STATEHOUSE REPORT

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Bill introduced to help counties impacted by large sales tax refunds

At CCAO's request, Representative Tim Barhorst has introduced House Bill 638, legislation intended to make it easier for counties to manage the fiscal impact of sales tax refunds allowed by the Ohio Department of Taxation.

Current law allows consumers to receive a refund of sales and use tax if they can prove that the tax was applied erroneously to the transaction. To pay the county's share of the refund, ODT withholds the amount due from the county's monthly sales tax distribution. In 2023, the department withheld approximately $18.5 million from county sales and use tax distributions for this purpose. Under current law, if the amount to be recovered exceeds 25% of the next distribution of tax, the department may spread the recovery over more than one distribution, for a maximum recovery period of 36 months. The bill increases the recovery period to 72 months.

Current law also requires the payment of interest on refunds starting with the date of overpayment. Interest is computed based on the federal short-term rate (average market yield of US securities of three year or less) plus three percent. This rate is 8% for 2024. The bill ***prohibits*** the payment of interest for county sales and use taxes.

HB 638 is a major improvement in tax law for counties that are facing large sales refunds that could have major effects on their sales tax revenues. CCAO is aware of several counties that have had significant fiscal impacts from refunds despite the use of a 36-month recovery period. Given that refunds are unexpected and may occur years after the original transaction, it is impossible for counties to anticipate these events and tax law confidentiality makes it difficult to learn the details of what went wrong. To make matters worse, vendor errors in the application of sales taxes to recurring transactions may continue for months, or even years, before discovery.

CCAO believes that counties should not have to pay interest to correct mistakes made by third parties. The Association is grateful to Rep. Barhorst for bringing the bill forward and will work with him to obtain hearings on HB 638 in the fall.

Members with questions should contact Senior Policy Analyst Jon Honeck, jhoneck@ccao.org.

Final OBM report for SFY 2024 shows less revenue and spending than expected, allowing positive year-end balance

Earlier this week, the Office of Budget and Management (OBM) released its Monthly Financial Report for June. The report doubles as the final report for SFY 2024 (July 2023 through June 2024).

The state finished the fiscal year with a cash balance of $1.1 billion despite total revenue falling 0.5% below estimates. Non-auto sales tax revenue finished a negligible amount less than estimated (0.04% below) while auto sales tax and the personal income tax both fell well short of their estimates (4.3% and 4.6%, respectively).

While revenues fell short of OBM's anticipations, state spending finished below budget as well, enabling the state to finish the fiscal year with a positive balance. State General Revenue Fund disbursements ended about $1.6 bill below budget (or 3.8% less spending than expected).

Spending in eight of the nine categories finished the state fiscal year below estimates, with the Health and Human Services category finishing the most underbudget as a percentage of estimates (9.3% less than anticipated). Medicaid spending finished the most under budget in raw dollar figures (about $1.2 billion less than initial estimates).

CCAO conducting platform development survey ahead of 136th General Assembly

As the Association begins to prepare for the upcoming 136th General Assembly, the policy team is conducting a membership survey to aid in developing CCAO's Legislative Platform for the next legislative term.

The platform will guide the policy staff's advocacy efforts throughout the 136th General Assembly. This includes the Main Operating Budget, the Capital Budget, and ordinary legislation. We are seeking information from our members about issues facing counties that the Association can work towards addressing in the next biennium.

A copy of the current legislative platform can be found here, with links to specific sections below. Please note the current platform has not been updated to account for any legislative changes that have occurred during this General Assembly (since January 2023). If there are current platform positions you would like the Association to consider changing, please note those in the survey.

Platform Sections: Agriculture and Rural Affairs; General Government; Human Services; JEDI; Justice and Public Safety; Metropolitan and Regional Affairs; Taxation and Finance; Water Quality Task Force.

You can access the survey here.

The survey is the first step of the platform development process. CCAO's standing committees will hold meetings in the late summer and fall to discuss and make recommendations to their platform sections. Staff will present the platform to the Board of Directors in October and November, with final approval of the platform being voted on at the Annual Business Meeting at Winter Conference in December.