10:00 a.m. (EST)
1-866-362-9768
552-970-8972#

Tax Committee
March 21, 2018

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2018 Tax Committee Calendar

Meetings will begin at 10:00 a.m.

Wednesday, March 21
Wednesday, June 20
Wednesday, October 10

OMA Tax Committee Meeting Sponsor:

OMA Tax Policy Committee

March 21, 2018

AGENDA

Welcome & Self-Introductions:	Shay Music, Chairman The J.M. Smucker Company
Guest Speakers	Nick D'Angelo, Director of Government Affairs, JobsOhio
	Mark H. Gaudet, CPA, CFP, Clark Schaefer Hackett
OMA Public Policy Report	Rob Brundrett, OMA Staff
OMA Counsel's Report	Justin Cook, Bricker & Eckler LLP

Please RSVP to attend this meeting (indicate if you are attending in-person or by teleconference) by contacting Denise: dlocke@ohiomfg.com or (614) 224-5111 or toll free at (800) 662-4463.

Additional committee meetings or teleconferences, if needed, will be scheduled at the call of the Chair.

Thanks to Today's Meeting Sponsor:

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

NICK D’ANGELO
DIRECTOR OF GOVERNMENT AFFAIRS
JobsOhio

41 S High St., Suite 1500
Columbus, OH 43215
614.300.1155 o
dangelo@jobs-ohio.com

As JobsOhio's Director of Government Affairs Nick leads the private-nonprofit economic development corporation's state and federal government engagement efforts. This includes strategy creation, government relations outreach to the Governor’s Office, Ohio's statewide office holders, the Ohio General Assembly, and members of Congress. Nick also connects government officials and private sector stakeholders – companies seeking to locate or expand in Ohio.

Before joining JobsOhio, Nick merged his independent consulting firm with the Strategy Group Co. and served as the company’s Director of Government and Public Affairs. Nick represented a wide range of corporate, nonprofit and public sector clients as a statehouse lobbyist, public affairs strategist, and community relations manager.

Nick began his career as a legislative staffer at the Ohio House of Representatives where he worked as a Policy Advisor to the Speaker of the House.

A lifelong Ohio resident, Nick is a Miami University graduate with a degree in political science. He is a member of the Board of Trustees at the PAST Foundation and the Vice Chair of the Board of Governors of Phi Kappa Tau Fraternity at the Ohio State University.

Mark H. Gaudet, CPA, CFP

cshco.com/people/mark-h-gaudet

Shareholder

Biography

Mark Gaudetserves as an advisor to corporate executives, high net worth families, and closely-held businesses and their owners. He assists clients with their income, estate and gift taxation planning, as well as compliance matters.

Mark is a senior member of both the Firm's Personal Wealth Planning and Executive Assignment Groups, which specialize in asset planning strategies. He has been a Certified Financial Planner, CFP®, since 1996. Over the years, he has assisted many executives with various aspects of financial planning, ranging from comprehensive plans to modular financial plans. His modular planning has included tax planning, retirement planning, stock option planning, education planning, and wealth transfer planning.

Mark has assisted companies and their executives by providing group seminars on various aspects of tax and financial planning relative to their company-specific benefit plans. In addition, he has provided individual counseling sessions to executives on deferred compensation elections and distributions strategies, voluntary separation arrangements and special dividend distributions.

Prior to joining CSH in 2007, Mark spent seven years as a senior manager at a Big Four accounting firm specializing in planning services for high net worth individuals.

Education

BSBA, Accounting, Miami University
MSBA, Taxation, University of Cincinnati

Certification & Licensure

CPA – State of Ohio
CFP® – Certified Financial Planner

Professional Affiliations:

American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants
Cincinnati Estate Planning Council, Board Member 2010-2012

Industry & Service Teams

- Executive Assignment Team
- Personal Wealth Planning Team
- Tax Team

OBM

March 12, 2018

MEMORANDUM TO: The Honorable John R. Kasich, Governor
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director TK

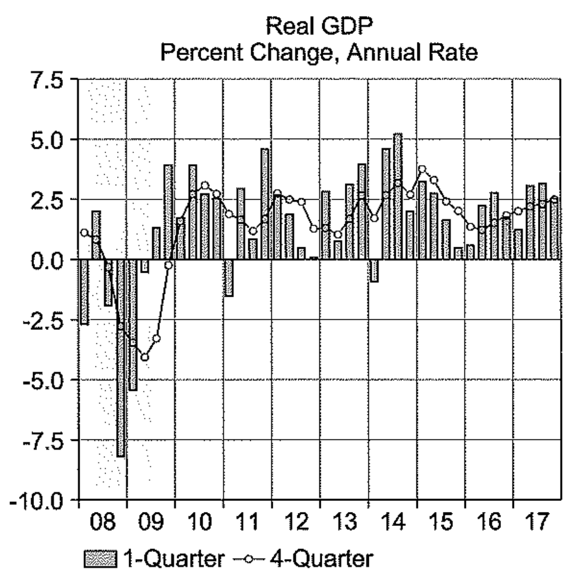
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- The economy grew at a revised 2.5% rate in the fourth quarter after growth in excess of 3% in each of the two previous quarters.
- U.S. employment increased by 313,000 jobs in February to a 3-month average of 242,000 jobs per month. The unemployment rate was at an expansion-low of 4.1% for the fourth straight month.
- Ohio nonfarm payroll employment increased by 12,100 jobs in January, the largest increase since June. Employment increased by 24,600 jobs during the year ending in January.
- The Ohio unemployment rate decreased to 4.7% in January, matching the expansion-low recorded just over two years ago.
- Leading economic indicators remain consistent with uninterrupted economic growth well into 2018.

Economic Growth



Real GDP expanded at a revised annual rate of 2.5% during the fourth quarter, little changed from the initial report of 2.6%. Growth during the previous two quarters exceeded 3%. Growth was 2.5% from the fourth quarter of 2016 to the fourth quarter of 2017 – the best year-over-year growth since 3.3% in the second quarter of 2015.

Growth during the fourth quarter was driven primarily by personal consumption expenditures, which accounted for more than all of the 2.5% growth rate, at 2.58% (2.58 percentage points). Also making positive contributions were exports (which contributed 0.84 percentage points, or pp), nonresidential fixed investment (0.82pp), residential fixed investment (0.47pp), state and local government spending (0.28pp), and federal government spending (0.21pp).

There were two key factors holding back growth:

(i) an unexpected decrease in business inventories, which subtracted 0.70pp from growth but seems likely to reverse in the first quarter.

(ii) A large increase in imports, resulting in a subtraction of 1.97pp from the positive contribution of other categories. Imports are first counted as production in other categories and then backed out in a separate line item. Both trade and inventories had added to growth during the previous quarter.

Small businesses across the country reported a highly positive assessment and outlook in January. The Index of Small Business Optimism from the National Federation of Independent Business (NFIB) increased 2.0 points to a level of 106.9 in January – one of the strongest readings in its 45-year history. The highest reading of 108.8 was recorded in 1983. Six of the index's ten components made positive contributions, while only two subtracted.

National leading economic indicators continued to strengthen in January and remain consistent with uninterrupted expansion well into 2018. The Conference Board's composite **Leading Economic Index** increased 1.0% on top of a 0.6% in the previous month. A monthly increase of 1.0% or more is unusually strong. Eight of the ten components of the index increased, led by building permits and the ISM index for new orders. Stock prices also made a substantial positive contribution, although the contribution will turn negative in February due to the decline in equity prices and increase in volatility. The 6-month smoothed rate of change increased to 7.3%, which is the highest since March 2011.

The **consensus among forecasters** is that real GDP growth is stable-to-increasing in the first quarter and will continue throughout the year. In particular, the Federal Reserve Bank of Atlanta projects real GDP growth of 3.5% in the first quarter, based on the trajectory of key indicators during the fourth quarter and data available for the first quarter. The Federal Reserve Bank of New York projects growth of 3.1%.

The latest projection from the Survey of Professional Forecasters calls for 3.0% growth. The Blue Chip consensus, which is an average from a different group of forecasters, is 2.7%, with a range of 2.2% to 3.3% from the average of the lowest ten to the highest ten forecasts. The IHS GDP Tracker projection for first-quarter growth is much lower at 1.7%.

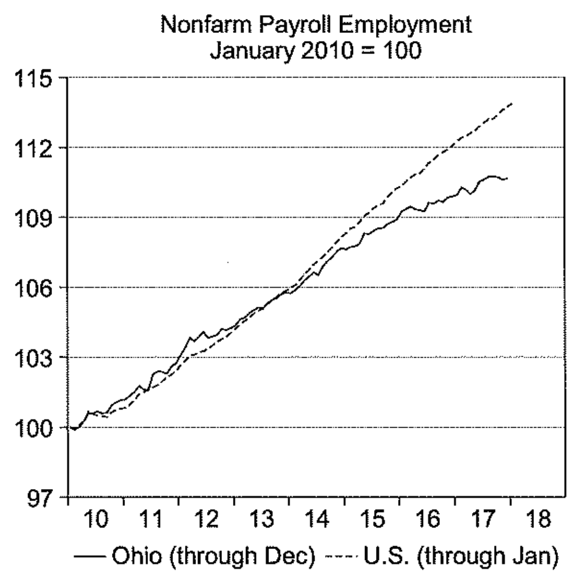
Source	Date	2018-Q1 GDP Forecast
Atlanta FRB (GDPNow)	3/1/18	3.5%
New York FRB (Nowcast)	3/2/18	3.1%
Philadelphia FRB (SPF*)	2/9/18	3.0%
Blue Chip	3/1/18	2.7% (2.2%-3.3%)
IHS	3/2/18	1.7%

*Survey of Professional Forecasters (2nd month of each quarter)

Employment

Nonfarm payrolls across the country increased by 313,000 jobs in February. Private nonfarm payrolls increased by 287,000 jobs. The total change during the previous two months was revised upward by 54,000 jobs. The February change and the average change during the most recent three months (+242,000) were both above the average change of 190,000 jobs per month during the most recent twelve months.

Job gains were widespread across sectors, led by construction (+61,000), retail trade (+50,000), professional and business services (+50,000), and manufacturing (+31,000). Health care (+18,500) accounted for about 80% of the increase in education and health services. The rise in construction was concentrated in specialty trade contracts in residential (+18,600) and nonresidential (+19,000), while the increase in manufacturing occurred exclusively in durable goods (+32,000). The only major sector in which employment declined was information (-12,000), where losses were centered in motion picture and sound recording industries (-9,700) and telecommunications (-2,600). Government employment increased by 26,000 jobs, essentially all in local government education (+26,900).



The **unemployment rate** was unchanged at 4.1% for the fifth month in a row, remaining at its lowest level since December 2000. The broadest measure of unemployment, the U-6 unemployment rate, was unchanged at 8.2%, slightly above the rate in Autumn 2017, but still below the level of last summer, and a full percentage point less than the rate one year ago. The U-6 unemployment rate includes those who say that they want to work but have stopped looking because they believe they cannot find a job and those working part-time who would prefer full-time work.

After a larger-than-usual increase the month before, **average hourly earnings** of all employees on private nonfarm payrolls increased 0.1% to 2.6% year-over-year. This is down from the 2.9% year-over-year pace of the prior month, which had sparked concerns that inflation would rise more than previously anticipated.

Labor markets in and around Ohio continued to tighten through late February as demand outstripped supply, according to a regular survey of businesses in the area by the Federal Reserve Bank of Cleveland. Hiring was especially strong in manufacturing and construction, while retailers reported cutting employment in the wake of the holiday shopping season. Companies in the transportation industry also reported trimming payrolls, reflecting a seasonal weakening in demand. Regular turnover and retirements were cited as challenges. Some firms reported raising wages in response to the difficulty attracting workers.

Ohio nonfarm payroll employment increased by 12,100 jobs in January, the largest one month increase since June. The January employment numbers are based on revised BLS data released on March 12, 2018, covering 2016, 2017, and prior periods. Of note, Ohio gained 32,200 jobs during calendar year 2017. Job gains for the month were led by professional and business services (+5,900); government (+3,200), most of which was local government, which added 2,700 jobs; and construction (+2,600). There were job declines in manufacturing (-1,400) and leisure and hospitality (-1,700).

During the twelve months ending in January Ohio employment increased by 24,600 jobs. The largest gains were in manufacturing (+7,600), leisure and hospitality (+7,600), educational and health services (+7,000), financial activities (+6,200), and construction (+6,400). Employment decreased in trade, transportation and utilities (-5,100), led by a 10,400 decline in retail trade; professional and business services (-7,400); government (-1,200); and information (-800).

Labor markets in and around Ohio continued to tighten into early January, according to the Cleveland Fed survey. Construction and services outside of finance reported the strongest activity. Hiring by manufacturers started to trend slowly higher after weakening last spring. Firms commented on the challenge of balancing wage increases in order to attract and retain workers with the difficulty of passing on higher costs to customers.

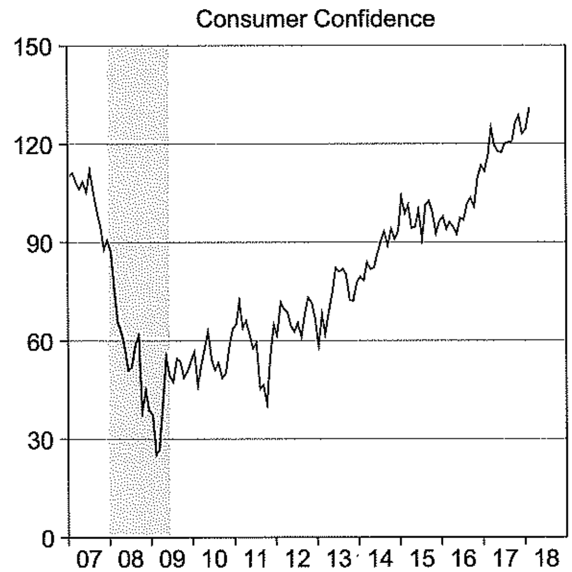
The **Ohio unemployment rate** decreased by 0.2 percentage point to 4.7% in January, matching the expansion-low set in October 2015. The labor force, the number employed, and the number unemployed all declined in January, but the unemployment rate fell because the 9,700 decline in the number of unemployed was much larger than the 4,100 decline in the number employed (note that the number of employed here is from the household survey, and thus differs from the job gain number shown above from the establishment survey). Since the expansion-low for the Ohio unemployment rate, total employment has increased by 76,100 and the labor force has increased by 79,400.

Across the country in January, the unemployment rate decreased notably from the month before in six states (one of which was Ohio) and in the District of Columbia. Ohio, Kentucky, and Mississippi led with 0.2% declines. The other states and D.C. had 0.1% drops. Changes in the unemployment rate in the other forty-four states were not statistically different from zero.

Consumer Income and Consumption

Personal income and spending both continued to grow during January. **Personal income** increased 0.4%, matching the average during the previous six months. A key driver was wage and salary disbursements, which make up more than half of personal income and expanded by 0.5%. Compared with a year earlier, personal income was up 3.8% and wage and salary disbursements rose 4.6%.

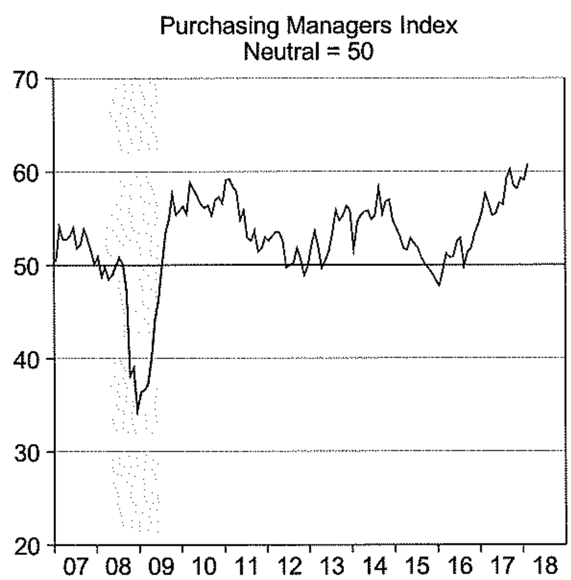
Personal consumption expenditures increased by 0.2%, which was half the gain recorded in the previous month. The weakness was concentrated in durable goods spending, which contracted by 1.5%. Spending for nondurable goods increased 1.0%, and spending for services increased 0.3%. A 3.9% decrease in sales of light motor vehicles to a still-high 17.1 million was behind the decline in durable goods spending. Light motor vehicle sales fell again in February, down 0.6% to just under 17.0 million units at an annual rate.



Perhaps buoyed by tax cuts and despite the abrupt onset of turbulence in financial markets, consumer moods brightened in February. The **Consumer Confidence Index,** from the Conference Board, jumped 6.5 points to its highest level since November 2000, reflecting better assessments of both current and future conditions, but especially current conditions. The University of Michigan/Reuters **Consumer Index of Consumer Sentiment** also increased in February, as assessments of both current and future conditions improved. Sentiment improved across all income levels, but especially among households with annual income above $75,000. Plans to buy homes and nonautomotive durable goods increased, but plans to purchase autos in the next six months declined to a 5-month low.

Industrial Activity

Industrial production decreased by 0.1% in January and levels for previous months were revised downward. **Manufacturing** production was flat for a second month in a row, despite an increase in motor vehicle assemblies. **Mining** output decreased 1.0%, and the previous month's change was revised down from -0.1% to -0.4%. **Utility** output increased 0.6%, following a weather-related jump of 4.6% the month before.



Production across the country in some industries that are key employers in Ohio was mixed. Production increased 1.4% in primary metal and 0.6% in both motor vehicles and machinery, but decreased 0.3% in fabricated metal products. Compared with a year earlier, production increased 8.0% in machinery, 3.4% in fabricated metal products, 1.4% in motor vehicles and parts, and 1.2% in primary metal.

Reports of improving conditions from **purchasing managers** in manufacturing remained widespread in February. The PMI® increased to 60.8 – its highest level since May 2004. The important New Orders and Production sub-indexes retreated modestly after a strong run-up in recent months, but stayed well above 60, supporting expectations of continued growth in the manufacturing sector into the spring and summer.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, fifteen reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment: primary metals, machinery, fabricated metal products, and transportation equipment all reported expansion. One respondent in the machinery industry said "[i]t seems the tax break for business is making a difference," while a survey participant in the fabricated metal products industry reported that the "[s]teel market is doing rather well. Everybody is out of what I need."

