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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 756
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 756's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Daniels and J. Thomas

Local Impact Statement Procedure Required: No

Francis Bediako, Economist

Highlights

- The bill has no direct fiscal impact on local governments.
- For the state, the bill is expected to reduce personal income tax (PIT) revenue by an indeterminate amount beginning with taxable years ending on or after the effective date.

Detailed Analysis

The bill expands the nonrefundable research and development (R&D) tax credit to apply to the personal income tax (PIT). Under current law, the credit is allowed against the commercial activity tax (CAT) or the financial institutions tax (FIT). The tax credit equal to 7% of incremental Ohio qualified research expenses (QREs) defined by section 41 of the Internal Revenue Code. Incremental Ohio QREs is the difference between the current year's Ohio QRE and the average of the prior three years. The credit against PIT may be carried forward for up to seven taxable years, is claimed in the existing sequence of nonrefundable income tax credits, and applies to taxable years ending on or after the bill's effective date. However, if a taxpayer pays both the CAT and the PIT, the taxpayer may claim the credit against only one tax with respect to the same R&D expenses.

Taxpayers must retain records supporting the expenses used to calculate the credit for the current taxable year and the three previous taxable years. The Tax Commissioner may audit a representative sample of research expenses over a reasonable period to verify claims and may issue assessments based on the audit. These provisions formalize routine documentation and audit practices.

Fiscal impacts

The bill is expected to reduce state PIT revenue beginning with taxable years ending on or after the bill's effective date. The Department of Taxation may incur minimal costs to update

forms, instructions, and systems, but these costs are expected to be absorbed within existing resources.

Using Ohio Department of Taxation data for existing business tax research credits showing approximately \$50.0 million annually across 414 claimants, the implied incremental qualified research expense base is approximately \$714.9 million, with an average credit per claimant of about \$121,000 (\$0.1 million). These figures provide context only. Actual personal income tax revenue effects depend on:

1. How many claimants have PIT liability and eligible Ohio QRE;
2. The timing of claims; and
3. The use of carryforward.

The bill has no direct fiscal effect on local governments. It does not impose new duties, responsibilities, reporting requirements, or administrative obligations on counties, municipalities, townships, school districts, or special districts. Any local revenue changes would occur indirectly through the state's revenue sharing to the Local Government Fund (LGF), and the size and timing of such changes are indeterminate.