10 a.m. (EST)
Via Zoom

Tax & Finance Committee
June 10, 2020

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2020 Tax & Finance Committee Calendar
Meetings begin at 10 a.m.

Wednesday, November 18

OMA Meeting Sponsor:

Tax & Finance Policy Committee Agenda

June 10, 2020

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State Financial Update	Rob Brundrett, OMA Staff
RSM Presentation	Justin Stallard Partner, Tax Services RSM US LLP Matthew Lubbers Senior Manager, Tax Services RSM US LLP
OMA Public Policy Report	Rob Brundrett, OMA Staff
Guest Speaker	Matt Peters, Assistant Director, Ohio Development Services Agency John Werkman, Chief, Business Services Division, Ohio Development Services Agency
OMA Counsel's Report	Justin Cook, Bricker & Eckler, LLP

Our Meeting Sponsor:

Matthew Lubbers

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Summary of experience

Matt has over 15 years of public accounting experience, including four years with a Big Four firm. His primary focus is serving privately-held businesses in the manufacturing and distribution industries, as well as companies that have international operations or are foreign-owned.

Matt has extensive experience in entity-level tax planning, including federal, state, and local tax minimization strategies. He has specialized knowledge in accounting for income taxes and accounting for uncertain tax positions (ASC 740) and has assisted various clients with tax accounting method opportunities and international reporting requirements.

In addition, he is a member of the RSM US automotive practice and is the regional leader within Southwest Ohio regarding the adoption and implementation of the IRS tangible property regulations.

Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- Ohio Society of Certified Public Accountants

Education

- Bachelor of Science, accounting, Wright State University
- Master of Science, accounting, Wright State University

Justin Stallard

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Summary of experience

Justin has over 20 years of experience including 11 years with Big Four firms. His primary focus includes serving middle market clients in the manufacturing and distribution industries, including a number of clients with international operations. His professional experience is comprised of entity and owner-level tax planning, including federal, state and local and international tax minimization strategies.

Justin also has significant experience with mergers and acquisitions, ESOPs, SEC registrants and accounting for income taxes, and accounting for uncertain tax positions (ASC 740/FIN 48). He also has been active recently working with clients on the impact of the Tax Cuts and Jobs Act (TCJA) and is one of RSM's regional leaders for choice of entity decisions after the TCJA.

Justin is RSM's Ohio automotive industry practice leader and is a member of RSM's national automotive industry team. He works with a variety of tier 1 and tier 2 automotive suppliers on tax and accounting implications of major industry trends, including the automotive expansion in Mexico, the impact of rising CAFE/fuel economy standards, customs duty issues related to import/export activities and other automotive industry issues.

Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- The Ohio Society of CPAs
- Wright State Accountancy Department Advisory Board
- Big Brothers/Big Sisters of Greater Miami Valley, board of trustees, past chairperson

Education

- Master of Science, taxation, University of Cincinnati
- Bachelor of Arts, accounting, Wright State University
- Leadership Dayton 2007

May 11, 2020

MEMORANDUM TO:	The Honorable Mike DeWine, Governor The Honorable Jon Husted, Lt. Governor
FROM:	Kimberly Murnieks, Director
SUBJECT:	Monthly Financial Report

Report Overview:

LEADING ECONOMIC INDICATORS

Leading economic indicators fell sharply in March. The consensus among forecasters is for an unprecedented decrease in real GDP in the second quarter, followed by a strong recovery starting in the second half of the calendar year, but still leaving the economy approximately the same size at the end of 2021 as it was at the end of 2019.

20.5 MILLION JOB DECREASE

U.S. nonfarm payroll employment decreased by a record 20.5 million jobs in April, about triple the number lost during the 2007-09 recession. The unemployment rate increased from 4.4 percent to 14.7 percent, the highest value seen since the Great Depression.

SALES TAXES BELOW ESTIMATE

GRF non-auto sales and use tax collections in April totaled $680.5 million and were $146.2 million (-17.7%) below the estimate. There remain many questions whose resolution will shape the performance of the non-auto sales tax in the coming months, most revolving around how soon citizens adapt and create conditions to mitigate the spread of COVID-19, thereby returning to some semblance of "normal consumer activity".

4.8 PERCENT DECLINE

Real GDP contracted at an annual rate of 4.8 percent in the first quarter – the first quarterly decrease since the 1.1 percent decrease in the first quarter of 2014 and the largest setback since the 8.4 percent decrease in the fourth quarter of 2008. The decline in real GDP in the first quarter is the eighth largest on record dating back to 1947, tied with the second quarter of 1975.

50.5 PERCENT BELOW ESTIMATE

April GRF personal income tax receipts totaled $622.3 million and were $635.7 million (-50.5%) below the budgeted estimate. Year-to-date, personal income tax revenue is $675.7 million (-9.2%) below estimate. The remainder of fiscal year 2020 will continue to be impacted by the postponement of income tax filing dues dates until

Economics of Epidemics and Pandemics

As Coronavirus spread around the world, economic activity around the globe, the nation and in Ohio declined rapidly. Fighting the disease is only half the battle. The other half is managing the economic effects of both the pandemic and our response to it. Given these unprecedented circumstances, this month's report opens with a special section providing a brief primer on the economic impacts of past pandemics.

Measuring the Cost of Diseases

Changes in gross domestic product (GDP) are a typical way to measure the economic impacts of historic events; however, the economic effects of an epidemic or pandemic cannot simply be measured by the reduction in GDP. Although it is a strong overall measure, there are two additional, broader types of costs that should be considered.

- The first type of costs are the actual disease-related costs. These include the direct costs of medical treatment such as medicines, doctors' visits, and hospitalizations. Also included here are indirect costs such as the loss of productivity due to illness and or death.

- Second are the economic losses due to mitigation and prevention of the disease. These include the costs incurred to avoid the disease, for example purchasing face masks; closing schools, restaurants, and retail stores; and, unemployment due to disease-related closures.

Economic Effects of Historic Epidemics and Pandemics

According to the Centers for Disease Control (CDC), the 2003 SARS outbreak infected just over 8,000 people in 26 countries, with 774 deaths[1]. Studies that only look at disease-related costs find that SARS had a minimal impact on the global economy. These studies demonstrated a reduction in GDP of approximately 0.6-0.7 percent in Taiwan and 1.1 percent in China and Singapore specifically related to SARS[2]. The SARS outbreak lasted for a relatively short period and there was a rapid return to normal after the perceived risk of the disease was reduced[3]; however, a World Bank study concluded that the economic losses during the SARS epidemic were disproportionate to the number of infected individuals[4]. While the economic costs drastically outweighed the disease-related costs, it is difficult to know what these costs would have been without the preventative measures.

In the mid-2000s, with rising concerns about the H5N1 Avian Flu epidemic, Australian researchers modeled the effects of four pandemic scenarios (mild, medium, severe, and ultra)[5]. The mild scenario was modeled after the Hong Kong flu of 1968-69; the moderate after the 1957 Asian flu; and the severe case is based on the 1918-19 Spanish flu. The ultra-scenario is modeled after the 1918-19

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[1] Centers for Disease Control. Fact Sheet: Basic Information about SARS, last modified December 6, 2017. https://www.cdc.gov/sars/about/fs-sars.html.
[2] Brahmbhatt, Milan, and Arindam Dutta. *On SARS type economic effects during infectious disease outbreaks*. The World Bank, 2008.
[3] Keogh-Brown, Marcus Richard, and Richard David Smith. "The economic impact of SARS: how does the reality match the predictions?." *Health policy* 88, no. 1 (2008): 110-120.
[4] Brahmbhatt, Milan, and Arindam Dutta. *On SARS type economic effects during infectious disease outbreaks*. The World Bank, 2008.
[5] McKibbin, Warwick J., and Alexandra Sidorenko. *Global macroeconomic consequences of pandemic influenza*. Sydney, Australia: Lowy Institute for International Policy, 2006.

Spanish flu, but simulated using higher morbidity in the older population and adding a severe economic slowdown. The authors modeled the effects of each scenario in 20 countries or regions and in six sectors of the economy. They conclude that even the "mild" scenario was estimated to cost 1.4 million lives and the global economy 0.8 percent GDP (approximately $330 billion in 2006 dollars). In the "ultra" scenario, 142.2 million lives would be lost worldwide, and the global economy would contract by 12.6 percent (approximately $4.4 trillion in 2006 dollars). The table below shows the results for the United States in each of the four scenarios.

Deaths and Changes in GDP in the U.S. under Four Simulated Pandemic Scenarios

	Mild	Moderate	Severe	Ultra
Approx. Number of Deaths	20,000	200,000	1.0 million	2.0 million
Estimated change of GDP in U.S.	-0.6%	-1.4%	-3.0%	-5.5%

Source: McKibbin, Warwick J., and Alexandra Sidorenko. *Global macroeconomic consequences of pandemic influenza*. Sydney, Australia: Lowy Institute for International Policy, 2006.

As of May 6, 2020, there have been over 70,000 deaths in the United States[6], 1,225 of whom were Ohio residents[7]. While the death toll in the United States suggests that Coronavirus may be following the "moderate" scenario, the anticipated reduction in GDP is more like that estimated by the "ultra" scenario. Much like the 2003 SARS outbreak, it appears that the economic costs of the COVID-19 will exceed the disease-related costs. By "flattening the curve" in the Ohio and the U.S. more broadly, we have saved lives and severely minimized the disease-related costs that would have been incurred without the strong prevention and mitigation efforts that were put in place.

Economic Outlook Improves with Social Distancing Measures

A new study by members of the Federal Reserve and faculty at Massachusetts Institute of Technology[8] demonstrated that the 1918 Influenza Pandemic lead to a sharp and persistent reduction in economic activity. The authors found evidence of negative effects on both economic supply and demand. However, cities that implemented rapid and aggressive non-pharmaceutical health interventions (e.g., wearing masks and implementing social distancing rules that closed sectors of the economy) experienced a relative increase in economic activity after the pandemic. Although it may be too soon to tell, the authors note that anecdotal evidence suggests parallels between the current pandemic and the results from the 1918 Influenza Pandemic. Taiwan has limited the number of new infections through strong social distancing measures, and at this time seems to have mitigated economic disruptions caused by the pandemic.

First Estimates of Economic Effects of COVID-19

While it will take many years to determine the true economic costs of the COVID-19 pandemic, the first estimates are starting to be published. In February 2020 (before the World Health Organization declared a pandemic, and before *any* stay-at-home orders were issued in the United States), the

[6] Centers for Disease Control, "Coronavirus Disease 2019 (COVID-19): Cases in the U.S." accessed May 6, 2020. https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html
[7] Ohio Department of Health. "Coronavirus (COVID-19) Dashboard" accessed May 6 2020. https://coronavirus.ohio.gov/wps/portal/gov/covid-19/dashboards.
[8] Correia, Sergio, Stephan Luck, and Emil Verner. "Pandemics depress the economy, public health interventions do not: Evidence from the 1918 flu." 2020. Available at SSRN: https://ssrn.com/abstract=3561560 or http://dx.doi.org/10.2139/ssrn.3561560.

European Parliament released a report that stated "[A]ccording to assumptions and estimates from rating agency S&P, COVID-19 could reduce the baseline GDP growth rate for 2020 for the world by 0.3 percentage point (ppt); for China by 0.7 ppt; for Asia-Pacific by 0.5 ppt; and for the USA and Europe by 0.1 to 0.2 ppt."[9] As we now know, the disease has progressed and so have the economic effects, as well as our response.

In the United States, economists are predicting significant reductions in GDP, and small businesses are likely to bear a substantial brunt of these costs. Researchers at the Harvard University and the University of Chicago[10] recently released results from a survey of 5,819 small business owners (business with fewer than 500 employees) in the United States. At the time of the survey, 43 percent of respondents' businesses were closed. This measure suggests a shock to the economy not seen since the Great Depression. The authors also found that many small businesses have little cash on hand to weather the storm. As of March 2020, 38 percent of the survey respondents thought it was "unlikely", or only "somewhat likely" that they would reopen before the end of the calendar year. Specifically, businesses in industries such as restaurants, tourism and personal services projected they will find it extremely difficult to reopen (if at all), if the crisis lasts more than four months. While federal economic relief policies may relieve some of the pressure on small businesses, it is unclear if it will be enough to sustain them through the crisis.

The Shape of Economic Recovery

Economists worldwide are debating many different scenarios of how the economy will recover. Most scenarios suggest a return to the pre-pandemic baseline; the question then becomes how long that return will take. The anticipated economic activity over time can be described by a letter or symbol for each scenario. There are numerous outcomes being discussed, but these are five of the most common predicted for the United States[11,12].

- In the "V-shaped" recovery scenario, economists presume that once stay-at-home orders are lifted, economic activity will quickly return to normal. Factories and services reopen smoothly, and unemployment recedes. There would be some economic losses that are not recoverable, for example from restaurant meals not eaten, and trips not taken are foregone rather than delayed. Otherwise the economy will bounce back to the pre-pandemic baseline relatively quickly.

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[9] Delivorias, Angelos and Nicole Scholz. "Economic impact of epidemics and pandemics." The European Parliament. 2020.

[10] Bartik, Alexander W., Marianne Bertrand, Zoë B. Cullen, Edward L. Glaeser, Michael Luca, and Christopher T. Stanton. *How are small businesses adjusting to COVID-19? Early evidence from a survey*. No. w26989. National Bureau of Economic Research, 2020.

[11] Sheiner, Louise and Kadija Yilla. "The ABCs of the post-COVID economic recovery." The Brookings Institute, last modified May 4, 2020. https://www.brookings.edu/blog/up-front/2020/05/04/the-abcs-of-the-post-covid-economic-recovery/.

[12] Kennedy, Simon and Michelle Jamriso. "V, L or 'Nike Swoosh"? Economists Debate Shape of Global Recovery." Bloomberg, last modified April 1, 2020. https://www.bloomberg.com/news/articles/2020-04-02/economists-debate-shape-of-a-global-recovery-after-coronavirus

- In a “U-shaped” recovery scenario, social distancing measures are prolonged. Manufacturing and other workplaces take their time to return to full capacity and not everyone gets their job back. As a result, consumers are slow to return to restaurants and shops. GDP remains low for a while but then recovers back to baseline.

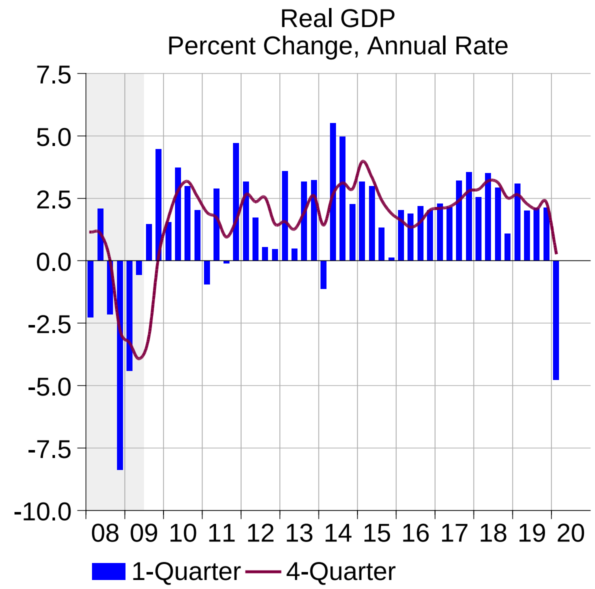
- In the “Nike swoosh” or “check mark” recovery scenario there are phases to recovery. As social distancing restrictions are lifted, economic activity increases sharply at first, but governments, businesses, and consumers are hesitant to spend, and it takes a longer time for the economy to reach its pre-pandemic state.