Construction

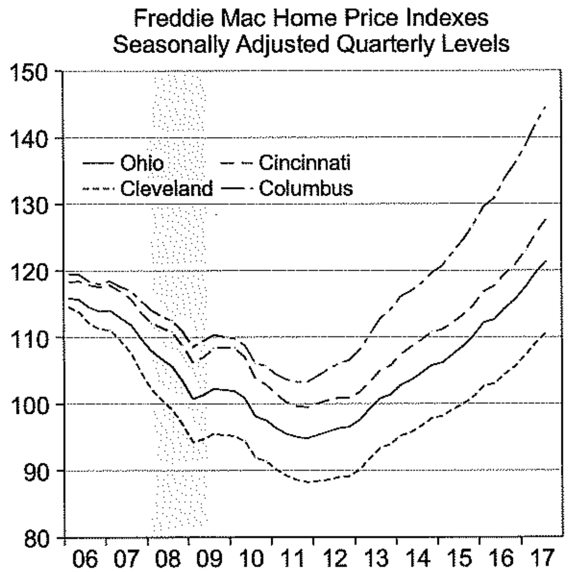
Construction put-in-place was essentially unchanged in January ending the stretch of rapid growth from July to December, during which activity grew at an annualized 9.6%. Private construction contracted 0.5% but public construction increased by 1.8%. Year-over-year growth has slowed substantially within the past year in the private and public sectors and in the residential and nonresidential categories. For example, total construction slowed from 9.2% year-over-year in December 2016 to 3.2% in January 2018. That reflected slowdowns in residential and nonresidential from 12.3% to 4.3% and from 7.1% to 2.4%, respectively. Private nonresidential has slowed the most, from 14.5% year-over-year growth in December 2016 to -1.1% in January 2018.

Total **housing starts** increased 1.7% across the country on a 3-month moving average basis in January, whereas starts decreased 9.2% on the same basis in the Midwest. Single family starts dipped 0.4% nationally, but fell 6.1% in the Midwest. Multi-family starts increased 6.9% across the country, but fell 18.2% in the Midwest. Compared with a year earlier, total starts increased by 5.0%, while Midwest starts were lower by 22.5%. The relative weakness in the Midwest is presumably due to the more-severe winter weather this year than last year.

The more-forward-looking permits were more stable, rising 1.6% nationally but falling 2.5% in the Midwest. Compared with a year earlier, national permits were up by 4.2% and Midwest permits were little changed at +0.5%.

Home sales generally were weak in January. Sales of existing homes decreased 0.7% nationally and 1.5% in the Midwest on a 3-month moving average basis. Both were little changed from a year earlier. Sales of newly built homes decreased 1.2% across the country but increased 1.9% in the Midwest on a 3-month moving average basis. Compared with a year earlier, new home sales were higher by 11.9% nationally but 1.4% lower in the Midwest.

Home prices across the country posted their 70th consecutive monthly increase in December to 6.2% above the year earlier level, 44.7% above the cyclical low reached in February 2012, and 7.0% higher than the previous peak reached in February 2007, according to the Case-Shiller index. As reported by Freddie Mac, home prices increased 1.8% in the fourth quarter to 7.0% above the year earlier level. In comparison, prices across Ohio increased 1.6% in the quarter and 6.3% from a year ago. In major metro areas in Ohio, prices increased 1.7% in the quarter and 6.6% from a year ago in Cincinnati, 1.4% in the quarter and 5.7% from a year ago in Cleveland, and 1.8% in the quarter and 7.7% from a year ago in Columbus after seasonal adjustment.



Creating an Ohio Manufacturing Investment Tax Credit

Background

As of the most recently available data (2015), Ohio manufacturing is responsible for 18% - $108 billion – of the state's Gross Domestic Product; this is greater than the contribution of any other Ohio industry sector. For comparison, the next most productive sector is government, which contributes $67.75 billion to GDP. Manufacturing is essential to Ohio's economy.

In the competitive domestic and global economies, every public policy decision that affects Ohio's business climate affects Ohio's manufacturing competitiveness. In turn, Ohio's manufacturing competitiveness determines the ability of the state to grow its economy and create jobs.

Ohio manufacturers require public policies that attract investment and protect the state's manufacturing legacy and advantage. These policies apply to a wide variety of issues that shape the business environment within which manufacturers operate.

Competition for Manufacturing Investment

Manufacturing is capital intensive. Manufacturers must continually innovate and make investments to compete in a global market. These investments include facilities, equipment, technology and materials.

Other states and countries continually try to lure Ohio manufacturers out of state with a mixture of credits and incentives. In order to protect and grow Ohio's foundational manufacturing industry, a state strategy to support the capital projects of manufacturers has much merit.

What can Ohio do to be more Competitive?

Introduction of a Manufacturing Investment Tax Credit which uses capital expenditures as the principle criteria as opposed to jobs created, would create significant economic benefit.

Productivity gains, which keep Ohio manufacturers competitive, are driven by capital investment in technology and equipment. Such investment is necessary for Ohio manufacturers to remain competitive and policies which encourage the investment should be implemented.

A nonrefundable tax credit could be calculated as a credit based on capital investment favoring manufacturing investment. The credit would be used to offset, withholding, sales or use taxes.

It is not that job creation is unimportant; quite the contrary. However, due to innovation in technology, many fruitful capital investments advance the competitiveness of Ohio manufacturers without necessarily or significantly impacting the number of jobs. What we're saying is: creating incentives for manufacturers to make the heavy capital investments that contribute to their companies' future is an investment in manufacturing growth in and of itself. Without which, current and future jobs are potentially at risk.

Contact:
Rob Brundrett
Director, Public Policy Services
rbrundrett@ohiomfg.com
(614) 629-6814

Manufacturing Investment Tax Credit

Background:

According to the most recent available data (2015), Ohio manufacturing is responsible for 18%, - $108 billion – of Ohio's Gross Domestic product. This is by far the largest economic segment in the state. Ohio manufacturers continually invest in new technology in order to maintain competitiveness. Often, this investment does not result in increased employment. Nevertheless, it is essential in order for Ohio's manufacturers to remain a competitive force in today's global market.

Many of Ohio's economic development efforts are directed at attracting new business, or in job creation. While these policies are important, they ignore an important segment of manufacturing: Those existing businesses, many of them small, continue to drive Ohio's economy. Ohio needs policies that encourages those businesses and assists them in driving investment to remain competitive.

Proposal:

The proposed manufacturing investment credit is designed to assist Ohio manufacturers, especially smaller entities that may not qualify for other existing programs such as the jobs creation or retention tax credits, as they make investment in new and more efficient technologies. Highlights of the credit include:

- Investment is measured over a two-year period (the "investment period") in new manufacturing machinery and equipment
- Amount qualifying for the credit is the amount that exceeds five percent of the aggregate cost of existing machinery and equipment at the location where the investment is made
- New manufacturing machinery and equipment must be installed at a single location
- The credit is equal to 20 percent, or 15 percent, of the amount invested, depending on the unemployment rate of the county in which the investment is made
- There is a $5 mm cap on the amount of the credit for any single project
- The credit is claimed during the two calendar years following the investment period
- The credit may be claimed against sales tax, use tax, or withholding tax, or any combination of the three
- The credit is not refundable

It is time to reward those persons who have persevered through adversity and who continue to invest in Ohio manufacturing. This credit does that.

Bricker & Eckler
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MEMORANDUM

TO: The Ohio Manufacturers' Association

FROM: Justin D. Cook, Esq.
Bricker & Eckler LLP

DATE: January 31, 2018

RE: Proposed Manufacturing Investment Tax Credit

The Ohio Manufacturers' Association (the "OMA") is working with legislators to establish a new tax credit for the manufacturing industry. The goal is to design a credit that assists manufacturers with making investments in Ohio manufacturing facilities.

Recently, the Legislative Service Commission prepared a draft of the proposed credit. If adopted, the credit could be claimed against a manufacturer's sales tax, use tax, or employment withholding tax obligations. Below is a brief summary of the current proposal.

Amount and Calculation of the Credit. The credit is based on a manufacturer's qualifying investments, which the statute defines as "eligible purchases." Eligible purchases include manufacturing equipment and machinery used in Ohio, provided the cost of the new equipment and machinery equals or exceeds five percent of the value of all other tangible personal property at the manufacturer's facility.

Investment in eligible purchases is measured over a two-year period called a "credit period." Depending on the level of unemployment in the county where the manufacturer's facility is located, the resulting credit will equal 15 to 20 percent of eligible purchases made during the credit period.

The credit is calculated on a per-facility basis. The credit claimed for any one facility for each two-year credit period may not exceed $5,000,000.

Claiming the Credit. Manufacturers may claim the credit over a two-year period following the credit period, described above. Thus, in years one and two, manufacturers measure their investment. In years three and four, manufacturers may claim the credit based on their prior investments.

Manufacturers may choose whether to apply the credit against their liabilities for sales tax, use tax, or employment withholding tax, or any combination of the three. Giving manufacturers different means to use the credit is important, as it is a non-refundable credit.

JDC

Reviewed As To Form By
Legislative Service Commission

I_132_2191

132nd General Assembly
Regular Session **. B. No.**
2017-2018

A BILL

To enact sections 5739.41, 5741.26, and 5747.073 of the Revised Code to allow manufacturers that purchase new manufacturing machinery and equipment to claim a credit against income tax withholding and sales tax remittances and against the use tax.

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

Section 1. That sections 5739.41, 5741.26, and 5747.073 of the Revised Code be enacted to read as follows:

Sec. 5739.41. (A) Terms used in this section have the same meanings as in section 5747.073 of the Revised Code.

(B) A credit is allowed against the tax due under section 5739.02 of the Revised Code for a manufacturer that is a vendor or a holder of a direct payment permit and that makes an eligible purchase of new manufacturing machinery or equipment. The credit may reduce either of the following amounts:

(1) The taxes required to be remitted by a vendor under section 5739.12 of the Revised Code;

mhovfxuzghxzwbsakuwix6

(2) The tax due from a direct payment permit holder under section 5739.031 of the Revised Code.

The credit shall be applied against such amounts that are due during the two calendar years after the end of the credit period. If the amount of the credit claimed on a return exceeds the amount of tax due or required to be remitted with that return, the excess credit may be carried forward and applied against the amounts due or required to be remitted with subsequent returns filed during that two-year period.

(C) Subject to division (D) of this section, the amount of the credit shall equal the total cost of eligible purchases of new manufacturing machinery or equipment made by the manufacturer during the credit period, multiplied by one of the following percentages:

(1) Twenty per cent, if the average rate of unemployment in the county in which such new manufacturing machinery or equipment is located and used during the credit period is equal to or greater than one hundred twenty-five per cent of the average rate of employment in the state for the same period;

(2) Fifteen per cent in all other cases.

(D)(1) The amount of credit allowed under this section shall be reduced by the amount of credit claimed on the basis of the same credit period under section 5741.26 or 5747.073 of the Revised Code.

(2) If a manufacturer is both a vendor and a direct payment permit holder, any credit claimed under division (B)(1) shall reduce the credit available to be claimed under division (B)(2) of this section, and vice versa.

(3) The aggregate credit claimed under this section or

section 5741.26 or 5747.073 of the Revised Code by a manufacturer or, if the manufacturer is a member of an affiliated group, by the manufacturer's affiliated group, shall not exceed five million dollars for each credit period.

(E) Taxes collected by a manufacturer and not remitted pursuant to this section shall be considered to have been paid by the manufacturer for the purposes of this chapter.

For the purpose of determining the amount of taxes collected under this chapter to be returned to counties and transit authorities under division (B)(1) of section 5739.21 of the Revised Code, the "aggregate amount of money collected" during a month with respect to each area in which a county or transit authority levies a tax shall include the total amount of reduction in taxes for that month that results from credits allowed by this section.

Sec. 5741.26. (A) Terms used in this section have the same meanings as in section 5747.073 of the Revised Code.

(B) A credit is allowed against the tax imposed by section 5741.02 of the Revised Code for a manufacturer that is a consumer and that makes an eligible purchase of new manufacturing machinery or equipment. The credit shall be claimed during the two calendar years after the end of the credit period. If the amount of the credit claimed on a return exceeds the amount of tax required to be remitted with that return, the excess credit may be carried forward and applied against the amounts required to be remitted with subsequent returns filed during that two-year period.

(C) Subject to division (D) of this section, the amount of the credit shall equal the total cost of eligible purchases of new manufacturing machinery or equipment made by the manufacturer during the credit period, multiplied by one of the following percentages:

(1) Twenty per cent, if the average rate of unemployment in the county in which such new manufacturing machinery or equipment is located and used during the credit period is equal to or greater than one hundred twenty-five per cent of the average rate of employment in the state for the same period;

(2) Fifteen per cent in all other cases.

(D)(1) The amount of credit allowed under this section shall be reduced by the amount of credit claimed on the basis of the same credit period under section 5739.41 or 5747.073 of the Revised Code.

(2) The aggregate credit claimed under this section or section 5739.41 or 5747.073 of the Revised Code by a manufacturer or, if the manufacturer is a member of an affiliated group, by the manufacturer's affiliated group, shall not exceed five million dollars per credit period.

(E) Taxes collected by a manufacturer and not remitted pursuant to this section shall be considered to have been paid by the manufacturer for the purposes of this chapter.

For the purpose of determining the amount of taxes collected under this chapter to be returned to counties and transit authorities under division (B) of section 5741.03 and division (B)(1) of section 5739.21 of the Revised Code, the "aggregate amount of money collected" during a month with respect to each area in which a county or transit authority levies a tax shall include the total amount of reduction in taxes for that month that results from credits allowed by this section.

Sec. 5747.073. (A) As used in this section:

(1) "Affiliated group" means two or more persons related in such a way that one person owns or controls the business operations of another member of the group.

(2) "Cost" means cost as capitalized on the books of the person acquiring property. If property is leased, "cost" means the actual amount of any lease payments made during the credit period. "Cost" does not include any portion of the basis of property that is determined by reference to the basis of other property held at any time by the person acquiring the property.

(3) "Credit period" means the first calendar year that begins on or after the effective date of this act or after the end of the preceding credit period, whichever is later, in which a manufacturer purchases new manufacturing machinery or equipment, and the ensuring calendar year. A "credit period" applies to purchases made for use at only a single facility. If a taxpayer purchases new manufacturing machinery or equipment for use at more than one facility during a two-year period, a separate "credit period" applies to purchases made at each of the separate facilities. A "credit period" shall not include any calendar year included in another credit period for the same facility.

(4) "Eligible purchase" means the purchase by a manufacturer of new manufacturing machinery or equipment that meets both of the following requirements:

(a) The manufacturer uses the new manufacturing machinery or equipment in this state as a manufacturer.

(b) The cumulative cost of the new manufacturing machinery or equipment purchased during a credit period, when added to the cumulative cost of any other new manufacturing machinery or equipment purchased by other members of the manufacturer's affiliated group during the credit period, equals or exceeds five per cent of the aggregate value of all tangible personal property located at the facility where the purchases are to be installed as of the last day of the credit period.

(5) "Manufacturer" means a person who purchases, receives, or holds personal property for the purpose of adding to its value by manufacturing, refining, rectifying, or combining different materials with a view of making a gain or profit by so doing.

(6) "Manufacturing machinery or equipment" means machinery or equipment, and tools and implements, including any associated patterns, jigs, dies, drawings, and business fixtures, used by a manufacturer at a manufacturing facility or for research and development purposes. "Manufacturing machinery or equipment" includes any such property leased to the manufacturer.

(7) "New manufacturing machinery or equipment" means manufacturing machinery or equipment the original use of which commences in this state with a manufacturer.

(8) "Purchase" means any acquisition, whether by lease or otherwise, of manufacturing machinery or equipment for a consideration, provided that both of the following requirements are met:

(a) The manufacturing machinery or equipment is not acquired by one member of an affiliated group from another member of the same affiliated group.

(b) The basis of the manufacturing machinery or equipment for the person who acquires the machinery or equipment is not determined in whole or in part by reference to the seller's or lessor's adjusted basis of such property.

(B) A credit is allowed against taxes withheld and required to be remitted under sections 5747.06 and 5747.07 of the Revised Code by an employer that is a manufacturer and that makes an eligible purchase of new manufacturing machinery or equipment. The credit shall be applied against withheld taxes required to be remitted during the two calendar years after the end of the credit period. If the amount of the credit claimed on a return exceeds the amount of tax required to be remitted with that return, the excess credit may be carried forward and applied against the amount of tax required to be remitted with subsequent returns that are due during that two-year period.

(C) Subject to division (D) of this section, the amount of the credit shall equal the total cost of eligible purchases of new manufacturing machinery or equipment made by the manufacturer during the credit period, multiplied by one of the following percentages:

(1) Twenty per cent, if the average rate of unemployment in the county in which such new manufacturing machinery or equipment is located and used during the credit period is equal to or greater than one hundred twenty-five per cent of the average rate of employment in the state for the same period;

(2) Fifteen per cent in all other cases.

(D)(1) The amount of credit allowed under this section shall be reduced by the amount of credit claimed on the basis of the same credit period under section 5739.41 or 5741.26 of the Revised Code.

(2) The aggregate credit claimed under this section or section 5739.41 or 5741.26 of the Revised Code by a manufacturer or, if the manufacturer is a member of an affiliated group, by the manufacturer's affiliated group, shall not exceed five million dollars for each credit period.

(E) Amounts withheld by a manufacturer from the compensation of an employee under section 5747.06 of the Revised Code and not remitted pursuant to this section shall be considered to be paid by the employee for the purposes of the employee's tax liability under this chapter.

JobsOhio from Inception to Today

OMA Tax Policy Committee
March 21, 2018

JobsOhio Inception

In 2011, Ohio was one of the worst states for business

In 2011, Ohio had lost over 400,000 jobs – 4th most of all states.

