Ohio Legislative Service Commission

Office of Research and Drafting

Legislative Budget Office

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H.B. 292
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 292's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Sobecki and Cutrona

Local Impact Statement Procedure Required: No

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Highlights

- The bill provides a temporary sales and use tax exemption for parts and components (such as engines, transmissions, batteries, and brakes) that are specifically designed for use in, and are unique to, the production of electric vehicle products. Codified law already provides two manufacturing sales tax exemptions, so the bill is likely to have little fiscal effect.
- The bill establishes a seven-member Electric Vehicle Commission within the Department of Transportation to study and make policy recommendations related to electric vehicle product manufacturing in Ohio.

Detailed Analysis

The bill provides a temporary sales and use tax exemption for parts and components such as engines, transmissions, batteries, and brakes that are specifically designed for use in, and are unique to, the production of electric vehicle (EV) products. The exemption expires on December 31, 2026. As used in the bill, an "electric vehicle product" is a battery powered electric vehicle, an alternative powertrain technology vehicle, a hydrogen powered vehicle, or a plug-in electric motor vehicle. The term also includes the charging stations needed to make use of those vehicles. Currently, Lordstown Motors Corporation is the only electric vehicle automaker to manufacture in Ohio. In a 10-Q statement filed with federal regulators in June 2021, the company stated it did not have enough money to fund commercial scale production and the launch of sales of EVs at that time, though the firm now expects trucks to be sold in 2022, according to recent press reports.

Most parts and components exempted by the bill may be covered under two broader exemptions available under continuing law. The first manufacturing exemption exempts items and services incorporated into tangible personal property (TPP) for sale through manufacturing, assembling, processing, or refining. (R.C. 5739.02(B)(42)(a).) The second exemption refers to equipment, machines, and parts that are used as components of a manufacturing operation to produce tangible personal property for sale (R.C. 5739.02(B)(42)(g)). These exemptions seemingly cover electric vehicle engines, transmissions, batteries, and brakes, as well as the equipment used to manufacture such parts and components.

Thus, it appears a significant number of tangible property exempted by the bill may already be exempted under codified law. The extent to which the bill may expand the existing manufacturing exemptions is unclear, so the bill may result in fiscal losses, though any sales tax revenue decreases may be small. Under codified law, any decrease in sales tax receipts would decrease GRF revenue (96.68%), the Local Government Fund (1.66%), and the Public Library Fund (1.66%). Receipts from permissive county and transit authority sales taxes may also decrease, as those local taxes share the state's sales tax base.

Electric Vehicle Commission

The bill establishes a seven-member Electric Vehicle Commission within the Department of Transportation to study and make policy recommendations related to electric vehicle product manufacturing in Ohio. The Commission is required to make a report each year, to be delivered no later than September 30, to the Department of Transportation, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives.

The members of the Commission are to serve without compensation, but can receive travel reimbursement at the same mileage rate allowed for the reimbursement of travel expenses of state agents. The Department of Transportation will incur an uncertain amount of expenses as a result of the bill. The bill contains no appropriation for this Commission, but LBO assumes those expenses would likely be paid by existing appropriations.

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