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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 166
135th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 166's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Stein

Local Impact Statement Procedure Required: No

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Highlights

- The bill will increase municipal income tax revenue to some municipalities that levy the tax. The statewide municipal income tax revenue gain may be up to \$2.8 million per year.
- No direct fiscal effect to the state.

Detailed Analysis

The bill subjects to municipal income taxes any compensation paid to an employee who is a foreign agricultural worker lawfully admitted to the United States on a temporary basis to perform agricultural labor. If such workers reside in a municipality that taxes income, the bill also requires employers of the workers to withhold municipal income tax for that municipality. These provisions apply to taxable years ending on or after the bill's 90-day effective date.

Fiscal effect

The bill will increase municipal income tax revenue to some municipalities that levy an income tax, potentially beginning in tax year 2023. The statewide municipal income tax revenue gain may be up to \$2.8 million per year.

Generally, foreign agricultural workers are lawfully admitted to the United States on a temporary basis to perform agricultural labor through the H-2A Program. According to the U.S. Department of Labor (U.S. DOL), employers that hired workers under the H-2A Program must pay a wage that is at least equal to the [Adverse Effect Wage Rates \(AEWR\)](#). Effective January 1, 2023, the AEWR for Ohio is \$17.17 per hour. In addition, according to [Performance Data on the H-2A Program for FY 2022](#), there were a total of 4,436 certified temporary agricultural workers that performed work in worksites in Ohio in 2022. Those workers worked between 35 and 66 hours a week, or on average 41.3 hours per week, and all worked less than 52 weeks. In 2020, municipal income tax rates ranged from a low of 0.5% to a high of 3.0% across the municipalities in Ohio

that levy an income tax. Assuming that all 4,436 workers were compensated \$17.17 per hour, worked 41.3 hours a week for 44 weeks, and resided in a municipality that levied a 2% income tax, the estimated statewide municipal income tax revenue gain would be about \$2.8 million per year. The actual revenue gain could be lower or higher than the estimate, depending on the number of such workers currently working in Ohio, the workers' compensation, the location of their residences in Ohio, and applicable municipal income tax rates. Because they are agricultural workers, LBO thinks it unlikely that many reside or work in municipalities, and that it is likelier that the revenue loss is smaller than the estimate rather than larger.