OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 405
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 405's Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Dell'Aquila

Local Impact Statement Procedure Required: Yes

Lin Kong, Budget Analyst

Highlights

Fund	FY 2025	FY 2026	Future Years
State General Revenue Fund			
Revenues	Loss up to $14.5 million	Loss up to $14.5 million	Loss up to $14.5 million per year
Expenditures	Possible increase	Possible increase	Possible increase
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Loss up to $0.5 million	Loss up to $0.5 million	Loss up to $0.5 million per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Refundable state income tax credits for qualifying expenses to help seniors and disabled persons remain in their homes could reduce GRF revenues by up to $14.5 million per year. LBO assumes the tax credits would first be available for tax year 2024.
- Lower tax revenues would reduce distributions through the Local Government Fund and Public Library Fund to local governments and public libraries, and reduce amounts retained by the GRF.
- The Ohio Department of Aging will incur new operating costs to administer the tax credit, but those amounts are indeterminate as of this writing.

Detailed Analysis

The bill would allow qualifying taxpayers to claim a refundable state income tax credit for disability-related home expenses to help them stay in their homes rather than relocating to assisted living facilities. To qualify, a taxpayer or the taxpayer's spouse or dependent must be either at least 60 years old or permanently and totally disabled.[1] Disability-related home expenses are costs to facilitate activities of daily living and to increase the time that the taxpayer, spouse, or dependent can stay in the residence before needing assisted living.[2] Refundable expenses include modifications to the home to improve accessibility and provide universal visitability as specified in Ohio Department of Aging (ODA) guidelines, including but not limited to the cost of installation of wheelchair ramps, bathtub bars, and zero-step entrances, and costs for personal care and assistive technology.

ODA would be responsible for establishing guidelines and administering tax credits, including prescribing the form of application to be submitted by taxpayers and approving applications. The cost of each credit would equal the cost of disability-related home expenses, up to a maximum of $5,000 per taxpayer. ODA would ensure that total credits per calendar year would not exceed $15 million, that no taxpayer is approved for a credit who had previously been approved, and that approved transactions do not include any between family members or between a pass-through entity and someone with an ownership interest in the entity.

ODA would incur costs to verify eligibility, ensure that the claimed expenses comply with guidelines, and otherwise administer the program. The total cost would depend on a number of factors, including how many people apply to receive the tax credit and the time and complexity involved in approving applications. The costs could include hiring additional employees or potentially contracting with outside entities to manage the application process. The Department of Taxation may also incur costs for a new income tax credit.

Although LBO could not find a precise estimate of Ohioans that would qualify for the proposed tax credit, a survey of data on potential indicators of "permanent and total disability" suggests that it is likely the $15.0 million annual credit limit will be reached. A reduction in state income tax revenue, as with other GRF taxes, would reduce distributions to each of the Local Government Fund (LGF, Fund 7069) and the Public Library Fund (PLF, Fund 7065) by 1.7% of the revenue reduction under codified law. The bill specifies that the program would apply to taxable years ending on or after the bill's effective date. Assuming the bill is effective prior to the end of calendar year (CY) 2024, then the program would apply to tax year (TY) 2024, and GRF revenues would not be reduced until FY 2025.

Potential indirect fiscal effects

An indirect effect of the bill may be a reduction in GRF spending on Medicaid, thereby partially offsetting the revenue loss. The magnitude of any such savings appears indeterminate.

[1] A person who is "permanently and totally disabled" has been certified as such by a state or federal agency or has an impairment that makes the person unable to work for at least 12 months, and (2) has been documented by an Ohio licensed physician, nurse, or physician assistant as requiring assistance for at least one activity of daily living.

[2] Activities of daily living include eating, toileting, transferring, bathing, dressing, and continence.

Not all taxpayers claiming the credit would have nursing home or assisted living stays paid by Medicaid. Also, the federal government typically reimburses around 60% of the cost of spending on nursing home and assisted living stays paid by Medicaid.

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