Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 146 of the 129th G.A. **Date**: June 22, 2011

Status: As Introduced **Sponsor**: Sen. Schaffer

Local Impact Statement Procedure Required: Yes

Contents: To authorize a nonrefundable income tax credit of up to $100 for teachers who purchase classroom instructional materials, including materials for home schooling

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
General Revenue Fund			
Revenues	Potential loss up to $12.2 million	Potential loss up to $12.2 million	Potential loss up to $12.2 million per year or more
Expenditures	- 0 -	- 0 -	- 0 -

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

- Authorizing a nonrefundable credit up to $100 against the Ohio personal income tax would reduce GRF revenues by up to $12.2 million per year or more.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2011	FY 2012	FUTURE YEARS
Counties, municipalities, townships, and public libraries (LGF and PLF)			
Revenues	Potential loss up to $800,000	Potential loss up to $800,000	Potential loss up to $800,000 per year or more
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 nonrefundable credit up to $100 against the Ohio personal income tax would reduce Local Government Fund (LGF) and Public Library Fund (PLF) revenues up to several hundred thousands of dollars per year.

Detailed Fiscal Analysis

S.B. 146 permits teachers, including individuals who "home school" a child, to claim a nonrefundable personal income tax credit beginning in tax year (TY) 2011 for amounts they spend for classroom instructional materials. To qualify for the credit, a teacher must be licensed to teach a grade between kindergarten and twelfth grade or must be a "home school" teacher qualified to provide home instruction under Ohio law, and must use the instructional materials for classroom instruction. The maximum credit amount allowed is $100 per year. The credit is nonrefundable, meaning that if the credit is more than the net amount of tax due with the teacher's annual tax return, the difference is not refunded.

Fiscal effect

The federal tax code has a similar provision that allows eligible educators to deduct up to $250 from their taxable income for any unreimbursed expenses that are used in the classroom. The federal tax benefit differs from the proposed credit in S.B. 146 because it can be claimed by instructors, counselors, classroom aides, and principals that work at least 900 hours in a school that provides elementary or secondary education. Given the wider eligibility criteria, it is highly probable that fewer Ohio taxpayers would be able to claim the credit proposed in S.B. 146. Information from the Internal Revenue Service (IRS) indicates that between 3,643,045 and 3,863,745 U.S. taxpayers claimed this federal tax benefit in TY 2008. Generally, 3.9% of federal tax returns are filed by Ohioans, so it is reasonable to assume that between 142,079 and 150,686 Ohio educators claimed the federal tax benefit.

Ohio Department of Education (ODE) data from the 2009-2010 school year, the most recent year available, indicates 110,627 full-time equivalent (FTE) teachers work in Ohio public school buildings. Given the response to the federal educator expense tax benefit, it is likely that a substantial majority of these teachers would utilize the state tax credit in S.B. 146. Additionally, home school and nonpublic school teachers would be eligible, which would increase the number of eligible teachers by 10-15% or more. Data is not available for this segment of teachers, but a conservative estimate suggests nearly 130,000 Ohioans would be able to claim this $100 nonrefundable credit, which corresponds to a tax expenditure of up to $13 million. The revenue loss is very unlikely to exceed this amount in the early years of the credit's existence, but may exceed it in years further in the future. Under a formula in statute, the Local Government Fund (LGF) receives 3.68% of tax receipts credited to the GRF while the Public Library Fund (PLF) receives 2.22%; the personal income tax is one of the taxes for which receipts are credited to the GRF. Thus, S.B. 146 would decrease annual revenue to the GRF by up to $12.2 million, to the LGF by up to $478,400, and to the PLF by up to $288,600.

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