- There is also the possibility of a “W-shaped” recovery. This could occur if social distancing restrictions are loosened too quickly, resulting in a second surge of COVID-19 cases and then another round of business closures. In this case, the second reduction in economic activity would likely not be as severe as the initial one, but predictions of recovery are pushed further into the future.

- The “L-shaped” recovery is the most pessimistic, suggesting that the pandemic could have a permanent impact on the economy. After the sharp decline from COVID-19 related closures, the economy does not return to baseline, but rather growth parallels the pre-pandemic baseline at a lower level. People continue to cut spending services and travel and unemployment does not recover fully. Debts built up before and during the pandemic become hard to pay down, creating a spiral of bankruptcies. Although the federal government would potentially step in with additional policies to stimulate demand, it would be a long, slow recovery.

There are still too many unknowns about the coronavirus pandemic today to accurately predict the shape of the economic recovery. Without a vaccine or major improvements in the treatment, economic activity is unlikely to fully return to its pre-pandemic baseline quickly. Even after government restrictions are lifted, some business owners may delay reopening for a lack of personal protective equipment, and others will face delays as they innovate their business plans to allow for more space between workers, customers, or both. It is unclear how quickly consumers will return to shopping, dining out, and travelling. As Ohio begins Responsible Restart, more data will become available to inform our economic recovery. Ohio’s economy was strong going into the pandemic. As a result of pragmatic decisions to stay-at-home, we have already seen a flattening of the health curve. The evidence cited above suggests cautious optimism about Ohio’s economic recovery.

Economic Activity



Real GDP contracted at an annual rate of 4.8 percent in the first quarter – the first quarterly decrease since the 1.1 percent decrease in the first quarter of 2014 and the largest setback since the 8.4 percent decrease in the fourth quarter of 2008. The decline in real GDP in the first quarter is the eighth largest on record dating back to 1947, tied with the second quarter of 1975. The largest quarterly decline on record is 10.0 percent in the first quarter of 1958.

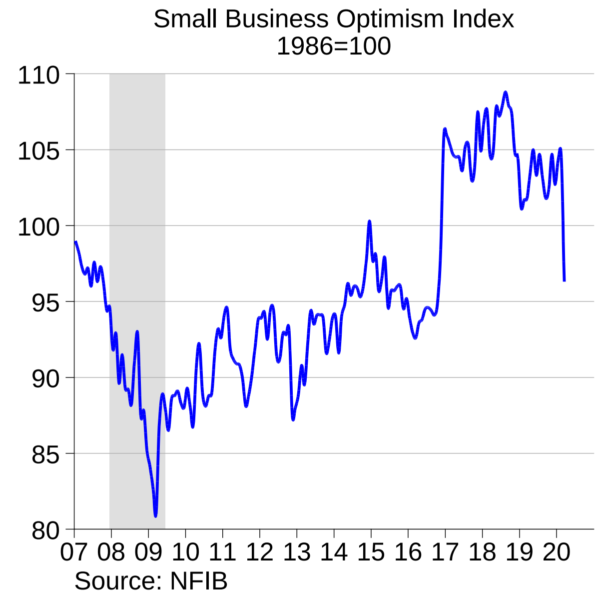
The first-quarter decrease in real GDP reflected negative contributions from personal consumption expenditures (-5.3%), nonresidential fixed investment (-1.2%), exports (-1.0%), and the change in private inventories (-0.5%). Partially offsetting these declines were positive contributions from residential fixed investment (0.7%), and government spending (0.1%). Imports, which are included in the above categories and then subtracted in a separate category, decreased, effectively adding to other categories by a total of 2.3 percent.

The steep contraction occurred largely in the second half of March, as patterns in monthly data had led to rising expectations for the quarter as late as mid-month. Aggregate demand weakened quickly and substantially as governments enacted measures to slow the spread of COVID-19. The effects of these measures on first-quarter real GDP cannot be quantified because they are internal to source data and therefore cannot be separately identified.

High-frequency data confirm that weakness continued into the second quarter. For example, after surging to the extraordinary level of approximately 10 million in March, national unemployment insurance claims doubled to roughly 20 million in April, although the week-to-week tally declined during the month. The total airline traveler count published by the TSA fell to about 95 percent below the year earlier level in March and remained at about that level into early May. Revenue per available hotel room in the last week of April was down 76.8 percent from a year earlier, up somewhat from 83.6 percent in mid-April but still depressed, according to STR, a provider of global hospitality sector data. Finally, movie box office revenue remained depressed through April, according to Box Office Mojo, a website that systematically tracks box office revenue.

Business confidence has understandably weakened. The Conference Board Measure of CEO Confidence decreased from 43 in the fourth quarter last year to 36 in the first quarter – a level last observed during the 2007-09 recession. A follow-up survey revealed a further decline to 34 in April. A reading below 50 reflects more negative than positive responses. The weakness in the index primarily reflected assessments of current conditions. Views of CEOs about the near-term outlook were less negative.

Sentiment among small business owners also has deteriorated, according to the Index of Small Business Optimism from the **National Federation of Independent Business (NFIB)**. The Optimism Index fell 8.1 points in March to 96.4, registering the largest month-to-month decrease in the history of the survey. Nine of the ten index components decreased, led by an increase of twelve points in the NFIB Uncertainty Index. Reports of expectations for better business conditions six months from now dropped 17 points to a net of 5 percent. Expectations of real sales over the next six months decreased by 31 points to -12 percent. Only 13 percent of firms said this is a good time to expand, half the number from a month earlier.



The Ohio economy contracted in March. The **Ohio coincident economic index** from the Philadelphia Federal Reserve decreased 2.2 percent for the first decline since April 2018 and the largest-ever dating back to 1979. The six-month smoothed rate of change fell from 2.1 percent in February to -2.3 percent in March. The index is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.

The diffusion of **state-level coincident economic indexes** also deteriorated in March to recession levels. The level of the index was lower than the month before for thirty-four states, up from seven the month before and only one the month before that. Compared with three months earlier, the index was lower for twenty-nine states, up from four states the month before and none the month before that.

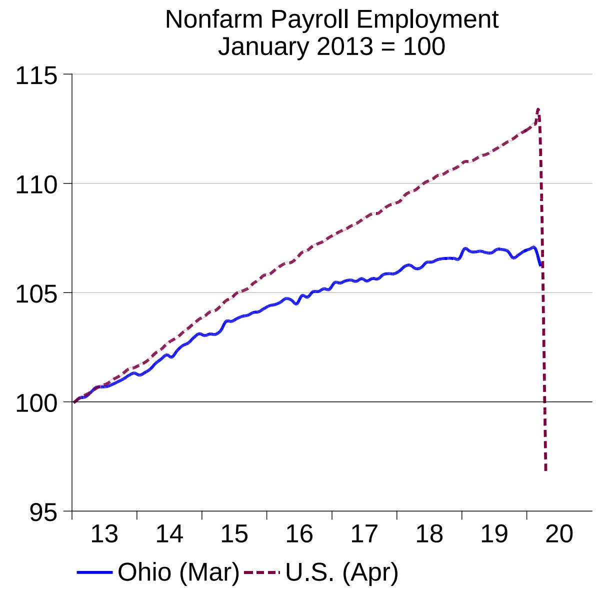
The Conference Board's composite **Leading Economic Index** (LEI) decreased 6.7 percent in March, the largest month-to-month decline in the 60-year history of the index. The decrease was broad-based among its components. The largest negative contributions came from initial jobless claims and stock prices. The sharp drop in March resulted from the sudden halt in business activity due to the COVID-19 pandemic and suggests that the contraction will be very deep.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is contracting at an unprecedented rate in the second quarter; however, predictions about the level of contraction vary widely.

The consensus is that the economy will begin to grow again in the third or fourth quarter of the calendar year at a rapid pace, with strong growth continuing through 2021. Even so, the consensus is for the economy to be approximately the same size at the end of 2021 as it was at the end of 2019.

Source	Date	2020-Q2 GDP Forecast
Atlanta FRB (GDPNow)	5/5/20	-17.6%
New York FRB (Nowcast)	5/1/20	-9.3%
Blue Chip	5/5/20	-28% (-18% to -37%)
IHS GDP Tracker	5/8/20	-37.5%

Employment



Nonfarm payrolls across the country decreased by a record 20.5 million jobs in April, about triple the number lost during the entire 2007-09 recession. Weakness was widespread, as only 7.2 percent of the 258 industries tracked reported higher employment than six months earlier, also a record in data back to 1991.

Sector job losses were greatest in leisure and hospitality, where a 7.7 million job decline represented 37 percent of the total. Restaurants and bars accounted for 5.5 million of lost jobs in the sector. Other concentrations of weakness included the education and health services sector, where 2.5 million jobs were lost, mainly in the ambulatory health care services (-1.2 million) and social assistance (-650,600) industries. Within the ambulatory health care services segment, employment fell at offices of physicians (-243,300) and offices of dentists (-503,300). Employment in the professional and business services sector declined by 2.1 million jobs, including an 841,900 job decline in temporary help services.

Retail trade employment fell by 2.1 million jobs with notable losses occurring at clothing and clothing accessories stores (-16,300), furniture and home furnishing stores (-739,600), auto dealers (-264,600), and furniture and home furnishing stores (-209,000). Interestingly, employment actually increased in the sub-category of general merchandise stores that includes warehouse clubs and supercenters (93,400).

Construction employment fell by 975,000 jobs, with weakness focused in specialty trade contractors (-690,500). Manufacturing employment fell by 1.3 million jobs, with losses in durable goods industries accounting for about two-thirds. Employment also declined in government (-980,000), financial activities (-262,000), and information (-254,000). Within government, employment increased by 1,000 at the federal level and fell at both the state (-180,000) and local (-801,000) levels. The decrease in local government employment occurred both inside and outside of education.

The **unemployment rate** jumped from 4.4 percent to a post-war record-high 14.7 percent in April, as **total employment** decreased by 22.4 million workers. The effect of unemployment could be much greater, considering that the rate would have been almost 5 percentage points higher if workers who were recorded as employed but absent from work due to "other reasons" had been classified as unemployed or on temporary layoff, according to the Bureau of Labor Statistics. The unemployment rate likely has continued to increase in May, judging from the still-elevated rate of initial jobless claims.

The **labor force participation rate** decreased by 2.5 percentage points to 60.2 percent, the lowest since January 1973 when it was 60.0 percent. The **employment-to-population** ratio fell by 8.7 percentage points to 51.3 percent, the largest monthly drop and the lowest level in the dataset extending back to 1948.

Total **number of hours worked** – a broad measure of labor input – fell by 14.9 percent in April, the largest decline in data through 1964. **Average hourly earnings** for all employees on private nonfarm payrolls increased by $1.34 to $30.01, reflecting the disproportionate number of layoffs among lower-paid positions.

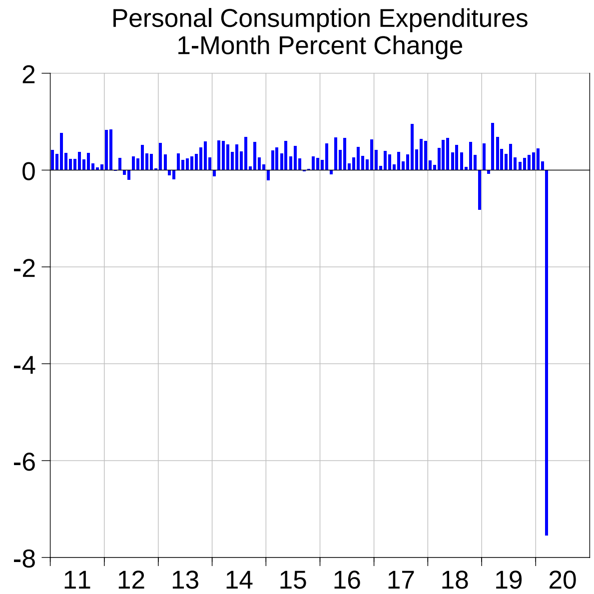
Ohio nonfarm payroll employment decreased by 39,700 jobs in March and the unemployment rate jumped from 4.1 percent, where it had stood for six months, to 5.5 percent. The sharp rise in claims for unemployment compensation during the last two weeks of March and the continued elevated level through April and into early May indicates that employment has continued to fall. Initial jobless claims have declined from their peak at the end of March (274,288) but remained much higher than normal at the end of April and start of May (61,046 vs. a normal below 10,000).

All sectors were negatively affected in March, led by Leisure and Hospitality (-27,000), Trade, Transportation, and Utilities (-4,400), and Education and Health Services (-2,200). No sector posted higher employment on the month. Compared with a year earlier, employment declines were led by Leisure and Hospitality (-19,500), Government (-6,600), and Manufacturing (-3,900). Employment was higher than a year earlier only in Educational and Health Services (7,500) and Construction (1,900).

Consumer Income and Consumption

The household sector took a sudden negative turn in March in response to measures implemented to address the COVID-19 pandemic. **Personal income** decreased 2.0 percent in the month, while **wage and salary disbursements**, which make up more than half of personal income, decreased 3.1 percent. The decline in wage and salary disbursements reflected a 1.1 percent decrease in aggregate hours worked that outweighed a 0.4 percent rise in average hourly earnings. The waterfall decline in employment during April is sure to have reduced income by a much larger amount.

Personal consumption expenditures (PCE) decreased by 7.5 percent in March, the largest monthly decline on record dating back to 1959. Spending on nondurable goods increased 3.1 percent in March due to a 19.8 percent increase in purchases of food for off-premises consumption, which was partially offset by a 15.2 percent decline in purchases of gasoline and other energy goods.



Spending on durable goods fell 15.1 percent, led by a 26.5 percent drop in motor vehicles and parts, accompanied by smaller declines in spending for furnishing and durable household equipment (-8.6%) and recreational goods and vehicles (-6.9%). Unit sales of **light motor vehicles** decreased from 16.7 million in February to 11.4 million in March. Sales fell further to an estimated 8.6 million in April, which would be the lowest on record dating back to 1976.

The bulk of the pullback in consumer spending in March occurred in purchases of services, which fell 9.5 percent, reflecting decreases in spending on health care (-16.1%), restaurants and hotels (-26.4%), recreation services (-29.5%), and transportation services (-25.5%), in order of largest to smallest dollar decline. The spending declines in these four areas accounted for nearly 90 percent of the overall decline in consumer spending in March.

Government stabilization programs will provide support to consumer spending in the months ahead, but some relief measures remain weeks away. In the meantime, **consumer attitudes** have deteriorated markedly. The Conference Board Consumer Confidence Index decreased by 31.9 points, or 26.9 percent, in April following a 13.8 point decline the month before. The April drop was the largest in a single month on record and is emblematic of the shift in consumer attitudes that have produced sweeping changes in behaviors.

A massive deterioration in assessments for current conditions was entirely responsible for the decline in the overall index, as expectations actually improved. The Present Situation Index fell by 90.3 points, or 54.2 percent, which is more than three times larger than the previously largest monthly decline on record. The Labor Index – the percentage of respondents characterizing jobs as plentiful minus the percentage saying jobs are hard to get – flipped from a positive 29.5 in March to a negative 13.6 in April.

