

**As Introduced**

**129th General Assembly  
Regular Session  
2011-2012**

**H. B. No. 446**

**Representatives Driehaus, Foley**

**Cosponsors: Representatives Blair, Hagan, R., Goyal, Antonio, Garland,  
Boyd, Letson, Ramos, Okey, Stinziano, Yuko, Murray, Williams, Goodwin,  
Henne**

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**A B I L L**

To enact sections 5703.95, 5703.951, 5703.952, 1  
5703.953, and 5703.954 of the Revised Code to 2  
provide for an appraisal of the effectiveness of 3  
tax expenditures. 4

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 5703.95, 5703.951, 5703.952, 5  
5703.953, and 5703.954 of the Revised Code be enacted to read as 6  
follows: 7

Sec. 5703.95. (A) As used in this section and sections 8  
5703.951 to 5703.954 of the Revised Code: 9

(1) "Tax expenditure" has the same meaning as in section 10  
5703.48 of the Revised Code. 11

(2) "Tax expenditure review committee" means the committee 12  
created under section 5703.954 of the Revised Code. 13

(B) The tax expenditure review committee shall review all tax 14  
expenditures created in the Revised Code once every two years. For 15  
tax expenditures created before April 15, 2012, the committee 16

shall review one-half of such tax expenditures in every 17  
even-numbered year and one-half of such tax expenditures in every 18  
odd-numbered year. The committee shall review tax expenditures 19  
created on or after April 15, 2012, according to the following 20  
schedule: 21

(1) Tax expenditures created in an even-numbered year shall 22  
be reviewed in every subsequent even-numbered year. 23

(2) Tax expenditures created in an odd-numbered year shall be 24  
reviewed in every subsequent odd-numbered year. 25

For the purposes of this section, a tax expenditure is 26  
created on the effective date of the amendment or enactment of the 27  
section of the Revised Code that authorizes the tax expenditure. 28

**Sec. 5703.951.** (A) The tax expenditure review committee shall 29  
hold at least one public hearing on a tax expenditure in each year 30  
in which the tax expenditure is scheduled for review under section 31  
5703.95 of the Revised Code. The tax commissioner shall publish a 32  
notice of all such public hearings in the register of Ohio. During 33  
the public hearing on a tax expenditure, the committee shall allow 34  
any person to present testimony or evidence relevant to that tax 35  
expenditure. 36

(B) On or before the date of the public hearing scheduled for 37  
a tax expenditure under division (A) of this section, the tax 38  
commissioner, and any other state official responsible for 39  
administering the tax expenditure, shall submit to the committee a 40  
report that does each of the following: 41

(1) Explains the tax expenditure's purpose; 42

(2) Expresses an opinion as to the public need for the tax 43  
expenditure; 44

(3) Expresses an opinion as to whether the tax expenditure 45  
has been impeded or enhanced by existing statutes; 46

(4) Describes how, if at all, the tax expenditure promotes economic growth and development; 47  
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(5) Provides an estimate of the amount of tax revenue forgone each fiscal year as a result of the tax expenditure; 49  
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(6) Expresses an opinion as to whether the tax expenditure should be repealed; 51  
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(7) Contains any other information relevant to the committee's appraisal of the tax expenditure. 53  
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(C) Each year, beginning in 2012, the legislative service commission shall prepare and submit to the committee a report that describes each tax expenditure created in the Revised Code, identifies the tax expenditure's intended purpose, and, if applicable, appraises the tax expenditure's effectiveness using the methods prescribed in the act creating the tax expenditure. 55  
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(D) After the public hearing on a tax expenditure, the committee shall appraise the tax expenditure. In making its appraisal, the committee shall consider the reports submitted under divisions (B) and (C) of this section and knowledge gleaned from the hearing, but is not limited to those sources. Upon the committee's request, the department of taxation, the office of budget and management, and any other state agency shall provide the committee with any information in its possession that the committee requires to appraise the tax expenditure. The legislative service commission shall provide drafting and clerical support to the committee. 61  
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Sec. 5703.952. On or before the first day of November of each year in which a tax expenditure is scheduled for review, the tax expenditure review committee shall prepare a report of its appraisal of the tax expenditure that contains all of the following: 72  
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<u>(A) A statement of the purpose served by the tax expenditure;</u>	77
<u>(B) An appraisal of the tax expenditure's effectiveness in serving its purpose;</u>	78 79
<u>(C) An evaluation of whether the tax expenditure's purpose serves a public need;</u>	80 81
<u>(D) An evaluation of whether other statutes have enhanced or impeded the tax expenditure's effectiveness in serving its purpose;</u>	82 83 84
<u>(E) An appraisal of whether the tax expenditure promotes economic growth and development;</u>	85 86
<u>(F) An estimate of the amount of revenue lost each fiscal year because of the tax expenditure;</u>	87 88
<u>(G) A recommendation as to whether the tax expenditure should be repealed;</u>	89 90
<u>(H) Any other information the committee considers relevant.</u>	91
<u>In an appendix to its report, the committee may include a draft of a bill that would improve the tax expenditure's effectiveness in serving its purpose; redefine the tax expenditure's purpose to serve or better serve a public need; retain or improve the statutes that enhance, or amend or repeal statutes that impede, the tax expenditure's effectiveness in serving its purpose; improve the tax expenditure's effectiveness in promoting economic growth and development; reduce the amount of revenue lost as a result of the tax expenditure; or repeal the tax expenditure.</u>	92 93 94 95 96 97 98 99 100 101
<u>The committee shall provide a copy of the report to the governor and to each member of the general assembly. The report is a public record.</u>	102 103 104
<u>Sec. 5703.953. An act creating a tax expenditure shall</u>	105

