Allocations	**$698.0**
Local Governments, by Type	**Estimated Allocation**
Counties	$81.6
Municipalities	$94.7
Townships	$49.0
Total Estimated Allocations to Local Governments	**$225.3**

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