

As Reported by the Committee of Conference

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Representative Boose

Cosponsors: Representatives Blessing, Hambley, Hood, Scherer, Sprague, Strahorn, Young, Dever, Driehaus, Rogers, Anielski, Antonio, Ashford, Baker, Barnes, Brown, Buchy, Burkley, Butler, Celebrezze, Cera, Clyde, Conditt, Derickson, Dovilla, Duffey, Fedor, Green, Grossman, Hackett, Hagan, Henne, Hill, Huffman, Johnson, T., Koehler, Kraus, Lepore-Hagan, Maag, McClain, McColley, O'Brien, M., O'Brien, S., Patterson, Perales, Phillips, Ramos, Reineke, Retherford, Rezabek, Romanchuk, Ryan, Schuring, Sears, Smith, K., Stinziano, Sweeney, Sykes, Terhar, Thompson

Senators Gardner, Peterson, Sawyer, Tavares, Uecker

A BILL

To amend sections 107.03 and 5703.48 and to enact 1
section 5703.95 of the Revised Code to create a 2
Tax Expenditure Review Committee for the purpose 3
of periodically reviewing existing tax 4
expenditures. 5

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 107.03 and 5703.48 be amended and 6
section 5703.95 of the Revised Code be enacted to read as 7
follows: 8

Sec. 107.03. The governor shall submit to the general 9
assembly, not later than four weeks after its organization, a 10
state budget containing a complete financial plan for the 11
ensuing fiscal biennium, excluding items of revenue and 12

expenditure described in section 126.022 of the Revised Code. 13
However, in years of a new governor's inauguration, the budget 14
shall be submitted not later than the fifteenth day of March. In 15
years of a new governor's inauguration, only the new governor 16
shall submit a budget to the general assembly. In addition to 17
other things required by law, the governor's budget shall 18
contain: 19

(A) A general budget summary by function and agency 20
setting forth the proposed total expenses from each and all 21
funds and the anticipated resources for meeting such expenses; 22
such resources to include any available balances in the several 23
funds at the beginning of the biennium and a classification by 24
totals of all revenue receipts estimated to accrue during the 25
biennium under existing law and proposed legislation. 26

(B) A detailed statement showing the amounts recommended 27
to be appropriated from each fund for each fiscal year of the 28
biennium for current expenses, including, but not limited to, 29
personal services, supplies and materials, equipment, subsidies 30
and revenue distribution, merchandise for resale, transfers, and 31
nonexpense disbursements, obligations, interest on debt, and 32
retirement of debt, and for the biennium for capital outlay, to 33
the respective departments, offices, institutions, as defined in 34
section 121.01 of the Revised Code, and all other public 35
purposes; and, in comparative form, the actual expenses by 36
source of funds during each fiscal year of the previous two 37
bienniums for each such purpose. No alterations shall be made in 38
the requests for the legislative and judicial branches of the 39
state filed with the director of budget and management under 40
section 126.02 of the Revised Code. If any amount of federal 41
money is recommended to be appropriated or has been expended for 42
a purpose for which state money also is recommended to be 43

appropriated or has been expended, the amounts of federal money 44
and state money involved shall be separately identified. 45

(C) A detailed estimate of the revenue receipts in each 46
fund from each source under existing laws during each year of 47
the biennium; and, in comparative form, actual revenue receipts 48
in each fund from each source for each year of the two previous 49
bienniums; 50

(D) The estimated cash balance in each fund at the 51
beginning of the biennium covered by the budget; the estimated 52
liabilities outstanding against each such balance; and the 53
estimated net balance remaining and available for new 54
appropriations; 55

(E) A detailed estimate of the additional revenue receipts 56
in each fund from each source under proposed legislation, if 57
enacted, during each year of the biennium; 58

(F) A description of each tax expenditure; a detailed 59
estimate of the amount of revenues not available to the general 60
revenue fund under existing laws during each fiscal year of the 61
biennium covered by the budget due to the operation of each tax 62
expenditure; and, in comparative form, the amount of revenue not 63
available to the general revenue fund during each fiscal year of 64
the immediately preceding biennium due to the operation of each 65
tax expenditure. The report prepared by the department of 66
taxation pursuant to section 5703.48 of the Revised Code shall 67
be submitted to the general assembly as an appendix to the 68
governor's budget. As used in this division, "tax expenditure" 69
has the same meaning as in section 5703.48 of the Revised Code. 70

(G) The most recent report prepared by the tax expenditure 71
review committee under division (F) of section 5703.95 of the 72

Revised Code, which shall be submitted to the general assembly 73
as an appendix to the governor's budget. 74