The Expectations Index increased by 7.0 points, as consumers see much-improved conditions in six months. Even so, the share of respondents planning to purchase motor vehicles in the next half-year fell to 7.5 percent, the lowest in almost ten years. The share planning to make other large ticket purchases also fell to a long-time low.

Taken as a whole, the latest survey results indicate that consumers expect restrictions to ease and the economy to revive soon, creating both an opportunity and a risk to the outlook.

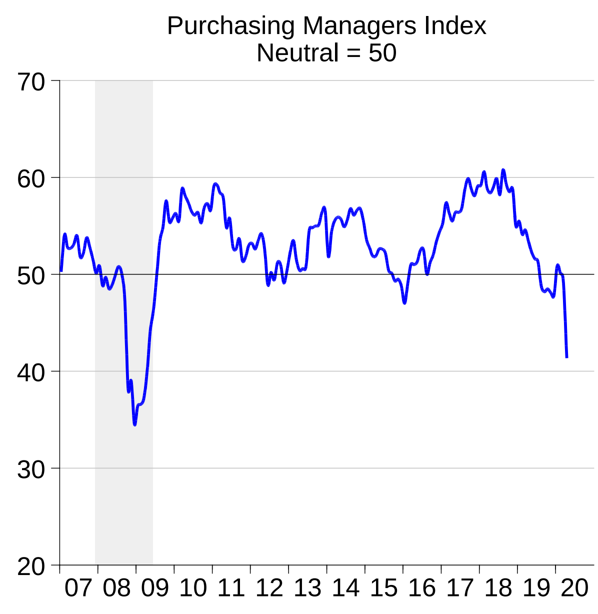
Industrial Activity

Total **industrial production** decreased 5.4 percent in March, as the pandemic started to hit. **Manufacturing** production decreased by 6.3 percent, the twelfth largest monthly decline in the more than 100-year record. Considering that factory closures started in mid-March and accumulated through April, another large decrease in industrial production, particularly in manufacturing, is expected for April.

Among the eleven monthly declines that have been larger, two occurred in the 1920 depression, five occurred during the 1930s great depression, and four occurred in 1945-46 as the economy started transitioning from war-time to peace-time production.

The durable goods sector was the source of the largest negative contribution. Within durable goods, which fell 9.1 percent, the motor vehicles and parts industry was the largest contributor, falling by 28.0 percent. Major declines of between 8 percent and 10 percent occurred in fabricated metal products, aerospace and miscellaneous transportation equipment, furniture and related products, and miscellaneous manufacturing. Production in the nondurable goods sector decreased 3.2 percent, with declines widespread across industries.

Among industries that account for large shares of manufacturing employment in Ohio – in addition to motor vehicles and parts – production fell 8.3 percent in fabricated metal products, 5.6 percent in machinery, and 2.8 percent in primary metals. All were notably lower than a year ago.



The **Purchasing Managers Index** (PMI) fell from just below the neutral level of 50 in March to 41.5 in April in the worst showing since the 2007-09 recession. The new orders index fell from 42.2 to 27.1 – the lowest level since December 2009, and the production index fell from 47.7 to 27.5 – the lowest level on record dating back to January 1948. The abrupt and substantial deterioration in assessments from purchasing managers in manufacturing is consistent with contraction not only of the manufacturing sector, but also of the economy at large.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, two reported growth in the latest month (paper products and food, beverage, and tobacco products), down from ten in the previous month. Among industries with a major effect on Ohio manufacturing employment, transportation equipment, fabricated metal products, machinery, and primary metals reported contraction, in order of the breadth of the contraction.

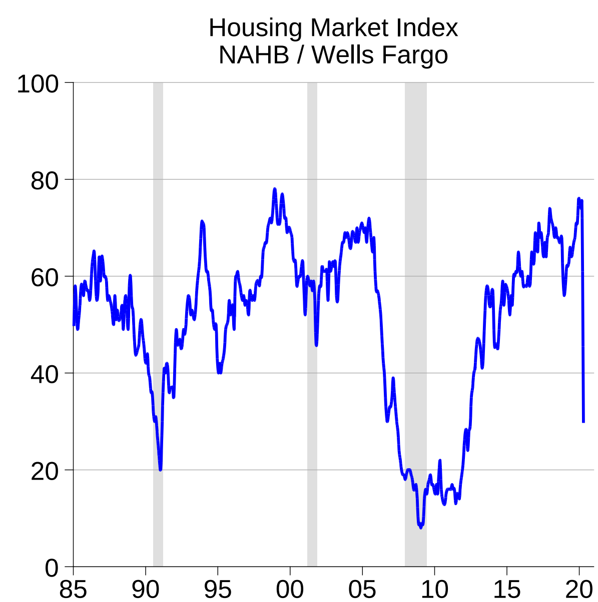
A source in the transportation equipment industry reported that “COVID-19 has created a wave of activities, including vendors closing, vendors focusing only on the medical industry, employees not coming to work, [and] delayed shipments from overseas.” A contact in the fabricated metals industry said that even though the construction industry has been hit less hard than others, weakness there is beginning to affect his company’s business and create challenges.

Construction

Construction put-in-place increased 0.9 percent in March, but the February change was revised lower from -1.3 percent to -2.5 percent. Private sector construction increased 0.7 percent after a 3.1 percent decline the month before. The increase resulted from a 2.3 percent rise in residential that followed a 4.8 percent drop the previous month, and a 1.3 percent decline innonresidential, which was the third in four months.

Within residential, increases in multi-family (2.0%) and improvements (10.2%) outweighed a 2.0 percent decline in single-family. The strength in residential in March might be misleading, because it came almost entirely from improvements, which had increased an unusual 17.9 percent in February and are known to be unreliable estimates. Within nonresidential, weakness was most pronounced in power and commercial, with no areas of strength.

Housing activity weakened in March as all aspects of the industry struggled. **Housing starts** decreased 8.0 percent in March on a three-month moving average basis, reflecting a 6.5 percent decline in single-family and a 10.8 percent drop in multi-family. Both categories had been gaining strength since the middle of 2019. Declines were large in the Midwest, with both single-family (-12.7%) and multi-family (-17.7%) pulling down total starts by 14.0 percent on a three-month moving average basis. The more-forward-looking permits data showed a similar, but not quite as weak, pattern.



New and existing **home sales** decreased in March, falling 1.6 percent and 4.3 percent, respectively. In the Midwest, sales of new homes edged down 0.3 percent and sales of existing homes fell by 1.9 percent. The loss of jobs, heightened un-certainty created by the pandemic, and the logistical obstacles to home search and purchase have begun to take a toll.

Not surprisingly considering the economic backdrop, homebuilders reported very steep declines in activity in April. The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) plunged from 72 in March to 30 in April. The index was lower in the 1990-91 and 2007-09 recessions, but the change from March to April was more than four times larger than the previous record. The HMI for the Midwest fell from 67 to 25.

REVENUES

The impact of the COVID-19 pandemic was evident in April tax revenues, particularly in the personal income and sales taxes. Non-auto sales tax also performed substantially below estimate while auto sales tax dropped by more than one-half from estimate and from the prior year. The personal income tax was dramatically impacted both by the economic downturn and by the postponement of the filing and payment dates for annual returns and the quarterly estimated tax returns. Even considering that much of the overall April shortfall was timing related (the reduced April revenue from changes of income tax payment dates will be mostly made up in early fiscal year 2021), the month’s revenue decline was nonetheless historic in scale and sweep.

Even as the state begins to emerge from the stay-at-home phase of the pandemic response and economic activity ramps up, revenues will remain well below estimate during the remainder of this year. The remainder of fiscal year 2020 will also be impacted by the postponement of income tax filing due dates until July 2020. Accordingly, negative year-to-date performance of income tax will likely accumulate during the next several months. Non-auto sales tax and auto sales tax can also be expected to remain below estimate through the remainder of the fiscal year.

April GRF receipts totaled $2,322.6 million and were $867.5 million (-27.2%) below estimate, primarily due to GRF tax revenues. For the month, tax revenues were $866.5 million below estimate (-35.3%). Non-tax receipts and transfers, excluding Federal grants, were $7.4 million (14.3%) above estimate. Federal grants receipts were $8.4 million (-1.2%) below estimate.

For the year, total GRF revenues are $634.3 million (-2.3%) below estimate. After being above estimate through March, tax revenues are now $777.0 million (-4.0%) below estimate. More broadly, total non-federal revenues through April are $716.2 million (-3.6%) below estimate. Federal grants are $81.9 million (1.0%) above estimate.

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	-$777.0	-4.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$134.1	1.6%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$8.5	12.4%
TOTAL REVENUE VARIANCE:		**-$634.3**	**-2.3%**
Non-federal revenue variance		**-$716.2**	**-3.6%**
Federal grants variance		**$81.9**	**1.0%**

For the month, the largest overage relative to estimate occurred with the cigarette and other tobacco products tax, at $14.3 million (20.5%). There were only two other material overages for the month: earnings on investments were $6.9 million (25.2%) above estimate, and licenses & fees exceeded estimate by $2.3 million (22.6%).

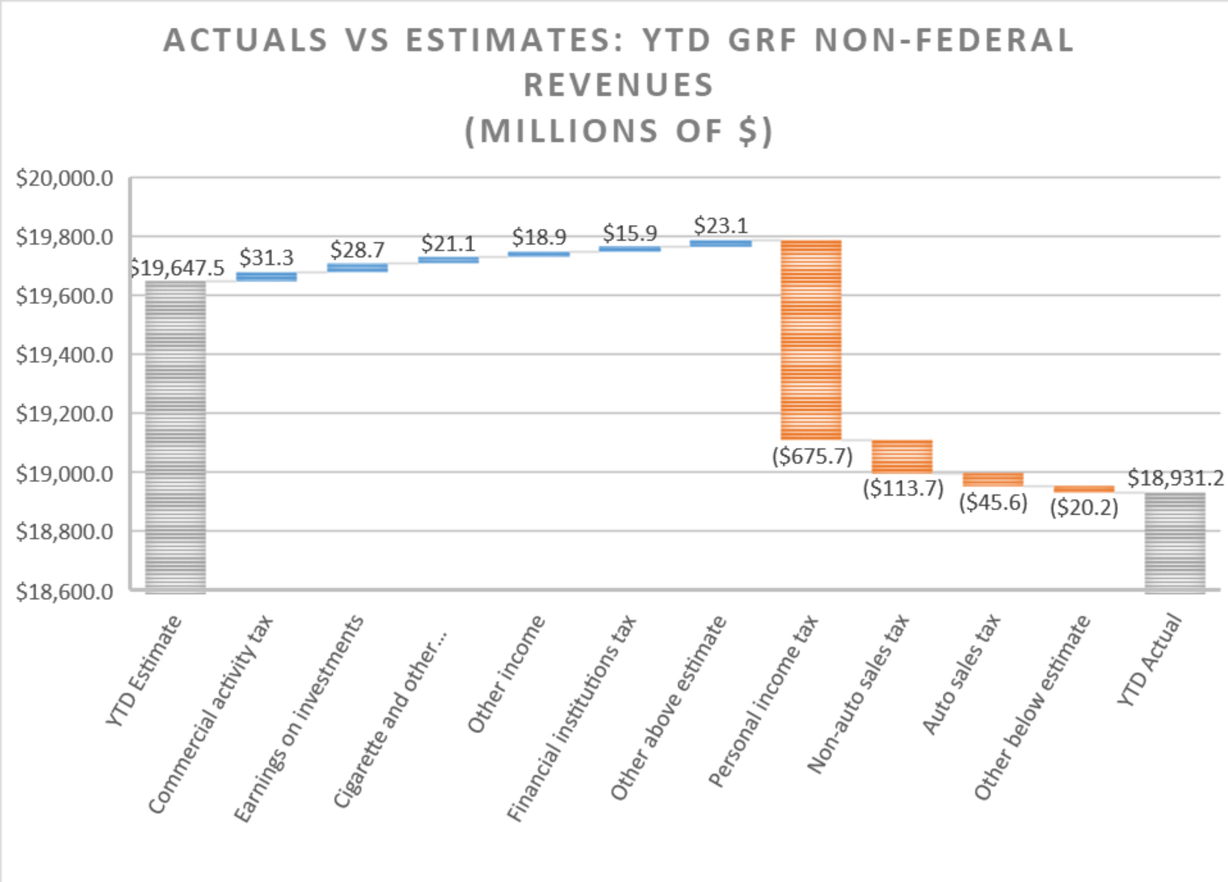
The personal income tax provided the largest shortfall from estimate in April, at $635.7 million (-50.5%), as elaborated on further below. The next largest negative deviation from forecast was for the non-auto sales tax at $146.2 million (-17.7%), followed by auto sales tax at $90.5 million (-57.3%), Federal grants at $8.4 million (-1.2%), and commercial activity tax at $7.8 million (-$11.1%).

The table below shows that sources underperforming relative to estimate (a variance totaling $893.5 million) in April far outweighed the size of revenue overperformers (an excess of $26.0 million), resulting in a $867.5 million net negative variance from estimate. Nearly three-quarters (73.3%) of the month's net revenue underperformance is attributable to the personal income tax.

GRF Revenue Sources Relative to Monthly Estimates – April 2020
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Cigarette and other tobacco products tax	$14.3	Personal income tax	($635.7)
Earnings on investments	$6.9	Non-auto sales tax	($146.2)
Licenses and fees	$2.3	Auto sales tax	($90.5)
Other sources above estimate	$2.5	Federal grants	($8.4)
		Commercial activity tax	($7.8)
		Other sources below estimate	($4.9)
Total above	**$26.0**	**Total below**	**($893.5)**

(Note: Due to rounding of individual sources, the combined sum of sources above and below estimate may differ slightly from the total variance.)



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues through April. It paints a starkly different picture from February and even from March, when auto and non-auto sales taxes were still above estimate and personal income tax was only slightly below estimate. This month's chart graphically depicts the major year-to-date shortfalls of three significant revenue sources, especially the outsized influence of personal income tax performance relative to estimate.

On a year-over-year basis, monthly receipts were $845.4 million (-26.7%) lower than in April of the previous fiscal year. The vast majority of the net decline was due to personal income tax revenue performance, which was $707.4 million (-53.2%) below last year. Other large declines occurred for non-auto sales tax which was $98.3 million (-12.6%) less than last April and auto sales tax which fell by $92.0 million (-57.7%). Cigarette and other tobacco products tax showed the only notable increase in revenue, at $11.0 million (15.1%).

For the year, total revenues are now $201.6 million (-0.7%) below last year, after being up $643.8 million through the previous month. The source with the highest growth is Federal grants at $298.1 million (3.7%). Non-auto sales tax remains above estimate despite the major decline in April, at $212.1 million (2.8%). Personal income tax revenue accounts for the largest decline at $773.0 million (-10.4%).

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in April totaled $680.5 million and were $146.2 million (-17.7%) below the estimate. After being above estimate, year-to-date non-auto sales tax revenue is now below forecast by $113.7 million (-1.5%). In April, non-auto GRF sales tax revenue declined by $98.3 million (-12.6%) from the previous year; however, for the year-to-date non-auto sales tax revenue has grown by $212.1 million (2.8%) over last year.

