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OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 225
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. Jarrells and Young

Local Impact Statement Procedure Required: No

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Highlights

- The bill authorizes a nonrefundable tax credit applicable against the personal income tax (PIT) and the commercial activity tax (CAT) that could lower state tax collections by up to \$8 million per year.
- The Ohio Department of Developmental Disabilities (DODD) will realize costs to review transition plans for employers who have a subminimum wage license or certificate and to complete required reports.
- The Opportunities for Ohioans with Disabilities Agency (OOD) will experience an increase in costs to develop an application and review process for both qualified vendor certification and tax credit certificates and to complete the required annual report. Costs will depend on the number of applicants and the review process.
- DODD and OOD will both realize costs to assist employers with phasing out subminimum wages and gather specified information regarding the phase out. Costs will depend on the number of employers receiving assistance and the level of assistance required.
- The Department of Commerce (COM) will see a small reduction in costs paid from the Industrial Compliance Fund (Fund 5560) since the bill phases out state licenses for employers to pay subminimum wages.

Detailed Analysis

Subminimum wage authorization

The bill phases out, over five years, the approval for entities with state authorization to pay subminimum wages to persons with intellectual disabilities. As part of the phase out, the bill prohibits the Department of Commerce (COM) from issuing or renewing state licenses

authorizing an employer to pay a subminimum wage to specified individuals. To obtain such a license, a business or industry must complete the specified subminimum wage application form to the Bureau of Wage and Hour within the Division of Industrial Compliance, which then approves or denies the application. The phase out of these licenses will result in a small decrease in licensing costs for the Division of Industrial Compliance. Those costs are paid from the Industrial Compliance Operating Fund (Fund 5560). The total number of such active licenses is uncertain. The most recent data obtained by LBO indicates no state agencies and seven political subdivisions hold such a license. However, it does not appear that any political subdivisions holding this license currently employ anyone being paid a subminimum wage.

Tax credit

The bill provides a nonrefundable tax credit to entities that make purchases from qualified vendors. Qualified vendors are nonprofit corporations with a workforce that is at least 20% comprised of disabled individuals, and which meet requirements regarding health insurance contributions. The credit is equal to 15% of the price of goods or services purchased and may be applied towards the personal income tax (PIT) or the commercial activity tax (CAT). Excess credits may be carried forward for a period of up to four tax years.

The bill limits the amount of credits issued by the Opportunities for Ohioans with Disabilities Agency (OOD) in any calendar year to \$8 million total and \$500,000 for purchases made from any single vendor. Tax collections from both the PIT and CAT are deposited into the GRF, with 1.7% allocated to the Local Government Fund (LGF) and another 1.7% allocated to the Public Library Fund (PLF). The total yearly tax loss may thus be as much as \$7.7 million to the GRF, \$136,000 to the LGF, and \$136,000 to the PLF.

The annual amount of credits claimed is difficult to project as the characteristics that qualify vendors are private information. However, the number of qualified vendors may be large. According to OOD's 2023-2024 Annual Report, the agency partnered with over 700 employers to facilitate the recruitment, hiring, and retention of workers with disabilities.¹ Furthermore, nothing in the bill explicitly limits the vendors or disabled employees to be geographically located in the state. The National Organization on Disability (NOD) recognized 59 different employers across various industries in 2024 as leading disability employers in 2024, many of which may not have a physical presence in Ohio or employ Ohioans.² Nevertheless, a nonrefundable tax credit is only relevant to taxpayers that incur an Ohio tax liability, so it is unlikely that any purchaser without an economic presence in Ohio will seek the credit.

Administrative actions

Department of Developmental Disabilities

The bill requires each employer that holds a state license or 14(c) certificate issued by the U.S. Department of Labor to submit a transition plan to the Director of the Ohio Department of Developmental Disabilities (DODD) that addresses how the employer will phase out subminimum wages and support individuals with disabilities in pursuing competitive, integrated employment.

¹ The report is available on OOD's [website](#).

² The list of employers is available on NOD's [website](#).

Additionally, DODD, in consultation with OOD, is required to assist employers with phasing out subminimum wages. The bill specifies these duties, which include collecting data on these employers for five years after the bill's effective date, proposing a plan to monitor and track the outcomes of employees with disabilities, and identifying and making recommendations for sustainable support, funding, and resources to assist these individuals. The DODD Director must submit a report that includes specified information. This will result in administrative costs to DODD. The costs will depend on a variety of factors including the level of assistance provided and the number of employers receiving such assistance. In addition, OOD may also have administrative costs to assist with some of these duties.

The bill includes additional duties, which are specified by the bill, for the Employment First Task Force. The Task Force, in consultation with DODD, must submit a report biennially regarding the outcomes of individuals with developmental disabilities, opportunities for these individuals, and recommendations for creating a better system of care. A number of state agencies are part of the Task Force. The bill might result in costs for member agencies depending on the additional workload required to complete these new duties.

Opportunities for Ohioans with Disabilities Agency

The bill permits a nonprofit corporation to apply to OOD to be certified as a qualified vendor. OOD may revoke a certification if it receives notice from the organization that it no longer qualifies or otherwise determines that an organization no longer meets the requirements. To receive the tax credit described above, a taxpayer must apply to OOD between January 1 to 21 after the year in which the purchases are made. OOD is required to review applications on a first-come, first-served basis. If OOD approves an application, a tax credit certificate will be issued to the applicant stating the amount of the credit allowed and the tax against which it can be claimed. Additionally, the bill requires OOD to issue an annual report to the General Assembly about the tax credit program.

OOD will experience an increase in costs to develop an application process for both qualified vendor certification and tax credit certificates, review completed applications, and to issue certificates. Costs will ultimately depend on the number of applicants and the level of review required. OOD may also experience a minimal increase in administrative costs to complete the required annual report.

Other government entities

The bill requires cabinet-level departments and other specified state agencies that employ or provide employment services to individuals with disabilities to coordinate to ensure state resources contribute toward the competitive, integrated employment of individuals with disabilities and to share information regarding phasing out subminimum wages. In addition, each political subdivision that provides employment services to individuals with developmental disabilities to implement a policy that complies with Ohio's policy regarding community employment for these individuals and ensure the policy is followed. These entities could realize administrative costs to perform these duties.