

## OLC HB 166 - State Budget Analysis

### Public Library Fund

**Sections:** 387.10,  
387.20

**Description:** Requires the Director of Budget and Management to credit 1.7% of the total General Revenue Fund (GRF) tax revenue during the preceding month to the Public Library Fund (Fund 7065) in each month during FY 2020 and FY 2021, instead of 1.66% as specified under division (B) of section 131.51 of the Revised Code.

Requires the Director of Budget and Management to transfer an additional \$916,705 from the GRF to the PLF during August 2019. Specifies that the amount must be distributed from the PLF in the same manner as if it were credited in accordance with section 131.51 of the Revised Code.

The Legislative Service Commission (LSC) estimates this increases revenue to the PLF by \$10 million in each year of the biennium (FY 2020 and FY 2021). The final appropriations spreadsheet estimates a 4.83% increase in FY20 and a 1.82% increase in FY21.

### Ohio Public Library Information Network (OPLIN)

**Section:** 325.20

**Description:** Requires that OPLIN technology funds be used for an information telecommunications network linking public libraries in the state.

Permits the OPLIN Board of Trustees to make decisions regarding the use of the appropriation.

Requires the OPLIN Board to research and assist local libraries with regard to emerging technologies and methods of controlling access to obscene and illegal materials. Requires the OPLIN director to provide written reports upon request.

Requires OPLIN, INFOhio, and OhioLINK to coordinate their purchases of electronic databases.

Requires the OBM Director to transfer \$3,689,788 cash in each FY from the PLF to the OPLIN Technology Fund.

### Library for the Blind

**Section:** 325.20      **Description:** Requires that appropriations to the Library for the Blind Fund be used for the statewide Talking Book Program.

Requires the OBM Director to transfer \$1,274,194 cash in each FY from the PLF to the Library for the Blind Fund.

#### State Library Board

**Section:** 325.10      **Description:** Appropriates \$4,543,122 in each FY for the Operating Expenses of the State Library Board. LSC estimates this will result in a 3.77% increase in funding in FY 2020.

Appropriates \$300,114 in FY 2020 and FY 2021 for the Ohioana Library Association.

Appropriates \$500,000 in each FY for the Regional Library Systems.

Appropriates \$4,202,887 in each FY for Services for Libraries. LSC estimates this will result in a 14.73% increase in funding for FY 2020.

Appropriates \$8,000 in each FY for Services for State Agencies. LSC estimates this will result in a 463.47% increase in funding for FY 2020.

#### State Library Board - Electronic Documents and Public Records

**Section:** 149.11      **Description:** Reduces the number of printed copies of state government publications delivered to the State Library from 100 to 50.

Requires state government entities to notify the State Library of the online availability of documents or other publications intended for general public use and distribution.

Requires the State Library to retain those electronic publications in its digital archives and provide access to public libraries designated as a depository for state publications.

#### Ohioana Library Association

**Section:** 325.20      **Description:** Requires that Ohioana Library Association appropriations be used for the operating expenses of the Martha Kinney Cooper Ohio Library Association.

#### Education Technology Resources - INFOhio

**Section:** 265.140      **Description:** Earmarks up to \$2,500,000 in each FY from the Education Technology Resources appropriation line item for the Union Catalog and INFOhio Network.

Ohio Governor’s Imagination Library

**Section:** 307.10, 307.145      **Description:** Earmarks \$5,000,000 from the Department of Jobs and Family Services to the “Ohio Governor’s Imagination Library” to support childhood literacy efforts in the state.

Local Government Audit Support Fund

**Sections:** 117.131, 131.511, 223.20      **Description:** Creates the Local Government Audit Support Fund to be used by the Auditor of State to offset the costs of audits of local public offices.

Diverts a portion of GRF revenues to the Local Government Audit Support Fund, which will offset a portion of the audit costs that would otherwise be charged to local governments. The bill appropriates \$10 million each FY to this Fund.

Date for the Presidential Primary

**Section:** 3501.01, 3513.01, 3513.12      **Description:** Moves the day for holding a presidential primary from the second Tuesday after the first Monday in March to the third Tuesday after the first Monday in March (March 17 in 2020).

Opportunity Zone Tax Credit

**Section:** 107.036, 122.84, 122.86, 5747.02, 5747.82, 5747.98      **Description:** Creates a new Opportunity Zone Investment tax credit equal to 10% of an individual's investment in an Opportunity Zone investment fund, up to \$1 million per biennium. Permits the credit to be used to reduce personal income tax liability and makes it nonrefundable.

Prohibits the Director of Development Services, to whom applicants must apply to be issued a tax credit certificate, from issuing more certificates than would cause the tax credits claimed in any fiscal biennium from exceeding \$50 million. (Under federal income tax law, investments made in an Opportunity Zone fund and held for at least five years accrue the federal tax benefit of deferred and reduced taxable capital gains. The proposed Ohio credit does not have a minimum holding period.)

Allows credits to be transferred; ties the credit to investment not only in the fund but also by the fund in opportunity zone property; increases the share of fund invested assets required to be in opportunity zone property from 90% to 100%; allows any excess credits to be carried forward up to five years; allows the credit to be claimed not only by individuals but also by taxable trusts and estates, and by taxpayers through a pass-through entity; and requires annual reporting to the legislature and Governor by the Development Services Agency.