Although March's non-auto sales tax performance (-9.7% from estimate) was the first indication of a decline in economic activity caused by COVID-19, April's performance was substantially worse. The more pronounced April decline was anticipated since it was known that April revenue would, for all intents and purposes, reflect an entire month's worth of reduced economic activity. More specifically, April non-auto sales tax revenue reflected a composite of March and April consumption. Approximately one-half of a given month's revenue emanates from anticipated activity in the current month (from those larger vendors required to make "accelerated" payments equal to 75 percent of their estimated sales tax liability for sales in the month of April); the other half is from activity occurring in the previous month (comprised of any remaining tax owed by accelerated vendors on their March activity, and the tax paid by smaller, non-accelerated vendors on their March sales).

Beginning in the middle of March, many segments of the consumer economy were substantially reduced or even closed in response to the stay-at-home order, business closure orders, and other actions taken to successfully "flatten the curve" of the COVID-19 pandemic in Ohio. The closure of restaurants and entertainment venues were among those most adversely affected by the orders, contributing to the economic contraction. Many other retailers and numerous service enterprises – among them, hotels, general merchandisers, clothing stores, and other discretionary durable and non-durable goods retailers (e.g., furniture stores) – were also closed, although delivery-only transactions (e.g., online sales) mitigated some of that economic loss. It should also be noted that some consumer spending shifted to other retail segments during March and April, most notably to online sales, grocery stores, and prepared food for take-out or delivery. However, Ohio does not tax food that is consumed off-premises, so there would have been only a modest gain in sales tax revenue from food-related establishments (i.e., on their taxable products whose sales benefited from increased foot traffic or heightened consumer demand).

There remain a myriad of questions whose resolution will shape non-auto sales tax performance for the foreseeable future. Most of those questions ultimately involve how soon citizens adapt and create conditions to mitigate the spread of COVID-19, thereby returning to some semblance of "normal consumer activity".

Auto Sales Tax

April auto sales tax revenues were $67.4 million, which is $90.5 million (-57.3%) below the estimate. Year-to-date auto sales tax revenues are now $45.6 million (-3.6%) below the estimate, overturning the overage that accumulated through March. April auto sales tax revenues were $92.0 million (-57.7%) below the prior year, and year-to-date revenues are $12.5 million (-1.0%) below the previous year.

Based on a seasonally adjusted annual rate (the amount of sales that occurred during the month after being adjusted for seasonal fluctuations and expressed as an annualized total), U.S. sales of new light vehicles in March are estimated at 8.3 to 9.1 million units. This constitutes a historically low level since such data has been tracked, close to the previous low attained in December 1981. For context, unit sales in February 2020 were 17.04 million, prior to the full onset of the pandemic in the U.S.

Ohio's performance conforms with April light vehicle sales estimates developed by industry analysts. Some accounts indicate that sales had begun to modestly recover in the latter half of April compared to the apparent trough reached in early April. Accordingly, it is reasonable to expect a less dramatic loss in May auto sales tax revenue relative to April. Nonetheless, OBM expects May performance to fall short of estimate and relative to the prior year.

Personal Income Tax

April GRF personal income tax receipts totaled $622.3 million and were $635.7 million (-50.5%) below the estimate. Year-to-date, personal income tax revenue is $675.7 million (-9.2%) below estimate. On a year-over-year basis, April income tax collections were $707.4 million (-53.2%) below April 2019 collections. Collections for the fiscal year-to-date are $773.0 million (-10.4%) below the previous year.

The fiscal year 2020-2021 budget bill (House Bill 166) enacted a four percent reduction in personal income tax rates effective with tax year 2019. Consistent with this rate cut, a four percent employer withholding rate reduction took effect in January 2020. The personal income tax revenue estimates for the last six months of fiscal year 2020 incorporate the expected effects of the rate changes as well as several other enacted personal income tax policy changes.

In April, the personal income tax exhibited historically low performance in terms of variance from forecast. Two distinctly different influences were at play. One pertains to the severe and unprecedented changes in labor market conditions that began in mid-March, most obviously the sudden, job losses and attendant increase in unemployment compensation claims. By the end of April, unemployment claims in Ohio had reached 1.1 million over the space of seven weeks. The other major influence on April revenue was the postponement of income tax filing and payment deadlines. Annual return payments normally required to be made by April 15 are now not required until July 15 and quarterly estimated income tax payments due on April 15 and June 15 are now extended to a July 15 due date.

Withholding tax payments fell short of estimate in April by $84.6 million (10.3%). Compared to last April, withholding was down $71.9 million (8.9%). Withholding is now $27.2 million (-0.3%) below estimate through April of this fiscal year. However, these figures reflect more than just employer withholding tax payments: they also include nonresident pass-through entity withholding tax payments (which are eligible for payment extension to July 15). If only employer withholding is considered, April collections are found to have declined by $57.8 (7.5%) relative to estimate, a smaller shortfall than if the wider "withholding" category is considered. Considering the scope of recent job losses, the size of the April employer withholding tax downturn is less severe than may have been otherwise expected.

The delay in the payment deadlines affected performance for nearly all other tax collection categories. Payments accompanying tax year 2019 annual returns or annual return extensions showed the largest decline from estimate, at $697.8 million (-84.9%). Since such payments are predominantly expected to be received in April, the month's performance means this payment category is $711.2 million (-68.5%) below estimate for the year-to-date. The other quite significant payment category for April entails quarterly estimated tax returns. Such payments were $80.9 million (-69.3%) below estimate for the month and are now $66.5 million (-9.5%) below the year-to-date estimate. Although many of the anticipated payments will instead occur in July, it is also recognized that the dramatic deterioration of the economy over the last two months will cause many estimated payment taxpayers to reduce those payments as they make downward revisions in their tax year 2020 income expectations.

The extension of filing deadlines did apparently create one dynamic that actually mitigated some of April's revenue reduction. Refund claims in April were much lower than expected, at $248.3 million (-47.8%). This puts refunds $149.5 million (7.4%) below estimate for the year. This also reverses the refund overage for the 2019 tax year filing season, which had been running ahead of estimate through March: for the January through April period, refunds are $186.1 million (-11.5%) below estimate. Again, this result is only temporary since it is expected that most of the refunds not claimed in April will instead be filed during the remaining months of fiscal year 2020 or in July 2020.

APRIL PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	Actual April	Estimate April	$ Var	Actual Apr-2020	Actual Apr-2019	$ Var Y-0ver-Y
Withholding	$734.3	$818.9	($84.6)	$734.3	$806.2	($71.9)
Quarterly Est.	$43.0	$123.9	($80.9)	$43.0	$126.5	($83.6)
Annual Returns & 40 P	$124.1	$821.9	($697.8)	$124.1	$869.2	($755.0)
Trust Payments	$6.7	$32.5	($25.8)	$6.7	$39.5	($32.8)
Other	$9.6	$8.9	$0.7	$9.6	$8.7	$0.9
Less: Refunds	($270.8)	($519.1)	$248.3	($270.8)	($495.1)	$224.2
Local Distr.	($24.7)	($29.0)	$4.3	($24.7)	($25.4)	$0.7
Net to GRF	$622.3	$1,258.0	($635.7)	$622.3	$1,329.7	($707.4)

(Note: The net totals and variance amounts may differ slightly from computations using the rounded actual and estimated figures provided in the table.)

Commercial Activity Tax (CAT)

The CAT was $7.8 million (-11.1%) below estimate in April. On a year-to-date basis, it is now $31.3 million (2.4%) above estimate. CAT tax filing and payment deadline is quarterly in nature, and May constitutes the next payment month. Since the month immediately preceding the due date is usually a good indicator of the performance in the following month, April's performance suggests that May revenue may fall short of estimate. This is not entirely unanticipated given the economic downturn. Although the bulk of CAT payments made during the final quarter of fiscal year 2020 should primarily reflect gross receipts activity that occurred prior to the pandemic, the severity of the economic crisis likely means that the CAT will bear at least some negative impact in this fiscal year.

Cigarette and Other Tobacco Products Tax

Cigarette excise tax was $14.3 million (20.5%) above estimate in April and $21.1 (3.1%) above estimate on a year-to-date basis. The substantial overage appears to be related to heightened consumption during the stay-at-home stage of the pandemic crisis. Anecdotal evidence suggests that consumers purchased more tobacco products as they were at home on an extended basis, or otherwise chose to stockpile their purchases. May revenue may return to a level closer to expectation, although there is also the possibility that revenues otherwise expected in May could have shifted into April.

GRF Non-Tax Receipts

GRF non-tax revenues in April totaled $735.8 million and were $1.6 million (-0.2%) below estimate. This variance was primarily attributable to the Federal Grants category, which was $8.4 million (-1.2%) below estimate. This negative variance is associated with federal share disbursements in the Medicaid program being below estimate for the month, as discussed in detail in the disbursement section of this report.

Partially offsetting the negative variance were the Earnings on Investments and License and Fees categories, which were $6.9 million (25.2%) and $2.3 million (22.6%) over estimate, respectively. Though the Earnings on Investment category is now over estimate for fiscal year by $28.7 million (34.7%), this overage is expected to be reduced in the fourth quarter due to the low interest environment.

5/5/2020

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2020 VS ESTIMATE FY 2020
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL APRIL	MONTH ESTIMATE APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	680,476	826,700	(146,224)	-17.7%	7,691,165	7,804,900	(113,735)	-1.5%
Auto Sales & Use	67,421	157,900	(90,479)	-57.3%	1,225,629	1,271,200	(45,571)	-3.6%
Subtotal Sales & Use	747,897	984,600	(236,703)	-24.0%	8,916,794	9,076,100	(159,306)	-1.8%
Personal Income	622,255	1,258,000	(635,745)	-50.5%	6,629,138	7,304,800	(675,662)	-9.2%
Corporate Franchise	55	0	55	N/A	(310)	0	(310)	N/A
Financial Institutions Tax	25,173	25,800	(627)	-2.4%	153,270	137,400	15,870	11.6%
Commercial Activity Tax	62,315	70,100	(7,785)	-11.1%	1,320,734	1,289,400	31,334	2.4%
Petroleum Activity Tax	0	0	0	N/A	6,614	7,700	(1,086)	-14.1%
Public Utility	107	300	(193)	-64.2%	100,955	100,300	655	0.7%
Kilowatt Hour	30,947	30,800	147	0.5%	289,147	292,400	(3,253)	-1.1%
Natural Gas Distribution	3,523	4,300	(777)	-18.1%	32,584	44,300	(11,716)	-26.4%
Foreign Insurance	487	300	187	62.2%	336,417	331,300	5,117	1.5%
Domestic Insurance	0	800	(800)	N/A	1,685	1,000	685	68.5%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	83,955	69,700	14,255	20.5%	701,042	679,900	21,142	3.1%
Alcoholic Beverage	4,477	3,600	877	24.4%	44,064	46,400	(2,336)	-5.0%
Liquor Gallonage	4,886	4,300	586	13.6%	43,936	42,100	1,836	4.4%
Estate	21	0	21	N/A	68	0	68	N/A
Total Tax Receipts	1,586,097	2,452,600	(866,503)	-35.3%	18,576,139	19,353,100	(776,961)	-4.0%
NON-TAX RECEIPTS								
Federal Grants	677,386	685,777	(8,391)	-1.2%	8,291,853	8,209,979	81,874	1.0%
Earnings on Investments	34,437	27,500	6,937	25.2%	111,168	82,500	28,668	34.7%
License & Fees	12,357	10,080	2,277	22.6%	63,499	57,254	6,245	10.9%
Other Income	167	920	(753)	-81.8%	91,706	72,835	18,871	25.9%
ISTV'S	11,496	13,200	(1,704)	-12.9%	11,680	13,200	(1,520)	-11.5%
Total Non-Tax Receipts	735,843	737,478	(1,635)	-0.2%	8,569,907	8,435,768	134,139	1.6%
TOTAL REVENUES	**2,321,940**	**3,190,078**	**(868,138)**	**-27.2%**	**27,146,046**	**27,788,868**	**(642,823)**	**-2.3%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	614	0	614	N/A	77,045	68,570	8,476	12.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	614	0	614	N/A	77,045	68,570	8,476	12.4%
TOTAL SOURCES	**2,322,554**	**3,190,078**	**(867,524)**	**-27.2%**	**27,223,091**	**27,857,438**	**(634,347)**	**-2.3%**

5/5/2020

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2020 VS ACTUAL FY 2019
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**APRIL FY 2020**	**APRIL FY 2019**	**$ VAR**	**% VAR**	**ACTUAL FY 2020**	**ACTUAL FY 2019**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	680,476	778,735	(98,260)	-12.6%	7,691,165	7,479,114	212,051	2.8%
Auto Sales & Use	67,421	159,379	(91,958)	-57.7%	1,225,629	1,238,103	(12,474)	-1.0%
Subtotal Sales & Use	747,897	938,115	(190,218)	-20.3%	8,916,794	8,717,217	199,577	2.3%
Personal Income	622,255	1,329,668	(707,413)	-53.2%	6,629,138	7,402,156	(773,017)	-10.4%
Corporate Franchise	55	96	(41)	-43.0%	(310)	1,551	(1,861)	-120.0%
Financial Institutions Tax	25,173	31,012	(5,839)	-18.8%	153,270	148,390	4,881	3.3%
Commercial Activity Tax	62,315	71,084	(8,769)	-12.3%	1,320,734	1,271,335	49,399	3.9%
Petroleum Activity Tax	0	0	0	N/A	6,614	8,400	(1,786)	-21.3%
Public Utility	107	229	(121)	-53.0%	100,955	104,428	(3,473)	-3.3%
Kilowatt Hour	30,947	32,288	(1,341)	-4.2%	289,147	305,211	(16,064)	-5.3%
Natural Gas Distribution	3,523	4,040	(517)	-12.8%	32,584	44,472	(11,888)	-26.7%
Foreign Insurance	487	150	336	223.9%	336,417	327,738	8,679	2.6%
Domestic Insurance	0	299	(299)	N/A	1,685	330	1,356	411.0%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	83,955	72,922	11,033	15.1%	701,042	699,771	1,272	0.2%
Alcoholic Beverage	4,477	4,865	(388)	-8.0%	44,064	44,162	(98)	-0.2%
Liquor Gallonage	4,886	4,153	733	17.7%	43,936	41,810	2,125	5.1%
Estate	21	41	(20)	-49.8%	68	73	(5)	-6.9%
Total Tax Receipts	1,586,097	2,488,960	(902,864)	-36.3%	18,576,139	19,117,044	(540,905)	-2.8%
NON-TAX RECEIPTS								
Federal Grants	677,386	621,799	55,587	8.9%	8,291,853	7,993,772	298,081	3.7%
Earnings on Investments	34,437	27,418	7,019	25.6%	111,168	82,267	28,901	35.1%
License & Fee	12,357	10,935	1,421	13.0%	63,499	63,186	313	0.5%
Other Income	167	888	(721)	-81.2%	91,706	67,401	24,305	36.1%
ISTV'S	11,496	16,386	(4,890)	-29.8%	11,680	16,437	(4,757)	-28.9%
Total Non-Tax Receipts	735,843	677,426	58,417	8.6%	8,569,907	8,223,064	346,843	4.2%
TOTAL REVENUES	**2,321,940**	**3,166,387**	**(844,447)**	**-26.7%**	**27,146,046**	**27,340,107**	**(194,062)**	**-0.7%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	614	1,550	(936)	-60.4%	77,045	84,588	(7,543)	-8.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	614	1,550	(936)	-60.4%	77,045	84,588	(7,543)	-8.9%
TOTAL SOURCES	**2,322,554**	**3,167,936**	**(845,383)**	**-26.7%**	**27,223,091**	**27,424,696**	**(201,605)**	**-0.7%**

DISBURSEMENTS

NOTE: In response to the COVID-19 pandemic, agencies across the state have deviated from their original disbursement plans. Some agencies have increased spending in targeted areas to mitigate the health and economic effects of Coronavirus. Simultaneously, all agencies are under orders to reduce spending through hiring and purchasing freezes and are subject to additional budgetary oversight from the Office of Budget and Management. These factors will continue to cause substantial variances from original disbursement plans for the remainder of the fiscal year as Governor DeWine recently ordered $775 million on General Revenue Fund reductions to balance the budget this fiscal year.