Ohio was ranked:

47th
IN ECONOMIC GROWTH

$14B
LOST IN PAYROLL

38th
FORBES, BEST STATES FOR BUSINESS

On top of that, state was facing an **$8B budget deficit.**

JobsOhio Inception

State and local leaders recognized that private sector job creation is crucial to an economic recovery

Feedback of the old state business development process:

- Customer Service was slow and not at the speed of business
- Slow and cumbersome approval processes
- Sales efforts to attract economic development were nearly non-existent
- Government lacked engagement with the business community
- Coordination with regions needed improving

The system needed an overhaul.

JobsOhio Key Events & Milestones

FEBRUARY 2011

House Bill 1 enacted, authorizing the creation of a non-profit corporation to perform the state's economic development functions

JUNE 2011

House Bill 153 enacted, authorizing the state to transfer the state's liquor enterprise to JobsOhio

JULY 2011

Incorporation of JobsOhio and first meeting of its Board of Directors

FEBRUARY 2013

Completion of the liquor enterprise acquisition

Completion of $1.6 billion private debt offering

JUNE 2014

Ohio Supreme Court decision ended all outstanding legal matters surrounding the establishment of JobsOhio

Board of Directors

JobsOhio is lead by corporate leadership from across the state of Ohio.

James Boland
JobsOhio Chairman
Ret. Vice Chair, Ernst & Young

Gary Heminger
President & CEO, Marathon Petroleum

John Minor
JobsOhio President & Chief Investment Officer

Larry Kidd
Treasurer
Principal & CEO, Reliable Staffing Services

Tom Williams
President & CEO, North American Properties (NAP)

John Bishop
Chairman, Motorists Insurance

Barbara Snyder
President, Case Western Reserve University

William G. Batchelder
Chairman Emeritus of the Batchelder Company; Former Speaker of the Ohio House of Representatives

Stephen Markovich
Senior VP, Ohio Health; Brigadier General, Ohio Air National Guard

Industry Expertise

JobsOhio leadership team has over 200 years of industry experience.

David Mustine
Senior Advisor
Previously Secretary ODNR, Senior VP – AEP

Aaron Pitts
Senior Managing Director
BioHealth
Previously Strategy Executive, Cardinal Health

Kristi Tanner
Senior Managing Director
Automotive & Steel
Previously COO – Ohio Dept. of Development

Glenn Richardson
Managing Director
Adv. Manufacturing, Aerospace & Aviation
Previously VP, Rolls-Royce and Dana Holding

Ted Griffith
Managing Director
Information Technology, Logistics & Distribution
Previously Hewlett-Packard Executive

Dana Saucier
Managing Director
Shale Energy & Petrochemicals, Food & Agribusiness
Previously Founded Accent Energy

Valentina Isakina
Managing Director
Financial Services
Previously Senior Advisor for Office of Tony Blair

JobsOhio Overview

JobsOhio Mission & Vision

Our mission, vision and values guide the way that we work and drive the culture at JobsOhio.

MISSION

JobsOhio is a private, non-profit corporation designed to drive job creation and new capital investment in Ohio through business attraction.

VISION FOR OHIO

Consistently lead the nation in private sector job growth.

VALUES

- Act with integrity
- Value people
- Make a difference

JobsOhio Support

JobsOhio provides comprehensive support to companies looking to invest in Ohio.

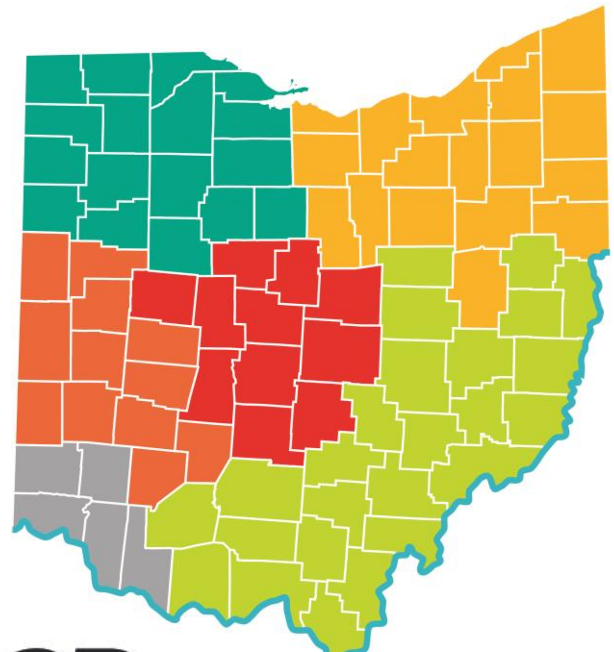
The outcome of the rationalization process is reflected in the services and support JobsOhio provides today:

- Site selection services
- Business development incentives
- Workforce recruitment and training support
- Streamline permitting process
- Introduction to service providers
- Long-term partnership for business success

One Firm, One State

One of the most important decisions made when creating JobsOhio was to build out capacity across the state.

JobsOhio partners with six regional economic development organizations around the state to deliver economic development services.



RGP NORTHWEST OHIO

TeamNEO

ddc dayton development coalition

COLUMBUS 2020

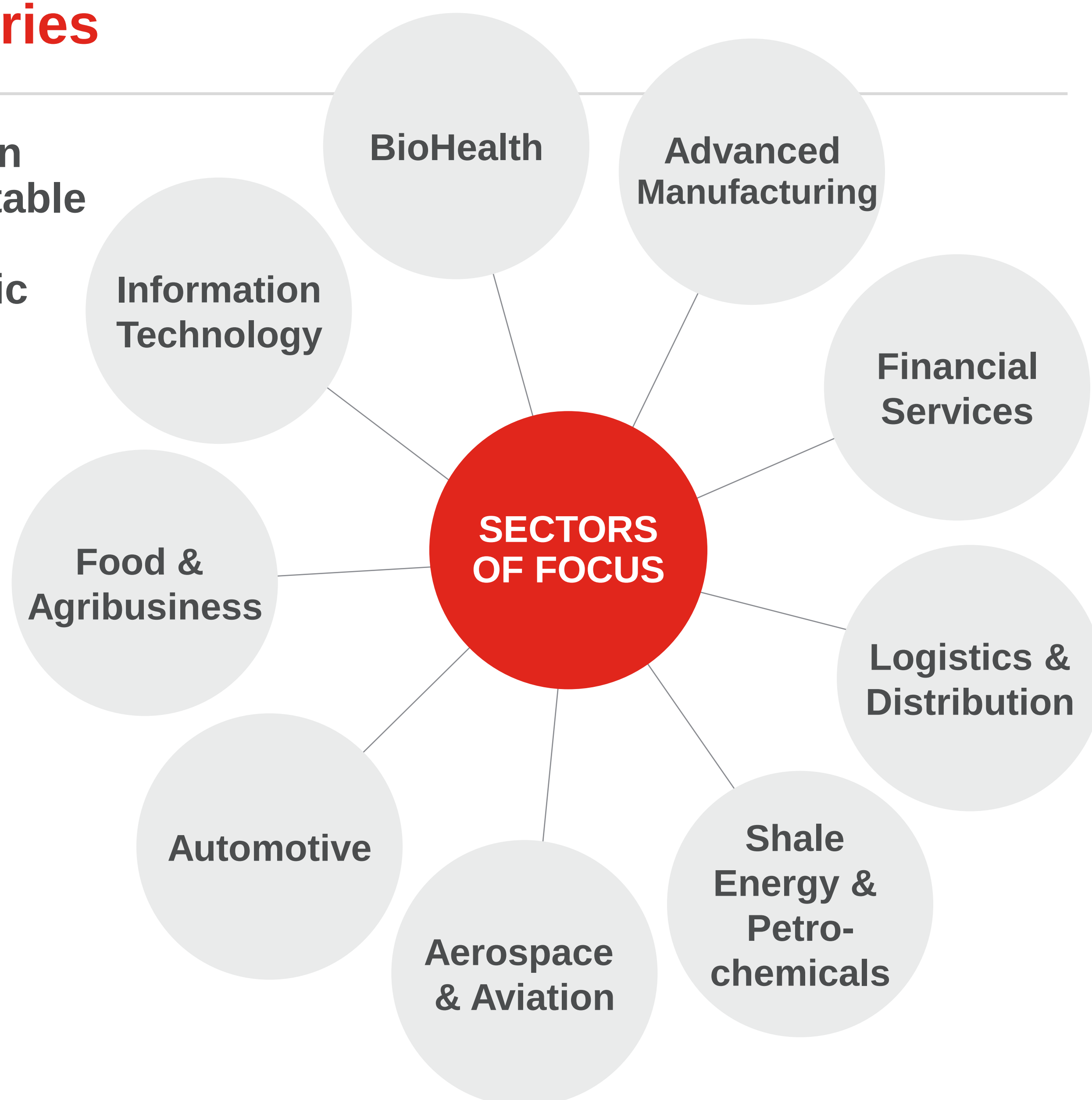
REDI CINCINNATI

APEG Economic Development in Eastern and Southern Ohio

JobsOhio

JobsOhio Industries

Industry diversification provides for a more stable economy capable of withstanding economic downturns.



JobsOhio Differentiators

JobsOhio Differentiator

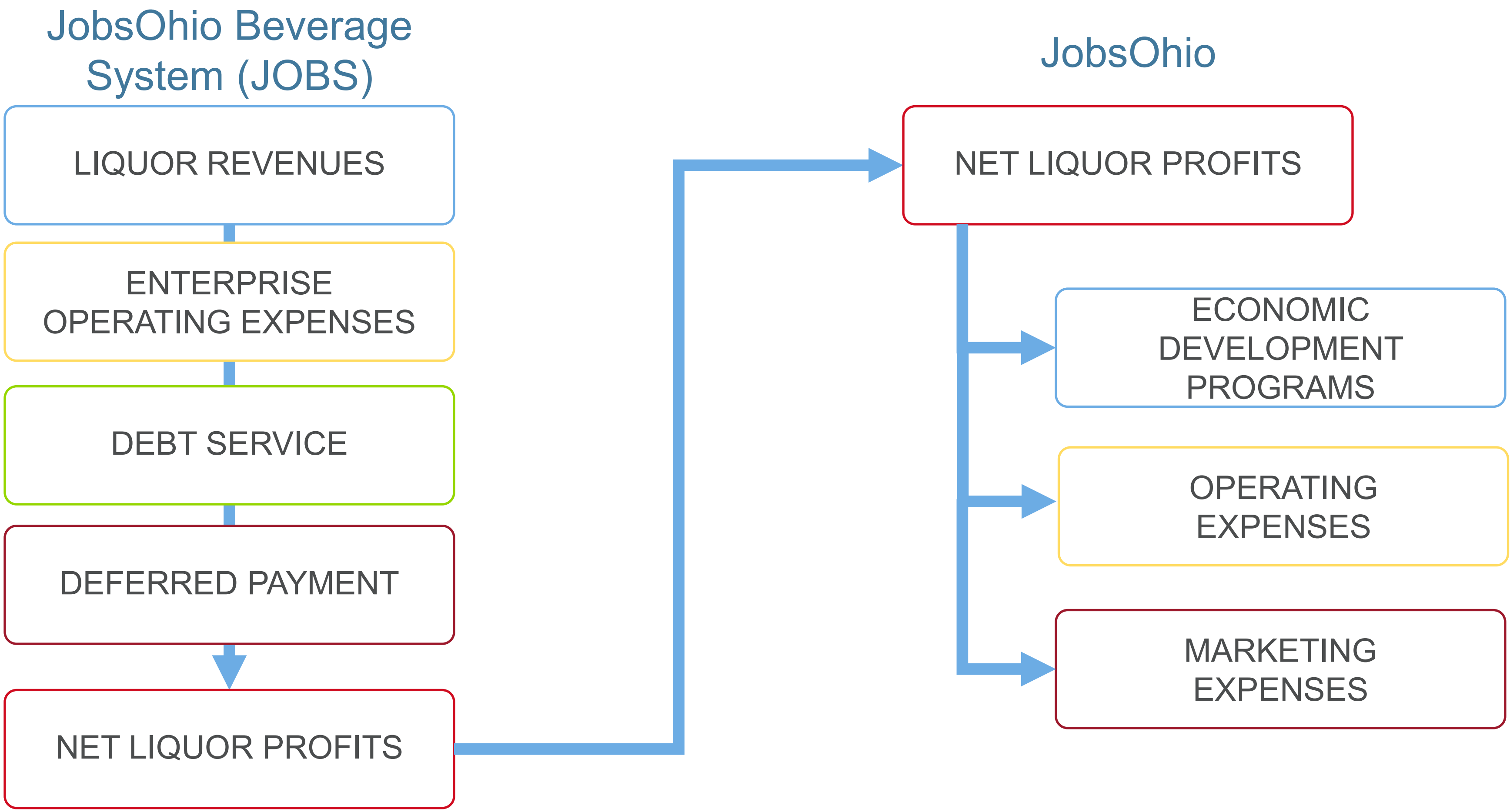
JobsOhio operates from a dedicated private funding stream, providing stability and consistency, and a competitive edge to economic development.

JobsOhio has a unique, dedicated funding stream.

- A dedicated funding stream through a 25-year franchise on the statewide spirituous liquor business allows for long-term strategic planning.
- JobsOhio utilizes those fund to fulfill a public purpose of attracting new capital investment and creating jobs to improve the economic well-being for Ohio's citizens.
- This provides Ohio a competitive advantage without being subject to fluctuating budgets.

JobsOhio Funding

JobsOhio will continue to operate from a position of long-term financial stability and strength – and we believe that this will give us a competitive advantage over our peers



JobsOhio Differentiators

JobsOhio is unique in its setup and designed to move at the speed of business.

- Relationship based, not transaction based
- Industry expertise and strategy; private sector approach
- Stronger, more coordinated regional economic development organizations, seamless process
- Aggressive, global sales team that's integrated with regional network
- Ability to react at the speed of businesses with new programs and services that meets the needs of businesses
  - Research & Development Grant Program
  - Revitalization Pilot Program
  - SiteOhio
  - Talent Acquisition

JobsOhio Programs

At JobsOhio we are focused on making Ohio more competitive by responding to the current and expected demands of businesses. New programs have been established that compliment the state offered programs.

JobsOhio Programs

- Economic Development Grant
- Growth Fund Loan
- Research & Development Grant
- Revitalization Program
- Workforce Grant
- Talent Acquisition Services
- SiteOhio

State of Ohio Programs

- Job Creation Tax Credit
- Data Center Tax Abatement
- Loan & Bond Funds

Performance Overview

JobsOhio Results

Since 2011, JobsOhio assisted companies on almost <u>2,000 projects</u> that committed to create nearly <u>140,000 new jobs, retain over 415,000 existing jobs</u> and invest more than <u>$38 billion</u> of new capital in Ohio.

Ohio Today

Ohio has added nearly **500,000 new private sector jobs** since 2011

- Ohio ranks 1st in quality of life

  (Forbes, 2016)

- There are more than 4.7 million Ohioans with a private sector job; putting Ohio nearly 100,000 jobs over the November 2007 pre-recession level.

  (U.S. Bureau of Labor Statistics, 2016)

JobsOhio

State of Ohio Rankings

Ohio's business climate and economic outlook have improved more than any other state.

	2011	2017
Chief Executive	41st	11th
Forbes	38th	14th
SITE SELECTION MAGAZINE	9th	4th

#1 MOST NEW JOBS
(ERNST & YOUNG'S 2017 INVESTMENT MONITOR)

#2 IN TOTAL PROJECTS
(SITE SELECTION'S GOVERNOR'S CUP)

#3 IN PROJECTS PER CAPITA
(SITE SELECTION'S GOVERNOR'S CUP)

#3 BEST STATE ECONOMIC DEVELOPMENT ORGANIZATION
(DEVELOPMENT COUNSELLORS INTERNATIONAL)

Third party rankings now indicate Ohio is a top ten state for business climate, economic outlook, regulatory environment, small business tax climate and workforce quality.

THE IMPACT OF TAX CUTS AND JOBS ACT (TCJA)

Presented by:
Mark Gaudet, Tax Shareholder
Clark Schaefer Hackett

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

New Corporate Tax Rate

The TCJA changes the “C” corporate tax rate to a flat 21%.

Corporate AMT is repealed.

Change in Entity Structure?

A variety of factors affect the decision by an individual to hold a business as a corporation or a partnership (or other flow-through entity) including (i) the fact that the income of a corporation is taxed twice (once at the corporate level and then again upon a distribution by the corporation or a sale of the stock of the corporation), (ii) the relative tax rates imposed on various types of income received by corporations and individuals, (iii) the fact that it is generally not possible to remove appreciated assets from a corporation without triggering tax on those assets, (iv) the tax consequences resulting from a sale of the business, (v) the application of employment-related taxes and the so-called Medicare tax under Section 1411, and (vi) the possibility of future changes in law (including tax rates).

Our expectation is that these changes in rates will not fundamentally change an individual's determination in deciding whether to hold a business as a corporation or a partnership (or other flow-through entity).

S Corporation vs C Corporation		
	S Corporation	C Corporation
Taxable Income	$ 1,000,000	$ 1,000,000
State and Local Income Tax Non-Deductible	$ 45,000	$ -
	$ 1,045,000	$ 1,000,000
199A Deduction	$ 200,000	$ -
	$ 845,000	$ 1,000,000
Federal Tax at 37%	$ 312,650	
Federal Tax at 21%		$ 210,000
Federal Tax on Ordinary Dividend (20%)	$ -	$ 158,000
Federal Tax for ACA(3.8%)	$ -	$ 30,020
Projected after tax Cash Flow	$ 642,350	$ 601,980
Effective Tax Rate	35.77%	39.80%
NOTE: Your stock basis is increased by undistributed S corporation earnings but not if you own a C corporation.		

Tax Rate Structure For Small Businesses

The law provides a 20% deduction for the qualified business income of pass-through entities. The deduction is limited to the lesser of 20% of qualified business income or 1) 50% of W-2 wages paid or 2) 25% of W-2 wages paid plus 2.5% of unadjusted basis of all qualified property.

Small Business Deduction Limitation

Threshold amount means $315,000 if filing joint (157,500 single) of taxable income. If you are below the threshold you get the deduction without limitation.

If you are over the threshold the deduction phases out for certain specified businesses.

