A BILL

To amend sections 107.03, 5703.48, and 5703.95 of the Revised Code to require the Tax Commissioner's biennial tax expenditure report to include information on property tax exemptions and to require the Tax Expenditure Review Committee to periodically review each property tax exemption.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 107.03, 5703.48, and 5703.95 of the Revised Code be amended to read as follows:

Sec. 107.03. (A) As used in this section, "transportation budget" means the biennial budget that primarily includes the following:

(1) Motor fuel excise tax-related appropriations for the department of transportation, public works commission, and development services agency;

(2) Other appropriations that pertain to transportation and infrastructure related to transportation.
(B) The governor shall submit a transportation budget to the general assembly not later than four weeks after the general assembly's organization.

(C) The governor shall submit to the general assembly, not later than four weeks after its organization, a state budget containing a complete financial plan for the ensuing fiscal biennium, excluding items of revenue and expenditure described in section 126.022 of the Revised Code. However, in years of a new governor's inauguration, this budget shall be submitted not later than the fifteenth day of March.

(D) In years of a new governor's inauguration, only the new governor shall submit a budget to the general assembly. In addition to other things required by law, each of the governor's budgets shall contain:

(1) A general budget summary by function and agency setting forth the proposed total expenses from each and all funds and the anticipated resources for meeting such expenses; such resources to include any available balances in the several funds at the beginning of the biennium and a classification by totals of all revenue receipts estimated to accrue during the biennium under existing law and proposed legislation.

(2) A detailed statement showing the amounts recommended to be appropriated from each fund for each fiscal year of the biennium for current expenses, including, but not limited to, personal services, supplies and materials, equipment, subsidies and revenue distribution, merchandise for resale, transfers, and nonexpense disbursements, obligations, interest on debt, and retirement of debt, and for the biennium for capital outlay, to the respective departments, offices, institutions, as defined in section 121.01 of the Revised Code, and all other public...
purposes; and, in comparative form, the actual expenses by
source of funds during each fiscal year of the previous two
bienniums for each such purpose. No alterations shall be made in
the requests for the legislative and judicial branches of the
state filed with the director of budget and management under
section 126.02 of the Revised Code. If any amount of federal
money is recommended to be appropriated or has been expended for
a purpose for which state money also is recommended to be
appropriated or has been expended, the amounts of federal money
and state money involved shall be separately identified.

(3) A detailed estimate of the revenue receipts in each
fund from each source under existing laws during each year of
the biennium; and, in comparative form, actual revenue receipts
in each fund from each source for each year of the two previous
bienniums;

(4) The estimated cash balance in each fund at the
beginning of the biennium covered by the budget; the estimated
liabilities outstanding against each such balance; and the
estimated net balance remaining and available for new
appropriations;

(5) A detailed estimate of the additional revenue receipts
in each fund from each source under proposed legislation, if
enacted, during each year of the biennium;

(6) A description of each tax expenditure; a detailed
estimate of the amount of revenues not available to the general
revenue fund under existing laws during each fiscal year of the
biennium covered by the budget due to the operation of each tax
expenditure; and, in comparative form, the amount of revenue not
available to the general revenue fund during each fiscal year of
the immediately preceding biennium due to the operation of each
tax expenditure. The most recent report prepared by the department of taxation pursuant to section 5703.48 of the Revised Code, which shall be submitted to the general assembly as an appendix to the governor's budget. As used in this division, "tax expenditure" has the same meaning as in section 5703.48 of the Revised Code.

(7) The most recent report prepared by the tax expenditure review committee under division (F) of section 5703.95 of the Revised Code, which shall be submitted to the general assembly as an appendix to the governor's budget.

Sec. 5703.48. (A) As used in this section and section 107.03 of the Revised Code, "tax:

(1) "Tax expenditure" means a tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes levied by the state, including, but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates, provided all of the following apply to the provision:

(a) The provision reduces, or has the potential to reduce, revenue to the general revenue fund;

(b) The persons, income, goods, services, or property exempted by the provision would have been part of a defined tax base;

(c) The persons, income, goods, services, or property exempted by the provision are not subject to an alternate tax levied by the state;

(d) The provision is subject to modification or repeal by an act of the general assembly.
(2) "Property tax exemption" means a provision in the Revised Code that exempts or authorizes a subdivision to exempt from taxation all or a portion of the value of real or tangible personal property.