April GRF disbursements, across all uses, totaled $2,553.8 million and were $135.4 million (-5.0%) below estimate. This variance was primarily attributable to below estimate disbursements in the Health and Human Services category and was partially offset by expenditures that were above estimate in the Higher Education category. On a year-over-year basis, April total uses were $55.7 million (-2.1%) lower than those of the same month in the previous fiscal year, with a decrease in the Health and Human Services category largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	**Description**	**Year-Over-Year Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($55.6)	(2.1%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($1.0)	(70.7%)
TOTAL DISBURSEMENTS VARIANCE:		**($55.7)**	**(2.1%)**

GRF disbursements are reported according to functional categories. This section contains information describing GRF spending and variances within each of these categories.

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. April disbursements for this category totaled $576.6 million and were $60.1 million (-9.4%) below estimate. This variance was primarily attributable to below estimate spending in the Early Childhood Education, Ohio Educational Computer Network, Educator Preparation, Nonpublic Administrative Cost Reimbursement, and Foundation Funding line items. Disbursements for the Early Childhood Education line item were below estimate as payments were shifted to a non-GRF funding source in April. The Ohio Educational Computer Network, Educator Preparation, and Nonpublic Administrative Cost Reimbursement line items were below estimate as subsidy payments were delayed pending budget reduction decisions in response to COVID-19. Disbursements for the Foundation Funding line item were below estimate due to most tuition adjustments occurring in March instead of April and March as estimated.

Expenditures for the school foundation program totaled $547.8 million and were $28.3 million (-4.9%) below estimate. Year-to-date disbursements were $6,967.8 million, which was $100.4 million (-1.4%) below estimate. On a year-over-year basis, disbursements in this category were $44.1 million (7.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $16.3 million (0.2%) higher than the same point in fiscal year 2019.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $234.2 million and were $42.3 million (22.0%) above the estimate. This variance was primarily attributable to disbursements in multiple program line items that were above estimate by $47.6 million because payments on Memorandums of Understanding anticipated to be completed and disbursed in previous quarters were made in April. The remaining monthly variance was due to disbursements in the War Orphans and Severely Disabled Veterans' Children Scholarship program line item, which was above estimates by $1.6 million as a result of higher than expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in the Ohio College Opportunity Grant and the Choose Ohio First and National Guard Scholarship programs that were $6.1 million below estimate as a result of lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1,977.5 million, which was $30.1 million (-1.5%) below estimate. On a year-over-year basis, disbursements in this category were $50.0 million (27.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $63.3 million (3.3%) higher than at the same point in fiscal year 2019.

Other Education

This category includes non-debt service GRF expenditures made by the Broadcast Educational Media Commission, the Ohio Facilities Construction Commission, the Ohio State School for the Blind, the Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations.

April disbursements in this category totaled $3.5 million and were $0.5 million (-12.1%) below estimate. Year-to-date disbursements were $74.7 million, which was $2.6 million (3.6%) above estimate. On a year-over-year basis, disbursements in this category were $0.3 million (-8.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $10.4 million (16.2%) higher than at the same point in fiscal year 2019.

Medicaid

This category includes all Medicaid spending on services and program support by the following eight agencies: the Department of Medicaid, the Department of Mental Health and Addiction Services, the Department of Developmental Disabilities, the Department of Health, the Department of Job and Family Services, the Department of Aging, the Department of Education, and the State Board of Pharmacy.

Expenditures

April GRF disbursements for the Medicaid Program totaled $998.0 million and were $20.4 million (2.0%) below estimate and $16.4 million (1.7%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $13.0 billion and were $116.4 million (0.9%) above estimate and $628.5 million (5.1%) above disbursements for the same point in the previous fiscal year.

April all-funds disbursements for the Medicaid Program totaled $2.3 billion and were $39.6 million (-1.7%) below estimate and $168.6 million (7.9%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $23.6 billion and were $64.5 million (-0.3%) below estimate and $1.3 billion (5.9%) above disbursements for the same point in the previous fiscal year.

The April all-funds variance was primarily attributable to below estimate spending in the managed care and fee-for-service programs. The managed care program was below estimate due primarily to adjustments within MyCare that caused below estimate spending for this category in April, making up for the above estimate spending last month. It is worth noting that while there was a significant increase in managed care enrollment during the month of April (100,000), much of the associated cost will occur within payments made in May due to timing. Despite this, for April the Community First Choice and Group VIII categories were above estimate by 2.3 percent and 8.9 percent respectively, illustrating the financial effects of COVID related enrollment increases in these categories. The fee-for-service program, both general Medicaid services and the Department of Developmental Disabilities services were below estimate due to COVID related reductions in utilization. Underspending in the areas noted above were enough to mask some COVID related effects in April, however, as enrollment continues to increase in future months, above estimate spending should be expected.

The year-to-date all-funds variance was primarily attributable to below estimate spending in the fee-for-service program, in administration related expenses, and in the premium assistance program. Underspending in the fee-for-service program was largely attributable to delayed payments, while the underspending in the premium assistance program was attributable to lower than anticipated enrollment and lower than expected premiums. Year-to-date administrative expenses were below estimate due primarily to lower than anticipated information technology expenses. These underages were partially offset by above estimate spending in the managed care program due to the quality assurance corrective payments made in December and January, higher managed care rates that took effect January 1st, and COVID related overages due to rising enrollment.

The chart below shows the current month's disbursement variance by funding source.

(in millions, totals may not add due to rounding)

	Apr. Actual	Apr. Projection	Variance	Variance %
GRF	$998.0	$1,018.4	$ (20.4)	-2.0%
Non-GRF	$1,295.4	$1,314.6	$(19.2)	-1.5%
All Funds	$2,293.4	$2,333.0	$ (39.6)	-1.7%

Enrollment

Total April enrollment was 2.92 million, which was 100,656 (3.6%) above estimate and 89,265 (3.1%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.81 million and was essentially at estimate.

April enrollment by major eligibility category was: Covered Families and Children, 1.61 million; Aged, Blind and Disabled (ABD), 498,529; and Group VIII Expansion, 670,957.

**Please note that these data are subject to revision.*

Health and Human Services

This category includes non-debt service GRF expenditures by the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction Services, and others. Examples of expenditures in this category include childcare, TANF, administration of the state's psychiatric hospitals, operating subsidies to county boards of developmental disabilities, various immunization programs, and Ohio's long-term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in the Medicaid category.

April disbursements in this category totaled $78.1 million and were $74.5 million (-48.8%) below estimate. Year-to-date disbursements were $1.2 billion, which was $117.0 million (-9.0%) below estimate. On a year-over-year basis, disbursements in this category were $69.4 million (-47.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $37.5 million (3.3%) higher than at the same point in fiscal year 2019.

Department of Developmental Disabilities
March disbursements for the Department of Developmental Disabilities totaled $4.9 million and were $1.3 million (30.0%) above estimate. This variance was primarily attributable to above estimate spending in the Early Intervention line item and makes up for below estimate spending in the previous month. The variance is mostly timing related precipitated by normal program fluctuations and some uncertainty regarding the COVID-19 pandemic.

Department of Health
April disbursements for the Department of Health totaled $8.8 million and were $1.3 million (17.0%) above estimate. This variance was primarily attributed to the Free Clinic Safety Net Services line item which was $1.1 million (100.0%) above estimate due to payments for November and February going out in April.

Department of Job and Family Services

April disbursements for the Department of Job and Family Services totaled $37.3 million and were $56.8 million (-60.3%) below estimate. This variance was primarily attributable to the Family and Children Services line item, which was $33.3 million below estimate during the month because counties received quarterly Public Children Services Allocation payments in March instead of April. The Early Care and Education line item was $17.0 million below estimate because weekly child care provider payments were made earlier in the year than anticipated. The Child Care State/Maintenance of Effort line item was $4.2 million below estimate because federal matching dollars were not available as anticipated. The Family Assistance Local line item was $2.6 million below estimate because counties requested less in County Income Maintenance payments than estimated after requesting more in prior months. The Program Operations line item was $1.8 million below estimate due to delayed invoices from various vendors. This variance was partially offset by the TANF State/Maintenance of Effort line item, which was $1.9 million above estimate due to an increase in the Ohio Works First caseload related to the COVID-19 pandemic.

Department of Mental Health and Addiction Services

April disbursements for the Department of Mental Health and Addiction Services totaled $23.7 million and were $17.9 million (-43.0%) below estimate. This variance was primarily attributable to disbursements in the Continuum of Care Services line item, which was $10.5 million (-73.6%) below estimate, the Criminal Justice Services line item, which was $3.9 million (-100.0%) below estimate, the Specialized Docket Support line item, which was $1.3 million (-100.0%) below estimate, and the Community Innovations line item which was $3.3 million (-99.5%) below estimate all due to payments not disbursed because of the onset of COVID-19. Payments are anticipated to be made over the next two months. This variance was partially offset by disbursements in the Hospital Services line item, which was $1.9 million (12.9%) above estimate, due to higher than expected payroll and operating costs related to COVID-19.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities.

April disbursements in this category totaled $209.8 million and were $20.3 million (-8.8%) below estimate. Year-to-date disbursements were $2.1 billion, which was $44.2 million (-2.1%) below estimate. On a year-over-year basis, disbursements in this category were $21.8 million (11.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $140.9 million (7.4%) higher than at the same point in fiscal year 2019.

Department of Public Safety

April disbursements for the Department of Public Safety totaled $1.9 million and were $2.2 million (-115.8%) below estimate. This variance was primarily attributable to disbursements in the Local Disaster Assistance, Security Grants, and Security Grants - Personnel line items, which were $1.3 million below estimate due to the timing of subsidy payments. Additionally, the Recovery Ohio Law Enforcement line item was $0.6 million below estimate due to the timing of subsidy payments.

Department of Rehabilitation and Correction

April disbursements for the Department of Rehabilitation and Correction totaled $162.5 million and were $17.4 million (-9.7%) below estimate. This variance was primarily attributable to variances in the Halfway House line item, which was $16.6 million below estimate due to the timing of payments and offsetting an overage from March. The Institutional Medical Services line item was $6.1 million below estimate also due to timing of payments offsetting expenses from March. These variances were partially offset by disbursements in the Institutional Operations line item, which were $4.0 million above estimate due to increased spending on cleaning supplies and other COVID-19 related items as well as hazard pay expenses.

Public Defender Commission

April disbursements for the Public Defender Commission totaled $6.5 million and were $2.8 million (-29.7%) below estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item, which was $2.9 million below estimate due to the timing of payments pending budget reduction decisions and decreased requests for reimbursement as court activity slows in response to COVID-19.

General Government

This category includes non-debt service GRF expenditures by the Department of Administrative Services, Department of Natural Resources, Development Services Agency, Department of Agriculture, Department of Taxation, Office of Budget and Management, non-judicial statewide elected officials, legislative agencies, and others.

April disbursements in this category totaled $52.7 million and were $6.2 million (13.3%) above estimate. Year-to-date disbursements were $386.0 million, which was $52.7 million (-12.0%) below estimate. On a year-over-year basis, disbursements in this category were $3.5 million (-6.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $45.9 million (13.5%) higher than at the same point in fiscal year 2019.

Department of Transportation

April disbursements for the Department of Transportation totaled $19.4 million and were $10.7 million above estimate (121.5%). This variance was primarily attributable to the Public Transportation – State line item, which was $11.3 million above estimate due to program expenses being paid in April that were planned earlier in the year. This variance was partially offset by the Airport Improvements – State line item, which was $0.5 million below estimate due to the timing of project expenditures and payments to grantees.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. Property tax reimbursements totaled $304.6 million in April and were $5.8 million (-1.9%) below estimate. Year-to-date expenses were $1.3 billion and were $100.5 million (-7.1%) below estimate. The monthly variance was the result of reimbursement requests being received from counties later in the fiscal year than anticipated.

Debt Service

April payments for debt service totaled $96.2 million and were $2.3 million (-2.3%) below estimate. Year-to-date expenses in this category total $1.4 billion and were $10.2 million (-0.7%) below estimate. The monthly variance is primarily attributable to the downward movement in interest rates that impact variable rate debt.

Transfers Out

April transfers out totaled $41 thousand though none were estimated. Year-to-date transfers totaled $668.2 million and were $1.8 million (-0.3%) below estimate. The monthly variance was caused by a corrective transfer moving interest earnings to the Deferred Prizes Trust Fund.

Preliminary
5/1/2020

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2020 VS ESTIMATE FY 2020
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL APRIL	MONTH ESTIMATED APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	576,621	636,732	(60,111)	-9.4%	6,967,795	7,068,180	(100,386)	-1.4%
Higher Education	234,190	191,903	42,287	22.0%	1,977,477	2,007,623	(30,146)	-1.5%
Other Education	3,505	3,986	(481)	-12.1%	74,746	72,154	2,592	3.6%
Medicaid	997,998	1,018,410	(20,413)	-2.0%	12,991,582	12,875,154	116,428	0.9%
Health and Human Services	78,129	152,659	(74,530)	-48.8%	1,184,683	1,301,637	(116,954)	-9.0%
Justice and Public Protection	209,772	230,065	(20,293)	-8.8%	2,052,511	2,096,664	(44,153)	-2.1%
General Government	52,693	46,503	6,189	13.3%	385,960	438,644	(52,685)	-12.0%
Property Tax Reimbursements	304,570	310,403	(5,833)	-1.9%	1,307,922	1,408,426	(100,504)	-7.1%
Debt Service	96,242	98,535	(2,294)	-2.3%	1,358,044	1,368,228	(10,184)	-0.7%
Total Expenditures & ISTV's	**2,553,719**	**2,689,197**	**(135,478)**	**-5.0%**	**28,300,721**	**28,636,712**	**(335,991)**	**-1.2%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	41	0	41	N/A	668,161	669,975	(1,815)	-0.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**41**	**0**	**41**	**N/A**	**668,161**	**669,975**	**(1,815)**	**-0.3%**
Total Fund Uses	**2,553,760**	**2,689,197**	**(135,437)**	**-5.0%**	**28,968,882**	**29,306,687**	**(337,805)**	**-1.2%**

Preliminary
5/1/2020

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2020 VS ACTUAL FY 2019
($ in thousands)

Functional Reporting Categories Description	MONTH APRIL FY 2020	APRIL FY 2019	$ VAR	% VAR	YEAR-TO-DATE ACTUAL FY 2020	ACTUAL FY 2019	$ VAR	% VAR
Primary and Secondary Education	576,621	620,766	(44,145)	-7.1%	6,967,795	6,951,472	16,322	0.2%
Higher Education	234,190	184,164	50,027	27.2%	1,977,477	1,914,180	63,298	3.3%
Other Education	3,505	3,840	(335)	-8.7%	74,746	64,343	10,404	16.2%
Medicaid	997,998	981,598	16,400	1.7%	12,991,582	12,363,054	628,529	5.1%
Health and Human Services	78,129	147,505	(69,377)	-47.0%	1,184,683	1,147,197	37,486	3.3%
Justice and Public Protection	209,772	187,925	21,846	11.6%	2,052,511	1,911,571	140,940	7.4%
General Government	52,693	56,166	(3,473)	-6.2%	385,960	340,053	45,907	13.5%
Property Tax Reimbursements	304,570	354,789	(50,218)	-14.2%	1,307,922	1,446,709	(138,787)	-9.6%
Debt Service	96,242	72,568	23,674	32.6%	1,358,044	1,349,087	8,958	0.7%
Total Expenditures & ISTV's	**2,553,719**	**2,609,321**	**(55,601)**	**-2.1%**	**28,300,721**	**27,487,666**	**813,055**	**3.0%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	657,503	(657,503)	N/A
Operating Transfer Out	41	140	(99)	-70.7%	668,161	101,714	566,447	556.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**41**	**140**	**(99)**	**-70.7%**	**668,161**	**759,217**	**(91,056)**	**-12.0%**
Total Fund Uses	**2,553,760**	**2,609,461**	**(55,700)**	**-2.1%**	**28,968,882**	**28,246,883**	**721,998**	**2.6%**

FUND BALANCE

Due to the actions taken by Governor DeWine to reduce agency spending by $775 million and balance the budget during the difficult economic circumstances caused by the COVID-19 pandemic, OBM is currently working on updating the fund balance numbers. These changes will be reflected in this section for the monthly financial report published in June.

