OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 171
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 171's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Smith and Rulli

Local Impact Statement Procedure Required: No

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Highlights

Fund	FY 2024	FY 2025	Future Years
State General Revenue Fund			
Revenues	$0	Loss of up to $966,000	Loss of up to $966,000
Expenditures	Increase, possibly minimal	Increase, possibly minimal	Increase, possibly minimal, through FY 2029
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	$0	Loss of up to $34,000	Loss of up to $34,000

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill temporarily authorizes a refundable credit against the state income tax for completing a sound recording production or a sound recording capital infrastructure project. No credits are to be awarded for taxable years beginning in 2027 or later.
- Revenue losses from the bill's refundable credit would be limited to $1 million per fiscal year. The state tax revenue loss would be shared by the GRF (96.6%), Local Government Fund (LGF, 1.7%) and Public Library Fund (PLF, 1.7%).
- The Department of Development and Department of Taxation would incur increased costs, possibly minimal, to administer the program.

Detailed Analysis

The bill permits a sound recording production company to apply to the Director of Development for a refundable credit against the state income tax. Those eligible for the credit include individuals who own such companies as sole proprietorships or who own shares of such companies that are pass-through entities. To qualify for the credit, the company must complete a sound recording production or a sound recording capital infrastructure project that meets bill requirements. Further details are in the LSC bill analysis. To be eligible for the credit in a tax year, an individual must hold a tax credit certificate issued by the last day of that year. Credits are to be claimed for the tax year that includes the date the certificate was issued. Sound recording production companies could not receive both the new credit created by the bill and the current credit for motion picture or Broadway theatrical productions.

Eligible costs for the credit created by the bill include actual production-related or capital costs in this state. The amount of the credit per production or project is 25% of eligible costs in excess of $10,000. The maximum credit per production or project is $75,000. Aggregate credits are limited to $1 million per fiscal year, to be awarded on a first-come, first-served basis. No credits are to be awarded for taxable years beginning in 2027 or later.

The Department of Development will incur administrative costs to review and certify or reject applications. The bill specifies several criteria that are to be considered by the Department in evaluating applications. It requires that audit costs to verify the accuracy of company applications are to be subtracted from credits awarded. The Director is to issue reports on the effect of the credit by the end of October in 2024, 2026, and 2028.

The Department of Taxation is to receive notifications of all productions or projects certified and copies of all certificates issued under the program that the bill would enact. In addition, the Director, in consultation with the Tax Commissioner, is to prescribe (1) the form and manner of the application under this division, and (2) the information or documentation required, and is to adopt rules necessary for administration of the credit. The Commissioner may assess an investor for any credit claimed but later disallowed.

Fiscal effects

For the full $1 million of credits per fiscal year to be claimed, $4 million of production or project costs would need to be incurred, plus $10,000 per production or project, a total of $4,140,000 or more in costs incurred. Plausibly the full amount of available credits might be claimed for each year of the program. Even if enacted promptly, the bill's effective date would be no sooner than March 2024. Certificates issued in 2024 could be claimed in tax year (TY) 2024 tax filings, and are here assumed generally to result in refunds or in reductions in taxes due in FY 2025. Most savings on TY 2025 and TY 2026 taxes would similarly be realized in FY 2026 and FY 2027, though some could extend to FY 2028. Under the bill, TY 2026 would be the last year for which credits would be issued.

The Local Government Fund (LGF) and Public Library Fund (PLF) each receive 1.70% of GRF tax revenue, including that from the state personal income tax, in codified law. These revenue sharing funds support local governments and public libraries. Reductions in state income tax revenues of $1 million would reduce transfers to each fund by $17,000. The GRF would bear $966,000 of the total tax loss.

Requiring the Director of Development to receive and evaluate these tax credit applications and issue tax credit certificates will cause some additional administrative activity, as will preparation of three biennial reports on the effects of the tax credits. However, these two functions are similar to existing responsibilities for other tax credits, and the Director is to deduct audit costs from the amounts of credits issued, so the added costs may be minimal. The requirement for issuance of a report by the end of October 2028 may result in costs being incurred as late as FY 2029.

The Department of Taxation will also be tasked with a role in administering the new tax credit, but the Department's incremental costs may be minimal.

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