The Specified Businesses are…

Any trade or business involving the performance of services in the files of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees.

Operating Trade or Business		
Impact of Tax Cuts and Jobs Act		
		20% Rule
	Current Law	Tax Law 2018
	2017	2018
S Corporation Income (using projected taxable income from year end planning)	$ 4,000,000	$ 4,000,000
Pass Through Deduction	0	$ (800,000)
Taxable Income	$ 4,000,000	$ 3,200,000
Income Tax (highest marginal rate 39.6% in 2017; 37% in 2018)	$ 1,584,000	$ 1,184,000
Net Investment Income Tax	$ -	$ -
Federal Tax Savings from State and local income tax deduction	$ (71,280)	$ -
State Tax on income (assumed 4.5% rate for all states combined)	$ 180,000	$ 180,000
Total Tax under 2018 Tax Law		**$ 1,364,000**
Total Tax under 2017 Tax Law	**$ 1,692,720**	
Savings under new tax law		$ 328,720

Real Estate Business with Income		
Impact of Tax Cuts and Jobs Act		
		20% Rule
	Current Law	Tax Law 2018
	2017	2018
Partnership Income (using projected taxable income from year end planning)	$ 750,000	$ 750,000
Pass Through Deduction	0	$ (150,000)
Taxable Income	$ 750,000	$ 600,000
Income Tax (highest marginal rate 39.6% in 2017; 37% in 2018)	$ 297,000	$ 222,000
Net Investment Income Tax	$ -	$ -
Federal Tax Savings from State and local income tax deduction	$ (13,365)	$ -
State Tax on income (assumed 4.5% rate for all states combined)	$ 33,750	$ 33,750
Total Tax under 2018 Tax Law		**$ 255,750**
Total Tax under 2017 Tax Law	**$ 317,385**	
Savings under new tax law		$ 61,635

The Tax Cuts and Jobs Act allows business to immediately write off (or “expense”) the cost of new investments in depreciable assets other than structures made after September 27, 2017, for the next five years. This policy represents an unprecedented level of expensing with respect to the duration and scope of eligible assets.

“Expensing” of Capital Investments

TCJA generally limits the amount of interest expense that business may deduct.

Limitation on Business Interest Expense

Interest Expense

The TCJA will limit the deduction for net interest expense incurred by a business to 30% of its adjusted taxable income. (This provision excludes dealerships or companies with less than $25 million in annual revenue or electing real estate business.)

For next four years adjusted taxable income means EBITDA calculated on an income tax basis and in year five and after that EBIT calculated on an income tax basis.

Interest Expense

The TCJA provides that all disallowed interest will be carried forward indefinitely and treated as interest expense in succeeding taxable years.

The law on immediate expensing has an interplay with the new interest expense limitation rules. If a real estate business wants to avoid being subject to the interest expense limitation rules then it makes an election to do so and in making such an election the business gives up the ability to immediately expense assets.

Limitations on Immediate Expensing

Electing Real Property Trade or Business

An electing real property trade or business is a business engaged in real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing or brokerage.

Why is this distinction important?

If a real property trade or business makes the election out of the interest expense limitation rule then it cannot use the immediate expensing rules and in fact has to depreciate its assets over longer ADS depreciable lines.

Under New Section 461(2) the “excess business loss” of any individual for any taxable year is disallowed and treated as a net operating loss carryover to the following taxable year.

Excess business loss is $250,000 (single) or $500,000 (joint) applied at the individual level.

New Loss Limitation Rule

TCJA repeals the domestic production activities deduction (DPAD) for all tax years beginning after December 31, 2017.

Repeal of DPAD

Any taxpayer that has average gross receipts of less than $25 million for the prior three tax years is exempt from these rules.

Uniform Capitalization Rules

The TCJA disallows deductions for entertainment, amusement or recreation activities under all circumstances. It would also disallow transportation fringe benefits, benefits in form of on-premises gym/athletic facilities or for any personal amenities not directly related to employer’s trade or business.

Entertainment Expenses

Meals and Entertain-ment Changes Under Tax Reform

	2017 Expenses (Old Rules)	2018 Expenses (New Rules)
Office Holiday Parties	100% Deductible	100% Deductible
Entertaining Clients	50% Deductible	Meals – TBD
	Event tickets, 50% deductible for face value of ticket; anything above face value is non-deductible Tickets to qualified charitable events are 100% deductible	No deduction for entertainment expenses
Employee Travel Meals	50% Deductible	50% Deductible
Meals Provided for Convenience of Employer	100% deductible provided they are excludible from employees' gross income as de minimis fringe beneftis; otherwise, 50% deductible	50% Deductible (nondeductible after 2025)

Various Credits

The TCJA retains the Work Opportunity Tax Credit (WOTC).

The TCJA retains the R & D tax credit.

The TCJA retains the low income housing tax credit.

Like-Kind Exchanges

The TCJA limits deferral of gain on Like-Kind Exchanges to real property that is not held primarily for sale.

Temporary Provisions

It is important to note that the Tax Cuts and Jobs Act has sunset dates on many of its provisions. Most sunset at the end of 2025.

Individual Tax Rate Structure

Under current law, taxable income is subject to seven tax brackets. The TCJA retains seven brackets but the top rate is now 37% not 39.6%.

Individual Income Tax Rates

Current Law for 2018 Tax Year			Tax Cuts and Jobs Act		
Married Couples Filing Jointly			Married Couples Filing Jointly		
Ordinary Income Tax Rate	Taxable Income over ($)	But not more than ($)	Ordinary Income Tax Rate	Taxable Income over ($)	But not more than ($)
10.0%	--	19,050	10.0%	--	19,050
15.0%	19,050	77,400	12.0%	19,050	77,400
25.0%	77,400	156,150	22.0%	77,400	165,000
28.0%	156,150	237,950	24.0%	165,000	315,000
33.0%	237,950	424,950	32.0%	315,000	400,000
35.0%	424,950	480,050	35.0%	400,000	600,000
39.6%	480,050		37.0%	600,000	

Standard Deduction And Personal Exemptions

- Increase standard deduction to $24,000 (MFJ) from projected $13,000
- Increase standard deduction to $12,000 (Single) from projected $6,500
- Repeal deduction for personal exemptions. Currently $4,050 for taxpayer, spouse and dependents.

- Retroactive 7.5% of AGI floor for medical expense deduction through 2018, regardless of age
- Limit deduction for state and local taxes to $10,000 (MFJ). Combines real property taxes, personal property taxes, income taxes and sales taxes (if elected)
- Limit mortgage interest deduction on loans up to $750,000 (MFJ). Debt incurred before 12/15/17 is grandfathered and subject to $1,000,000 limitation.

Itemized Deductions

Itemized Deductions

- Suspend the deduction for interest on home equity indebtedness for tax years 2018 through 2025.
- Increase AGI limitation for cash charitable contributions from 50% of AGI to 60% of AGI.
- Repeal deduction for contributions to higher education institutions if related to right to purchase tickets or seating at an athletic event.

Itemized Deductions

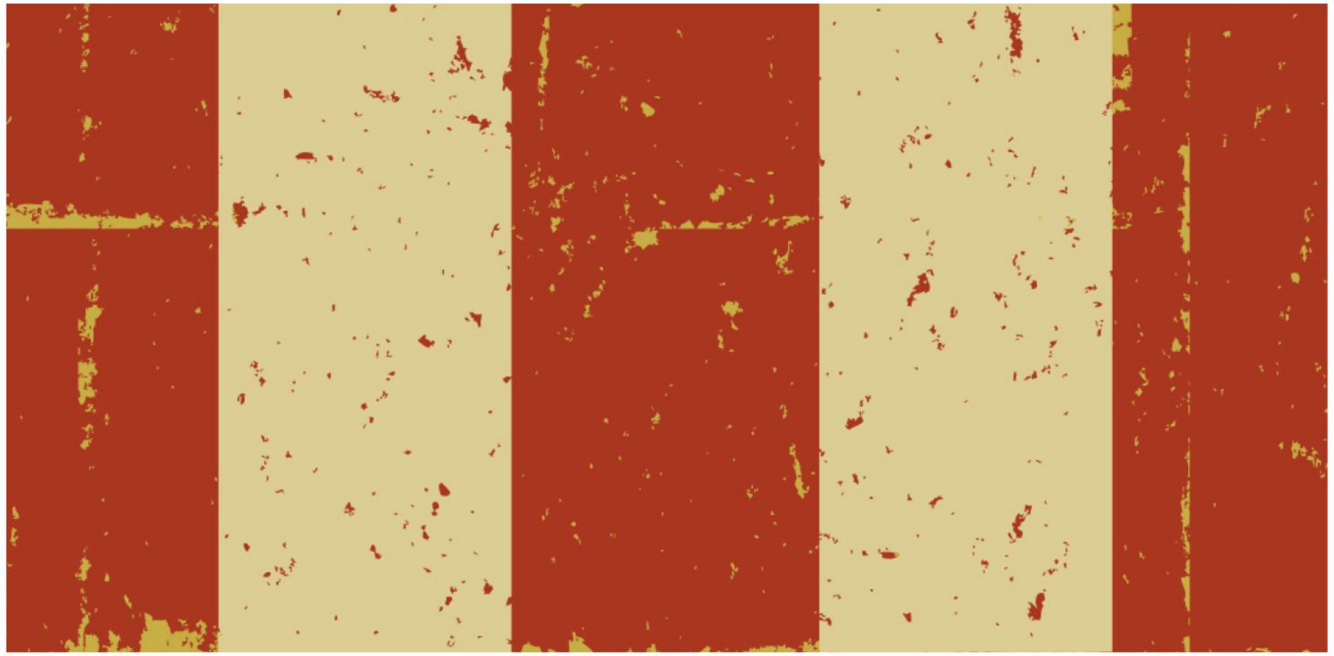
- Suspend deduction for personal casualty losses, except for federally-declared disasters
- Suspend the deduction for miscellaneous itemized deductions that are subject to the 2% AGI floor
- Suspend 3% limitation on itemized deductions for taxpayers with AGI over threshold amount (Pease limitation)

Alternative Minimum Tax

- Retain the individual alternative minimum tax (AMT)
- Increase the AMT exemption amount for individuals to $109,400 (MFJ) and $70,300 (Single)
- Increase AMT phase out threshold from $164,100 to $1,000,000 (MFJ)
- No change to exemption amount and phase out amount for trusts and estates

Other Provisions

- Increase child tax credit from $1,000 to $2,000 for each qualifying child (phased-out based on modified AGI). Increase AGI phase-out from $110,000 to $400,000 for joint filers.
- Temporarily provide a $500 nonrefundable credit for dependents other than qualifying children.
- Repeal deduction for alimony payments for payor spouse and no income inclusion for the payee spouse. Effective for any divorce or separation agreement executed after December 31, 2018.



Other Provisions

Repeal of special rule permitting recharacterization of IRA contributions

- Repeal rule that allows taxpayers to recharacterize a contribution to a traditional IRA as a contribution to a Roth IRA, or vice versa
- Repeal rule that permits taxpayers to recharacterize a conversion of a traditional IRA to a Roth IRA.
- Effective for tax years beginning after December 31, 2017

Other Provisions

- Suspend deduction for moving expenses incurred in connection with a new job. Benefit is maintained for members of the armed services.
- Suspend the exclusion from employee's income for qualified moving expense reimbursements provided by an employer. Exception provided for active duty military.
- Elementary and high school expenses of up to $10,000 per year would be qualified expenses for Sec. 529 plans.

Estate And Generation-Skipping Transfer Taxes

The TCJA increases the federal estate, GST and gift tax unified credit basic exclusion amount to $10,000,000 effective in 2018 and adjusts the amount for inflation.

The TCJA does not repeal the estate tax or the GST.

The exclusion amounts revert to 2017 amounts after December 31, 2025.

Questions?

Mark Gaudet, CPA, CFP®, CEPA

Shareholder

Clark Schaefer Hackett

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

TO: OMA Tax and Finance Committee
FROM: Rob Brundrett
SUBJECT: Tax Public Policy Report
DATE: March 21, 2018

Overview

The biggest tax and finance news continues to come from the federal government with the passage of tax reform and the possibilities of steel and aluminum tariffs hitting. In Ohio the business community secured a big court victory over local government and members remain engaged on the manufacturing sales and use tax exemption rule that is being reviewed by the Department along with looking for ways to make Ohio manufacturing even more competitive in regards to tax and economic development policy.

Tax Legislation

Senate Bill 114 / House Bill 155 – Vehicle Training Tax Credit

Senate Bill 114 and House Bill 155 are companion bills that authorize tax credits for expense incurred by employers to train a commercial vehicle operator. These bills would allow businesses to take credits against the CAT. The bills had one hearing in the House and Senate. OMA met with both proponents of the bills and sponsors of the bills. Proponent and sponsors indicated they would follow the advice of the OMA and look at a possible grant program in lieu of a CAT credit.

Senate Bill 132 – Foreign Trade Zone CAT Credit

The bill would establish a five-year pilot program whereby taxpayers with facilities in Ohio with activated foreign trade zone status may claim a nonrefundable commercial activity tax credit equal to the amount redeployed by the taxpayer to job creation and renewable energy resources. OMA participated in an interested party meeting earlier this fall and expressed serious concern over the proposal.

House Bill 185 – Political Contributions Tax Credit

The bill expands the scope of political contributions that qualify for the income tax credit for contributions to political campaigns to candidates for any state, county, municipal, or district office. It had its first hearing last June.

Senate Bill 203 – Throw-Back Rule Reinstatement

The bill would reinstate the municipal income tax "throw-back rule" used in apportioning business income among municipalities. The throw-back rule was eliminated with OMA backing during the budget bill process.

House Bill 216 – Used Vehicle Trade-In Credit

The bill authorizes a sales and use tax trade-in credit for purchases of used motor vehicles from a licensed dealer. The bill had two hearings prior to the summer break last year.

House Bill 262 – Independent Budget Process
The bill would provide for the preparation of a state biennial budget independent of that submitted by the Governor and to authorize the Legislative Service Commission, upon the request of the Speaker of the House of Representatives or the President of the Senate, to arrange for an independent actuarial review of a proposed bill, specified analyses of economic policy initiatives and state benchmarking data, and a study of the state's long-range financial outlook. The bill was introduced and referred to committee last June.

Senate Bill 266 and House Bill 529 – Capital Bill
Last week the House and Senate unveiled the capital appropriations budget bill. The bill is designed to fund capital improvement projects throughout the state. This year the bill is focused on funding opioid treatment with $222 million for health and human services projects.

Other major funding allocations include $600 million for school construction, $483 million for universities and community colleges, $514 million for local infrastructure projects, $234 million for parks, and $147 million for local community projects.

The budget is expected to quickly move through the legislature and be approved this month.

House Bill 320 – Long-Range Financial Outlook Council
The bill creates the Long-Range Financial Outlook Council for the purpose of informing the public and the General Assembly about the financial status of the state by studying financial and other conditions and issuing an annual long-range financial outlook report. The bill had its second hearing in November.

House Bill 525 – Film Tax Credit-Live Theater
House Bill 525 would expand the current motion picture tax credit to live stage theater productions and increase the maximum amount of credits from $40 million to $100 million per fiscal year. The bill again is sponsored by Speaker Pro Tem Schuring which makes House passage a real possibility. The bill is expected to pass House committee this week.

Capital Expenditure Investment Tax Credit
OMA tax committee members have been working on a capital expenditure tax credit bill that manufacturers could take advantage of in Ohio. OMA staff has been working with legislators for potential introduction this spring.

Tax News
Muni Tax Collection System Found to be Constitutional
A Franklin County Common Pleas Court judge dismissed a muni tax collection lawsuit brought by about 160 Ohio municipalities that challenged a new law that allows the State of Ohio to collect local business taxes.

House Bill 49, which was Gov. John Kasich’s two-year budget bill, allowed business owners the option to file municipal net profit tax returns directly with the Ohio Department of Taxation, instead of with the municipality in which the business operates.

OMA backed this law change because it streamlines the filing process for businesses, which often operate in multiple municipalities.

Tax Dept. Accepts OMA Request to Improve Mfg. Sales/Use Exemption
The Ohio Department of Taxation (ODT) released its latest draft of the Manufacturing Sales and Use Exemption rule review.

Reacting to the previous draft, the OMA working group had advocated for removing this language (4th paragraph, division (B)(1)): “However, the maintain (sic) materials in the same state or form as they are received or measuring raw materials to verify quantities received, does not constitute commitment,” thus arguing for a complete definition of tax exempt materials committed to the manufacturing process.

Responding to the OMA’s comments, ODT agreed to remove the objectionable provision from the draft rule. Keeping that language out of the rule would be a major win for manufacturers.

Tax Expenditure Review Committee Announces Hearing Dates
This week the General Assembly’s Tax Expenditure Review Committee announced three more hearings for the spring. The first hearing will be held on April 11, and it will cover the manufacturing sales and use tax exemption. The panel was formed through legislation passed in the 131st General Assembly.

The Committee held one hearing in the fall where Senator Scott Oelslager (R-North Canton) was selected chairman. Other members of the review committee are Senators John Eklund (R-Munson Township) and Vernon Sykes (D-Akron), and Reps. Tim Schaffer (R-Lancaster), Gary Scherer (R-Circleville), and John Rogers (D-Mentor-on-the-Lake).

Tax Commissioner Joe Testa testified in front of the committee at the initial hearing. He presented a broad overview of Ohio’s tax expenditures.

OMA Requests Senator Brown’s Support on Money Market Reg Bill
The OMA asked Senator Sherrod Brown to support The Consumer Financial Choice and Capital Markets Preservation Act (Senate Bill 1117). The bill would reverse an October 2016 regulatory action by the Securities and Exchange Commission (SEC) that requires money market funds (MMFs) to account for their underlying net asset value (NAV) on a floating basis.

OMA wrote: “… This new SEC rule requires MMFs to account for their underlying net asset value (NAV) on a floating basis, rather from a fixed sum. This rule change has negatively impacted our larger members who issue commercial paper for short term borrowings.