(B) The department of taxation shall prepare and submit to the governor not later than the first day of November in each even-numbered year a report describing the effect of containing certain information about tax expenditures on the general revenue fund and property tax exemptions. The report shall contain a each of the following:

(1) A description of each existing tax expenditure under existing laws and, in and property tax exemption;

(2) In comparative form, a detailed estimate of the approximate amount of revenue not available to the state general revenue fund in each fiscal year of the current and ensuing fiscal bienniums as a result of the operation of each tax expenditure;

(3) The aggregate true value of real and tangible personal property exempted in this state for the preceding tax year as the result of the operation of each property tax exemption;

(4) The amount of revenue paid from the general revenue fund in the preceding calendar year to reimburse subdivisions for each property tax exemption for which such reimbursement is required. The

The report shall be prepared in such a manner as to facilitate the inclusion of the information provided by the report in the governor's budget.

Sec. 5703.95. (A) As used in this section, "tax expenditure" and "property tax exemption" have the same
(B) There is hereby created the tax expenditure review committee, consisting of seven members, composed of the following:

(1) Three members of the house of representatives appointed by the speaker of the house of representatives in consultation with the minority leader of the house of representatives. Members described in division (B)(1) of this section shall not all be members of the same party and should be members of the house of representatives committee that deals primarily with tax legislation;

(2) Three members of the senate appointed by the president of the senate in consultation with the minority leader of the senate. Members described in division (B)(2) of this section shall not all be members of the same party and should be members of the senate committee that deals primarily with tax legislation;

(3) The tax commissioner or the tax commissioner's designee. The member described in division (B)(3) of this section shall be a nonvoting member.

The speaker of the house of representatives and the president of the senate shall make initial appointments to the committee not later than thirty days following the effective date of the enactment of this section. Thereafter, the terms of the office for appointed members shall be the same as the term of each general assembly. Members may be reappointed, provided the member continues to meet all other eligibility requirements. Vacancies shall be filled in the manner provided for original appointments. Any member appointed to fill a vacancy before the
expiration of the term for which the predecessor was appointed shall hold office as a member for the remainder of that term. Appointed members of the committee serve at the pleasure of the member's appointing authority and may be removed only by the appointing authority.

(C) The tax expenditure review committee shall hold its first meeting within ninety days after the effective date of the enactment of this section. At the first meeting, the members shall elect a chairperson, who shall be one of the members described in division (B)(1) or (2) of this section. Thereafter, the committee shall meet at least once during the first year of each fiscal biennium to review existing tax expenditures and property tax exemptions pursuant to division (D) of this section, provided the committee shall hold, for any such expenditure and exemption, at least one meeting at which a person may present to the committee evidence or testimony related to that expenditure or exemption. Any person may submit to the chairperson a request that the committee meet to accept evidence or testimony on a tax expenditure or property tax exemption. The committee is a public body for the purposes of section 121.22 of the Revised Code.

The chairperson of the committee shall serve until the thirty-first day of December of each even-numbered year. Thereafter, members shall elect a new chairperson. If the preceding chairperson was a member described in division (B)(1) of this section, the new chairperson shall be a member described in division (B)(2) of this section. If the preceding chairperson was a member described in division (B)(2) of this section, the new chairperson shall be a member described in division (B)(1) of this section.
A vacancy on the committee does not impair the right of the other members to exercise all the functions of the committee. The presence of a majority of the voting members of the committee constitutes a quorum for the conduct of business of the committee. The concurrence of at least a majority of the voting members of the committee is necessary for any action to be taken by the committee.

Upon the committee's request, a county auditor or county treasurer or the department of taxation, development services agency, office of budget and management, or other state agency shall provide any information in its possession that the committee requires to perform its duties.