Sec. 5703.48. (A) As used in this section and section 75
107.03 of the Revised Code, "tax expenditure" means ~~any a~~ tax 76
provision in the Revised Code that exempts, either in whole or 77
in part, certain persons, income, goods, services, or property 78
from the effect of taxes ~~established in the Revised Code~~ levied 79
by the state, including, but not limited to, tax deductions, 80
exemptions, deferrals, exclusions, allowances, credits, 81
reimbursements, and preferential tax rates, provided all of the 82
following apply to the provision: 83

(1) The provision reduces, or has the potential to reduce, 84
revenue to the general revenue fund; 85

(2) The persons, income, goods, services, or property 86
exempted by the provision would have been part of a defined tax 87
base; 88

(3) The persons, income, goods, services, or property 89
exempted by the provision are not subject to an alternate tax 90
levied by the state; 91

(4) The provision is subject to modification or repeal by 92
an act of the general assembly. 93

(B) The department of taxation shall prepare and submit to 94
the governor not later than the first day of November in each 95
even-numbered year a report describing the effect of tax 96
expenditures on the general revenue fund. The report shall 97
contain a description of each tax expenditure under existing 98
laws and, in comparative form, a detailed estimate of the 99
approximate amount of revenue not available to the state general 100
revenue fund in each fiscal year of the current and ensuing 101

fiscal bienniums as a result of the operation of each tax 102
expenditure. The report shall be prepared in such a manner as to 103
facilitate the inclusion of the information provided by the 104
report in the governor's budget. 105

Sec. 5703.95. (A) As used in this section, "tax 106
expenditure" has the same meaning as in section 5703.48 of the 107
Revised Code. 108

(B) There is hereby created the tax expenditure review 109
committee, consisting of seven members, composed of the 110
following: 111

(1) Three members of the house of representatives 112
appointed by the speaker of the house of representatives in 113
consultation with the minority leader of the house of 114
representatives. Members described in division (B)(1) of this 115
section shall not all be members of the same party and should be 116
members of the house of representatives committee that deals 117
primarily with tax legislation; 118

(2) Three members of the senate appointed by the president 119
of the senate in consultation with the minority leader of the 120
senate. Members described in division (B)(2) of this section 121
shall not all be members of the same party and should be members 122
of the senate committee that deals primarily with tax 123
legislation; 124

(3) The tax commissioner or the tax commissioner's 125
designee. The member described in division (B)(3) of this 126
section shall be a nonvoting member. 127

The speaker of the house of representatives and the 128
president of the senate shall make initial appointments to the 129
committee not later than thirty days following the effective 130

date of the enactment of this section. Thereafter, the terms of 131
the office for appointed members shall be the same as the term 132
of each general assembly. Members may be reappointed, provided 133
the member continues to meet all other eligibility requirements. 134
Vacancies shall be filled in the manner provided for original 135
appointments. Any member appointed to fill a vacancy before the 136
expiration of the term for which the predecessor was appointed 137
shall hold office as a member for the remainder of that term. 138
Appointed members of the committee serve at the pleasure of the 139
member's appointing authority and may be removed only by the 140
appointing authority. 141

(C) The tax expenditure review committee shall hold its 142
first meeting within ninety days after the effective date of the 143
enactment of this section. At the first meeting, the members 144
shall elect a chairperson, who shall be one of the members 145
described in division (B) (1) or (2) of this section. Thereafter, 146
the committee shall meet at least once during the first year of 147
each fiscal biennium to review existing tax expenditures 148
pursuant to division (D) of this section, provided the committee 149
shall hold, for any such expenditure, at least one meeting at 150
which a person may present to the committee evidence or 151
testimony related to that expenditure. Any person may submit to 152
the chairperson a request that the committee meet to accept 153
evidence or testimony on a tax expenditure. The committee is a 154
public body for the purposes of section 121.22 of the Revised 155
Code. 156

The chairperson of the committee shall serve until the 157
thirty-first day of December of each even-numbered year. 158
Thereafter, members shall elect a new chairperson. If the 159
preceding chairperson was a member described in division (B) (1) 160
of this section, the new chairperson shall be a member described 161

in division (B) (2) of this section. If the preceding chairperson 162
was a member described in division (B) (2) of this section, the 163
new chairperson shall be a member described in division (B) (1) 164
of this section. 165

A vacancy on the committee does not impair the right of 166
the other members to exercise all the functions of the 167
committee. The presence of a majority of the voting members of 168
the committee constitutes a quorum for the conduct of business 169
of the committee. The concurrence of at least a majority of the 170
voting members of the committee is necessary for any action to 171
be taken by the committee. 172

Upon the committee's request, the department of taxation, 173
development services agency, office of budget and management, or 174
other state agency shall provide any information in its 175
possession that the committee requires to perform its duties. 176