“Prior to the rule change, the Prime MMFs were generally significant purchasers of commercial paper. These purchases provided a competitive market place for short term financing. … Our members have relied on these fixed NAV MMFs as safe, efficient and reliable sources of short-term financing and cash management. … Senate Bill 1117 would revert back to allowing MMFs underlying NAV to be fixed, as it was for 40 years prior to this recent SEC rule.”

BEFORE THE GOVERNMENT ACCOUNTABILITY AND OVERSIGHT COMMITTEE
OF THE OHIO HOUSE OF REPRESENTATIVES
REPRESENTATIVE LOUIS BLESSING III, CHAIRMAN

TESTIMONY
OF
ROB BRUNDRETT
DIRECTOR, PUBLIC POLICY SERVICES
THE OHIO MANUFACTURERS' ASSOCIATION

MARCH 20, 2018

Mr. Chairman and members of the Committee, my name is Rob Brundrett. I am the Director of Public Policy Services for The Ohio Manufacturers' Association (OMA). I am providing interested party testimony today on behalf of OMA regarding House Bill 525. The OMA was created in 1910 to advocate for Ohio's manufacturers; today, it has nearly 1,400 members. Its mission is to protect and grow Ohio manufacturing.

Manufacturing is the powerhouse in Ohio's economy. In addition to copies of my testimony I have provided committee members with a copy of "2017 Ohio Manufacturing Counts." This book is prepared annually by the OMA to provide facts about the importance of manufacturing to Ohio's economy.

Manufacturing is the largest of the state's 20 industry sectors. Manufacturing contributed more than $108 billion in GDP in 2016, the most recent year represented in this publication. This amounts to nearly 18% of the state's economy. The second largest industry sector is government at 11%. Ohio is the third largest manufacturing state in the U.S. following only California and Texas.

Almost 700,000 Ohioans work in manufacturing and these workers earn an average $58,000 per year.

For Ohio to be successful in a global economy, the state's tax structure must encourage investment and growth and be competitive nationally and internationally. A globally competitive tax system is characterized by (a) certainty, (b) equity, (c) simplicity and (d) transparency. Economy of collections and convenience of payment also are important considerations.

Major tax reforms approved by the Ohio General Assembly in 2005 and additional reforms from 2011-2016 have led to significant improvements to Ohio's tax system. Reforms included reducing overall tax rates, eliminating tax on investment, broadening the tax base, providing more stable and predictable revenues, and simplifying compliance.

The elimination of the tangible personal property tax, the corporate franchise tax, and the estate tax has strengthened the competitiveness of Ohio's tax system. So has the reduction of the personal income tax rate as well as the creation of a broad-based, low-rate commercial activity tax.

The strength of the CAT is its broad base, its low rate, and its broad application to virtually all business entities. Those attributes can only be maintained when the state stands firm against individual carve-outs and exemptions for narrow interests.

When it was first enacted, there were few exclusions and credits from the CAT. The tax expenditure associated with those exclusions in 2010, the first year the tax was fully phased in, totaled approximately $300 million. Those exclusions were built into the tax as enacted and the 0.26 percent rate was established with those exclusions in mind.

In its fiscal year 2018 tax expenditure report, the Department of Taxation lists a larger number of exclusions and credits to the CAT. The total cost of those expenditures, without consideration of the credits, is more than $700 million! Thus, in just a little more than 10 years, additional credits and exclusions were added to the tax that doubled the amount of the tax expenditure.

The CAT is a stable tax. Although it is a gross receipts tax that pyramids along the economic chain, it is tolerated because of its broad base and low, low rate. However tax expenditures associated with the tax have doubled. Chipping away at the base can only continue so long before an increase in the rate becomes the only way to continue to collect comparable revenues. Ohio traveled down this path before with the franchise and personal property taxes. Ohio should not venture down that path with the CAT.

The CAT was enacted as a tax on commercial activity. *All* enterprises engaged in such activity should pay the CAT; in fact, equality in the burden of taxation demands that they all remain subject to the tax. Exemptions, exclusions and credits violate the rule of equality and render the tax less clear, less fair and more complicated.

House Bill 525 more than doubles the amount of CAT credits available under the motion picture tax credit. The more credits that are added to the tax the more pressure is on the remaining businesses subject to the CAT. With more exemptions and credits, pressure builds to raise the low rate to make up for the loss in revenue. If you review the attachment I have included with my testimony you will see that enacting this credit would have the fourth largest impact to the CAT.

It is important to understand where CAT exemption savings are invested. Does that money stay in Ohio or does it go to outside interests in New York, California, or some other state? If Ohio is looking to drive business in Ohio it should be creating tax credits for capital projects in Ohio for the benefit of Ohioans. These types of projects require investment from local businesses already on the ground, and the business is much less likely to walk away from Ohio at the completion of the credit because it has invested capital in the state.

Since the enactment of tax reform in 2005, OMA has maintained a principled, consistent approach to tax policy in Ohio. That approach insists on certainty, equity, simplicity, and transparency. The erosion of the tax reform legislation, in the form of carve-outs and exclusions to the CAT, creates disparity by selecting winners and losers, renders the tax more complicated, and reduces transparency as it becomes more difficult to determine who is entitled to which exclusions.

Thank you very much for the opportunity to appear here today. I'd be pleased to try to answer any questions that you might have.

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Commercial Activity Tax Impact

The Commercial Activity Tax (CAT), which took effect on July 1, 2005, is an annual tax imposed on the privilege of doing business in Ohio and is measured by gross receipts from business activities in the state. The CAT applies to business entities with taxable gross receipts of more than $150,000 per calendar year, and is levied on a tiered basis:

Taxable Gross Receipts	CAT
$150,000 - $1 million	$150 minimum tax
$1 million - $2 million	$800 plus 0.26% of gross receipts greater than $1 million
$2 million - $4 million	$2,100 plus 0.26% of gross receipts greater than $1 million
$4 million or more	$2,600 plus 0.26% of gross receipts greater than $1 million

Impact on Manufacturers

According to Ohio Department of Taxation *Fiscal Year 2017 Commercial Activity Tax Returns* data, manufacturers are the second-largest group of CAT taxpayers, **representing 10.5% of all taxpayers** (retail trade is the largest). And yet . . .

- In terms of **CAT revenues** based only on the 0.26% CAT rate for gross receipts in excess of $1 million, **manufacturers pay 28.2% of the state's total –** far more than any other group.
- In terms of **total CAT revenues** paid, including the minimum tax, manufacturers still pay the most as a group – **27.6% of all CAT** before credits and **24% of all CAT** after credits – generally twenty-two percent more than the next largest taxpayer group (retail trade).

See next page for the financial impact of CAT exclusions, deductions and credits.

Foregone Revenue from CAT Exclusions, Deductions and Credits

Below are estimates of revenue foregone in FY 2018 by the state General Revenue Fund from various CAT exclusions, deductions and credits.[1] Dollar amounts are millions.

Exclusion of first $1 million of taxable gross receipts	$252.2
Qualified distribution center receipts exclusion	$169.0
Job creation credit	$113.0
Job retention tax credit	$63.6
Motion picture credit	$40.0
Credit for increased qualified research and development expenses	$36.9
Casino receipts in excess of "gross casino revenue"	>$10.0 [2]
Agricultural receipts	$8.0
Professional employer organization exclusion	$7.2
Credit for net operating loss carry forwards and other deferred tax assets	$4.5
State and federal cigarette tax exclusion	$4.1
Motor vehicle transfer exclusion	$2.3
Exclusion of real estate brokerage gross receipts not retained	$1.7
Consumer product integrated supply chain exclusion	$1.6
Exclusion of certain services to financial institutions	$1.5
State and federal alcoholic beverage excise tax exclusion	$1.3
Exclusion for tax differential of CAT/PAT for railroads	$1.0
Anti-neoplastic drug exclusion	$1.0
Exemption for pre-1972 trusts	<$1.0 [3]
Horse racing taxes and purse exclusion	<$1.0
Receipts from sale of uranium from qualifying uranium enrichment zone	<$1.0
Providing public services exclusion	No Estimate Available
Petroleum receipts [4]	No Estimate Available
Ohio Historic Preservation Tax Credit Program	No Estimate Available
Estimated Total Foregone Revenues	**More than $718.9 million**

NOTE: Actual total foregone revenues will be higher than estimated total forgone revenues, which reflect indefinite revenues for casino receipts and undetermined revenues for the public services exclusion, petroleum receipts and motion picture credit.

[1] Unless otherwise noted, the source for the data listed above is the Ohio Department of Taxation Tax Expenditure Report (Fiscal Years 2018-2019).
[2] Ohio Legislative Service Commission estimates foregone revenue from casino receipts in excess of "gross casino revenue" will be "tens of millions of dollars."
[3] The Ohio Department of Taxation Tax Expenditure Report provides only general "less than $1 million" estimates for three items in this list (rather than precise estimates as provided for the other items). For this reason, we have chosen not to include any foregone revenue for the three items with estimated foregone revenues of less than $1 million each.
[4] Motor vehicle fuel dealers pay a one-time tax of 0.65% on their sales of petroleum products.

Ohio | Department of Taxation

(For Immediate Release)

Court Upholds State Law Changing Municipal Tax System

Judge David Cain, Franklin County Common Pleas Court, today (2-21-18) denied a challenge by more than 160 municipalities to a state law creating a new option for Ohio businesses subject to the municipal net profit tax. Judge Cain's ruling both denied a request for a preliminary injunction to block the law and granted final judgement in favor of the State of Ohio.

The ruling upholds the constitutionality of a law (H.B. 49) passed in 2017 by the Ohio General Assembly authorizing an optional, centralized system administered by the Ohio Department of Taxation. The ruling affirmed the General Assembly's long-standing authority to limit local taxation; the law does not impinge on home rule.

Tax Commissioner Joe Testa said the ruling validates the efforts to improve the municipal tax system in Ohio.

"**We are pleased that the court found this law to be constitutional. It's an important ruling for business taxpayers in Ohio who for too long have had to deal with this costly, complex process for local tax on business income. This law gives business taxpayers the opportunity to save millions of dollars in the cost of complying with the fragmented municipal tax system. Businesses that want to take advantage of the state's new streamlined system for 2018 taxes have a deadline of March 1 to register through the Ohio Business Gateway. "**

(OBG web site is: www.ohiobusinessgateway.ohio.gov)

Testa said the business community has for years urged the state to improve the municipal tax system. He said he's gratified that Ohio now has a better option for businesses to deal with the municipal net profit tax.

# # #

(For questions, please contact Gary Gudmundson, Communications Director, Ohio Department of Taxation at 614,466.0099, or gary.gudmundson@tax.state.oh.us)

September 29, 2017

VIA Electronic Mail

Ohio Department of Taxation
ATTN: Laura Stanley
30 E. Broad St.
Columbus, OH 43216

Re: **OMA Follow Up Comments to Manufacturing Rule; OAC 5703-9-21: Ohio Department of Taxation Draft Revisions**

Dear Ms. Stanley:

As a follow-up to the meeting held at the Ohio Department of Taxation (ODT) on August 30, 2017, The Ohio Manufacturers' Association (OMA) is hereby providing ODT with written comments and suggested rule language to Ohio's Manufacturing Sales and Use tax rule 5703-9-21.

The OMA is dedicated to protecting and growing manufacturing in Ohio. The OMA represents over 1,400 manufacturers throughout Ohio. The OMA supports an equitable and transparent state tax system that encourages investment and growth.

The OMA appreciates the transparent process and the opportunities to offer additional comments to the manufacturing sales and use tax exemption rules OAC 5703-9-21. These rules are important and valuable to Ohio's manufacturing competitiveness.

The OMA remains concerned with certain provisions included the draft proposal. OMA requests that the following language, added by ODT to the fourth paragraph of division (B)(1) of the rule, be deleted: "However, the maintain (sic) materials in the same state or form as they are received or measuring raw materials to verify quantities received, does not constitute commitment."

There are three reasons for this request. First, the prior sentence in the rule states that commitment occurs when the materials have been mixed, measured, blended, heated, cleaned, or otherwise treated or prepared for the manufacturing process. This seems to be inconsistent with then saying that heating, cooling, or agitating materials in order to maintain the condition of the materials is taxable.

Second, this language means that if a manufacturer purchases items separately and combines them, and then heats or agitates them to preserve them, the materials are committed to manufacturing and the items are exempt; but if it purchases the ingredients already mixed, and still has to heat or agitate them to maintain them, then it has not committed the materials to manufacturing and the items are taxable. This is inconsistent, illogical and isn't good policy.

Finally, no manufacturer is going to the expense to heat or agitate materials that it is not going to use. Those materials are indeed committed to the manufacturing process.

Thank you for the opportunity to comment on this draft to Rule 5703-9-21. We look forward to working with ODT as the rule review moves forward. If ODT has any questions regarding the foregoing, please do not hesitate to contact me at rbrundrett@ohiomfg.com or (614) 629-6814 or OMA's tax counsel, Mark Engel, of Bricker & Eckler LLP at (513) 870-6565.

Sincerely,

Robert A Brundrett

Rob Brundrett
Director, Public Policy Services

CC: Matt Chafin

Ohio | Department of Taxation

Chairman Oelslager and members of the Tax Expenditure Review Committee, my name is Joe Testa, Tax Commissioner for Ohio.

Thank you for the opportunity to provide testimony today on Ohio's tax expenditures. Reviewing Ohio's existing tax expenditures, now totaling over $9 billion in forgone annual revenue, is a component of sound tax policy. As you are aware, some of Ohio's 100-plus tax expenditures have been on the books for decades and are seldom subject to formal review. Establishing a committee structure to regularly review tax expenditures will help ensure that the policy objectives of these tax expenditures are being fulfilled.

Today I plan to provide an overview of Ohio's Tax Expenditure Report (TER) and discuss the mechanics of tax expenditures, the criteria used to determine whether a tax provision constitutes a tax expenditure, and the sources of data used in the estimate of tax expenditures.

Overview

The concept of tax expenditures was first articulated in 1967 by the U.S. Department of the Treasury. In the broadest sense, the tax expenditure concept is uniform and constant: a tax expenditure represents a legislated variation from—more commonly a reduction to—a standardized tax base. The executive and legislative branches of the U.S. government, most state governments, and many foreign governments utilize their own versions and definitions of tax expenditures.

Ohio law defines a tax expenditure to mean a tax provision in the Ohio Revised Code (ORC) that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes established in the ORC, including, but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates.

Tax expenditures take the form of tax benefits for certain taxpayers or activities and result in forgone revenue to the state. Unlike direct budgetary expenditures, tax expenditures may remain in law indefinitely without a pre-determined termination date. Section 5703.48 of the Ohio Revised Code requires the Tax Commissioner to produce a tax expenditure report as an appendix to the biennial budget. The report gives a description of each tax expenditure as well as an estimate of revenue foregone or unavailable to the General Revenue Fund. It is available online at the Office of Budget and Management and Ohio Department of Taxation websites.

Criteria

The determining factor in identifying a tax provision as a tax expenditure is whether it exists as an exemption, credit, deduction, etc. in the Ohio Revised Code. The item must meet the following criteria to be considered a tax expenditure:

- The item would have been otherwise taxable had there not been a legislatively enacted exemption or exclusion.
- The item must reduce or have the potential to reduce one of the state's General Revenue Fund taxes. For example, the foregone motor fuel tax for gasoline used in off-road vehicles is not a tax expenditure because it does not impact the General Revenue Fund.
- The item is not subject to an alternative tax. Persons or activities subject to an alternative tax are not considered a tax expenditure. For example, insurance companies are excluded from the commercial activity tax under Ohio statute, but this exclusion is not considered a tax expenditure because insurance companies are subject to the insurance premium taxes.
- The item is exempt or excluded as a result of state legislative action. Anything that can only be changed by a state constitutional amendment, a federal law change, or a federal constitutional amendment is not considered a tax expenditure in this report. For example, the foregone sales tax related to take-out food is not a tax expenditure because it can only be changed by an amendment to the state constitution.

The Tax Expenditure Report

The Ohio Tax Commissioner has been required to produce a TER every biennium since 1987. The TER provides a description of each tax expenditure and an estimate of the dollars unavailable to the GRF because of the tax expenditure for that two-year period. It compares those foregone revenues to the amount of revenues that were unavailable to the GRF in the immediately preceding biennium.

For the Fiscal Year 2018-2019 biennium, estimates were produced for 129 tax expenditures, spread across nine different taxes. The chart on the following page is a breakdown on the number of expenditures and estimated revenue forgone by tax type.

(Dollar Amounts in Millions)

Tax Type	Number of Tax Expenditures	FY 2018 Impact	FY 2019 Impact
Sales & Use Tax	56	$5,988.1	$6,197.4
Individual Income Tax	37	$2,311.3	$2,397.7
Commercial Activity Tax	20	$670.8	$694.5
Public Utility Excise Tax	3	$98.0	$101.4
Insurance Premium Taxes	3	$22.1	$22.1
Cigarette and OTP Taxes	2	$17.5	$17.3
Financial Institutions Tax	3	$5.0	$6.9
Alcoholic Beverage Tax	4	$2.6	$2.6
Kilowatt Hour Tax	1	Minimal	Minimal
Grand Total All Taxes:	**129**	**$9,115.4**	**$9,439.9**

-Note: "Minimal" indicates that the amount of forgone revenue is under $1 million.

-Note: Certain persons or activities excluded from taxes are taxed under alternative taxes which have separate tax expenditures.

I will add that since the publication of the FY18-19 TER, two additional tax expenditures were enacted as part of House Bill 49: a kilowatt hour tax exemption for electricity consumed in the production of chlorine and a sales tax exemption for music purchases and delivery from digital jukeboxes. Both exemptions are estimated to produce minimal revenue losses.

It is important to note that because there may be unaccounted for overlap between expenditures, the TER figures are not intended to be relied upon as an estimate of the revenue gain if all tax expenditures were repealed simultaneously. Each tax expenditure is estimated assuming all other expenditures remain in law.

Data Sources

The Department estimates each expenditure statically using the most reliable data available. Any estimate's accuracy depends upon the reliability of the data. Generally speaking, the Department considers internal data to be more reliable than external data; however, internal data is not always available for the estimation of certain tax expenditures. Accordingly, the Department devised data reference codes for individual expenditures:

- Data Source Code A is internal departmental data,
- Data Source Code B is data produced by governmental agencies other than the Department, and
- Data Source Code C is all other data including data from business information service providers, academic research, and non-profit organizations.
- Some estimates may be based on a mixture of data sources.