OBM staff that contributed to the development of this report are:
Jason Akbar, Ben Boettcher, Frederick Church, Ariel King, Todd Clark, Jim Coons, Adam Damin, Paul DiNapoli, Florel Fraser, Teresa Goodridge, Chris Guerrini, Chris Hall, Sharon Hanrahan, Charlotte Kirschner, Sári Klepacz, Taylor Pair, Steven Peishel, Craig Rethman, Tara Schuler, Travis Shaul, Kevin Schrock, Melissa Snider, and Nick Strahan.

The OMA's mission is to protect and grow Ohio manufacturing. We created this page to share content that we believe is relevant to your challenges related to the coronavirus (COVID-19) pandemic. The OMA is in regular contact with state officials, as well as our counterparts at the National Association of Manufacturers, regarding the response to COVID-19.

We will keep OMA members updated regularly through electronic communications from OMA President Eric Burkland, as well as via our normal communication tools, such as the OMA's weekly Leadership Briefing.

If you have health-related questions about COVID-19, contact the Ohio Department of Health's call center at 1-833-4ASKODH (1-833-427-5634).

Federal

- Latest updates from the CDC.
- CDC's updated guidance for manufacturing workers and employers (includes this infographic on workstations).
- CDC's resources for businesses and employers.
- CDC's reopening guidance for workplaces and businesses.
- FFCRA Paid Leave Q&A.
- FFCRA Poster on Employee Rights.
- OSHA's safety tips for manufacturers to protect employees from exposure to coronavirus – in both English and Spanish.
- U.S. EPA's list of disinfectants for use against the coronavirus.
- OSHA's new poster on steps to reduce the risk of exposure in workplaces.
- OSHA's video and poster on how to properly wear and remove a mask/respirator.
- CDC recommendation's regarding the use of cloth face coverings.
- U.S. Department of Labor guidance on the WARN Act (regarding plant closings and mass layoffs).
- Families First Coronavirus Response Act (FFCRA) paid leave requirements – for employers.
- COVID-19 Screening Tool.
- OSHA guidance on preparing workplaces for COVID-19.
- U.S. Small Business Administration resources for employers regarding the coronavirus pandemic, including information on its disaster loan program.
- SBA coronavirus relief options.
- SBA Guidance on the CARES Act's Paycheck Protection Program Loan Guarantee.
- The Federal Reserve's Main Street Lending Program.
- Summaries and FAQs on all phases (I, II, and III) of the federal COVID-19 emergency packages.

Ohio

- The DeWine administration's latest public health order, which remains in effect through July 1, unless rescinded or modified sooner. Section 13 is specific to manufacturing.
- Safety guidance for manufacturers, as well as the five safety protocols for all businesses, under the DeWine administration's Responsible RestartOhio plan.
- Ohio Department of Health FAQs on the use of face coverings in the workplace.
- Ohio Department of Health's updated checklist for employers regarding potentially exposed essential workers.
- Ohio's Office of Small Business Relief.
- Ohio Department of Health information and checklist for employers.
- Ohio COVID-19 Dashboard.
- Latest updates and resources from the Ohio Department of Health (ODH).
- JobsOhio 'Ohio Working. Ohio Safe' website.
- Governor DeWine's briefings.
- Governor DeWine's website.
- SharedWork Ohio – an OMA-supported program that provides employers with an alternative to layoffs.
- State of Ohio's job search engine for employers to post job openings during the COVID-19 emergency.
- Information for employers regarding unemployment issues.

Industry

- The Manufacturing Leadership Council's collection of emerging strategies and operational practices that manufacturers are utilizing to keep employees safe.
- National Association of Manufacturers: New Operational Practices to Consider in the Time of COVID-19-May 2020.
- Ohio Manufacturing Alliance to Fight COVID-19 (to help ensure that health care workers have the protective equipment they need).
- The Ohio Manufacturing Alliance's Ohio Emergency PPE Makers' Exchange. (This online marketplace is a resource for organizations, including essential employers, that need PPE and related equipment to find a selection offered by Ohio manufacturers and makers.)
- National Association of Manufacturers COVID-19 Resources.
- CDC letter to NAM and additional guidance to give manufacturers clearer guidance on how to operate safely during the COVID-19 outbreak.
- The National Association of Manufacturers state tracker to provide the latest re-opening information for all states.
- The U.S. Chamber's interactive map comparing state-by-state re-opening guidelines for businesses.
- MAGNET (Northeast Ohio's MEP) Best Practices.
- Video with Dr. Bill Gegas, medical director at Worthington Industries, explaining the differences between various masks and face coverings.

OMA Connections Partners

- Huntington National Bank's summary of financial support programs for businesses
- Clark Schaefer Hackett COVID-19 Resource Center
- RSM COVID-19 Resource Center and COVID-19 Tax Relief Center
- Bricker & Eckler Resource Center
- Calfee COVID-19 Resource Center
- Dinsmore COVID-19 Business Strategies Hub
- Frantz Ward Coronavirus Updates
- GBQ Partners COVID-19 Insights
- Roetzel COVID-19 Resources
- Benesch COVID-19 Resource Center
- Jones Day COVID-19 Insights
- Plante Moran's COVID-19 Resource Center for Manufacturers
- Thompson Hine COVID-19 Task Force
- CliftonLarsonAllen COVID-19 Resources
- Crowe COVID-19 Resource Center
- Fisher Phillips COVID-19 Resource Center
- MCM COVID-19 Resource Center
- Pharmaceutical Research and Manufacturers of America
- Schneider Downs
- Squire Patton Boggs

OMA Information

- OMA communications on COVID-19:
  - May 29, 2020 email from OMA President Eric Burkland.
  - May 28, 2020 email from OMA President Eric Burkland.
  - May 26, 2020 email from OMA President Eric Burkland.
  - May 22, 2020 email from OMA President Eric Burkland.
  - May 21, 2020 email from OMA President Eric Burkland.
  - May 19, 2020 email from OMA President Eric Burkland.
  - May 18, 2020 email from OMA President Eric Burkland.
  - May 15, 2020 email from OMA President Eric Burkland.
  - May 14, 2020 email from OMA President Eric Burkland.
  - May 13, 2020 email from OMA President Eric Burkland.
  - May 12, 2020 email from OMA President Eric Burkland.
  - May 11, 2020 email from OMA President Eric Burkland.
  - May 8, 2020 email from OMA President Eric Burkland.
  - May 7, 2020 email from OMA President Eric Burkland.
  - May 6, 2020 email from OMA President Eric Burkland.
  - May 5, 2020 email from OMA President Eric Burkland.
  - May 4, 2020 email from OMA President Eric Burkland.
  - May 1, 2020 email from OMA President Eric Burkland.
  - April 30, 2020 email from OMA President Eric Burkland.
  - April 29, 2020 email from OMA President Eric Burkland.
  - April 28, 2020 email from OMA President Eric Burkland.
  - April 27, 2020 email from OMA President Eric Burkland.
  - April 24, 2020 email from OMA President Eric Burkland.
  - OMA Leadership Briefing (full issue) – April 24, 2020
  - April 23, 2020 email from OMA President Eric Burkland.

- April 22, 2020 email from OMA President Eric Burkland.
- April 21, 2020 email from OMA President Eric Burkland.
- April 20, 2020 email from OMA President Eric Burkland.
- April 17, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing (full issue) – April 17, 2020
- April 16, 2020 email from OMA President Eric Burkland.
- April 15, 2020 email from OMA President Eric Burkland.
- April 14, 2020 email from OMA President Eric Burkland.
- April 13, 2020 email from OMA President Eric Burkland.
- April 10, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing (full issue) – April 10, 2020
- April 9, 2020 email from OMA President Eric Burkland.
- April 9, 2020 press release from the Ohio Manufacturing Alliance to Fight COVID-19.
- April 8, 2020 email from OMA President Eric Burkland.
- April 7, 2020 email from OMA President Eric Burkland.
- April 6, 2020 email from OMA President Eric Burkland.
- April 3, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing (full issue) – April 3, 2020
- April 2, 2020 email from OMA President Eric Burkland.
- April 1, 2020 email from OMA President Eric Burkland.
- March 31, 2020 email from OMA President Eric Burkland.
- March 30, 2020 email from OMA President Eric Burkland.
- March 27, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing (full issue) – March 27, 2020
- March 26, 2020 email from OMA President Eric Burkland.
- March 25, 2020 email from OMA President Eric Burkland.
- March 24, 2020 email from OMA President Eric Burkland.
- March 23, 2020 email from OMA President Eric Burkland.
- March 22, 2020 email from OMA President Eric Burkland.
- March 21, 2020 email from OMA President Eric Burkland.
- March 20, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing (full issue) – March 20, 2020
- March 19, 2020 email from OMA President Eric Burkland.
- March 18, 2020 email from OMA President Eric Burkland.
- March 16, 2020 email from OMA President Eric Burkland.
- March 15, 2020 press release
- OMA Leadership Briefing update – March 13, 2020.
- March 12, 2020 email from OMA President Eric Burkland.
- March 11, 2020 email from OMA President Eric Burkland.
- OMA Leadership Briefing update – March 6, 2020.
- OMA Leadership Briefing update – February 28, 2020.
- OMA Leadership Briefing update – February 21, 2020.
- OMA COVID-19 Manufacturers' Information Exchange (via LinkedIn) to share information and best practices with other manufacturers.
- Bricker & Eckler analysis of Ohio's April 6, 2020 stay-at-home order.
- Bricker & Eckler analysis of Ohio's March 23, 2020 stay-at-home order.
- Recording of OMA's COVID-19 Briefing for Manufacturers – March 23, 2020. (Includes information regarding Ohio's stay-at-home order and actions to keep the workplace safe.)
- Recording of OMA's Second COVID-19 Briefing for Manufacturers – March 25, 2020. (Includes discussion from Lt. Gov. Jon Husted, as well as a panel of experts addressing key concerns.)
- Recording of OMA's Third COVID-19 Briefing for Manufacturers – April 29, 2020. (Includes subject-matter expertise on Ohio's re-opening plan, workplace safety, use of PPE by employees, unemployment provisions, federal loan programs, and other manufacturing-related topics.)

- Bricker & Eckler analysis of Ohio's April 30, 2020 "Stay Safe Ohio" order.
- OMA's "Guidance on the Use of Face Coverings & Masks."
- OMA's "Safety Guidance & Resources for Manufacturers During the COVID-19 Emergency."
- OMA's FAQs document, which addresses questions raised by several members.
- Recording of OMA's Infectious Disease Preparedness and Response webinar – May 12, 2020.
- Bricker & Eckler Analysis of Ohio's May 20, 2020 "Ohioans Protecting Ohioans Urgent Health Advisory".

About the OMA Office and Staff:

Effective Monday, March 23, 2020, the OMA staff will be working remotely and will be available to help meet your needs. Email us at oma@ohiomfg.com or call (800) 662-4463. Here is a list of staff emails.

CARES Act: Tax

MARCH 25, 2020 — BLOG

CARES, which was signed into law on March 27, 2020, provides emergency relief to workers, families, small businesses, and distressed industries. The law is big, targeted, and will make a difference. **Here are the tax details**.

Key points:

- Workers, families, and small businesses come first.
- $1,200 checks will be on their way to American families.
- Provides vast resources to keep small businesses open, including assistance with cashflow and providing credits for employers to keep employees on payroll.

What you need to know:

- **Money for American families.** This comes in the form of a one-time tax rebate check of $1,200 per individual and $500 per child for those with a valid SSN. There are no earned income or tax liability requirements to receive these rebate checks. The full rebate amount is available for those with incomes at or below $75,000 for individuals, $112,500 for head of household, and $150,000 for married couples.
- **Loosens Rules on Retirement Accounts.** Older Americans that are subject to mandatory minimum distributions from their retirement accounts would be able to keep their capital invested instead of being forced to cash out to draw on that capital without penalty, which would be suspended for 2020. Similarly, the bill also waives the 10% penalty on coronavirus-related early distributions from 401(k)s and IRAs, which applies to distributions made at any time during 2020.
- **Provides Another Option for Employers to Keep Connected to Their Employees.** Employers of all sizes that face closure orders or suffer economic hardship due to the coronavirus crisis that continue to pay employees that are furloughed may be eligible for a 50% credit on up to $10,000 of wages paid to those employees. This will help workers keep their jobs, help local businesses ride out this storm, and ensure that furloughed workers have jobs to return to.
- **Delays Payroll Tax Payments for Employers:** Employers would be able to delay the payment of their 2020 payroll taxes until 2021 and

2022, leading to approximately $300 billion of extra cash flow for businesses.

- **Restores Supports for Businesses Suffering Losses:** The bill also allows businesses to carry back losses from 2018, 2019, and 2020 to the previous 5 years, which will allow businesses access to immediate tax refunds.
- **Encourages Businesses to Invest in Improvements:** The bill would fix cost recovery for investments in Qualified Improvement Properties, which will allow businesses that made these investments in 2018 and 2019 and receive tax refunds now.

The Details: Eligibility for checks from the IRS will be based on 2018 and 2019 returns, and for Social Security (retirement and disability) and Railroad Retirement beneficiaries, they will use information from the Social Security Administration and Railroad Retirement Board.

PAYCHECK PROTECTION PROGRAM LOANS
Frequently Asked Questions (FAQs)

The Small Business Administration (SBA), in consultation with the Department of the Treasury, intends to provide timely additional guidance to address borrower and lender questions concerning the implementation of the Paycheck Protection Program (PPP), established by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act). This document will be updated on a regular basis.