The staff of the legislative service commission shall assist the committee as directed by the committee.

(D) The committee shall establish a schedule for review for each tax expenditure and each property tax exemption so that each expenditure and exemption is reviewed at least once every eight years. The schedule may provide for the review of each tax expenditure and exemption in the order the expenditures and exemptions were enacted or modified, beginning with the least recently enacted or modified tax expenditure or exemption. Alternatively, the review schedule may group tax expenditures and property tax exemptions by the individuals or industries benefiting from the expenditures, the objectives of each expenditure or exemption, or the policy rationale of each expenditure or exemption. In its review, the committee shall make recommendations as to whether each tax expenditure and property tax exemption should be continued without modification, modified, scheduled for further review at a future date to consider repealing the expenditure or...
exemption, or repealed outright. For each expenditure and exemption reviewed, the committee may recommend accountability standards for the future review of the expenditure or exemption. The committee may consider, when reviewing a tax expenditure or property tax exemption, any of the relevant factors described in division (E) of this section.

(E) In conducting reviews pursuant to division (D) of this section, the committee may consider the following factors:

(1) The number and classes of persons, organizations, businesses, or types of industries that would receive the direct benefit or consequences of the tax expenditure or property tax exemption;

(2) The fiscal impact of the tax expenditure or property tax exemption on state and local taxing authorities and subdivisions, including any past fiscal effects and expected future fiscal impacts of the tax expenditure or exemption in the following eight-year period;

(3) Public policy objectives that might support the tax expenditure or property tax exemption. In researching such objectives, the committee may consider the expenditure's or exemption's legislative history, the tax expenditure's or exemption's sponsor's intent in proposing the tax expenditure or exemption, or the extent to which the tax expenditure or exemption encourages or would encourage business growth or relocation into the state, promotes or would promote growth or retention of high-wage jobs in the state, or aids or would aid community stabilization.

(4) Whether the tax expenditure or property tax exemption successfully accomplishes any of the objectives identified in...
(5) Whether the objectives identified in division (E)(3) of this section would or could have been accomplished successfully in the absence of the tax expenditure or property tax exemption or with less cost to the state or local governments;

(6) Whether the objectives identified in division (E)(3) of this section could have been accomplished successfully through a program that requires legislative appropriations for funding;

(7) The extent to which the tax expenditure or property tax exemption may provide unintended benefits to an individual, organization, or industry other than those the general assembly or sponsor intended or creates an unfair competitive advantage for its recipient with respect to other businesses in the state;

(8) The extent to which terminating the tax expenditure or property tax exemption may have negative effects on taxpayers that currently benefit from the tax expenditure;

(9) The extent to which terminating the tax expenditure or property tax exemption may have negative or positive effects on the state's employment and economy;

(10) The feasibility of modifying the tax expenditure or property tax exemption to provide for adjustment or recapture of the proceeds of the tax expenditure or exemption if the objectives of the tax expenditure or exemption are not fulfilled by the recipient of the tax expenditure or exemption.

(F) The committee shall prepare a report of its determinations under division (D) of this section and, not later than the first day of July of each even-numbered year, submit a
copy of the report to the governor, the speaker of the house of representatives, the president of the senate, the minority leader of the house of representatives, and the minority leader of the senate. The first report shall be submitted either in the year of the effective date of this section or in the first even-numbered year thereafter. If the committee maintains a web site, the committee shall cause a copy of the report to be posted on the web site in a form enabling access to the report by the public within thirty days after the report is submitted under this division. If the committee does not maintain a web site, the committee shall request that the president of the senate and the speaker of the house of representatives cause the report to be posted on the web site of the general assembly.

(G) Any bill introduced in the house of representatives or the senate that proposes to enact or modify one or more tax expenditures or property tax exemptions should include a statement explaining the objectives of the tax expenditure or exemption or its modification and the sponsor's intent in proposing the tax expenditure or exemption or its modification.

Section 2. That existing sections 107.03, 5703.48, and 5703.95 of the Revised Code are hereby repealed.