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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 82
135th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 82's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Sens. Reynolds and Ingram

Local Impact Statement Procedure Required: No

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Highlights

- Allowing qualified retailers to retain up to 25% of sales and use tax they collect would reduce sales and use tax revenue by up to \$2.0 million to \$3.0 million annually.
- While primarily affecting revenue to the GRF, the bill would also reduce revenue to the Local Government Fund (LGF) and the Public Library Fund (PLF) up to a combined amount of \$66,000 to \$100,000 annually, thereby reducing revenue shared with counties, municipalities, townships, and public libraries statewide.
- The Department of Taxation would incur administrative costs due to the bill reducing the tax base of the state sales tax but leaving the tax base for permissive county and regional transit authority sales tax unchanged. This provision would require modification of existing automated accounting processes and mechanisms.

Detailed Analysis

The bill allows certain “qualifying retailers” to retain up to 25% of their collected sales and use tax to fund job services for individuals with workplace disadvantages. The bill draft limits the revenue loss from any one qualifying retailer to \$1 million. A qualifying retailer is an organization exempt from federal income tax that operates one or more retail stores and uses a portion of the revenue generated to provide job training and placement services and employment to such individuals. In order to qualify, an organization would need to apply to and be approved by the Director of Development.

The exemption appears to be quite narrow, and LBO staff think it unlikely that the revenue loss would exceed \$2.0 million to \$3.0 million annually. State sales tax revenue is deposited initially into the GRF. The state revenue loss would primarily affect the GRF (96.68%, based on codified law), but would also affect the Local Government Fund (LGF, 1.66%) and the Public

Library Fund (PLF, 1.66%) due to subsequent transfers from the GRF to those funds. The LGF and PLF may lose up to a combined amount of roughly \$66,000 to \$100,000 annually. The state and local revenue losses will likely grow in future years at a pace that matches inflation.

In most cases, bills creating sales tax exemptions reduce revenue to counties and regional transit authorities from permissive local sales tax levies. In this bill, the exemption is solely from the state sales tax, which creates a difference between the tax base for the state tax and the permissive county and transit authority taxes; LBO economists believe this difference is unique in state law. A Department of Taxation official reports that this feature of the bill would create administrative costs for the Department, in part due to the need to change currently automated accounting processes and mechanisms that, for example, trigger a billing situation when a retailer retains a portion of tax collected. As of this writing, LBO has not received an estimate of the magnitude of the cost increase.

The Department of Development does not anticipate any significant administrative costs from the bill.

In the absence of a definitive source for the annual Ohio receipts of these qualifying businesses, LBO staff surveyed tax collections of a range of businesses that potentially qualify (such as Goodwill or The Salvation Army) to compile an estimated range of tax revenue losses. LBO staff relied heavily on information supplied by a Department of Taxation official that provided the overall sales tax collections of a service sector (North American Industry Classification System (NAICS) code 813¹) that includes these potential qualifying businesses. But it is possible that the 25% retainer might be claimed by other entities that LBO could not account for, so LBO cannot rule out a larger revenue loss. Ultimately revenue losses from the proposed changes will depend upon the number of organizations the Director of Development certifies as “qualifying retailers.”

¹ NAICS code 813 is for religious, grantmaking, civic, professional, and similar organizations.