



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 23 of the 128th G.A.

Date: September 30, 2009

Status: As Introduced

Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: No — No local cost

Contents: To garnish an individual's state income tax refund for breaching a residential rental agreement

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

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

- Potential minimal increase in operating expenses for the Department of Taxation to administer the requirements of the bill. The increase is dependent on the number of suits brought by landlords and the number of judgments granted by the Franklin County Court of Common Pleas.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

S.B. 23 authorizes a residential landlord who has obtained a judgment against a current or former tenant for breach of a residential rental agreement to sue the state to recover an income tax refund due to the tenant if the tenant does not have sufficient real or personal property to satisfy the judgment. The bill requires the landlord to bring the action in the Franklin County Court of Common Pleas, to which the bill grants exclusive jurisdiction, and it subordinates the landlord's rights to those of the state to apply the refund against certain other claims, including the following: collection of overdue child support payments, collection of overpayments of public assistance, and collection of overpayments of child support.

Fiscal effect

There is not a direct effect on state or local revenue, because any payment to a landlord is made from a tax refund. The bill will potentially affect the Department of Taxation's operating expenses. This fiscal impact is dependent on the number of suits brought by residential landlords. Thus, the number of suits (and resulting judgments), will likely be a function of the number of tenants that breach their residential rental agreement. A tenant may break a residential rental agreement for any number of reasons, and rent-to-income ratios are one indicator of the likelihood for potential breaches. Attached is a table from the 2008 American Community Survey (ACS), which is conducted by the U.S. Census Bureau, that specifies the rent-to-income ratio for Ohio's 1.4 million rental households. Approximately 74.1% of those households whose rent is at least 35% of their gross income earned less than \$20,000 in the previous 12 months. According to data from the Department of Taxation (see Table 2), more than 75% of taxpayers filing Ohio returns in tax year (TY) 2007 that earned less than \$20,000 claimed an income tax refund. Of that group of taxpayers, the average refund was between \$106 and \$269 depending on the taxpayer's income.

However, monthly rental payments are not the only potential source for a breach of a residential rental agreement. According to the Columbus Apartment Association, property damage is another pertinent example of how a tenant breaches an agreement with the landlord. In some cases, the damages are quite substantial, but the amounts vary greatly and this circumstance prevents LSC from presenting any generalized statistics regarding the amounts potentially owed by current or former tenants that would possibly breach their residential rental agreement. Although the number of suits likely to be brought against the state by landlords is uncertain, LSC considers any increase in administrative costs for the Department likely to be minimal.

Background Information

Table 1: Gross Rent as a Percentage of Household Income in the Past 12 Months		
Universe: Renter-Occupied Housing Units		
Data: 2008 American Community Survey 1-Year Estimates		
	Ohio	
	Estimate	Margin of Error (+/-)
Total:	1,395,528	15,973
Less than 10.0 percent	54,238	2,970
10.0 to 14.9 percent	124,528	5,871
15.0 to 19.9 percent	176,425	6,089
20.0 to 24.9 percent	165,896	7,059
25.0 to 29.9 percent	148,950	6,182
30.0 to 34.9 percent	112,968	5,004
35.0 to 39.9 percent	79,694	4,886
40.0 to 49.9 percent	108,027	4,945
50.0 percent or more	315,122	8,452
Not computed	109,680	5,761

Source: U.S. Census Bureau, 2008 American Community Survey, Table B25070

Table 2: 2007 Ohio Income Tax Returns by Federal Adjusted Gross Income (FAGI) Class					
FAGI Income Class	Number of Returns	Number of Returns Claiming Refunds	Percentage of Returns Claiming Refunds	Value of Refunds Claimed	Average Value of Refund on Returns Claiming Refunds
Under \$5,000	461,073	362,120	78.5%	\$97,363,590	\$269
\$5,000-\$10,000	467,370	379,920	81.3%	\$40,225,101	\$106
\$10,000-\$15,000	437,711	336,426	76.9%	\$52,384,085	\$156
\$15,000-\$20,000	416,741	324,928	78.0%	\$58,244,845	\$179

Source: Ohio Department of Taxation, Table Y-1, Tax Year 2007