

# Fiscal Note & Local Impact Statement

127<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
77 South High Street, 9<sup>th</sup> Floor, Columbus, OH 43215-6136 ♦ Phone: (614) 466-3615  
♦ Internet Web Site: <http://www.lsc.state.oh.us/>

BILL: **H.B. 4** DATE: **March 7, 2007**

STATUS: **As Introduced** SPONSOR: **Rep. Wolpert**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **To increase the estate tax credit and increase it thereafter in proportion to consumer price inflation; to authorize townships and municipal corporations, or electors thereof by initiative, to exempt from the estate tax any estate property located in the township or municipal corporation; and to distribute all estate tax revenue originating in a township or municipal corporation that does not exempt property from the tax to the township or municipal corporation**

## State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	Indeterminate loss	Indeterminate loss
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The bill increases the state estate tax credit and exemption threshold. Any increase in the value of the estate tax credit and threshold may exempt several estates and reduce the tax liabilities of estates that are not exempt, thus resulting in an estate tax revenue loss.
- The bill changes the distribution of estate tax revenue. For estates with dates of death on or after July 1, 2007, state GRF will not receive any revenue.
- The bill authorizes townships and municipal corporations to exempt from the estate tax any estate property located in the township or municipality. If local subdivisions exempt estate property, estate tax revenues will be reduced.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
<b>Townships and Municipal Corporations</b>			
Revenues	- 0 -	Indeterminate gain or loss	Indeterminate gain or loss
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.



- The bill adjusts the state estate tax credit and exemption threshold. Any increase in the value of the estate tax credit and threshold may exempt several estates and reduce the tax liabilities of estates that are not exempt from the tax, thus resulting in an estate tax revenue loss.
- The bill changes the distribution of estate tax revenue. For estates with dates of death on or after July 1, 2007, townships and municipal corporations would receive 100% of any revenue from the estate tax, less any deduction for the cost of administering the tax.
- The bill authorizes townships and municipal corporations to exempt from the estate tax any estate property located in the township or municipality. If local subdivisions exempt estate property, estate tax revenue will be reduced.

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## ***Detailed Fiscal Analysis***

The bill proposes to adjust the state estate tax credit and exemption threshold, change the distribution of estate tax revenue, and authorize townships and municipal corporations to exempt from the estate tax any estate property located in the township or municipality. The bill would affect the state General Revenue Fund (GRF), townships, and municipal corporations. However, the magnitude of the fiscal impact would depend on how townships and municipalities act in response to the bill.

### **Estate Tax Credit and Exemption Threshold**

Currently, resident estates with dates of death on or after January 1, 2002 and gross values less than or equal to \$338,333 owe no state estate tax and are not required to file an estate tax return. Every estate that does file a return is allowed a nonrefundable tax credit of \$13,900. The bill increases the existing nonrefundable estate tax credit to \$15,575 and the filing threshold to \$366,250 for estates with dates of death on or after July 1, 2007. In December of every year, beginning in 2008, the Tax Commissioner is required to adjust the tax credit and exemption threshold based on the consumer price index. Any increase in the value of the estate tax threshold will exempt estates from the tax, thus resulting in an estate tax revenue loss. Any increase in the value of the estate tax credit will reduce the tax liabilities of estates not exempt from the tax.

### **Distribution of Revenue**

Currently, the distribution of estate tax revenues for dates of death after January 1, 2002 is 20% to the GRF and 80% to the township or municipality of estate origin. Beginning with dates of death on or after July 1, 2007, the bill allows a municipal corporation or township of origin, except any township or municipal corporation that adopted a resolution or ordinance to exempt estate property from the estate tax, to keep all of the estate tax revenue less any deduction for the cost of administering the tax. The state GRF would no longer receive any revenue from estate tax.

### **Local Option Estate Tax Exemption**

The bill allows townships and municipal corporations to exempt estate property from the estate tax. Any township or municipal corporation that exempts estate property will not receive any estate tax revenue, unless they overturn the exemption in the future. An estimate of the fiscal impact to each township or municipality that exempts estate property cannot be determined.

### **Fiscal Impact**

In FY 2006, total estate tax collections were \$270.5 million. The GRF received \$54.1 million while the remaining \$216.4 million was distributed to the townships and municipalities of estates' origin. Any revenue loss from the bill would depend on several factors such as the number of townships or municipal corporations that exercise the local option estate tax exemption, the effective dates of the exemptions, and the gross value of estates in each township or municipal corporation in a particular year.

If all townships and municipal corporations were to exempt their estate property from the estate tax, then the estate tax would yield no revenue. For estates with dates of death on or after July 1, 2007, the GRF will receive no revenue, and any revenue loss will fall completely on the townships or municipal corporations that choose to exempt estate property.

If all townships or municipal corporations choose not to exempt estate property, for estates with dates of death on or after July 1, 2007, they will keep all of estate tax revenue collections (including the 20% revenue distributions that were previously distributed to the state GRF). It is possible that a township or municipal corporation may experience an increase in its revenue from the estate tax.

*LSC fiscal staff: Ruhaiza Ridzwan, Economist*

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