For the most recent TER, 36 tax expenditure estimates relied on Data Source Code A, 24 relied on Data Source Code B, 10 were Data Source Code C, and 59 were combinations of two or more data sources. One point worth considering with tax expenditure legislation is data reporting. When taxpayers are required to quantify and report the tax benefit to the Department, the higher the confidence will be in the reliability of the related estimates. For example, the estimate for the medical savings account deduction is developed solely from the amounts reported on Line 33 of Ohio Schedule A, which is filed along with the Ohio IT 1040.

Conclusion

Chairman Oelslager and members of the Tax Expenditure Review Committee, I hope this brief review of the Tax Expenditure Report is of value to you. I again would like to thank you for the invitation to discuss this key area of tax policy. I, along with staff from ODT's Tax Analysis Division, would be happy to take your questions.

March 6, 2018

The Honorable Sherrod Brown
United States Senate
713 Hart Senate Office Building
Washington DC 20510

Re: **We urge support for S. 1117, The Consumer Financial Choice and Capital Markets Preservation Act**

Dear Senator Brown:

On behalf of The Ohio Manufacturer's Association (OMA), we respectfully urge your support for Senate Bill 1117, which is currently pending in the Senate Banking, Housing, and Urban Affairs Committee.

The OMA's mission is to protect and grow manufacturing in Ohio by ensuring manufacturing competitiveness. Government plays a significant role in determining manufacturers' cost of doing business. All along the manufacturing continuum – from transportation of raw materials to manufacturing design and production, to delivery of finished product – various policies, rules and regulations govern manufacturing activities and impact our members' costs.

One particular federal regulation that has negatively affected OMA members is a Securities and Exchange Commission (SEC) rule regarding money market funds (MMFs) which was modified effective October 2016. This new SEC rule requires MMFs to account for their underlying net asset value (NAV) on a floating basis, rather from a fixed sum. This rule change has negatively impacted our larger members who issue commercial paper for short term borrowings.

Prior to the rule change, the Prime MMFs were generally significant purchasers of commercial paper. These purchases provided a competitive market place for short term financing. With the loss of the over one trillion dollars in available capital financing due to liquidating MMFs, our members have lost a significant source of financing. Our members have relied on these fixed NAV MMFs as safe, efficient and reliable sources of short-term financing and cash management. Specifically our members rely on fixed NAV MMFs as a source of short-term financing as a low-risk place to invest cash. Senate Bill 1117 would revert back to allowing MMFs underlying NAV to be fixed, as it was for 40 years prior to this recent SEC rule.

You may hear from some of our individual manufacturing company members during the course of the debate and we would urge you to reach out to any one of our members who would be more than happy to explain why they, and we, support Senate Bill 1117.

Sincerely,

Robert Brundrett
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Ohio Manufacturers' Association

Tax Counsel Report
March 21, 2018
By Justin D. Cook
Bricker & Eckler LLP

Administrative Actions:

The Department of Taxation (the "Department") adopted several new administrative rules with respect to the municipal net profit tax. The new rules primarily relate to electronic filing, estimated payments, and certain notification requirements. Copies of the new rules are attached.

On February 21, 2018, the Franklin County Court of Common Pleas rejected a challenge filed by over 160 municipalities to the new law providing for centralized collection of municipal net profit taxes. Because the challenge was rejected, Ohio businesses may continue opting into the Department's centralized collection program.

New Legislation:

Senate Bill 8 (the "Bill"), which amends R.C. 5733.40, was signed into law on December 22, 2017. The Bill addresses the taxation of pass-through entities ("PTEs") by clarifying an ambiguity in the definition of a PTE investor's "distributive share."

The prior version of R.C. 5733.40 provided that taxpayers who owned at least 20 percent of a PTE included guaranteed payments made directly by the PTE in their distributive share. However, the statute failed to address whether the same tax treatment applied to guaranteed payments made through the use of a Professional Employer Organization ("PEO"). Since the PEO would actually be the entity transferring the guaranteed payment to the PTE investor, these payments were arguably excluded from the calculation of an investor's distributive share.

The Bill clarifies that guaranteed payments by a PEO are included in the calculation of an investor's distributive share, provided the investor owns at least a 20 percent interest in the PTE. Therefore, the Bill ensures such payments receive preferential tax treatment as "business income," as opposed to classification as "non-business income" for Ohio income tax purposes. Importantly, the Bill applies retroactively to tax years beginning on or after January 1, 2013, meaning some taxpayers may be immediately eligible for refunds.

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Proposed Legislation:

The OMA is working with legislators to establish a new tax credit for Ohio's manufacturing sector. Taxpayers would have discretion to apply the proposed credit against sales tax, use tax, or employment tax withholding. A copy of the proposed legislation, as prepared by the Legislative Service Commission, is attached.[1] A summary of how the credit is calculated is also included in the attached materials.

Judicial Actions:

Ohio Supreme Court

Accel, Inc. v. Testa, 2017-Ohio-8798, 2017 Ohio LEXIS 2415 (Dec. 26, 2017) involved a taxpayer engaged in creating and packaging gift sets. The Ohio Supreme Court addressed several important sales tax issues. First, for purposes of the manufacturing sales tax exemption under R.C. 5739.02(B)(42)(a), the Court held taxpayer was engaged in "assembling" items for sale. It reached this conclusion despite that taxpayer's activities also qualified as "packaging" (which is excluded from the definition of "assembling"). The Court reasoned that "the fact that the gift sets here functioned as 'packaging' for the included items [was] incidental to the fact that in assembled form, they constituted a new and differently marketable product." The Court further explained that "assembling" for purposes of the manufacturing exemption does not require a "transformation of substances," but merely "putting together components into a new functional (or in this case aesthetic) whole."

Second, in *Accel*, the Court held that a facts and circumstances test applies when determining whether employees are assigned on a permanent basis for purposes of the sales tax exemption for employment services. The Court rejected the Tax Commissioner's argument that the exemption could only be claimed if a contract between a staffing company and taxpayer contained certain language.

Ohio Court of Appeals

Nothing to report.

Ohio Board of Tax Appeals

In *The R.L. Best Co. v. Testa*, BTA 2015-2237, 2017 Ohio Tax LEXIS 2926 (Dec. 4, 2017), the Board of Tax Appeals interpreted and applied R.C. 5739.02(B)(32), which exempts "the sale, lease, repair, and maintenance of, parts for, or items attached to or incorporated in, motor vehicles that are primarily used for transporting tangible personal property belonging to others by a person engaged in highway transportation for hire." Taxpayer in this case manufactured and serviced extrusion presses and handling systems. Its trucks were used to transport the presses and handling systems to and from customer facilities. The Board held that whether the trucks were exempt depended on their "primary use." The Board ultimately rejected taxpayer's

[1] We are aware Line 120 contains a typographical error. "Ensuring" should be replaced with "ensuing."

claim for exemption, noting that to claim the "transportation for hire" exemption, taxpayer should have separately itemized a charge for transportation services on its customer invoices. Thus, taxpayer failed to show it actually received consideration for its transportation services, a critical element in claiming the exemption.

Karvo Paving Co. v. Testa, BTA 2016-782, 2018 Ohio Tax LEXIS 10 (Jan. 4, 2018) involved a taxpayer that contracted with the Ohio Department of Transportation ("ODT") to repave roads. Taxpayer was required to provide traffic control equipment as part of each project. ODT's engineer directed the placement of the traffic control equipment at the various jobsites. The Board held that taxpayer could claim the "purchase for resale" exemption from sales tax with respect to the traffic control equipment, as taxpayer's primary purpose for acquiring the traffic control equipment was to transfer control of it to ODT.

Tax Commissioner Opinions

Nothing to report.

United States Supreme Court

On January 12, 2018, the United States Supreme Court granted a writ of certiorari in *State of South Dakota v. Wayfair, Inc*., 2017 S.D. 56 (Sept. 13, 2017). Since a 1967 United States Supreme Court decision in *National Bellas Hess, Inc. v. Department of Revenue of the State of Illinois*, 386 U.S. 753 (1967), states have been prohibited from requiring sellers to collect and remit sales and use tax on the sale of goods in states where sellers have no physical presence.

In light of the increasing importance of online sales, South Dakota enacted a statute requiring sellers that derive at least $100,000 in gross revenue from South Dakota sales or that engage in at least 200 South Dakota sales in a calendar year to collect and remit South Dakota use tax, regardless of whether the seller has a physical presence in the state. A number of large online retailers challenged the South Dakota law as unconstitutional, and the Supreme Court will now reexamine the "physical presence" standard.

If the Supreme Court strikes down the "physical presence" standard, states across the country, including Ohio, could require remote sellers to collect and remit sales and use tax in the same manner that sellers operating from brick and mortar locations in the state collect sales tax from customers.

OMA PUBLIC POLICY FRAMEWORK FOR ACTION

The Ohio Manufacturers' Association

The Ohio Manufacturers' ASSOCIATION

ohiomfg.com

OMA
Public Policy Framework for Action

Manufacturing is responsible for 17% - $99 billion - of Ohio's Gross Domestic Product; this is greater than the contribution of any other Ohio industry sector. Manufacturing is the engine that drives Ohio's economy.

In the competitive domestic and global economies, every public policy decision that affects Ohio's business climate affects Ohio's manufacturing competitiveness. In turn, Ohio's manufacturing competitiveness determines the ability of the state to grow its economy and create jobs.

Ohio manufacturers require public policies that attract investment and protect the state's manufacturing legacy and advantage. These policies apply to a wide variety of issues that shape the business environment within which manufacturers operate.

MAJOR POLICY GOALS INCLUDE THE FOLLOWING:

- **An Efficient, Competitive Tax System**
- **A Lean, Productive Workers' Compensation System**
- **Access to Reliable, Economical, Diverse Energy Resources**
- **A Fair, Stable, Predictable Civil Justice System**
- **Science-based, Technologically Achievable, and Economically Reasonable Environmental Regulations**
- **A Modern, Job-Supporting Infrastructure**
- **An Educated, Highly Skilled Workforce**

PolicyGoal:
An Efficient, Competitive Ohio Tax System

For Ohio to be successful in a global economy, the state's tax system must encourage investment and growth. It must be competitive nationally and internationally. A globally competitive tax system is characterized by (a) certainty, (b) equity, (c) simplicity and (d) transparency. Economy of collections and convenience of payment also are important attributes.

Generally, manufacturers support efforts to broaden the tax base, which enables lower rates. To preserve the integrity of the broad tax base and ensure fairness, credits and exemptions should be reduced and discouraged. Where needed, government incentives are best structured as grants rather than as tax credits. And, in general, earmarking and dedicating tax revenues should be discouraged.

Good tax policy also generates necessary revenues to support the essential functions of government. Good budgeting and spending restraint at all levels of government are vital to a competitive tax environment.

Major tax reforms approved by the Ohio General Assembly in 2005 and additional reforms in 2011 through 2015 have led to significant improvements to a tax system that was for many years widely regarded as uncompetitive and obsolete. These reforms reduced overall tax rates, eliminated tax on investment, and broadened the tax base, all of which provide more stable and predictable revenues, and simplify compliance.

The elimination of the tangible personal property tax, the corporate franchise tax, and the estate tax has strengthened the competitiveness of Ohio's tax system. So has the reduction of the personal income tax rate, as well as the creation of a broad-based, low-rate commercial activity tax.

Going forward, these tax policy gains must be protected. Tax bases should be protected against erosion caused by granting credits and carve-outs to narrow special interests, in order to protect the productivity of the taxes. Where possible and reasonable, tax bases should be expanded, and tax rates reduced.

In addition, the state should continue work with Ohio municipalities to continue to streamline the collection of municipal income taxes making it administratively simpler and less costly to conduct business in Ohio.

The state's tax system would also benefit from a reduction of the number and type of taxing jurisdictions. Because of its complex layering of local and state taxes, Ohio's tax system is at a competitive disadvantage compared to other states.

PolicyGoal:
A Lean, Productive Workers' Compensation System

An efficient and effective workers' compensation system benefits workers, employers, and the economy of the state and is built on the following principles:

- Injured workers receive prompt benefits that are adequate for returning to work quickly and safely.
- Rates are established by sound actuarial principles, so that employers pay workers' compensation rates commensurate with the risk they bring to the system.
- The system is financed with well-functioning insurance mechanisms, including reserving and investment practices that assure fund solvency and stability.
- The benefit delivery system deploys best-in-class disability management practices that drive down costs for employers and improve service and outcomes for injured parties.
- The system consistently roots out fraud, whether by employers, workers or providers.

Fundamental priorities for future action are three:

The Bureau of Workers' Compensation (BWC) should continue to reform its medical management system to lower cost and improve medical quality through better coordination of care and development of a payment system that creates incentives for best clinical practices. In doing this, the BWC should build on emerging best practices in the private sector health care system.

The Ohio General Assembly should enact statutory reforms of benefit definitions, so that the claims adjudication process is more predictable, less susceptible to fraud and manipulation, and less costly, both for workers and employers.

The Industrial Commission should record hearings, so that the hearing process is more transparent and any appeals have a record on which to build.

PolicyGoal:
Access to Reliable, Economical, Diverse Energy Resources

Energy policy can enhance—or hinder—Ohio's ability to attract business investment, stimulate economic growth and spur job creation, especially in manufacturing. State and federal energy policies must (a) ensure access to reliable, economical sources of energy, (b) support the development of a diverse energy resource mix, and (c) conserve energy to preserve our natural resources, while lowering cost.

The Ohio Manufacturers' Association's energy policy advocacy efforts are guided by these principles:

- Energy markets free from market manipulation allow consumers to access the cost and innovation benefits of competition.
- Ohio's traditional industrial capabilities enable global leadership in energy product innovation and manufacturing.
- Sustainable energy systems support the long-term viability of Ohio manufacturing.
- Effective government regulation recognizes technical and economic realities.

Shaping energy policy in Ohio that aligns with these principles will support manufacturing competitiveness, stimulate economic expansion and job creation, and foster environmental stewardship.

Energy policy priorities are:

Assure an open and fair electricity generation marketplace, in which competition enables consumer choice, which in turn drives innovation.

Design an economically sound policy framework for discounted rates for energy-intensive manufacturers that makes Ohio competitive with other states.

Protect energy consumers from above-market generation charges.

Support deployment of customer-sited generation technologies, such as cogeneration, energy efficiency and demand-side management, in order to achieve least-cost and sustainable energy resources.

PolicyGoal:
A Fair, Stable, Predictable Civil Justice System

For manufacturers to invest and grow in Ohio, and to compete globally, Ohio's civil justice system must be rational, fair and predictable. Manufacturers must be free to innovate and pursue market opportunities without fear of unreasonable exposure to costly lawsuits, while injured parties must have full recourse to appropriate measures of justice.

The Ohio Manufacturers' Association supports policy reforms that protect consumers without overly burdening businesses, while also positioning Ohio advantageously relative to other states. The association encourages policymakers to evaluate all proposed civil justice reforms by considering these questions:

- Will the policy fairly and appropriately protect and compensate injured parties without creating a "lottery mentality"?
- Will the policy increase—or decrease—litigation burdens and costs?
- Will the policy promote—or reduce—innovation?
- Will the policy attract—or discourage—investment?
- Will the policy stimulate—or stifle—growth and job creation?

Ohio has made great strides in reforming its civil justice system over the past decade, and longer. The primary aim of the state should be to preserve those tort reform gains, in areas such as punitive damages, successor liability, collateral sources and statute of repose, which are protecting consumers without unduly burdening businesses, while positioning Ohio as an attractive state for business investment.

PolicyGoal:
Science-based, Technologically Achievable, and Economically Reasonable Environmental Regulations

Effective environmental standards and regulations:

- Provide clarity, predictability and consistency
- Are based on scientific consensus
- Provide for common sense enforcement
- Incorporate careful cost-benefit analysis as part of the policymaking process

Manufacturers urge policymakers to exercise restraint in establishing state environmental regulations that exceed federal standards, and to avoid doing so altogether without clear and convincing evidence that more stringent regulations are necessary. At the same time, manufacturers understand that fair and reasonable regulations must be balanced with responsible stewardship of our natural resources.

Manufacturing leads the way in innovation in solid waste reduction and recycling Industry is an enormous consumer of recycled materials, such as metals, glass, paper and plastics; manufacturers thus are strong advocates for improving recycling systems in Ohio and the nation.

The state should expand opportunities for industry to reuse non-harmful waste streams. Beneficial reuse policies can result in less waste and more recycling of industrial byproducts. Likewise, Ohio should continue to expand recycling programs that provide feedstock for the state's industrial processes.

The Ohio Environment Protection Agency, in designing state implementation plans for new federal regulations (such as Clean Power Plan, Ozone regulation and Waters of the U.S.), should use a transparent process of stakeholder involvement, supplemented by investment in independent research to determine least cost, scientifically sound and technologically feasible implementation plans.

PolicyGoal:
A Modern, Job-Supporting Infrastructure

Modern infrastructure is critical for today's advanced manufacturing economy. To remain competitive and maximize the economic benefits of Ohio's manufacturing strength, the state must invest in updating and expanding Ohio's multi-modal transportation infrastructure, including roads, bridges, rails and ports. Continued investment in these resources is critical to providing Ohio manufacturers with flexible, efficient, cost-effective shipping options.

The state also must support the development of a pipeline infrastructure that delivers the abundant energy resources from the Utica and Marcellus shale formations to Ohio manufacturers in all parts of the state. This infrastructure produces a job-creating competitive advantage for Ohio.

Infrastructure policy priorities include the following:

Modify Ohio's rules and regulations to allow greater flexibility and efficiency in the truck permitting process and to ensure Ohio's truck permitting standards and processes are competitive with other states with regard to requirements, fees and responsiveness.

Enhance shipping flexibility by supporting the federal Safe and Efficient Transportation Act. This legislation would allow states to tailor regulations to meet state-level transportation needs linked to a state's particular economic assets and strengths.

Ensure Ohio's freshwater ports remain competitive and state of the art in functionality. Advocate for appropriate facility maintenance including dredging to ensure navigability.