The staff of the legislative service commission shall 177
assist the committee as directed by the committee. 178

(D) The committee shall establish a schedule for review 179
for each tax expenditure so that each expenditure is reviewed at 180
least once every eight years. The schedule may provide for the 181
review of each tax expenditure in the order the expenditures 182
were enacted or modified, beginning with the least recently 183
enacted or modified tax expenditure. Alternatively, the review 184
schedule may group tax expenditures by the individuals or 185
industries benefiting from the expenditures, the objectives of 186
each expenditure, or the policy rationale of each expenditure. 187
In its review, the committee shall make recommendations as to 188
whether each tax expenditure should be continued without 189
modification, modified, scheduled for further review at a future 190
date to consider repealing the expenditure, or repealed 191

outright. For each expenditure reviewed, the committee may 192
recommend accountability standards for the future review of the 193
expenditure. The committee may consider, when reviewing a tax 194
expenditure, any of the relevant factors described in division 195
(E) of this section. 196

(E) In conducting reviews pursuant to division (D) of this 197
section, the committee may consider the following factors: 198

(1) The number and classes of persons, organizations, 199
businesses, or types of industries that would receive the direct 200
benefit or consequences of the tax expenditure; 201

(2) The fiscal impact of the tax expenditure on state and 202
local taxing authorities, including any past fiscal effects and 203
expected future fiscal impacts of the tax expenditure in the 204
following eight-year period; 205

(3) Public policy objectives that might support the tax 206
expenditure. In researching such objectives, the committee may 207
consider the expenditure's legislative history, the tax 208
expenditure's sponsor's intent in proposing the tax expenditure, 209
or the extent to which the tax expenditure encourages or would 210
encourage business growth or relocation into the state, promotes 211
or would promote growth or retention of high-wage jobs in the 212
state, or aids or would aid community stabilization. 213

(4) Whether the tax expenditure successfully accomplishes 214
any of the objectives identified in division (E)(3) of this 215
section; 216

(5) Whether the objectives identified in division (E)(3) 217
of this section would or could have been accomplished 218
successfully in the absence of the tax expenditure or with less 219
cost to the state or local governments; 220

<u>(6) Whether the objectives identified in division (E) (3)</u>	221
<u>of this section could have been accomplished successfully</u>	222
<u>through a program that requires legislative appropriations for</u>	223
<u>funding;</u>	224
<u>(7) The extent to which the tax expenditure may provide</u>	225
<u>unintended benefits to an individual, organization, or industry</u>	226
<u>other than those the general assembly or sponsor intended or</u>	227
<u>creates an unfair competitive advantage for its recipient with</u>	228
<u>respect to other businesses in the state;</u>	229
<u>(8) The extent to which terminating the tax expenditure</u>	230
<u>may have negative effects on taxpayers that currently benefit</u>	231
<u>from the tax expenditure;</u>	232
<u>(9) The extent to which terminating the tax expenditure</u>	233
<u>may have negative or positive effects on the state's employment</u>	234
<u>and economy;</u>	235
<u>(10) The feasibility of modifying the tax expenditure to</u>	236
<u>provide for adjustment or recapture of the proceeds of the tax</u>	237
<u>expenditure if the objectives of the tax expenditure are not</u>	238
<u>fulfilled by the recipient of the tax expenditure.</u>	239
<u>(F) The committee shall prepare a report of its</u>	240
<u>determinations under division (D) of this section and, not later</u>	241
<u>than the first day of July of each even-numbered year, submit a</u>	242
<u>copy of the report to the governor, the speaker of the house of</u>	243
<u>representatives, the president of the senate, the minority</u>	244
<u>leader of the house of representatives, and the minority leader</u>	245
<u>of the senate. The first report shall be submitted either in the</u>	246
<u>year of the effective date of this section or in the first even-</u>	247
<u>numbered year thereafter. If the committee maintains a web site,</u>	248
<u>the committee shall cause a copy of the report to be posted on</u>	249

the web site in a form enabling access to the report by the 250
public within thirty days after the report is submitted under 251
this division. If the committee does not maintain a web site, 252
the committee shall request that the president of the senate and 253
the speaker of the house of representatives cause the report to 254
be posted on the web site of the general assembly. 255

(G) Any bill introduced in the house of representatives or 256
the senate that proposes to enact or modify one or more tax 257
expenditures should include a statement explaining the 258
objectives of the tax expenditure or its modification and the 259
sponsor's intent in proposing the tax expenditure or its 260
modification. 261

Section 2. That existing sections 107.03 and 5703.48 of 262
the Revised Code are hereby repealed. 263