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Office of Research and Drafting

Legislative Budget Office

H.B. 804
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 804's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Bryant Bailey

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill creates a refundable personal income tax (PIT) credit for employment-related child care expenses incurred for dependents under age five, available to households with income at or below 750% of the federal poverty level (FPL), with maximum annual credits of $2,000 for one child or $4,000 for two or more children.
- The bill is estimated to reduce state PIT revenue by approximately $1.08 billion annually, resulting in estimated annual revenue losses of $1.06 billion to GRF and $19.0 million to the Local Government Fund (LGF) respectively, beginning in tax year (TY) 2027.

Detailed Analysis

The bill establishes a refundable personal income tax (PIT) credit for employment-related child care expenses incurred for a dependent under age five. Eligibility extends to households with income at or below 750% federal poverty level (FPL). The credit per taxpayer is capped at $2,000 for one child and $4,000 for two or more children, with the full credit value available for households at or below 550% of the FPL and a reduced credit percentage of 81.25% for households between 551% and 600% of the FPL, a 62.50% credit percentage for households between 601% and 650% of the FPL, a 43.75% credit percentage for households between 651% and 700% of the FPL, and a 25% credit percentage for households between 701% and 750% of the FPL. Households with income above 750% FPL are not eligible for the credit.

The credit is refundable, meaning that, any amount in excess of the taxpayer's tax liability is paid as a refund and claimants may be required to provide documentation to substantiate eligible expenses and household income. The bill also precludes a taxpayer from claiming both the new credit and Ohio's existing dependent care credit for the same expenses. The credit

applies to taxable years beginning on or after January 1, 2027. State tax revenues losses will begin in FY 2028.

Methodology for estimations

To quantify the fiscal impact for the first full year of implementation, tax year (TY) 2027, the analysis uses the 2024 American Community Survey Public Use Microdata Sample (ACS PUMS) to identify Ohio households with at least one child age zero through four. The total number of persons in each household is used to apply the appropriate 2026 federal poverty guideline issued by the U.S. Department of Health and Human Services (HHS). For households with more than eight persons, the applicable guideline is increased by $5,680 for each additional person. The analysis identifies an estimated 449,962 Ohio households with at least one child age zero through four that are likely eligible for the PIT credit. Of these households, an estimated 407,063 were at or below 550% of the FPL and 42,899 were between 551% and 750% of the FPL, while another 185,517 households with income above 750% of the FPL were presumed ineligible for the tax credit. ACS PUMS household weights are applied to estimate statewide household counts and the fiscal impact. For each household, the applicable credit percentage is applied to the relevant credit cap, and the resulting weighted credit amounts are summed to estimate the annual reduction in PIT presented in the table below.

Estimated Annual Fiscal Effect of the Child Care Expense Credit (TY 2027)

FPL Band	Child Group	Households	Average Credit	Annual Credit
Less than or equal to 550% (Full Credit)	1 child	300,481	$2,000	$600,962,000
	2+ children	106,582	$4,000	$426,328,000
551%-600%	1 child	11,221	$1,625	$18,234,125
	2+ children	1,810	$3,250	$5,882,500
601%-650%	1 child	8,394	$1,250	$10,492,500
	2+ children	2,330	$2,500	$5,825,000
651%-700%	1 child	6,576	$875	$5,754,000
	2+ children	1,690	$1,750	$2,957,500
701%-750%	1 child	4,700	$500	$2,350,000
	2+ children	6,178	$1,000	$6,178,000
Total Eligible Households	--	**449,962**	--	**$1,084,963,625**

Note: 185,517 households with one child or more aged 0-4 years were excluded due to either income greater than 750% or missing FPL values in the source data.

Fiscal impact

The bill is estimated to reduce state PIT revenue by approximately $1.08 billion annually. Under current law, this revenue loss would reduce the GRF by approximately $1.06 billion and the Local Government Fund (LGF) by approximately $19.0 million beginning in TY 2027. Any reduction in LGF distribution would result in a corresponding revenue loss for counties, municipalities, townships, villages, and other local governments that receive these distributions. The bill may also increase the Department of Taxation's administrative workload as the Department modifies tax forms and systems, processes refundable credit claims, verifies eligible child care expenses and household income, and issues additional refunds.

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