

Impact of H.B. 59 Budget Bill

Restructuring the State and Local Sales Tax – Base Broadening and Rate Reduction

- Reduce state sales tax rate from 5½% to 5% effective September, 2013.
- Broaden state and local sales tax base to include all services unless specifically exempted. (This is the opposite of the current law where all services are assumed to be exempt unless specifically enumerated as taxable.)
- Reduce local tax rates (county and transit authority) so as to prevent counties and transit authorities from receiving a windfall from the base broadening. The rate for Franklin County would be reduced from 0.75% to 0.50%.
- Prohibit additional county or transit sales and use taxes from being levied from October 2013 through June 2016.
- New local sales tax rates will be based on estimates by the Ohio Department of Taxation on how much the sales tax base expansion will be within each jurisdiction. All counties will be classed into four groups with each group receiving a calculated reduction in its tax rates rounded to the nearest .05%. As a result of the adjustment, the rate for Franklin County would be reduced by one-third.
- New local tax rates are to be calculated so as to provide the counties and transit authorities with 10% revenue growth for the first year they are in effect. The Ohio Department of Taxation estimates that the amount of the guarantee for Franklin County would be \$14,476,000.
- Local tax rates would be reset twice after the initial determination by the Ohio Department of Taxation with new local rates going into effect in July 2015 and April 2016. The recalculation of local sales tax rates will be to correct mistakes in revenue forecasting by the Department of Taxation where revenues have either underperformed or over performed the 10% growth target.

Indigent Defense

- The state budget increases the state reimbursement level to counties for this mandate to approximately 40%. This represents an increase of approximately \$7 million per year in state-wide funding for this line item. The estimated increase for Franklin County would be approximately \$958,000 annually.

Local Government Fund Distributions

- The Local Government Fund (LGF) would be placed back on a “Percentage of Tax Receipts” formula where the new funding percentage would be determined by dividing FY 2013 Local Government Fund Deposits by total State GRF tax revenues received during FY 2013. The resulting percentage would be the new percentage share to be distributed to local governments during SFY 2014 and SFY 2015.
- Executive budget documents estimate SFY 2013 LGF distributions at \$348 million with distributions increasing to \$363 million and \$376 million, respectively, in SFY 2014 and 2015. These distribution forecasts would represent increases of 4.5% and 3.5%, respectively, in SFY 2014 and SFY 2015. The estimated increase for Franklin County would be \$986,000 for the biennium, with an additional \$246,000 expected to be received in calendar year 2013, \$498,000 in 2014, and \$242,000 in the first half of 2015.

Source: CCAO prepared the narrative on the Restructuring of the State and Local Sales Tax. Franklin County OMB provided the information related specifically to the County.