specify all of the following: 106

(A) The purpose served by the tax expenditure; 107

(B) Whether the tax expenditure shall be reviewed in every 108  
even-numbered or odd-numbered year under section 5703.95 of the 109  
Revised Code; 110

(C) The class of taxpayers that will benefit from the tax 111  
expenditure; 112

(D) Methods to be used to appraise the tax expenditure's 113  
effectiveness in serving its purpose. 114

Division (D) of this section may be fulfilled by applying 115  
general statutes or by enacting statutory provisions that apply 116  
particularly to the tax expenditure. 117

**Sec. 5703.954.** There is hereby created the tax expenditure 118  
review committee composed of seven members. The president of the 119  
senate, within fifteen days after the first day of the first 120  
regular session of the general assembly, shall appoint two members 121  
of the senate to the committee, one from each political party. The 122  
speaker of the house of representatives, within fifteen days after 123  
the first day of the first regular session of the general 124  
assembly, shall appoint two members of the house of 125  
representatives to the committee, one from each political party. 126  
The governor, within fifteen days after the first day of the first 127  
regular session of the general assembly and with the advice and 128  
consent of the senate, shall appoint one member to the committee. 129  
The tax commissioner and the director of budget and management or 130  
their designees shall be ex officio, nonvoting members. 131

A legislative member of the committee shall continue as a 132  
member until the member's successor is appointed or until the 133  
member ceases to be a member of the senate or house of 134  
representatives, whichever is earlier. The member appointed by the 135

governor shall continue to be a member for a term ending on the 136  
thirty-first day of December of each even-numbered year. The 137  
member appointed by the governor continues to be a member after 138  
the expiration of the member's term until the member's successor 139  
is appointed, or until thirty days have elapsed, whichever occurs 140  
first. 141

In the first regular session of the general assembly, the 142  
committee shall elect one of the members appointed from the house 143  
of representatives as chairperson of the committee and one of the 144  
members appointed from the senate as vice-chairperson of the 145  
committee. In the second regular session of the general assembly, 146  
the committee shall elect one of the members appointed from the 147  
senate as chairperson of the committee and one of the members 148  
appointed from the house of representatives as vice-chairperson of 149  
the committee. 150

A vacancy on the committee shall be filled in the same manner 151  
as the original appointment. A member appointed to fill a vacancy 152  
occurring prior to the expiration of the term to which the 153  
member's predecessor was appointed shall continue as a member for 154  
the remainder of the unexpired term. 155

Members of the committee shall serve without compensation, 156  
but shall be reimbursed for actual and necessary expenses they 157  
incur in performance of their duties. 158

The committee shall meet as often as necessary to perform its 159  
duties. 160

Three voting members of the committee constitute a quorum. 161  
The committee shall not take any action without the concurrence of 162  
at least three voting members. So long as a quorum is present, a 163  
vacancy on the committee does not impair the ability of the 164  
remaining members to perform the committee's duties. 165

**Section 2.** The Tax Commissioner shall prepare a list of the tax expenditures, as defined in section 5703.95 of the Revised Code, as enacted by this act, in existence on April 15, 2012, and shall provide a copy of the list to the chairperson of the Tax Expenditure Review Committee created by section 5703.954 of the Revised Code, as enacted by this act. The Committee thereupon shall prepare a schedule under section 5703.95 of the Revised Code, as enacted by this act, for appraising one-half of the listed tax expenditures so that the appraisal and the report required for those tax expenditures under section 5703.952 of the Revised Code, as enacted by this act, will be completed not later than November 1, 2012. The schedule shall provide for the appraisal of the remaining tax expenditures during the 2013 calendar year, in accordance with section 5703.95 of the Revised Code, as enacted by this act.

**Section 3.** (A) Not later than thirty days after the effective date of this act, the Governor, with the advice and consent of the Senate, shall make the Governor's initial appointment to the Tax Expenditure Review Committee under section 5703.954 of the Revised Code, as enacted by this act. The member thus appointed shall be a member for a term ending on December 31, 2012. Thereafter, the gubernatorial appointment and term shall be as prescribed in that section.

(B) Not later than thirty days after the effective date of this act, the President of the Senate and the Speaker of the House of Representatives each shall make their initial appointments to the Tax Expenditure Review Committee under section 5703.954 of the Revised Code. The members thus appointed shall be members for terms ending as prescribed in that section.