Reduces income tax revenue into the GRF by an estimated \$30 million in FY 2021. Would reduce transfers to the Local Government Fund and the Public Library Fund.

### Motion Picture Tax Credit

**Section:** 122.85,  
107.036, 5726.98,  
5733.98, 5747.98,  
5751.98, 757.250,  
812.20

**Description:** Extends eligibility for the credit to certain live theater productions and extends eligibility for the credit to companies involved in motion picture production that are not themselves production companies and requires companies to be registered with the Secretary of State as a condition of receiving the credit.

Stipulates that tax credit certificates are to be awarded in two rounds (July and January) each fiscal year beginning with FY 2021. Requires each round's applications to be ranked on the basis of economic and workforce development impact of the production and granted tax credits in order of the ranking.

Repeals a provision in current law that authorized a production company to transfer the right to claim its awarded certificate to a third party.

It limits total credits to \$40 million per FY, with unused credits if any added to the next year's maximum.

### Lead Abatement Tax Credit

**Section:** 3742.50,  
5747.02, 5747.08,  
5747.26, 5747.98,  
757.10

**Description:** Authorizes taxpayers to apply to the Department of Health for a nonrefundable income tax credit for costs incurred to abate lead hazards in a dwelling built before 1978. Limits the amount of each credit to the lesser of actual lead abatement costs incurred, the amount of such costs listed on an application for the credit, or \$10,000. Authorizes the credits beginning in taxable years beginning on or after January 1, 2020. Authorizes any unused credit to be carried forward up to 7 years.

No more than \$5 million in total credits may be awarded in each FY.

### Repeal of Certain Income Tax Credits

**Sections:** 5747.01, 5747.02, 5747.98, 5747.29, 757.150, 5747.65 (repealed)

**Description:** Repeals the credit for campaign contributions, effective for the 2019 taxable year.

Repeals the credit for a pass-through entity investor's share of financial institutions tax, effective for the taxable year 2019.

According to the Tax Expenditure Report these credits reduce the GRF share of personal income tax receipts by a combined \$8.0 million in FY 2020 and \$8.3 million in FY 2021. Repealing the credits will increase revenues by similar amounts.

### Income Tax Cut & Modifications to Personal Income Tax Structure

**Section:** 5747.01, 5747.02, 323.151, 5747.022, 5747.025, 5747.031, 5747.05, 5747.054, 5747.055, 5748.01, 757.150, 757.160

**Description:** Makes the following personal income tax changes for TY 2019 and thereafter:

Includes a provision that excludes a) lawyers' services and b) lobbyists' services from business income for purposes of the business income deduction so that they are not eligible for the deduction.

Keeps the existing 3% flat rate on business income but excludes a) lawyers' income and b) lobbyists' income from business income eligible for the 3% flat tax rate on business income above the deduction threshold.

Modifies eligibility for several means-tested income tax credits such that high-income taxpayers with little nonbusiness income are not eligible for the tax credits.

Freezes the bottom two tax brackets and exemption amounts in tax years 2019 and 2020 at 2018 levels, thus exempting from tax incomes of \$21,750 or less. Resumes indexing of brackets and exemptions in TY 2020.

Reduces marginal tax rates in all remaining five brackets by 4% in TY 2019. Keeps that 4% cut at TY 2018 rates in TY 2020 and thereafter.

Reduces tax revenue an estimated \$340 million in FY 2020 and \$350 million in FY 2021, excluding one-time cash flow adjustments related to changes in withholding rates and possibly in rates of payment of estimated taxes. There would be an additional revenue gain from treating lawyers' income and lobbyists' income as nonbusiness income, but LBO does not have an estimate of that portion of the revenue gain.

Distributions to the LGF and PLF would each be reduced an estimated \$5.6 million in FY 2020 and \$5.8 million in FY 2021. Revenue retained by the GRF would be reduced about \$329 million and \$338 million in those years, respectively.

### Repeal of Certain Sales and Use Tax Exemptions

**Section:** 5739.01,  
122.175, 5739.02,  
5739.025, 5739.03,  
5739.05, 757.140

**Description:** Repeals the sales and use tax exemptions listed below, effective October 2019:

The exemption for sales of investment bullion and coins.

The exemption for sales of qualified property to qualified motor racing teams.

According to the Tax Expenditure Report, the exemption for sales of investment bullion and coins will increase the GRF share of sales and use tax revenue by about \$3.6 million in FY 2020 and \$5.6 million in FY 2021. The GRF revenue gain from the repeal of the exemption for sales of qualified property to qualified motor racing teams is minimal.

### Sales Tax Exemption for Food Manufacturing Equipment

**Section:** 5739.011,  
757.140

**Description:** Expands an existing sales tax exemption for equipment and supplies used to clean equipment used to produce or process dairy products, to include equipment and supplies used to clean equipment that is used to produce or process any sort of food for human consumption.

Decreases sales tax revenue by \$1.5 million in FY 2020 and \$2.3 million in FY 2021. Of the total, revenue loss to the GRF would be \$1.4 million in FY 2020 and \$2.2 million in FY 2021. Combined distributions to the LGF and the PLF would decrease by about \$0.1 million in FY 2020 and in FY 2021. Reduces revenue from permissive county and transit authority sales taxes by about \$0.3 million in FY 2020 and \$0.5 million in FY 2021.