

As Introduced

132nd General Assembly

Regular Session

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H. B. No. 731

Representative Hoops

Cosponsors: Representatives Riedel, Green

A BILL

To amend sections 107.03, 5703.48, and 5703.95 of 1
the Revised Code to require the Tax 2
Commissioner's biennial tax expenditure report 3
to include information on property tax 4
exemptions and to require the Tax Expenditure 5
Review Committee to periodically review each 6
property tax exemption. 7

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

Section 1. That sections 107.03, 5703.48, and 5703.95 of 8
the Revised Code be amended to read as follows: 9

Sec. 107.03. The governor shall submit to the general 10
assembly, not later than four weeks after its organization, a 11
state budget containing a complete financial plan for the 12
ensuing fiscal biennium, excluding items of revenue and 13
expenditure described in section 126.022 of the Revised Code. 14
However, in years of a new governor's inauguration, the budget 15
shall be submitted not later than the fifteenth day of March. In 16
years of a new governor's inauguration, only the new governor 17
shall submit a budget to the general assembly. In addition to 18

other things required by law, the governor's budget shall 19
contain: 20

(A) A general budget summary by function and agency 21
setting forth the proposed total expenses from each and all 22
funds and the anticipated resources for meeting such expenses; 23
such resources to include any available balances in the several 24
funds at the beginning of the biennium and a classification by 25
totals of all revenue receipts estimated to accrue during the 26
biennium under existing law and proposed legislation. 27

(B) A detailed statement showing the amounts recommended 28
to be appropriated from each fund for each fiscal year of the 29
biennium for current expenses, including, but not limited to, 30
personal services, supplies and materials, equipment, subsidies 31
and revenue distribution, merchandise for resale, transfers, and 32
nonexpense disbursements, obligations, interest on debt, and 33
retirement of debt, and for the biennium for capital outlay, to 34
the respective departments, offices, institutions, as defined in 35
section 121.01 of the Revised Code, and all other public 36
purposes; and, in comparative form, the actual expenses by 37
source of funds during each fiscal year of the previous two 38
bienniums for each such purpose. No alterations shall be made in 39
the requests for the legislative and judicial branches of the 40
state filed with the director of budget and management under 41
section 126.02 of the Revised Code. If any amount of federal 42
money is recommended to be appropriated or has been expended for 43
a purpose for which state money also is recommended to be 44
appropriated or has been expended, the amounts of federal money 45
and state money involved shall be separately identified. 46

(C) A detailed estimate of the revenue receipts in each 47
fund from each source under existing laws during each year of 48

the biennium; and, in comparative form, actual revenue receipts 49
in each fund from each source for each year of the two previous 50
bienniums; 51

(D) The estimated cash balance in each fund at the 52
beginning of the biennium covered by the budget; the estimated 53
liabilities outstanding against each such balance; and the 54
estimated net balance remaining and available for new 55
appropriations; 56

(E) A detailed estimate of the additional revenue receipts 57
in each fund from each source under proposed legislation, if 58
enacted, during each year of the biennium; 59

~~(F) A description of each tax expenditure; a detailed 60
estimate of the amount of revenues not available to the general 61
revenue fund under existing laws during each fiscal year of the 62
biennium covered by the budget due to the operation of each tax 63
expenditure; and, in comparative form, the amount of revenue not 64
available to the general revenue fund during each fiscal year of 65
the immediately preceding biennium due to the operation of each 66
tax expenditure. The most recent report prepared by the 67
department of taxation pursuant to under section 5703.48 of the 68
Revised Code, which shall be submitted to the general assembly 69
as an appendix to the governor's budget. ~~As used in this 70
division, "tax expenditure" has the same meaning as in section 71
5703.48 of the Revised Code.~~ 72~~

(G) The most recent report prepared by the tax expenditure 73
review committee under division (F) of section 5703.95 of the 74
Revised Code, which shall be submitted to the general assembly 75
as an appendix to the governor's budget. 76

Sec. 5703.48. (A) As used in this section ~~and section~~ 77

107.03 of the Revised Code, "tax:	78
(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:	79 80 81 82 83 84 85
(1)(a) The provision reduces, or has the potential to reduce, revenue to the general revenue fund;	86 87
(2)(b) The persons, income, goods, services, or property exempted by the provision would have been part of a defined tax base;	88 89 90
(3)(c) The persons, income, goods, services, or property exempted by the provision are not subject to an alternate tax levied by the state;	91 92 93
(4)(d) The provision is subject to modification or repeal by an act of the general assembly.	94 95
<u>(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.</u>	96 97 98 99
(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 <u>containing certain information about tax expenditures on the general revenue fund and property tax exemptions.</u> The report shall contain a <u>each of the following:</u>	100 101 102 103 104 105

