OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 21
136th General Assembly

# Fiscal Note & Local Impact Statement

Click here for H.B. 21's Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Rep. King

**Local Impact Statement Procedure Required:** No

Jessica Murphy, Senior Budget Analyst, and other LBO staff

## Highlights

- The bill will increase the administrative and enforcement workload costs of the Attorney General's Charitable Law Section, which may be partially offset by additional registration revenue credited to the Charitable Law Fund (Fund 4180) and potentially certain civil penalties if collected.
- Authorizing a personal income tax (PIT) deduction for all amounts paid for membership by the taxpayer, the taxpayer's spouse, and the taxpayer's dependents to a health care sharing ministry would decrease the PIT revenue by roughly $2.2 million per year, likely beginning with tax year (TY) 2025 returns filed in FY 2026.
- The state income tax revenue loss would be borne by the GRF (96.6%), the Local Government Fund (LGF, 1.7%), and the Public Library Fund (PLF, 1.7%). Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries.

## Detailed Analysis

The bill: (1) regulates health care sharing ministries as charitable organizations, (2) requires state institutions of higher education to consider participation in a health care sharing ministry as meeting any requirement for students to have health insurance, and (3) establishes a tax benefit by authorizing a deduction from personal income taxes for contributions made towards membership in a qualified health care sharing ministry.

A health care sharing ministry (HCSM) is, generally, an organization that collects dues from members and then redistributes a portion of the amounts collected to members who have incurred health care costs. According to a report prepared by the Colorado Division of Insurance in 2023,[1] 1.5 million people rely on sharing plans in the United States, including ten HCSMs operating in Ohio.

## Regulation

The bill specifies that HCSMs are not engaged in the business of insurance and therefore not subject to the insurance laws of Ohio. Under the bill, an HCSM is a nonprofit, tax-exempt entity that meets specified criteria. The Attorney General is granted the exclusive authority to determine whether an organization meets the definition of an HCSM. As such, these HCSMs would not be subject to oversight by a state insurance superintendent or the various laws regulating insurers, but rather regulated under the Charitable Solicitations Law by the Attorney General's Office.

Unchanged by the bill, the Attorney General may file a petition in the appropriate court of common pleas to issue an order for the enforcement of the Charitable Solicitations Law. In practice however, few cases are resolved by court action and instead are resolved administratively by the Attorney General. If the case proceeds past the administrative stage, a court may assess a civil penalty of not more than $10,000 for each violation, credited to the Charitable Law Fund (Fund 4180). The court also may award the Attorney General the costs of investigation and litigation and reasonable attorney's fees. Failure to comply with the court order or avoiding, evading, or preventing compliance with an investigation may be punished for contempt of court or by imposing an additional civil penalty of up to $10,000.

LBO fiscal staff has not gathered any information suggesting that the bill will significantly increase the administrative and enforcement workload and related annual operating costs of the Attorney General's Charitable Foundations Section. Overall, the magnitude of costs will depend on the scope and number of investigations or enforcement actions taken annually. Any increase may be partially offset by additional registration fee revenue credited to the Charitable Law Fund (Fund 4180) and potentially civil penalties if collected. Under existing law, and with limited exceptions, every charitable organization that intends to solicit contributions in this state by any means or have contributions solicited in this state on its behalf is required to annually register with the Attorney General. The registration fee is $50, $100, or $200, depending on the amount of contributions the organization received for the last calendar or fiscal year. However, if the HCSM is controlled by a religious organization, it likely would be exempt from the charitable organization registration requirement.

## Institutions of higher education

The bill specifies that any requirement made by a state institution of higher education that attending students have health care coverage is met by participation in an HCSM. State institutions may need to update rules, regulations, and administrative policies to comply with the bill but this work can likely be accomplished with existing resources.

[1] See the 2023 edition of the *Health Care Sharing Plans or Arrangements Summary Report*, which is available under "Reports from Division of Insurance" on Colorado's Department of Regulatory Agencies website: [doi.colorado.gov/for-consumers/consumer-protection](doi.colorado.gov/for-consumers/consumer-protection).

# Tax deduction

The bill allows a taxpayer who is a member of an HCSM to deduct from the state personal income tax (PIT) all amounts paid for membership by the taxpayer, the taxpayer's spouse, and the taxpayer's dependent to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for an applicable tax year. The deduction applies to taxable years ending on or after the bill's effective date.

## Fiscal effect

The deduction under the bill would decrease the PIT revenue by roughly $1 million per year. The estimated revenue loss is calculated based on data and assumptions described below. The PIT revenue loss would begin after the bill's effective date, and likely beginning with TY 2025 tax returns, which will be filed in the second half of FY 2026. Thus, the PIT revenue loss could begin in FY 2026.

The actual amount of membership dues paid by an Ohioan who is a member of an HCSM is undetermined. According to the aforementioned report prepared by the Colorado Division of Insurance, the total amount of fees, dues, shares, contributions, or other payments collected from HCSM members in that state averaged $1,592 per member. If Ohio has a proportionate share of the 1.5 million members nationwide, about 51,000 people would be HCSM participants. Assuming each HCSM member in Ohio paid the average amount of $1,592 per year as the membership dues for joining an HCSM in Ohio, their total estimated annual membership dues would be about $81.2 million. Assuming all HCSM members in Ohio deducted the entire amount from the PIT at a tax rate of 2.75%, the estimated PIT revenue loss would be roughly $2.2 million per year. The actual PIT revenue loss could be lower or higher than the estimated amount depending on the number of taxpayers who would claim the deduction and the amount of such deduction.

All PIT receipts are currently deposited in the state GRF. Thus, the PIT revenue loss would be borne by the GRF (96.6%), the Local Government Fund (LGF, 1.7%), and the Public Library Fund (PLF, 1.7%). The reductions to funds deposited into the LGF and PLF would reduce distributions to counties, municipalities, townships, and public libraries.

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