Ohio Legislative Service Commission

Bill Analysis

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H.B. 9

131st General Assembly
(As Introduced)

Reps. Boose, Blessing, Hambley, Hood, Scherer, Sprague, Strahorn, Young

BILL SUMMARY

- Creates a permanent joint legislative committee of eight legislators and one appointee of the Governor to periodically review all existing "tax expenditures" and any legislation proposing a new or modified tax expenditure.
- Requires the committee to make recommendations to the General Assembly as to the continuation, modification, or repeal of existing tax expenditures.
- Requires any bill proposing a new or modified tax expenditure to include a statement of the objectives and intent of the tax expenditure.

CONTENT AND OPERATION

Tax expenditure review committee

The bill creates a permanent committee – composed of eight legislators and an appointee of the Governor – to review all existing "tax expenditures" and to review any proposed tax expenditure legislation. The review of existing tax expenditures would have to be scheduled so that each existing tax expenditure would be reviewed at least once every eight years. The committee is named the Tax Expenditure Review Committee.

"Tax expenditure"

The bill adopts existing law's definition of "tax expenditure," which currently is used to define the content of the Department of Taxation's Tax Expenditure Report that accompanies the Governor's proposed biennial operating budget. Under that definition, a tax expenditure is "any tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes established in the Revised Code, including, but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates."[1] According to the most recently issued Tax Expenditure Report, there are currently 128 tax expenditures.

Duty of committee

The Tax Expenditure Review Committee is required to establish a schedule for reviewing each existing tax expenditure at least once every eight years. The Committee may order tax expenditures for review according to the order of their enactment or modification or according to the beneficiaries, the objectives, or the policy rationale. The Committee must recommend whether each tax expenditure under review should be continued, modified, repealed, or scheduled for further review later. The Committee may recommend "accountability standards" for future reviews of a tax expenditure.[2]

The Committee also is required to review each bill that proposes to enact or modify a tax expenditure after the bill is first introduced and before it is scheduled for a vote in a legislative committee. After the review, the Committee must issue a copy of its review to each member of the legislative committee to which the bill was referred.[3]

Review criteria

The bill sets forth the following factors the Committee may consider in reviewing existing or proposed tax expenditures:

--The number and classes of persons that benefit from the tax expenditure;

--State and local fiscal effects;

--Public policy objectives, for which the Committee may consider legislative history, the sponsor's intent, and the tax expenditure's effects on economic development, "high-wage jobs," and "community stabilization";

--The success of the tax expenditure in meeting its objectives;

--Whether the objectives could be served by other means or with less fiscal cost;

--Whether the objectives could have been accomplished by appropriations instead of tax expenditures;

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[1] R.C. 5703.48 (not in the bill).

[2] R.C. 5703.95(D).

[3] R.C. 5703.95(E).

--Whether the tax expenditure is more expansive than intended or has any other unintended effects, including giving an unfair competitive advantage to recipients at the expense of other businesses;

--The extent of any negative effects on recipients from ending a tax expenditure;

--The feasibility of modifying a tax expenditure to include adjustments or recapture in case recipients do not comply with its terms.[4]

Proposed tax expenditures

The bill requires any bill introduced in the General Assembly that proposes to enact or modify a tax expenditure to include a statement explaining its objectives and the sponsor's intent.[5]

Report

The Committee is required to issue a report by the end of June of every even-numbered year of its determinations and deliver a copy of the report to the Governor, the Speaker of the House, the Senate President, and the minority leaders of each chamber.[6]

Committee composition

The Committee is composed of nine members: the chairpersons of each chamber's tax-related standing committees, the ranking minority members of those committees, two appointees from each chamber, appointed by the Speaker and Senate President, respectively, and one appointee of the Governor. Initial appointments must be made within 30 days after the bill's effective date. Terms on the Committee coincide with the term of each General Assembly.[7]

Meetings

The Committee must meet at least once during the first year of each fiscal biennium. The Committee may hold additional meetings at the call of the chairperson to review newly introduced tax expenditure bills. Its meetings are open to the public to the extent required under the existing Open Meetings Law (R.C. 121.22), and the

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[4] R.C. 5703.95(F).

[5] R.C. 5703.95(E).

[6] R.C. 5703.95(G).

[7] R.C. 5703.95(B).

Committee must allow any person to present testimony or evidence related to a tax expenditure. It must hold its first meeting within 90 days after the bill's effective date.[8]

HISTORY

ACTION	DATE
Introduced	01-28-15

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[8] R.C. 5703.95(C).