<u>(1) A description of each existing tax expenditure under</u>	106
<u>existing laws and, in and property tax exemption;</u>	107
<u>(2) In comparative form, a detailed estimate of the</u>	108
approximate amount of revenue not available to the state general	109
revenue fund in each fiscal year of the current and ensuing	110
fiscal bienniums as a result of the operation of each tax	111
expenditure;	112
<u>(3) The aggregate true value of real and tangible personal</u>	113
<u>property exempted in this state for the preceding tax year as</u>	114
<u>the result of the operation of each property tax exemption;</u>	115
<u>(4) The amount of revenue paid from the general revenue</u>	116
<u>fund in the preceding calendar year to reimburse subdivisions</u>	117
<u>for each property tax exemption for which such reimbursement is</u>	118
<u>required. The</u>	119
<u>The</u> report shall be prepared in such a manner as to	120
facilitate the inclusion of the information provided by the	121
report in the governor's budget.	122
Sec. 5703.95. (A) As used in this section, "tax	123
expenditure" has and "property tax exemption" have the same	124
meaning-meanings as in section 5703.48 of the Revised Code.	125
(B) There is hereby created the tax expenditure review	126
committee, consisting of seven members, composed of the	127
following:	128
(1) Three members of the house of representatives	129
appointed by the speaker of the house of representatives in	130
consultation with the minority leader of the house of	131
representatives. Members described in division (B)(1) of this	132
section shall not all be members of the same party and should be	133
members of the house of representatives committee that deals	134

primarily with tax legislation; 135

(2) Three members of the senate appointed by the president 136
of the senate in consultation with the minority leader of the 137
senate. Members described in division (B)(2) of this section 138
shall not all be members of the same party and should be members 139
of the senate committee that deals primarily with tax 140
legislation; 141

(3) The tax commissioner or the tax commissioner's 142
designee. The member described in division (B)(3) of this 143
section shall be a nonvoting member. 144

The speaker of the house of representatives and the 145
president of the senate shall make initial appointments to the 146
committee not later than thirty days following the effective 147
date of the enactment of this section. Thereafter, the terms of 148
the office for appointed members shall be the same as the term 149
of each general assembly. Members may be reappointed, provided 150
the member continues to meet all other eligibility requirements. 151
Vacancies shall be filled in the manner provided for original 152
appointments. Any member appointed to fill a vacancy before the 153
expiration of the term for which the predecessor was appointed 154
shall hold office as a member for the remainder of that term. 155
Appointed members of the committee serve at the pleasure of the 156
member's appointing authority and may be removed only by the 157
appointing authority. 158

(C) The tax expenditure review committee shall hold its 159
first meeting within ninety days after the effective date of the 160
enactment of this section. At the first meeting, the members 161
shall elect a chairperson, who shall be one of the members 162
described in division (B)(1) or (2) of this section. Thereafter, 163
the committee shall meet at least once during the first year of 164

each fiscal biennium to review existing tax expenditures and 165
property tax exemptions pursuant to division (D) of this 166
section, provided the committee shall hold, for any such 167
expenditure and exemption, at least one meeting at which a 168
person may present to the committee evidence or testimony 169
related to that expenditure or exemption. Any person may submit 170
to the chairperson a request that the committee meet to accept 171
evidence or testimony on a tax expenditure or property tax 172
exemption. The committee is a public body for the purposes of 173
section 121.22 of the Revised Code. 174

The chairperson of the committee shall serve until the 175
thirty-first day of December of each even-numbered year. 176
Thereafter, members shall elect a new chairperson. If the 177
preceding chairperson was a member described in division (B) (1) 178
of this section, the new chairperson shall be a member described 179
in division (B) (2) of this section. If the preceding chairperson 180
was a member described in division (B) (2) of this section, the 181
new chairperson shall be a member described in division (B) (1) 182
of this section. 183

A vacancy on the committee does not impair the right of 184
the other members to exercise all the functions of the 185
committee. The presence of a majority of the voting members of 186
the committee constitutes a quorum for the conduct of business 187
of the committee. The concurrence of at least a majority of the 188
voting members of the committee is necessary for any action to 189
be taken by the committee. 190

Upon the committee's request, a county auditor or county 191
treasurer or the department of taxation, development services 192
agency, office of budget and management, or other state agency 193
shall provide any information in its possession that the 194

committee requires to perform its duties. 195

The staff of the legislative service commission shall 196
assist the committee as directed by the committee. 197

