Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 332 of the 129th G.A. **Date**: January 24, 2012

Status: As Introduced **Sponsor**: Reps. Stinziano and Grossman

Local Impact Statement Procedure Required: No

Contents: To authorize a personal income tax credit for a taxpayer renovating a home to improve its accessibility or for constructing or purchasing an accessible home or structure

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Loss up to $300,000	Annual revenue loss up to $292,000
Expenditures	- 0 -	- 0 -	- 0 -
Department of Development			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase	Potential increase	Potential increase

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

- Authorizing a home accessibility credit that has a total annual credit limit of $300,000 for a calendar year would reduce GRF personal income tax revenues up to $300,000 in FY 2013. In future years, the potential GRF revenue loss would be slightly less than $300,000 depending on the future share of the Local Government Fund and Public Library Fund.
- Depending on the number of applicants, the Department of Development may incur additional expenditures to evaluate and approve the tax credit applications.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2012	FY 2013	FUTURE YEARS
Counties, municipalities, townships, and public libraries (LGF and PLF)			
Revenues	- 0 -	- 0 -	Annual revenue loss up to $8,000
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.

- Authorizing a home accessibility credit would reduce Local Government Fund (LGF) and Public Library Fund (PLF) revenues up to $8,000 per year once the FY 2012-FY 2013 biennium ends. The maximum LGF and PLF revenue loss would be $8,000 per year in future biennia.

Detailed Fiscal Analysis

H.B. 332 authorizes taxpayers to receive a home accessibility credit against the personal income tax if the taxpayer (1) renovates a home to improve its accessibility, or (2) constructs or purchases an accessible home or structure. Eligible taxpayers must apply for a credit by submitting an application to the Department of Development. Applicants are taxpayers whose renovations or newly constructed homes include designs that improve accessibility and provide universal visitability in accordance with guidelines established by the Department of Development.

Eligible taxpayers are delineated into two categories: (1) those that renovate the taxpayer's existing residence and (2) a contractor that incurs costs in constructing a new residential structure or those that purchase a new residence with the specified designs. The former may receive a maximum of $1,000 in personal income tax credit whereas the latter may receive up to $2,500. For a calendar year, the total amount of credits cannot exceed $300,000, of which $200,000 is the annual limit for those renovating their existing residence. The remaining $100,000 is allocated to taxpayers constructing or purchasing a new structure. However, the same residence cannot be approved for multiple tax credits.

This proposed personal income tax credit will reduce revenues beginning in tax year (TY) 2012. The credit is nonrefundable, and any unused credit may be carried forward into the next successive tax year for seven years.

H.B. 332 does not appropriate money for the Department of Development to evaluate and approve tax credit applications.

Fiscal effect

The home accessibility credit would be available beginning in TY 2012, which means tax returns filed in advance of the April 2013 deadline would be the first to receive the credit. Data limitations prevent LSC from estimating the number and the aggregate value of the home accessibility credit for future years. However, it is not unreasonable to anticipate a person making $2,000 worth of renovations and claiming the entire $1,000 nonrefundable credit in a single year. Similarly, a home builder, contractor, or the purchaser of an owner-occupied residence could exhaust the $2,500 credit within one to three years. As a result, it is plausible that the maximum annual revenue loss could be realized in every year, including the first year that the credit is available. According to the 2010 American Community Survey, which is produced by the U.S. Census Bureau, there are 466,887 Ohioans with a disability among the civilian noninstitutionalized population. If 200 taxpayers claimed $1,000 credits for renovations, and 40 taxpayers claimed $2,500 credits for constructing or purchasing an accessible home, the annual credit limit would be reached.

Local Government Fund and Public Library Fund

Receipts from the personal income tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts are subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). Am. Sub. H.B. 153 (the operating budget act for FYs 2012 and 2013) fixed the LGF and PLF transfer amounts at predetermined levels so that any increase (or decrease) in tax receipts during the biennium will affect the GRF only. For FY 2014 and subsequent years, transfers to the LGF and PLF will resume based on a fixed percentage, but the applicable percentage is not yet known. The Tax Commissioner will determine, by July 5, 2013, the ratio of FY 2013 transfers to the respective funds to total FY 2013 GRF tax revenues. Subsequent transfers to the LGF and PLF will be based on those respective ratios. The revenue loss to the local government funds on account of H.B. 332, which is predicated upon the maximum revenue loss for the Ohio income tax, would be indeterminable for future biennia, but likely no more than $8,000 per year.

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