



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 75 of the 128th G.A.

Date: May 19, 2010

Status: As Reported by Senate Ways & Means & Economic Development

Sponsor: Reps. Chandler and Moran

Local Impact Statement Procedure Required: No — No local cost

Contents: Allows taxpayers to contribute part of their income tax refunds to the Ohio Historical Society and the American Red Cross Disaster Response Readiness and Preparedness Fund; changes law pertaining to the administration of the commercial activity tax

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
Ohio Historical Society Income Tax Contribution Fund (created by the bill)			
Revenues	- 0 -	Possible gain	Possible gain
Expenditures	- 0 -	Corresponding increase	Corresponding increase
American Red Cross Ohio Disaster Response Readiness and Preparedness Fund (created by the bill)			
Revenues	- 0 -	Possible gain	Possible gain
Expenditures	- 0 -	Corresponding increase	Corresponding increase
Income Tax Refund Contribution Fund (Fund 4370)			
Revenues	- 0 -	Possible gain	Possible gain
Expenditures	- 0 -	Corresponding increase	Corresponding increase
Emergency Management Agency Service and Reimbursement Fund (Fund 4V30)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible increase	Possible increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill creates additional check-offs on the personal income tax form for contributions to the Ohio Historical Society Income Tax Contribution Fund and to the American Red Cross Ohio Disaster Response Readiness and Preparedness Fund. Both funds are created by the bill.
- Amounts that would be contributed to the new funds are uncertain. Three current funds each raised between about \$321,000 and \$671,000 annually in the most recent four years.

- Additional costs to the Department of Taxation to administer the income tax check-off system, up to 2.5% of contributions, would be paid out of contributions to funds that receive revenues from the system.
- The State Emergency Management Agency would make grants to the Red Cross and report to the General Assembly every two years on the program's effectiveness. Costs would be paid from the Emergency Management Agency Service and Reimbursement Fund.
- The bill changes the name of the Litter Control and Natural Resource Tax Administration Fund to the Income Tax Refund Contribution Fund.
- Changes to the law governing administration of the commercial activity tax are expected to have minimal fiscal effects.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Income tax check-off

The bill allows taxpayers to direct a portion of income tax refunds due to them to the Ohio Historical Society. The refunds would be paid into the Ohio Historical Society Income Tax Contribution Fund, created by the bill, through an income tax check-off. Additional contributions directly to this fund by any person would also be permitted. The Ohio Historical Society is to use money credited to the fund for the public functions established for the Society by section 149.30 of the Revised Code.

The bill also adds another income tax check-off, for contributions to the American Red Cross Ohio Disaster Response Readiness and Preparedness Fund, created by the bill. Additional contributions directly to this fund by any person would also be permitted. The Executive Director of the State Emergency Management Agency would be responsible for making grants to the American Red Cross Greater Columbus Chapter from the new fund, for use by American Red Cross chapters in Ohio for planning, for disaster preparedness and response programs throughout Ohio, and for costs of administering those programs.

The income tax check-offs for the Ohio Historical Society Income Tax Contribution Fund and the American Red Cross Ohio Disaster Response Readiness and Preparedness Fund would become the fourth and fifth check-offs on the state's personal income tax. These contributions would not reduce state or school district income taxes owed, but would be made from taxpayers' refunds and from additional payments by taxpayers. One-fifth of the costs to the Department of Taxation to administer the income tax check-off system, up to 2.5% of total contributions, would be transferred from each of the funds to the Income Tax Refund Contribution Fund (Fund 4370).

Current funds in the income tax check-off system raised the following amounts in the most recent four years for which records are posted on the Department of Taxation's web site.

Contributions from Current Income Tax Refunds							
	Nongame and Endangered Wildlife Fund		Natural Areas and Preserves Fund		Military Injury Relief Fund		
Tax Year	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Total Amount
2005	37,999	\$362,452	44,062	\$416,569	35,721	\$536,736	\$1,315,757
2006	39,774	\$347,371	43,117	\$390,348	40,688	\$596,560	\$1,334,279
2007	37,838	\$320,925	42,540	\$383,937	40,418	\$555,418	\$1,260,280
2008	44,236	\$417,489	41,561	\$351,973	44,216	\$670,513	\$1,439,975

Whether the new funds established by the bill would raise more or less than the amounts raised for funds in the current check-off system is uncertain. Fewer than 1% of returns include contributions to any of the funds in the current system. Contributions average \$8 to \$15 on those returns which designate contributions.

Every two years, the Director of the Ohio Historical Society would report to the General Assembly on the effectiveness of the income tax refund contribution system as it pertains to the Society's activities. The Ohio Historical Society is a private, not-for-profit organization with which the state contracts for history-related services. State funding accounts for about two-thirds of the Society's budget.

Also, every two years, the Executive Director of the State Emergency Management Agency would report to the General Assembly on the effectiveness of the income tax refund contribution system as it pertains to the new fund used by that Agency, revenues to the fund, and the purposes for which the money was spent. The Executive Director's costs for grant making and preparation of a report would be paid out of the Emergency Management Agency Service and Reimbursement Fund.

The bill changes the name of the Litter Control and Natural Resource Tax Administration Fund to the Income Tax Refund Contribution Fund. The new name reflects the current function of the fund. The fund number, Fund 4370, would not be altered by the name change.

Commercial activity tax

The bill authorizes the Tax Commissioner to issue refunds of the \$150 minimum commercial activity tax (CAT) tax payment without requiring taxpayers to cancel their CAT registration. The minimum tax is due if a taxpayer exceeds \$150,000 in taxable gross receipts for a tax year. Under current law, if a business has paid the minimum tax and fails to exceed the threshold, the Department of Taxation cannot issue a refund unless the taxpayer cancels the registration. The bill also allows the Tax Commissioner and a CAT taxpayer to mutually agree to an extension of the statute of limitations for issuing a refund or assessing a taxpayer under the CAT. The statute of limitations, under current law, is four years from the due date of a return, unless the taxpayer fails

to file a return. LSC expects the two CAT provisions of the bill to have minimal state or local fiscal effects.

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