



Testimony of Jameson Taylor, Ph.D.
Ohio Senate Finance Committee
Feb. 27, 2023
Re: SB 159, Sponsored by Senator Sandra O'Brien

Chairman Dolan and Members of the Committee:

My name is Dr. Jameson Taylor, and I am director of policy for AFA Action, a sister organization to American Family Radio. AFR operates 170 radio stations around the country, including 6 stations in Ohio.

Ohio's many PRCs can tell you how they would benefit from this credit and about the thousands of women and children they are serving in your local communities. I'm here to talk about something much less interesting ... the mechanics of this legislation.

As you lawmakers know, some good ideas work and some don't. One good idea I helped pass many years ago in Mississippi, known as the third-grade reading gate, is now a national model. Our thought was simple: make sure kids can read by third grade. If they can't, we have them repeat third grade and give them everything they need to succeed.

Sounds simple, but it worked. Likewise, this tax credit is a simple idea that will work for Ohio.

I'm a policy wonk, so to be honest, it takes me a little while to get to simple.

My expertise in charitable tax credits was gained through trial and error. In 2018, I drafted a Mississippi bill to encourage individual taxpayers to give to pro-adoption nonprofits, including PRCs. I stole the concept from Arizona, which very slowly developed their program, moving forward in fits and starts, beginning in 1997. While the Mississippi and Arizona charitable tax credit programs are a bit like patchwork quilts, Senator O'Brien's bill is whole cloth: it's an idea that has been perfected. It's a simple bill that will greatly benefit PRCs, but also individual and business taxpayers in Ohio.

If you want this program to be effective, I would encourage you to keep it simple. That is the beauty of a tax credit. ... You don't need to assign a special agency or nonprofit to



manage a tax credit, unlike you'd probably do if you were providing direct grants to PRCs. For their part, the PRCs can focus on their main job of serving women and children, instead of being distracted by the state budget process.

The Ohio Department of Taxation would administer this tax credit, just like any other tax credit. Nothing out-of-the ordinary is required. Ohio already offers many individual taxpayer credits, such as a retirement income credit, a displaced worker training credit, and a joint filing credit. The state also offers many business tax credits, such as the historic rehabilitation tax credit and the job creation tax credit.

Oversight over this PRC tax credit is also simple. You start with the fact that every one of these nonprofit PRCs has already gone through a verification process with the IRS and with the state of Ohio. As a result, their donors are eligible for a tax deduction. A tax credit is more valuable than a tax deduction, but it's not essentially different from a tax deduction.

Again, every single one of these nonprofits already offers their donors a tax deduction. The ability to provide this tax break is established by a well-documented federal process. Ohio law also governs PRC nonprofits. The Secretary of State oversees the credentialing of each nonprofit; and many nonprofits must also register with the Attorney General's office. Any health care professionals who serve PRCs are likewise subject to state licensing laws. In other words, the PRCs whose donors would benefit from this credit are already being held to a high standard of accountability.

As far as how this tax credit works specifically, there are three steps for the taxpayer:

- 1) Because the program is capped, the taxpayer must pre-apply for the credit with the Department of Taxation.
- 2) Once the taxpayer's donation is approved, the taxpayer makes the donation.
- 3) After the taxpayer sends in proof of donation, the amount is formally approved by the Ohio DOR and the taxpayer claims the credit on their taxes.

This bill also employs the three simple principles of an effective charitable tax credit:

- 1) The credit is dollar-for-dollar. This is the easiest and best way to structure such programs.
- 2) The credit provides for revenue predictability:



- This program has a total cap of \$10 million annually.
- In addition, each taxpayer may only receive a credit of up to 50 percent of their total tax liability.

3) The credit is non-refundable. This means it only applies to businesses and individuals who actually owe taxes. Thus, there is no upfront cost to the state.

According to the National Council of Nonprofits, tax incentives for charitable giving generate as much as a 5 to 1 return. In other words, a \$10 million tax credit could be offset by \$50 million in donations and services. These are services that will save the state money, especially in your Medicaid program, by providing frontline, professional healthcare for low-income women and children.

In closing, I'll share with you findings from a recent analysis of Arizona's charitable giving tax credit program:

- 1) The tax credit creates far more in donations than it displaces in tax revenue. Their \$70 million investment is generating between \$335 million and \$486 million in annual donations. That's at least a 5-to-1 return.
- 2) The program has a very positive impact in rural areas ... a benefit that would be helpful for Ohio.
- 3) The tax credit is even helping grow the state's economy, resulting in as much as a \$2.5 billion increase in annual state Gross Domestic Product and as many as 40,000 jobs annually.

Thank you for your time today. I am happy to answer any questions you may have.