Preserve access to and provide responsible management of Ohio's sources of water.

Protect cyber infrastructure to safeguard data used by manufacturers and their customers and suppliers.

PolicyGoal:
An Educated, Highly Skilled Workforce

A robust economy requires a reliable supply of workers who have the technical knowledge and skills required to meet global standards for quality and productivity, and who are able to think critically and work collaboratively. Sustained growth in manufacturing productivity will require not only a new generation of globally competent workers, but also workers willing to embrace lifelong learning to keep pace with technological advancements and global competition.

Workforce development policy priorities include the following:

Expand the use of the National Association of Manufacturers' "Manufacturing Skills Certification System." This system of nationally portable, industry recognized, "stackable" credentials is applicable to all sectors in the manufacturing industry. The credentials validate foundational skills and competencies needed to be productive and successful in entry-level positions in any manufacturing environment. Credentials can be earned from both secondary and postsecondary educational programs.

Expand the use of cooperative education, internships and apprenticeships. These experiential learning programs enhance talent recruitment and retention because participating students are exposed to company-specific, real-world job expectations and experiences. Students develop strong leadership and management skills by working closely with company staff who serve as their mentors/supervisors, and participating companies benefit from reduced recruitment and training costs.

Continue the work of the Governor's Office of Workforce Transformation in reforming the workforce development system. The system has been fragmented (over multiple programs and agencies) and misaligned with employer knowledge and skill needs. Common goals, measures, and talent pipeline development through industry workforce alliances will benefit both job-seekers and talent seeking businesses.

The mission of
The Ohio Manufacturers' Association
is to protect and grow
Ohio manufacturing

For more information about the services and activities of the OMA, contact us at (800) 662-4463 or oma@ohiomfg.com or visit ohiomfg.com.

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PUBLIC POLICY GOALS:
KEY MANUFACTURING TALKING POINTS

An Efficient, Competitive Ohio Tax System

Ohio's tax system must encourage investment and growth and be competitive nationally and internationally. A competitive tax system is characterized by (a) certainty, (b) equity, (c) simplicity, (d) transparency, as well as (e) economy of collections and convenience of payment.

A Lean, Productive Workers' Compensation System

An efficient and effective workers' compensation system benefits workers, employers, and the state's economy and is built on these principles: (a) injured workers receive prompt benefits that are adequate for returning to work quickly and safely, (b) rates are established on actuarial principles without political influences, (c) the system has with well-functioning insurance mechanisms, including reserving and investment practices that assure fund solvency and stability, (d) the disability management practices are best-in-class and improve service and outcomes for injured workers while lowering employer costs, and (e) the system roots out fraud, whether by employers, workers or providers.

Access to Reliable, Economical, Diverse Energy Resources

Energy policy can enhance—or hinder—Ohio's ability to attract business investment, stimulate economic growth and spur job creation, especially in manufacturing. State and federal energy policies must (a) ensure access to reliable, economical sources of energy, (b) support the development of a diverse energy resource mix, and (c) conserve energy to preserve our natural resources, while lowering cost. Policies should assure well-functioning markets that stimulate innovation and reduce costs.

A Fair, Stable, Predictable Civil Justice System

A state's legal climate can be a major inducement or deterrent to business investment, growth and job creation. Ohio's civil justice system must be rational, fair and predictable. Manufacturers must be free to innovate and pursue market opportunities without fear of unreasonable exposure to costly lawsuits, while injured parties must have full recourse to appropriate measures of justice.

A Modern Infrastructure

Investments in modern infrastructure secure jobs for the near and long term. Ohio's multi-modal transportation infrastructure, including roads, bridges, rails and ports—as well as broadband—needs to be state of the art to support our manufacturing economy. Preserving access to and responsibly managing Ohio's water sources are fundamental. And, the state must support a pipeline infrastructure that delivers abundant energy resources from Utica and Marcellus shale plays to Ohio manufacturers and other markets.

Science-based, Technologically Achievable, and Economically Reasonable Environmental Regulations

Effective environmental regulations: (a) provide clarity, predictability and consistency, (b) are based on scientific consensus, (c) provide for common sense enforcement, and (d) incorporate careful cost-benefit analysis as part of the policymaking process. Policymakers should exercise restraint in establishing state environmental regulations that exceed federal standards. And, manufacturers understand that fair and reasonable regulations must be balanced with responsible stewardship of our natural resources.

An Adequate & Skilled Workforce

Sustained growth in manufacturing requires a sufficient population of workers who have appropriate hard and soft skills. Among initiatives that will foster talent development: (a) state policy and budgeting that supports manufacturing workforce development, (b) a system of cataloging Ohio's workforce development assets, accessible to both employers and workers, (c) adoption of industry recognized credentials, and (d) expansion of cooperative education, internships and apprenticeships.

LEARN MORE at ohiomfg.com

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Tax

[OMA Requests Senator Brown's Support on Money Market Reg Bill]
March 9, 2018

This week the OMA **asked Senator Sherrod Brown to support** The Consumer Financial Choice and Capital Markets Preservation Act (Senate Bill 1117). The bill would reverse an October 2016 regulatory action by the Securities and Exchange Commission (SEC) that requires money market funds (MMFs) to account for their underlying net asset value (NAV) on a floating basis.
OMA wrote: "… This new SEC rule requires MMFs to account for their underlying net asset value (NAV) on a floating basis, rather from a fixed sum. This rule change has negatively impacted our larger members who issue commercial paper for short term borrowings.

"Prior to the rule change, the Prime MMFs were generally significant purchasers of commercial paper. These purchases provided a competitive market place for short term financing. … Our members have relied on these fixed NAV MMFs as safe, efficient and reliable sources of short-term financing and cash management. … Senate Bill 1117 would revert back to allowing MMFs underlying NAV to be fixed, as it was for 40 years prior to this recent SEC rule." *3/7/2018*

General Assembly Unveils Capital Budget Bill
March 2, 2018

This week the House and Senate unveiled the **capital appropriations budget bill**. The bill is designed to fund capital improvement projects throughout the state. This year the bill is **focused** on funding opioid treatment with $222 million for health and human services projects.
Other major funding allocations include $600 million for school construction, $483 million for universities and community colleges, $514 million for local infrastructure projects, $234 million for parks, and $147 million for local community projects.

The budget is expected to quickly move through the legislature and be approved this month. You can view **all the projects to be funded in the proposed budget here**. *3/1/2018*

Plastic Injection Molders: Consider the R&D Tax Credit
March 2, 2018

From OMA Connections Partner, Tax Credits Group: "… most injection molders who are working to develop new or improved products or processes can meet the necessary requirement to claim the R&D credit. … these injection molders also have the opportunity lower their tax bill and use the savings to reinvest into further R&D efforts to keep them competitive in the future–which is basically what the R&D tax credit is all about in the first place."

Read more **from Tax Credits Group here**. *2/27/2018*

Muni Tax Collection System Found to be Constitutional
February 23, 2018

A Franklin County Common Pleas Court judge has **Muni tax class action dismissed>**, brought by about 160 Ohio municipalities, challenging a new law that allows the State of Ohio to collect local business taxes.
House Bill 49, which is Gov. John Kasich's two-year budget bill, allows business owners the option to file municipal net profit tax returns directly with the Ohio Department of Taxation, instead of with the municipality in which the business operates.

OMA backed this law change because it streamlines the filing process for businesses, which often operate in multiple municipalities.

Joe Testa, state tax commissioner, said that businesses that want to take advantage of the state's new streamlined system for 2018 taxes have a deadline of March 1 to register through the **Business Gateway**. *2/22/2018*

Understanding Partnership Liability Under New Audit Rules
February 23, 2018

From OMA Connections Partner, Clark Schaefer Hackett: "The rules from the Bipartisan Budget Act of 2015 are now in effect. One of these rules is that any underpayments of tax by a partnership will be attributed to a partnership's current partners, not those who owned the entity during the year under examination. Many partnerships may be surprised to learn that they are subject to this tax audit rule."

Read **more from CSH** about what partnerships need to know about tax liability, options for relief and how to protect your organization. *2/16/2018*

Recent Money Market Fund Regs Hurt Manufacturers
February 16, 2018

The Securities and Exchange Commission (SEC) passed a rule, effective October 2016, which requires money market funds (MMFs) to switch from a fixed net asset value (NAV) to a floating NAV, causing many MMF managers to liquidate their funds and exit the MMF business.

This rule negatively affects manufacturers by:

1) Causing borrowing costs to rise above the Fed's recent interest rate increases;

2) Reducing potential return on short-term cash flow investments.

Join a **brief webinar** on Thursday, Feb. 22 at 10:00 a.m. to hear a complete explanation of the issue from experts at OMA Connections Partner, Roetzel, and learn what businesses can do to fix this problem. **Register here**. *2/14/2018*

New Budget Agreement Brings Additional Tax Changes
February 16, 2018

This just in from OMA Connections Partner, Clark Schaefer Hackett: "… The Bipartisan Budget Act of 2018 (BBA), which President Trump signed into law on February 9, 2018, contains several tax-related provisions that could reduce the amounts some taxpayers owe for the 2017 tax year."

And: "The BBA's inclusion of provisions applying retroactively to 2017 taxes is sure to cause some confusion, particularly for those taxpayers who have already filed their tax returns. The IRS has indicated that it's reviewing the BBA and plans to provide additional information as quickly as possible. …"

Read about these provisions here. *2/15/2018*

Tax Reform and Pass-Through Entities
February 16, 2018

OMA Connections Partner, Gilmore Jasion Mahler LTD, **offers insights** into the pass-through entity income tax changes that came about as a result of tax reform. *2/15/2018*

Use New Withholding Tables Not Later than February 15, 2018
February 9, 2018

The Internal Revenue Service (IRS) has released **IRS Notice 1036**, Early Release Copies of the 2018 Percentage Method Tables for Income Tax Withholding. The notice updates the income tax withholding tables for 2018, reflecting changes made by the Tax Cuts and Jobs Act.
Employers should begin using the 2018 withholding tables as soon as possible, but not later than February 15, 2018. The new withholding tables are designed to work with the Forms W-4 that workers have already filed with their employers. *2/5/2018*

Understanding Qualified Business Income Deduction Eligibility
February 9, 2018

According to OMA Connections Partner, Clark Schaefer Hackett: "Small business owners received a substantial benefit with the passage of the Tax Cuts and Jobs Act in December 2017. Owners of pass-through entities, including shareholders in S corporations, partners in partnerships and sole proprietors, are now eligible for a 20% deduction on "qualified business income." Not all income qualifies for the deduction, however. One type of income, guaranteed payments, is not eligible for the deduction. But careful analysis to ensure that items are correctly classified, as well as possible restructuring of this income, could allow organizations to benefit from the new deduction."

Read more from CSH here. *2/7/2018*

IC-DISC after Tax Reform – Still Viable?
February 2, 2018

The IC-DISC (interest charge domestic international sales corporation) survived the Tax Cuts and Jobs Act of 2017 (TCJA). For those who may not be familiar with the IC-DISC, it is an export incentive for U.S. domestic companies whereby income related to export sales can be taxed at a lower capital gain rate.

OMA Connections Partner, Clark Schaefer Hackett (CSH), commented: "While this is great news for companies that have taken advantage of the IC-DISC in the past, other provisions of the new sweeping tax reform may still impact your IC-DISC starting in tax year 2018. Therefore, it's very important to include the IC-DISC when you consider the impact of the overall tax reform changes to your company."

Read **more about this from CSH here**. *1/26/2018*

R&D Tax Credit – Why Didn't I get my Payroll Tax Refund?
February 2, 2018

Beginning in 2016, certain eligible small business taxpayers were able to utilize the IRC Sec. 41 Research Tax Credit to reduce a portion of their payroll taxes.

The process required to claim and utilize the offset has led to some confusion. Thus, puzzled taxpayers are now questioning why they haven't received their payroll tax refund, even though they elected the option on their Form 6765.

The team at OMA Connections Partner, Tax Credits Group, indicates this is one of the most common questions it has addressed this year. They **explain it here**. *1/31/2018*

C corporation? Pass-through? How Tax Reform Could Affect Your Decision
February 2, 2018

OMA Connections Partner, Clark Schaefer Hackett (CSH) posted: "With all the changes in the taxation of businesses enacted under the 2017 Tax Cuts and Jobs Act (Act), many business owners wonder whether they need to revisit the business entity decisions they made when they organized their businesses. The changes under the new Act that are causing questions about optimal tax entity structure include reduction of the tax rate on C corporations to 21%, introduction of the new 20% deduction on qualified business income from pass-through entities, and the repeal of the corporate alternative minimum tax."

More **on the topic from CSH**. *1/31/2018*

RS Issues Updated 2018 Withholding Tables
January 26, 2018

OMA Connections Partner, Clark Schaefer Hackett (CSH), posts: "In the wake of passage of the Tax Cuts and Jobs Act (TCJA) late last year, the IRS has taken one of the first critical steps to institute the law's overhaul of the federal income tax regime. The IRS has released updated withholding tables that indicate how much employers should hold back from their employees' paychecks to satisfy workers' tax obligations. The new tables may provide the correct amount of tax withholding for individuals with simple tax situations, but they'll likely cause other taxpayers to not have enough withheld to pay their ultimate tax liabilities under the TCJA."

Read **further analysis from CSH about the new tax tables**. *1/19/2018*

Accounting for Meals and Entertainment Under the New Tax Act
January 26, 2018

This from OMA Connections Partner, Clark Schaefer Hackett: "… Although we are anxiously awaiting more guidance regarding many provisions of the new law, the accounting for meals and entertainment expenditures is one area where businesses need to take immediate action."

Here is **guidance from CSH**. *1/22/2018*

Employers Should Be Aware of Significant Changes in New Tax Law
January 26, 2018

OMA Connections Partner, Calfee, writes: "… the TCJA (Tax Cuts & Jobs Act) … includes several significant changes about which employers should be aware. These changes include the elimination of a tax deduction related to nondisclosure agreements in sexual harassment settlements, a tax credit for providing paid family and medical leave, and changes to employee income tax withholding tables, together with a pending revision of Form W-4. Employers of every size will be affected by these changes, …”

Read **more from Calfee**. *1/24/2018*

New Tax Cuts and Jobs Act Guide Available
January 26, 2018

The tax advisors at OMA Connections Partner, Schneider Downs, have just compiled a **tax reform guide** that highlights many of the most impactful changes affecting U.S. individual and business taxpayers. *1/19/2018*

New Revenue Recognition Standards Compliance: A White Paper
January 26, 2018

The complete overhaul of revenue recognition accounting standards has significant repercussions for manufacturing and distribution companies. So, it’s critical to understand these guidelines and the potential business impacts.

OMA Connections Partner, Clark Schaefer Hackett, has compiled a white paper that covers important highlights of the new standards and provides examples of how the new guidance might apply for a manufacturer or distributor.

Download your copy here. *1/22/2018*

U.S. Supreme Court Will Take Up Major Sales Tax Case
January 19, 2018

OMA tax counsel Justin Cook of Bricker & Eckler **summarizes** the pending case: On January 12, 2018, the U.S. Supreme Court granted a writ of certiorari in *State of South Dakota v. Wayfair, Inc.* Depending on the Supreme Court’s decision in this case, it could have an enormous impact on businesses nationally. A 1967 U.S. Supreme Court decision prohibited states from requiring sellers to collect and remit use tax on the sale of goods in states where the seller has no physical presence. This “physical presence” standard was affirmed in *Quill Corp. v. North Dakota* in 1992 and remains the law of the land.
In light of the increasing importance of online sales, South Dakota enacted a statute requiring sellers that derive at least $100,000 in gross revenue from South Dakota sales or that engage in at least 200 South Dakota sales in a calendar year to collect and remit South Dakota use tax, regardless of whether the seller has a physical presence in the state. A number of large online retailers challenged the South Dakota law as unconstitutional, and the Supreme Court will now reexamine the “physical presence” standard.

If the Supreme Court strikes down the “physical presence” standard, states across the country, including Ohio, could require remote sellers to collect and remit use tax in the same manner that sellers operating from a brick and mortar location in the state collect sales tax from customers. Whether Ohio can impose this obligation on remote sellers depends on the Supreme Court’s decision in *Wayfair*, which will be heard in the upcoming term. *1/18/2018*

Manufacturers Can Still Opt-In for Centralized Muni Tax Collection
January 12, 2018

Manufacturers still have time to sign up with the Ohio Department of Taxation (ODT) for the new centralized collections and filing of their municipal net profit taxes.

Taxpayers should opt in now through **ODT’s website** to register for centralized filing of 2018 returns.
To file centrally, taxpayers must register on or before the first day of the third month after the beginning of a taxpayer’s fiscal year (March 1 for calendar year businesses).

You can learn more about the program from this **ODT video**. *1/11/2018*

OMA Connections Partner Breaks Down Business Benefits of Tax Cuts & Jobs Act
January 5, 2018

According to OMA Connections Partner, Clark, Schaefer, Hackett, “The Tax Cuts and Jobs Act (TCJA), which was signed into law on December 22, contains a treasure trove of tax breaks for businesses. Overall, most companies and business owners will come out ahead under the new tax law, but there are a number of tax breaks that were eliminated or reduced to make room for other beneficial revisions. Here are **the most important changes in the new law** that will affect businesses and their owners.” *1/4/2018*

Ohio Tax Amnesty Program is Open Now through February 15
January 5, 2018

All penalties and half the interest will be waived on qualified delinquent taxes for both individuals and businesses in Ohio’s tax amnesty program.

The Ohio Dept. of Taxation has created this **comprehensive tax amnesty website** where taxpayers can learn more and calculate penalty and interest savings. *1/4/2018*

IRS Announces 2018 Standard Mileage Rates
January 5, 2018

The Internal Revenue Service (IRS) has issued **these 2018 optional standard mileage rates** used to calculate the deductible costs of operating an automobile for business, charitable, or medical purposes.
The business mileage rate is 54.5 cents per mile, up 1 cent from 2017. *1/4/2018*

R&D Credit Predictions for 2018
January 5, 2018

OMA Connections Partner, Tax Credit Group, writes: “As we enter 2018, we’re happy to report that the IRC Sec. 41 Research & Development Tax Credit has been preserved. Some issues still remain unresolved when it comes to qualification and quantification, but overall we believe the R&D credit will continue to be an important tool for helping U.S. businesses stay competitive in the global marketplace.