Borrowers and lenders may rely on the guidance provided in this document as SBA's interpretation of the CARES Act and of the Paycheck Protection Program Interim Final Rules ("PPP Interim Final Rules") (link). The U.S. government will not challenge lender PPP actions that conform to this guidance,[1] and to the PPP Interim Final Rules and any subsequent rulemaking in effect at the time.

1. **Question:** Paragraph 3.b.iii of the PPP Interim Final Rule states that lenders must "[c]onfirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application." Does that require the lender to replicate every borrower's calculations?

   Answer: No. Providing an accurate calculation of payroll costs is the responsibility of the borrower, and the borrower attests to the accuracy of those calculations on the Borrower Application Form. Lenders are expected to perform a good faith review, in a reasonable time, of the borrower's calculations and supporting documents concerning average monthly payroll cost. For example, minimal review of calculations based on a payroll report by a recognized third-party payroll processor would be reasonable. In addition, as the PPP Interim Final Rule indicates, lenders may rely on borrower representations, including with respect to amounts required to be excluded from payroll costs.

   If the lender identifies errors in the borrower's calculation or material lack of substantiation in the borrower's supporting documents, the lender should work with the borrower to remedy the issue.[2]

2. **Question:** Are small business concerns (as defined in section 3 of the Small Business Act, 15 U.S.C. 632) required to have 500 or fewer employees to be eligible borrowers in the PPP?

   Answer: No. Small business concerns can be eligible borrowers even if they have more than 500 employees, as long as they satisfy the existing statutory and regulatory definition of a "small business concern" under section 3 of the Small Business Act, 15 U.S.C. 632. A business can qualify if it meets the SBA employee-based or revenue-

[1] This document does not carry the force and effect of law independent of the statute and regulations on which it is based.
[2] Question 1 published April 3, 2020.

based size standard corresponding to its primary industry. Go to www.sba.gov/size for the industry size standards.

Additionally, a business can qualify for the Paycheck Protection Program as a small business concern if it met both tests in SBA's "alternative size standard" as of March 27, 2020: (1) maximum tangible net worth of the business is not more than $15 million; and (2) the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than $5 million.

A business that qualifies as a small business concern under section 3 of the Small Business Act, 15 U.S.C. 632, may truthfully attest to its eligibility for PPP loans on the Borrower Application Form, unless otherwise ineligible.

3. **Question:** Does my business have to qualify as a small business concern (as defined in section 3 of the Small Business Act, 15 U.S.C. 632) in order to participate in the PPP?

   Answer: No. In addition to small business concerns, a business is eligible for a PPP loan if the business has 500 or fewer employees whose principal place of residence is in the United States, or the business meets the SBA employee-based size standards for the industry in which it operates (if applicable). Similarly, PPP loans are also available for qualifying tax-exempt nonprofit organizations described in section 501(c)(3) of the Internal Revenue Code (IRC), tax-exempt veterans organization described in section 501(c)(19) of the IRC, and Tribal business concerns described in section 31(b)(2)(C) of the Small Business Act that have 500 or fewer employees whose principal place of residence is in the United States, or meet the SBA employee-based size standards for the industry in which they operate.

4. **Question:** Are lenders required to make an independent determination regarding applicability of affiliation rules under 13 C.F.R. 121.301(f) to borrowers?

   Answer: No. It is the responsibility of the borrower to determine which entities (if any) are its affiliates and determine the employee headcount of the borrower and its affiliates. Lenders are permitted to rely on borrowers' certifications.

5. **Question:** Are borrowers required to apply SBA's affiliation rules under 13 C.F.R. 121.301(f)?

   Answer: Yes. Borrowers must apply the affiliation rules set forth in SBA's Interim Final Rule on Affiliation. A borrower must certify on the Borrower Application Form that the borrower is eligible to receive a PPP loan, and that certification means that the borrower is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632), meets the applicable SBA employee-based or revenue-based size standard, or meets the tests in SBA's alternative size standard, after applying the affiliation rules, if applicable. SBA's existing affiliation exclusions apply to the PPP, including, for example the exclusions under 13 CFR 121.103(b)(2).

6. **Question:** The affiliation rule based on ownership (13 C.F.R. 121.301(f)(1)) states that SBA will deem a minority shareholder in a business to control the business if the shareholder has the right to prevent a quorum or otherwise block action by the board of directors or shareholders. If a minority shareholder irrevocably gives up those rights, is it still considered to be an affiliate of the business?

   Answer: No. If a minority shareholder in a business irrevocably waives or relinquishes any existing rights specified in 13 C.F.R. 121.301(f)(1), the minority shareholder would no longer be an affiliate of the business (assuming no other relationship that triggers the affiliation rules).

7. **Question:** The CARES Act excludes from the definition of payroll costs any employee compensation in excess of an annual salary of $100,000. Does that exclusion apply to all employee benefits of monetary value?

   Answer: No. The exclusion of compensation in excess of $100,000 annually applies only to cash compensation, not to non-cash benefits, including:
   - employer contributions to defined-benefit or defined-contribution retirement plans;
   - payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums; and
   - payment of state and local taxes assessed on compensation of employees.

8. **Question:** Do PPP loans cover paid sick leave?

   Answer: Yes. PPP loans covers payroll costs, including costs for employee vacation, parental, family, medical, and sick leave. However, the CARES Act excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127). Learn more about the Paid Sick Leave Refundable Credit here.

9. **Question:** My small business is a seasonal business whose activity increases from April to June. Considering activity from that period would be a more accurate reflection of my business's operations. However, my small business was not fully ramped up on February 15, 2020. Am I still eligible?

   Answer: In evaluating a borrower's eligibility, a lender may consider whether a seasonal borrower was in operation on February 15, 2020 or for an 8-week period between February 15, 2019 and June 30, 2019.

10. **Question:** What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

    Answer: SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower's employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO's or other payroll provider's Form 941, Employer's Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower's payroll provider or PEO.

11. **Question:** May lenders accept signatures from a single individual who is authorized to sign on behalf of the borrower?

    Answer: Yes. However, the borrower should bear in mind that, as the Borrower Application Form indicates, only an authorized representative of the business seeking a loan may sign on behalf of the business. An individual's signature as an "Authorized Representative of Applicant" is a representation to the lender and to the U.S. government that the signer is authorized to make the certifications, including with respect to the applicant and each owner of 20% or more of the applicant's equity, contained in the Borrower Application Form. Lenders may rely on that representation and accept a single individual's signature on that basis.

12. **Question:** I need to request a loan to support my small business operations in light of current economic uncertainty. However, I pleaded guilty to a felony crime a very long time ago. Am I still eligible for the PPP?

    Answer: Yes. Businesses are only ineligible if an owner of 20 percent or more of the equity of the applicant is presently incarcerated, on probation, on parole; subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or, within the last five years, for any felony, has been convicted; pleaded guilty; pleaded nolo contendere; been placed on pretrial diversion; or been placed on any form of parole or probation (including probation before judgment).

13. **Question:** Are lenders permitted to use their own online portals and an electronic form that they create to collect the same information and certifications as in the Borrower Application Form, in order to complete implementation of their online portals?

    Answer: Yes. Lenders may use their own online systems and a form they establish that asks for the same information (using the same language) as the Borrower Application Form. Lenders are still required to send the data to SBA using SBA's interface.

14. **Question:** What time period should borrowers use to determine their number of employees and payroll costs to calculate their maximum loan amounts?

Answer: In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.

Borrowers may use their average employment over the same time periods to determine their number of employees, for the purposes of applying an employee-based size standard. Alternatively, borrowers may elect to use SBA's usual calculation: the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months).

15. **Question:** Should payments that an eligible borrower made to an independent contractor or sole proprietor be included in calculations of the eligible borrower's payroll costs?

    Answer: No. Any amounts that an eligible borrower has paid to an independent contractor or sole proprietor should be excluded from the eligible business's payroll costs. However, an independent contractor or sole proprietor will itself be eligible for a loan under the PPP, if it satisfies the applicable requirements.

16. **Question:** How should a borrower account for federal taxes when determining its payroll costs for purposes of the maximum loan amount, allowable uses of a PPP loan, and the amount of a loan that may be forgiven?

    Answer: Under the Act, payroll costs are calculated on a gross basis without regard to (i.e., not including subtractions or additions based on) federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer, but payroll costs do not include the employer's share of payroll tax. For example, an employee who earned $4,000 per month in gross wages, from which $500 in federal taxes was withheld, would count as $4,000 in payroll costs. The employee would receive $3,500, and $500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the $4,000 in wages are excluded from payroll costs under the statute.[3]

[3] The definition of "payroll costs" in the CARES Act, 15 U.S.C. 636(a)(36)(A)(viii), excludes "taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period," defined as February 15, 2020, to June 30, 2020. As described above, the SBA interprets this statutory exclusion to mean that payroll costs are calculated on a gross basis, without subtracting federal taxes that are imposed on the employee or withheld from employee wages. Unlike employer-side payroll taxes, such employee-side taxes are ordinarily expressed as a reduction in employee take-home pay; their exclusion from the definition of payroll costs means payroll costs should not be reduced based on taxes imposed on the employee or withheld from employee wages. This interpretation is consistent with the text of the statute and advances the legislative purpose of ensuring workers

17. **Question:** I filed or approved a loan application based on the version of the PPP Interim Final Rule published on April 2, 2020. Do I need to take any action based on the updated guidance in these FAQs?

    Answer: No. Borrowers and lenders may rely on the laws, rules, and guidance available at the time of the relevant application. However, borrowers whose previously submitted loan applications have not yet been processed may revise their applications based on clarifications reflected in these FAQs.

18. **Question:** Are PPP loans for existing customers considered new accounts for FinCEN Rule CDD purposes? Are lenders required to collect, certify, or verify beneficial ownership information in accordance with the rule requirements for existing customers?

    Answer: If the PPP loan is being made to an existing customer and the necessary information was previously verified, you do not need to re-verify the information.

    Furthermore, if federally insured depository institutions and federally insured credit unions eligible to participate in the PPP program have not yet collected beneficial ownership information on existing customers, such institutions do not need to collect and verify beneficial ownership information for those customers applying for new PPP loans, unless otherwise indicated by the lender's risk-based approach to BSA compliance.[4]

19. **Question:** Do lenders have to use a promissory note provided by SBA or may they use their own?

    Answer: Lenders may use their own promissory note or an SBA form of promissory note.

20. **Question:** The amount of forgiveness of a PPP loan depends on the borrower's payroll costs over an eight-week period; when does that eight-week period begin?

    Answer: The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.[5]

21. **Question:** Do lenders need a separate SBA Authorization document to issue PPP loans?

    Answer: No. A lender does not need a separate SBA Authorization for SBA to guarantee a PPP loan. However, lenders must have executed SBA Form 2484 (the

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remain paid and employed. Further, because the reference period for determining a borrower's maximum loan amount will largely or entirely precede the period from February 15, 2020, to June 30, 2020, and the period during which borrowers will be subject to the restrictions on allowable uses of the loans may extend beyond that period, for purposes of the determination of allowable uses of loans and the amount of loan forgiveness, this statutory exclusion will apply with respect to such taxes imposed or withheld at any time, not only during such period.

[4] Questions 2 – 18 published April 6, 2020.

[5] Questions 19 – 20 published April 8, 2020.

Lender Application Form for the Paycheck Protection Program)[6] to issue PPP loans and receive a loan number for each originated PPP loan. Lenders may include in their promissory notes for PPP loans any terms and conditions, including relating to amortization and disclosure, that are not inconsistent with Sections 1102 and 1106 of the CARES Act, the PPP Interim Final Rules and guidance, and SBA Form 2484.

22. **Question:** I am a non-bank lender that meets all applicable criteria of the PPP Interim Final Rule. Will I be automatically enrolled as a PPP lender? What criteria will SBA and the Treasury Department use to assess whether to approve my application to participate as a PPP lender?

    Answer: We encourage lenders that are not currently 7(a) lenders to apply in order to increase the scope of PPP lending options and the speed with which PPP loans can be disbursed to help small businesses across America. We recognize that financial technology solutions can promote efficiency and financial inclusion in implementing the PPP. Applicants should submit SBA Form 3507 and the relevant attachments to NFRLApplicationForPPP@sba.gov. Submission of the SBA Form 3507 does not result in automatic enrollment in the PPP. SBA and the Treasury Department will evaluate each application from a non-bank or non-insured depository institution lender and determine whether the applicant has the necessary qualifications to process, close, disburse, and service PPP loans made with SBA's guarantee. SBA may request additional information from the applicant before making a determination.

23. **Question:** How do the $10 million cap and affiliation rules work for franchises?

    Answer: If a franchise brand is listed on the SBA Franchise Directory, each of its franchisees that meets the applicable size standard can apply for a PPP loan. (The franchisor does not apply on behalf of its franchisees.) The $10 million cap on PPP loans is a limit per franchisee entity, and each franchisee is limited to one PPP loan.

    Franchise brands that have been denied listing on the Directory because of affiliation between franchisor and franchisee may request listing to receive PPP loans. SBA will not apply affiliation rules to a franchise brand requesting listing on the Directory to participate in the PPP, but SBA will confirm that the brand is otherwise eligible for listing on the Directory.

24. **Question:** How do the $10 million cap and affiliation rules work for hotels and restaurants (and any business assigned a North American Industry Classification System (NAICS) code beginning with 72)?

    Answer: Under the CARES Act, any single business entity that is assigned a NAICS code beginning with 72 (including hotels and restaurants) and that employs not more than 500 employees per physical location is eligible to receive a PPP loan.

[6] This requirement is satisfied by a lender when the lender completes the process of submitting a loan through the E-Tran system; no transmission or retention of a physical copy of Form 2484 is required.

In addition, SBA's affiliation rules (13 CFR 121.103 and 13 CFR 121.301) do not apply to any business entity that is assigned a NAICS code beginning with 72 and that employs not more than a total of 500 employees. As a result, if each hotel or restaurant location owned by a parent business is a separate legal business entity, each hotel or restaurant location that employs not more than 500 employees is permitted to apply for a separate PPP loan provided it uses its unique EIN.

The $10 million maximum loan amount limitation applies to each eligible business entity, because individual business entities cannot apply for more than one loan. The following examples illustrate how these principles apply.

<u>Example 1</u>. Company X directly owns multiple restaurants and has no affiliates.

- Company X may apply for a PPP loan if it employs 500 or fewer employees per location (including at its headquarters), even if the total number of employees employed across all locations is over 500.

<u>Example 2</u>. Company X wholly owns Company Y and Company Z (as a result, Companies X, Y, and Z are all affiliates of one another). Company Y and Company Z each own a single restaurant with 500 or fewer employees.

- Company Y and Company Z can each apply for a separate PPP loan, because each has 500 or fewer employees. The affiliation rules do not apply, because Company Y and Company Z each has 500 or fewer employees and is in the food services business (with a NAICS code beginning with 72).

<u>Example 3</u>. Company X wholly owns Company Y and Company Z (as a result, Companies X, Y, and Z are all affiliates of one another). Company Y owns a restaurant with 400 employees. Company Z is a construction company with 400 employees.

