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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
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Office

**H.B. 147**  
([l\\_136\\_0253-3](#))  
**136<sup>th</sup> General Assembly**

## Fiscal Note & Local Impact Statement

[Click here for H.B. 147's Bill Analysis](#)

**Version:** In House Development

**Primary Sponsor:** Rep. Lorenz

**Local Impact Statement Procedure Required:** Yes

Ruhaiza Ridzwan, Senior Economist

### Highlights

- Requiring a sales and use tax (SUT) exemption on building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property for which an exemption certificate has been issued by the Tax Credit Authority (TCA) under the bill, would decrease revenue from the state SUT by an undetermined amount, assuming it will begin in FY 2027.
- The GRF would bear 98.25% of any revenue loss per year. Under codified law, the Local Government Fund (LGF) receives 1.75% of state GRF tax revenue. Thus, the remaining 1.75% of such revenue loss would be borne by the LGF.
- Sales tax revenue to county governments and transit authorities is expected to decrease as well. Permissive county and transit authorities' sales taxes share the same tax base as the state SUT. Sales tax revenue for these local governments is about 25% of state sales tax revenue.

### Detailed Analysis

The bill requires a sales and use tax (SUT) exemption on building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property for which an exemption certificate has been issued under by the Ohio Tax Credit Authority (TCA) under the bill.

Under continuing law, Ohio law enables port authorities, which are government units, to exempt construction materials from state sales taxes. Today there are [61 port authorities](#) in Ohio, most of which were formed to assist in economic development projects. According to the [Ohio Council of Port Authorities](#), "Port Authorities can provide financing lease structures for projects which could result in the exemption of state sales taxes on construction materials."

The bill prohibits a port authority from “unreasonably” refusing to enter an agreement with a person concerning the construction or renovation of improvements to real property such that the purchase of construction materials and services for the renovation or construction qualifies for the sales tax exemption under existing law, “as long as the agreement provides for minimally acceptable investments.” The bill also stipulates conditions of “minimally acceptable investments.” A port authority will be deemed to have unreasonably failed to enter into an agreement if the agreement, with a maximum fee of 20% of sales tax savings for the port authority, is not executed by the port authority within 30 days after a person proposes to the port authority an agreement obligating that person to complete minimally acceptable investments. If such an agreement is not executed by the port authority within that period, the person may present the proposed project and agreement terms to the TCA.

Upon receipt of that proposal, the TCA must verify whether the proposal provides for minimally acceptable investments. If the TCA determines that the proposal does provide for minimally acceptable investments, the TCA must provide the person with a certificate, in a form prescribed by the Tax Commissioner, authorizing a sales tax exemption authorized under the bill for construction materials and services to be used in the construction or renovation of improvements to real property that are the primary subject of the minimally acceptable investments.

## Fiscal effect

The SUT exemption on building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property for which an exemption certificate has been issued by the TCA under the bill, would decrease revenue from the state SUT by an undetermined amount. Based on data and assumptions below, the estimated SUT revenue loss is likely in the millions of dollars per year. The potential revenue loss may begin in FY 2027. However, the actual revenue loss would depend on the bill’s effective date, the prices and quantity of building and construction materials, and services sold to contractors that are exempted under the bill.

The GRF would bear 98.25% of any revenue loss per year. Under codified law, the Local Government Fund (LGF) receives 1.75% of state GRF tax revenue. Thus, the remaining 1.75% of such revenue loss would be borne by the LGF.

Additionally, sales tax revenue to county governments and transit authorities is expected to decrease as well. Permissive county and transit authorities’ sales taxes share the same tax base as the state SUT. Sales tax revenue for these local governments is about 25% of state sales tax revenue.

## Potential revenue loss

According to the Ohio Council of Port Authorities website, there are 61 port authorities in Ohio and they are [located in small and large cities throughout the state \(PDF\)](#). The total amount of building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property for which an exemption certificate has been issued by the TCA under the bill are undetermined.

Based on Ohio construction sector statistics, [Construction: Summary Statistics for the U.S., States, and Selected Geographies: 2022, Table EC2223BASIC, 2024](#), prepared by the U.S. Census Bureau, in 2022 the total value of construction work in Ohio was \$81.10 billion. Of the

total amount, about \$14.08 billion (17%) was the value of construction work on government-owned projects while the remaining \$67.01 billion (83%) was the value of construction work on privately owned projects. In addition, in 2022 the construction sector spent about \$23.48 billion in cost of materials, components, packaging and/or supplies used, minerals received, or purchased machinery installed.

Under existing law, the cost of materials, certain building and construction materials, and services that are used in certain structures (e.g., owned by the federal government or the state of Ohio and its political subdivisions) are currently exempted from SUT. Based on the [Tax Expenditure Report for Fiscal Years 2026/2027 \(PDF\)](#), the estimated GRF revenue loss associated with the existing building and construction materials and services used in certain tax-exempt structures was about \$493.9 million in FY 2027. Assuming the GRF would bear 98.25% of total SUT revenue loss from the existing exemption for building and construction materials and services and using the current SUT rate of 5.75%, the estimated tax base for the existing SUT exemption would be roughly \$8.74 billion.

Subtracting the estimated tax base for the existing SUT exemption from the cost of materials from Ohio construction sector statistics above, roughly \$14.74 billion in cost of materials used by the construction sector in Ohio are not exempted from SUT. Assuming 1% of the estimated cost of materials used by the construction sector in Ohio that are not currently exempted from SUT would have been exempted under the bill, the estimated SUT revenue loss would be roughly \$8.5 million per year.