“With that in mind, here are **3 R&D tax credit predictions** for the next year.” *1/4/2018*

Tax Reform Enacted!
December 21, 2017

For the first time in 31 years, Congress has acted on major tax reform with the passage of the Tax Cuts and Jobs Act. Among the bill’s changes to business taxes are the following key provisions:

Corporate rate: Lowers the corporate income tax rate permanently to 21%, starting in 2018 — the largest reduction in the corporate rate in U.S. history.

Pass-through businesses: Establishes a 20% deduction of qualified business income from certain pass-through businesses. (Specific service industries, such as health, law, and professional services, are excluded. However, joint filers with income below $315,000 and other filers with income below $157,500 can claim the deduction fully on income from service industries. This provision would expire December 31, 2025.)

Capital investments: Allows full and immediate expensing of short-lived capital investments for five years. Increases the section 179 small business expensing cap from $500,000 to $1 million.

Research and development: Retains tax incentives for research and development.

Territorial system: Moves the United States to a territorial system of business taxation.

The **Tax Foundation models the effects** of the act: “(T)he Tax Cuts and Jobs Act would increase the long-run size of the U.S. economy by 1.7%. The larger economy would result in 1.5% higher wages and a 4.8% larger capital stock. The plan would also result in 339,000 additional full-time equivalent jobs.” *12/19/2017*

Timmons Reiterates Call for Regular Review of Nation’s Tax Code
December 21, 2017

National Association of Manufacturers (NAM) President and CEO Jay Timmons released **this statement** after the U.S. Senate passed the Conference Report to H.R. 1, the Tax Cuts and Jobs Act.
He wrote: “When this bill becomes law, manufacturers in America will be more competitive than they have been in decades. This is a win for the American economy, and it puts the world on notice: America is even better prepared to compete and win for every job and opportunity.”

And: “… We reiterate our call for a triennial government study to see how our tax code compares to nations around the word–and determine what we can do to become even more competitive." *12/20/2017*

RSM to Cover Tax Reform in Webcast Friday, Dec. 22
December 21, 2017

OMA Connections Partner, RSM, plans a webcast this Friday, December 22 at 11:00 a.m. EST, in which its Washington National Tax practice members will provide an update on the status of the Tax Cuts and Jobs Act.

They plan to discuss:

- Key final provisions of the legislation and the possible impact on your tax planning
- Areas where further guidance may be forthcoming from the IRS or the Treasury Department

Click **here to register**. *12/20/2017*

Cities File Suit Against State Over Business Income Collections
December 15, 2017

Last month more than 100 Ohio cities **filed a lawsuit** against the state challenging portions of the municipal income tax changes included in the state budget bill.
The cities oppose new provisions that provide for the centralization of return filing and collection of municipal net profits taxes by the Ohio Department of Taxation.

Business interests, including manufacturers, successfully advocated for the change in the budget bill arguing that centralized filings would reduce burdens and costs for companies that file in multiple jurisdictions.

Ohio remains an outlier among states when it comes to local tax provisions and this change was seen as one area of improvement in the system. Cities argue that the Home Rule provisions of the Ohio Constitution prevent the state from taking on such authority. *12/14/2017*

Ohio Manufacturers on what Tax Reform Means to their Businesses
December 15, 2017

The National Association of Manufacturers (NAM) asked a couple Ohio manufacturers why federal tax reform would help their businesses.

Tanya DiSalvo of **Criterion Tool**, a precision manufacturing facility for the medical device, aerospace and photonics industries with 43 employees in Brook Park, said that her company would "Reinvest, additional training, raise the level of our lowest team members to the next level and back-fill their positions," when asked what she would do with money from tax reform.
Karl Reuther of **Reuther Mold and Manufacturing Company** in Cuyahoga Falls answered the same questions this way: "To compete globally, we need a huge investment in newer technology. The newer technology enhances our ability to compete, for our workers to retain their jobs and for us to attract new manufacturing workers." Reuther Mold has 60 employees and produces tooling for the manufacturing of military and commercial jets and oil production.
Read **more from their interviews here**. *12/13/2017*

Medical Device Excise Tax Kicks in 2018?
December 15, 2017

According to OMA Connections Partner, Plante Moran, an Affordable Care Act tax, absent action by Congress, is about to come back into effect after the expiration of a two-year moratorium.

Plante Moran wrote: "The medical device excise tax (MDET) was enacted as a part of the ACA and took effect in 2013, imposing a 2.3 percent excise tax that manufacturers and importers had to pay on the sales of certain medical devices. When Congress passed the "Protecting Americans from Tax Hikes (PATH) Act of 2015," legislators granted relief to the medical device industry by enacting a moratorium on the MDET for sales occurring between Jan. 1, 2016 and Dec. 31, 2017."

Here's **more from Plante Moran**. *12/13/2017*

Manufacturers Urge Passage of Miscellaneous Tariff Act
December 8, 2017

The OMA joined the National Association of Manufacturers and a large number of other organizations wrote members of Congress to urge that they expedite passage of the "Miscellaneous Tariff Bill Act of 2017" (H.R. 4318 and S. 2108) to temporarily eliminate out-of-date and distortive taxes on imported products not manufactured or available domestically.

"The Miscellaneous Tariff Bill (MTB) plays an important role in the operations of domestic manufacturers as it corrects, on a temporary basis, historical distortions in the U.S. tariff code by eliminating border tariffs on imported products for which there is no or insufficient domestic production and availability. Such distortions undermine the competitiveness of manufacturers in the United States by imposing unnecessary costs and, in some cases, imposing a higher cost on manufacturers' inputs than the competing foreign imported finished product," wrote the organizations. *12/6/2017*

HB11 **INCORPORATING FEDERAL REVENUE CHANGES** (SCHERER G) To expressly incorporate changes in the Internal Revenue Code since February 14, 2016, into Ohio law.
Current Status: 3/30/2017 - **SIGNED BY GOVERNOR**; eff. 3/30/2017
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-11

HB49 **OPERATING BUDGET** (SMITH R) Creates FY 2018-2019 main operating budget.
Current Status: 8/22/2017 - Consideration of Governor's Veto
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-49

HB61 **TAX EXEMPTION-FEMININE PRODUCTS** (JOHNSON G, KELLY B) To exempt from sales tax the sale of tampons and other feminine hygiene products associated with menstruation.
Current Status: 10/10/2017 - House Ways and Means, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-61

HB70 **FUEL TAX TRANSPARENCY** (MERRIN D) To enact the "Fuel Tax Transparency Act" requiring stickers to be placed on retail service station pumps displaying the rates of federal and state taxes applicable to gasoline and diesel fuel.
Current Status: 3/15/2017 - House Government Accountability and Oversight, (First Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-70

HB86 **MINIMUM WAGE INCREASE** (SMITH K, CRAIG H) To increase the state minimum wage to ten dollars and ten cents per hour beginning January 1, 2019.
Current Status: 2/28/2017 - Referred to Committee House Economic Development, Commerce and Labor
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-86

HB89 **AUGUST SALES TAX HOLIDAY** (PATTERSON J, KELLY B) To provide for a three-day sales tax "holiday" in August 2017 during which sales of clothing and school supplies are exempt from sales and use taxes.
Current Status: 2/28/2017 - Referred to Committee House Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-89

HB104 **TAX REFUND ON BAD DEBTS** (SCHAFFER T) To allow vendors to receive a refund of sales tax remitted for bad debts on private label credit accounts when the debt is charged off as uncollectible by the credit account lender.
Current Status: 2/20/2018 - Referred to Committee Senate Finance
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-104

HB133 **DISASTER RELIEF ACT** (RYAN S) To create the Disaster Relief Act to exempt out-of-state disaster businesses and qualifying out-of-state employees from certain taxes and laws with respect to disaster work on critical infrastructure performed in this state during a declared disaster.

Current Status: 11/29/2017 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-133

HB155 **VEHICLE TRAINING TAX CREDIT** (SPRAGUE R, HOWSE S) To authorize a tax credit for expenses incurred by an employer to train a commercial vehicle operator.

Current Status: 5/16/2017 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-155

HB162 **TAX CREDIT-SOUND RECORDING** (SMITH K, LATOURETTE S) To authorize a refundable income tax credit for individual investors in a sound recording production company equal to a portion of the company's costs for a recording production or recording infrastructure project in Ohio.

Current Status: 5/9/2017 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-162

HB173 **IN-HOME EMPLOYEES TAX CREDIT** (LATOURETTE S, PATTON T) To provide that compensation paid to certain home-based employees may be counted for purposes of an employer qualifying for and complying with the terms of a Job Creation Tax Credit.

Current Status: 5/9/2017 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-173

HB177 **TAX EXEMPTION-COMMUNITY GYMS** (WEST T) To exempt memberships to gyms or other recreational facilities operated by charitable organizations from sales and use taxation.

Current Status: 11/14/2017 - House Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-177

HB185 **POLITICAL CONTRIBUTIONS TAX CREDIT** (HAMBLEY S) To expand the scope of political contributions that qualify for the income tax credit for contributions to political campaigns to candidates for any state, county, municipal, or district office.

Current Status: 6/6/2017 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-185

HB216 **USED VEHICLE TRADE-IN CREDIT** (HAMBLEY S, BRINKMAN T) To authorize a sales and use tax trade-in credit for purchases of used motor vehicles from a licensed dealer.

Current Status: 6/6/2017 - House Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-216

HB243 **FIREWOOD SALES TAX** (PATTERSON J, CERA J) To exempt from sales and use taxation the bulk sale of firewood and certain other heating fuels, and to reimburse the Local Government Fund and Public Library Fund and county and transit sales tax collections for the resulting revenue losses.

Current Status: 6/20/2017 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-243

HB262 **INDEPENDENT BUDGET PROCESS** (BUTLER, JR. J, ROMANCHUK M) To provide for the preparation of a state biennial budget independent of that submitted by the Governor and to authorize the Legislative Service Commission, upon the request of the Speaker of the House of Representatives or the President of the Senate, to arrange for an independent actuarial review of a proposed bill, specified analyses of economic policy initiatives and state benchmarking data, and a study of the state's long-range financial outlook.

Current Status: 6/20/2017 - Referred to Committee House Government Accountability and Oversight

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-262

HB314 **LAW ENFORCEMENT TAX CREDIT** (SCHAFFER T) To allow an income tax credit for law enforcement officials who purchase safety or protective items to be used in the course of official law enforcement activities.

Current Status: 2/14/2018 - **REPORTED OUT AS AMENDED**, House State and Local Government, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-314

HB320 **LONG-RANGE FINANCIAL OUTLOOK COUNCIL** (HAGAN C, ROEGNER K) To create the Long-range Financial Outlook Council for the purpose of informing the public and the General Assembly about the financial status of the state by studying financial and other conditions and issuing an annual long-range financial outlook report.

Current Status: 11/28/2017 - House Financial Institutions, Housing and Urban Development, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-320

HB337 **TEXTBOOK SALES TAX EXEMPTION** (DUFFEY M) To exempt from sales and use tax textbooks purchased by post-secondary students.

Current Status: 2/20/2018 - **REPORTED OUT AS AMENDED**, House Ways and Means, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-337

HB342 **LOCAL TAX ISSUES-ELECTION DATES** (MERRIN D) To permit local tax-related proposals to appear only on general and primary election ballots and not on an August special election ballot and to modify the information conveyed in election notices and ballot language for property tax levies.

Current Status: 2/27/2018 - **BILL AMENDED**, House Government Accountability and Oversight, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-342

HB351 **NOAA AND PHS TAX EXEMPTION** (PERALES R, BUTLER, JR. J) To require municipal corporations to exempt from taxation the military pay of members of the commissioned corps of the National Oceanic and Atmospheric Administration and Public Health Service.

Current Status: 1/30/2018 - **REPORTED OUT**, House Ways and Means, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-351

HB361 **PROPERTY TAX COMPLAINTS TIMEFRAME** (GREENSPAN D) To increase the time within which boards of revision must decide property tax complaints.

Current Status: 12/5/2017 - **REPORTED OUT**, House Government Accountability and Oversight, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-361

HB371 **TAXES ON UNSOLD PROPERTY** (MERRIN D) To exempt from property taxation the increased value of land subdivided for residential development until construction commences or the land is sold.

Current Status: 3/1/2018 - Re-Referred to Committee

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-371

HB441 **TAX RETURN-PREPAID CARD** (LANESE L, DEVER J) To allow the Department of Taxation to provide taxpayers who file electronic returns the option of receiving their income tax refund in the form of a prepaid card.

Current Status: 2/13/2018 - House Government Accountability and Oversight, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-441

HB460 **RIPARIAN BUFFERS-TAX EXEMPTION** (PATTERSON J, SHEEHY M) To exempt qualifying riparian buffers in the Western Basin of Lake Erie from property taxation, to reimburse local taxing units for resulting revenue losses, and to require soil and water conservation districts to assist landowners with the creation and maintenance of riparian buffers.

Current Status: 2/13/2018 - House Energy and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-460

HB525 **FILM TAX CREDIT-LIVE THEATER** (SCHURING K) To extend eligibility for the motion picture tax credit to certain live stage theater productions, to increase the maximum amount of credits that may be awarded from $40 million to $100 million per fiscal year, and to make other revisions to the law governing administration of the credit.

Current Status: 3/21/2018 - House Government Accountability and Oversight, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-525

HB529 **CAPITAL APPROPRIATIONS** (RYAN S) To make capital appropriations and changes to the law governing capital projects and to make reappropriations for the biennium ending June 30, 2020.

Current Status: 3/13/2018 - Referred to Committee Senate Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-529

HB545 **SALES TAX AFTER PURCHASE** (ARNDT S) To authorize small retailers to remit sales taxes when the retailer receives payment from the purchaser if the payment is received after the purchased item is delivered or the service is provided.

Current Status: 3/13/2018 - Introduced
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-545

SB9 **AUGUST TAX HOLIDAY** (BACON K) To provide for a three-day sales tax "holiday" in August 2017 during which sales of clothing and school supplies are exempt from sales and use taxes.
Current Status: 6/13/2017 - **SIGNED BY GOVERNOR**; eff. 6/13/17
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-9

SB36 **AGRICULTURAL COMPUTATION** (HITE C) To require that the computation of the capitalization rate for the purposes of determining CAUV of agricultural land be computed using a method that excludes appreciation and equity buildup and to stipulate that CAUV land used for a conservation practice or enrolled in a federal land retirement or conservation program for at least three years must be valued at the lowest of the values assigned on the basis of soil type.
Current Status: 5/16/2017 - Referred to Committee House Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-36

SB65 **ENERGY STAR TAX HOLIDAY** (BROWN E) To provide a three-day sales tax "holiday" each April during which sales of qualifying Energy Star products are exempt from sales and use taxes.
Current Status: 3/22/2017 - Senate Ways and Means, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-65

SB114 **CDL TRAINING TAX CREDIT** (HITE C) To authorize a tax credit for expenses incurred by an employer to train a commercial vehicle operator.
Current Status: 5/3/2017 - Senate Ways and Means, (First Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-114

SB123 **PROPERTY TAX COMPLAINT PROCESS** (COLEY W) To limit the right to initiate most types of property tax complaints to the property owner and the county recorder of the county in which the property is located.
Current Status: 6/14/2017 - Senate Ways and Means, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-123

SB131 **EMPLOYEE COMPENSATION-TAX CREDITS** (DOLAN M) To provide that compensation paid to certain home-based employees may be counted for purposes of an employer qualifying for and complying with the terms of a Job Creation Tax Credit.
Current Status: 6/6/2017 - Referred to Committee House Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-131

SB132 **TAX CREDIT-FOREIGN TRADE** (DOLAN M, EKLUND J) To establish a five-year pilot program whereby taxpayers with facilities in this state with activated foreign trade zone status may claim a nonrefundable commercial activity tax credit equal to the amount redeployed by the taxpayer to job creation and renewable energy resources.

Current Status: 4/26/2017 - Referred to Committee Senate Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-132

SB147 **OHIO RURAL JOBS ACT** (HITE C) To enact the "Ohio Rural Jobs Act" which authorizes a nonrefundable tax credit for insurance companies that invest in rural business growth funds, which are certified to provide capital to rural and agricultural businesses.
Current Status: 9/27/2017 - Senate Ways and Means, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-147

SB176 **MUNICIPAL INCOME TAX RESTRICTIONS** (JORDAN K) To prohibit municipal corporations from levying an income tax on nonresidents' compensation for personal services or on net profits from a sole proprietorship owned by a nonresident.
Current Status: 9/7/2017 - Referred to Committee Senate Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-176

SB187 **DELINQUENT MUNICIPAL INCOME TAXES** (EKLUND J, WILSON S) To allow municipal corporations to charge delinquent taxpayers the costs of collecting municipal income taxes regardless of whether the costs are incurred before or after a judgment is entered against the taxpayer.
Current Status: 11/7/2017 - Senate Finance, (First Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-187

SB203 **MUNICIPAL TAX RULE REINSTATEMENT** (DOLAN M) To reinstate the municipal income tax "throw-back rule" used in apportioning business income among municipalities.
Current Status: 11/15/2017 - Referred to Committee Senate Finance
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-203

SB209 **PROPERTY TAX EXEMPTIONS-TIF** (COLEY W, EKLUND J) To modify the conditions that determine the relative priority of property tax exemptions when a parcel subject to a tax increment financing arrangement concurrently qualifies for another exemption.
Current Status: 10/25/2017 - Referred to Committee Senate Ways and Means
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-209

SB224 **GOODS TAXATION-FOREIGN DELIVERY** (EKLUND J) To exempt from sales and use tax goods purchased by a foreign citizen or entity if the goods are in Ohio only temporarily for package consolidation before being delivered to a foreign address, and to declare an emergency.
Current Status: 2/6/2018 - Senate Finance, (Second Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-224

SB266 **CAPITAL BUDGET** (OELSLAGER S) To make capital appropriations and changes to the law governing capital projects and to make reappropriations for the biennium ending June 30, 2020.
Current Status: 3/6/2018 - Senate Finance, (Third Hearing)
State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-

summary?id=GA132-SB-266