(D) The committee shall establish a schedule for review 198
for each tax expenditure and each property tax exemption so that 199
each expenditure and exemption is reviewed at least once every 200
eight years. The schedule may provide for the review of each tax 201
expenditure and exemption in the order the expenditures and 202
exemptions were enacted or modified, beginning with the least 203
recently enacted or modified ~~tax~~ expenditure or exemption. 204
Alternatively, the review schedule may group tax expenditures 205
and property tax exemptions by the individuals or industries 206
benefiting from the ~~expenditures~~ expenditure or exemption, the 207
objectives of each expenditure or exemption, or the policy 208
rationale of each expenditure or exemption. In its review, the 209
committee shall make recommendations as to whether each tax 210
expenditure and property tax exemption should be continued 211
without modification, modified, scheduled for further review at 212
a future date to consider repealing the expenditure or 213
exemption, or repealed outright. For each expenditure and 214
exemption reviewed, the committee may recommend accountability 215
standards for the future review of the expenditure or exemption. 216
The committee may consider, when reviewing a tax expenditure or 217
property tax exemption, any of the relevant factors described in 218
division (E) of this section. 219

(E) In conducting reviews pursuant to division (D) of this 220
section, the committee may consider the following factors: 221

(1) The number and classes of persons, organizations, 222
businesses, or types of industries that would receive the direct 223
benefit or consequences of the tax expenditure or property tax 224

<u>exemption;</u>	225
(2) The fiscal impact of the tax expenditure <u>or property</u>	226
<u>tax exemption</u> on state and local taxing authorities <u>and</u>	227
<u>subdivisions</u> , including any past fiscal effects and expected	228
future fiscal impacts of the tax -expenditure <u>or exemption</u> in the	229
following eight-year period;	230
(3) Public policy objectives that might support the tax	231
expenditure <u>or property tax exemption</u> . In researching such	232
objectives, the committee may consider the expenditure's <u>or</u>	233
<u>exemption's</u> legislative history, the tax -expenditure's <u>or</u>	234
<u>exemption's</u> sponsor's intent in proposing the tax -expenditure <u>or</u>	235
<u>exemption</u> , or the extent to which the tax -expenditure <u>or</u>	236
<u>exemption</u> encourages or would encourage business growth or	237
relocation into the state, promotes or would promote growth or	238
retention of high-wage jobs in the state, or aids or would aid	239
community stabilization.	240
(4) Whether the tax expenditure <u>or property tax exemption</u>	241
successfully accomplishes any of the objectives identified in	242
division (E) (3) of this section;	243
(5) Whether the objectives identified in division (E) (3)	244
of this section would or could have been accomplished	245
successfully in the absence of the tax expenditure <u>or property</u>	246
<u>tax exemption</u> or with less cost to the state or local	247
governments;	248
(6) Whether the objectives identified in division (E) (3)	249
of this section could have been accomplished successfully	250
through a program that requires legislative appropriations for	251
funding;	252
(7) The extent to which the tax expenditure <u>or property</u>	253

tax exemption may provide unintended benefits to an individual, 254
organization, or industry other than those the general assembly 255
or sponsor intended or creates an unfair competitive advantage 256
for its recipient with respect to other businesses in the state; 257

(8) The extent to which terminating the tax expenditure or 258
property tax exemption may have negative effects on taxpayers 259
that currently benefit from the tax expenditure; 260

(9) The extent to which terminating the tax expenditure or 261
property tax exemption may have negative or positive effects on 262
the state's employment and economy; 263

(10) The feasibility of modifying the tax expenditure or 264
property tax exemption to provide for adjustment or recapture of 265
the proceeds of the ~~tax~~-expenditure or exemption if the 266
objectives of the ~~tax~~-expenditure or exemption are not fulfilled 267
by the recipient of the ~~tax~~-expenditure or exemption. 268

(F) The committee shall prepare a report of its 269
determinations under division (D) of this section and, not later 270
than the first day of July of each even-numbered year, submit a 271
copy of the report to the governor, the speaker of the house of 272
representatives, the president of the senate, the minority 273
leader of the house of representatives, and the minority leader 274
of the senate. The first report shall be submitted either in the 275
year of the effective date of this section or in the first even- 276
numbered year thereafter. If the committee maintains a web site, 277
the committee shall cause a copy of the report to be posted on 278
the web site in a form enabling access to the report by the 279
public within thirty days after the report is submitted under 280
this division. If the committee does not maintain a web site, 281
the committee shall request that the president of the senate and 282
the speaker of the house of representatives cause the report to 283

be posted on the web site of the general assembly.	284
(G) Any bill introduced in the house of representatives or	285
the senate that proposes to enact or modify one or more tax	286
expenditures <u>or property tax exemptions</u> should include a	287
statement explaining the objectives of the tax -expenditure <u>or</u>	288
<u>exemption</u> or its modification and the sponsor's intent in	289
proposing the tax -expenditure <u>or exemption</u> or its modification.	290
Section 2. That existing sections 107.03, 5703.48, and	291
5703.95 of the Revised Code are hereby repealed.	292