- Company Y is eligible for a PPP loan because it has 500 or fewer employees. The affiliation rules do not apply to Company Y, because it has 500 or fewer employees and is in the food services business (with a NAICS code beginning with 72).
- The waiver of the affiliation rules does not apply to Company Z, because Company Z is in the construction industry. Under SBA's affiliation rules, 13 CFR 121.301(f)(1) and (3), Company Y and Company Z are affiliates of one another because they are under the common control of Company X, which wholly owns both companies. This means that the size of Company Z is determined by adding its employees to those of Companies X and Y. Therefore, Company Z is deemed to have more than 500 employees, together with its affiliates. However, Company Z may be eligible to receive a PPP loan as a small business concern if it, together with Companies X and Y, meets SBA's other applicable size standards," as explained in FAQ #2.

25. **Question:** Does the information lenders are required to collect from PPP applicants regarding every owner who has a 20% or greater ownership stake in the applicant business (i.e., owner name, title, ownership %, TIN, and address) satisfy a lender's obligation to collect beneficial ownership information (which has a 25% ownership threshold) under the Bank Secrecy Act?

Answer:
For lenders with existing customers: With respect to collecting beneficial ownership information for owners holding a 20% or greater ownership interest, if the PPP loan is being made to an existing customer and the lender previously verified the necessary information, the lender does not need to re-verify the information. Furthermore, if federally insured depository institutions and federally insured credit unions eligible to participate in the PPP program have not yet collected such beneficial ownership information on existing customers, such institutions do not need to collect and verify beneficial ownership information for those customers applying for new PPP loans, unless otherwise indicated by the lender's risk-based approach to Bank Secrecy Act (BSA) compliance.

For lenders with new customers: For new customers, the lender's collection of the following information from all natural persons with a 20% or greater ownership stake in the applicant business will be deemed to satisfy applicable BSA requirements and FinCEN regulations governing the collection of beneficial ownership information: owner name, title, ownership %, TIN, address, and date of birth. If any ownership interest of 20% or greater in the applicant business belongs to a business or other legal entity, lenders will need to collect appropriate beneficial ownership information for that entity. If you have questions about requirements related to beneficial ownership, go to https://www.fincen.gov/resources/statutes-and-regulations/cdd-final-rule. Decisions regarding further verification of beneficial ownership information collected from new customers should be made pursuant to the lender's risk-based approach to BSA compliance.[7]

26. **Question:** SBA regulations require approval by SBA's Standards of Conduct Committee (SCC) for SBA Assistance, other than disaster assistance, to an entity, if its sole proprietor, partner, officer, director, or stockholder with a 10 percent or more interest is: a current SBA employee; a Member of Congress; an appointed official or employee of the legislative or judicial branch; a member or employee of an SBA Advisory Council or SCORE volunteer; or a household member of any of the preceding individuals. Do these entities need the approval of the SCC in order to be eligible for a PPP loan?

    Answer: The SCC has authorized a blanket approval for PPP loans to such entities so that further action by the SCC is not necessary in the PPP program.

27. **Question:** SBA regulations require a written statement of no objection by the pertinent Department or military service before it provides any SBA Assistance, other than disaster loans, to an entity, if its sole proprietor, partner, officer, director, or stockholder with a 10 percent or more interest, or if a household member of any of the preceding individuals, is an employee of another Government Department or Agency having a grade of at least GS-13 or its equivalent. Does this requirement apply to PPP loans?

[7] Questions 21 – 25 published April 13, 2020.

Answer: No. The SCC has determined that a written statement of no objection is not required from another Government Department or Agency for PPP loans.

28. **Question:** Is a lender permitted to submit a PPP loan application to SBA through E-Tran before the lender has fulfilled its responsibility to review the required borrower documentation and calculation of payroll costs?

    Answer: No. Before a lender submits a PPP loan through E-Tran, the lender must have collected the information and certifications contained in the Borrower Application Form and the lender must have fulfilled its obligations set forth in paragraphs 3.b.(i)-(iii) of the PPP Interim Final Rule. Please refer to the Interim Final Rule and FAQ #1 for more information on the lender's responsibility regarding confirmation of payroll costs.

    Lenders who did not understand that these steps are required before submission to E-Tran need not withdraw applications submitted to E-Tran before April 14, 2020, but must fulfill lender responsibilities with respect to those applications as soon as practicable and no later than loan closing.[8]

29. **Question:** Can lenders use scanned copies of documents or E-signatures or E-consents permitted by the E-sign Act?

    Answer: Yes. All PPP lenders may accept scanned copies of signed loan applications and documents containing the information and certifications required by SBA Form 2483 and the promissory note used for the PPP loan. Additionally, lenders may also accept any form of E-consent or E-signature that complies with the requirements of the Electronic Signatures in Global and National Commerce Act (P.L. 106-229).

    If electronic signatures are not feasible, when obtaining a wet ink signature without in-person contact, lenders should take appropriate steps to ensure the proper party has executed the document.

    This guidance does not supersede signature requirements imposed by other applicable law, including by the lender's primary federal regulator.[9]

30. **Question:** Can a lender sell a PPP loan into the secondary market?

    Answer: Yes. A PPP loan may be sold into the secondary market at any time after the loan is fully disbursed. A secondary market sale of a PPP loan does not require SBA approval. A PPP loan sold into the secondary market is 100% SBA guaranteed. A PPP loan may be sold on the secondary market at a premium or a discount to par value.[10]

[8] Questions 26 – 28 published April 14, 2020.
[9] Question 29 published April 15, 2020.
[10] Question 30 published April 17, 2020.

31. **Question:** Do businesses owned by large companies with adequate sources of liquidity to support the business's ongoing operations qualify for a PPP loan?

    Answer: In addition to reviewing applicable affiliation rules to determine eligibility, all borrowers must assess their economic need for a PPP loan under the standard established by the CARES Act and the PPP regulations at the time of the loan application. Although the CARES Act suspends the ordinary requirement that borrowers must be unable to obtain credit elsewhere (as defined in section 3(h) of the Small Business Act), borrowers still must certify in good faith that their PPP loan request is necessary. Specifically, before submitting a PPP application, all borrowers should review carefully the required certification that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business. For example, it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request, the basis for its certification.

    Lenders may rely on a borrower's certification regarding the necessity of the loan request. Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith.[11]

32. **Question:** Does the cost of a housing stipend or allowance provided to an employee as part of compensation count toward payroll costs?

    Answer: Yes. Payroll costs includes all cash compensation paid to employees, subject to the $100,000 annual compensation per employee limitation.

33. **Question:** Is there existing guidance to help PPP applicants and lenders determine whether an individual employee's principal place of residence is in the United States?

    Answer: PPP applicants and lenders may consider IRS regulations (26 CFR § 1.121-1(b)(2)) when determining whether an individual employee's principal place of residence is in the United States.

34. **Question:** Are agricultural producers, farmers, and ranchers eligible for PPP loans?

    Answer: Yes. Agricultural producers, farmers, and ranchers are eligible for PPP loans if: (i) the business has 500 or fewer employees, or (ii) the business fits within the revenue-based sized standard, which is average annual receipts of $1 million.

    Additionally, agricultural producers, farmers, and ranchers can qualify for PPP loans as a small business concern if their business meets SBA's "alternative size standard." The

[11] Question 31 published April 23, 2020.

"alternative size standard" is currently: (1) maximum net worth of the business is not more than $15 million, and (2) the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than $5 million.

For all of these criteria, the applicant must include its affiliates in its calculations. Link to Applicable Affiliation Rules for the PPP.

35. **Question:** Are agricultural and other forms of cooperatives eligible to receive PPP loans?

    Answer: As long as other PPP eligibility requirements are met, small agricultural cooperatives and other cooperatives may receive PPP loans.[12]

36. **Question:** To determine borrower eligibility under the 500-employee or other applicable threshold established by the CARES Act, must a borrower count all employees or only full-time equivalent employees?

    Answer: For purposes of loan eligibility, the CARES Act defines the term employee to include "individuals employed on a full-time, part-time, or other basis." A borrower must therefore calculate the total number of employees, including part-time employees, when determining their employee headcount for purposes of the eligibility threshold. For example, if a borrower has 200 full-time employees and 50 part-time employees each working 10 hours per week, the borrower has a total of 250 employees.

    By contrast, for purposes of loan forgiveness, the CARES Act uses the standard of "full-time equivalent employees" to determine the extent to which the loan forgiveness amount will be reduced in the event of workforce reductions.[13]

37. **Question:** Do businesses owned by private companies with adequate sources of liquidity to support the business's ongoing operations qualify for a PPP loan?

    Answer: See response to FAQ #31.[14]

38. **Question:** Section 1102 of the CARES Act provides that PPP loans are available only to applicants that were "in operation on February 15, 2020." Is a business that was in operation on February 15, 2020 but had a change in ownership after February 15, 2020 eligible for a PPP loan?

    Answer: Yes. As long as the business was in operation on February 15, 2020, if it meets the other eligibility criteria, the business is eligible to apply for a PPP loan regardless of the change in ownership. In addition, where there is a change in ownership effectuated through a purchase of substantially all assets of a business that was in operation on

[12] Questions 32 – 35 published April 24, 2020.
[13] Questions 36 published April 26, 2020.
[14] Question 37 published April 28, 2020.

February 15, the business acquiring the assets will be eligible to apply for a PPP loan even if the change in ownership results in the assignment of a new tax ID number and even if the acquiring business was not in operation until after February 15, 2020. If the acquiring business has maintained the operations of the pre-sale business, the acquiring business may rely on the historic payroll costs and headcount of the pre-sale business for the purposes of its PPP application, except where the pre-sale business had applied for and received a PPP loan. The Administrator, in consultation with the Secretary, has determined that the requirement that a business "was in operation on February 15, 2020" should be applied based on the economic realities of the business's operations.

39. **Question:** Will SBA review individual PPP loan files?

    Answer: Yes. In FAQ #31, SBA reminded all borrowers of an important certification required to obtain a PPP loan. To further ensure PPP loans are limited to eligible borrowers in need, the SBA has decided, in consultation with the Department of the Treasury, that it will review all loans in excess of $2 million, in addition to other loans as appropriate, following the lender's submission of the borrower's loan forgiveness application. Additional guidance implementing this procedure will be forthcoming.

    The outcome of SBA's review of loan files will not affect SBA's guarantee of any loan for which the lender complied with the lender obligations set forth in paragraphs III.3.b(i)-(iii) of the Paycheck Protection Program Rule (April 2, 2020) and further explained in FAQ #1.[15]

40. **Question:** Will a borrower's PPP loan forgiveness amount (pursuant to section 1106 of the CARES Act and SBA's implementing rules and guidance) be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?

    Answer: No. As an exercise of the Administrator's and the Secretary's authority under Section 1106(d)(6) of the CARES Act to prescribe regulations granting de minimis exemptions from the Act's limits on loan forgiveness, SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

41. **Question:** Can a seasonal employer that elects to use a 12-week period between May 1, 2019 and September 15, 2019 to calculate its maximum PPP loan amount under the interim final rule issued by Treasury on April 27, 2020, make all the required certifications on the Borrower Application Form?

[15] Questions 38 – 39 published April 29, 2020.

Answer: Yes. The Borrower Application Form requires applicants to certify that "The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program." On April 27, 2020, Treasury issued an interim final rule allowing seasonal borrowers to use an alternative base period for purposes of calculating the loan amount for which they are eligible under the PPP. An applicant that is otherwise in compliance with applicable SBA requirements, and that complies with Treasury's interim final rule on seasonal workers, will be deemed eligible for a PPP loan under SBA rules. Instead of following the instructions on page 3 of the Borrower Application Form for the time period for calculating average monthly payroll for seasonal businesses, an applicant may elect to use the time period in Treasury's interim final rule on seasonal workers.

42. **Question:** Do nonprofit hospitals exempt from taxation under section 115 of the Internal Revenue Code qualify as "nonprofit organizations" under section 1102 of the CARES Act?

    Answer: Section 1102 of the CARES Act defines the term "nonprofit organization" as "an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and that is exempt from taxation under section 501(a) of such Code." The Administrator, in consultation with the Secretary of the Treasury, understands that nonprofit hospitals exempt from taxation under section 115 of the Internal Revenue Code are unique in that many such hospitals may meet the description set forth in section 501(c)(3) of the Internal Revenue Code to qualify for tax exemption under section 501(a), but have not sought to be recognized by the IRS as such because they are otherwise fully tax-exempt under a different provision of the Internal Revenue Code.

    Accordingly, the Administrator will treat a nonprofit hospital exempt from taxation under section 115 of the Internal Revenue Code as meeting the definition of "nonprofit organization" under section 1102 of the CARES Act if the hospital reasonably determines, in a written record maintained by the hospital, that it is an organization described in section 501(c)(3) of the Internal Revenue Code and is therefore within a category of organization that is exempt from taxation under section 501(a).[16] The hospital's certification of eligibility on the Borrower Application Form cannot be made without this determination. This approach helps accomplish the statutory purpose of ensuring that a broad range of borrowers, including entities that are helping to lead the medical response to the ongoing pandemic, can benefit from the loans provided under the PPP.

[16] This determination need not account for the ancillary conditions set forth in section 501(r) of the Internal Revenue Code and elsewhere associated with securing the tax exemption under that section. Section 501(r) states that a hospital organization shall not be treated as described in section 501(c)(3) unless it meets certain community health and other requirements. However, section 1102 of the CARES Act defines the term "nonprofit organization" solely by reference to section 501(c)(3), and section 501(r) does not amend section 501(c)(3). Therefore, for purposes of the PPP, the requirements of section 501(r) do not apply to the determination of whether an organization is "described in section 501(c)(3)."

This guidance is solely for purposes of qualification as a "nonprofit organization" under section 1102 of the CARES Act and related purposes of the CARES Act, and does not have any consequences for federal tax law purposes. Nonprofit hospitals should also review all other applicable eligibility criteria, including the *Interim Final Rules on Promissory Notes, Authorizations, Affiliation, and Eligibility* (April 28, 2020) regarding an important limitation on ownership by state or local governments. 85 FR 23450, 23451.[17]

43. **Question:** FAQ #31 reminded borrowers to review carefully the required certification on the Borrower Application Form that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." SBA guidance and regulations provide that any borrower who applied for a PPP loan prior to April 24, 2020 and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith. Is it possible for a borrower to obtain an extension of the May 7, 2020 repayment date?

    Answer: SBA is extending the repayment date for this safe harbor to May 14, 2020. Borrowers do not need to apply for this extension. This extension will be promptly implemented through a revision to the SBA's interim final rule providing the safe harbor. SBA intends to provide additional guidance on how it will review the certification prior to May 14, 2020.

44. **Question:** How do SBA's affiliation rules at 13 C.F.R. 121.301(f) apply with regard to counting the employees of foreign and U.S. affiliates?

    Answer: For purposes of the PPP's 500 or fewer employee size standard, an applicant must count all of its employees and the employees of its U.S and foreign affiliates, absent a waiver of or an exception to the affiliation rules. 13 C.F.R. 121.301(f)(6). Business concerns seeking to qualify as a "small business concern" under section 3 of the Small Business Act (15 U.S.C. 632) on the basis of the employee-based size standard must do the same.[18]

45. **Question:** Is an employer that repays its PPP loan by the safe harbor deadline (May 18, 2020) eligible for the Employee Retention Credit?

    Answer: Yes. An employer that applied for a PPP loan, received payment, and repays the loan by the safe harbor deadline (May 18, 2020) will be treated as though the employer had not received a covered loan under the PPP for purposes of the Employee Retention Credit. Therefore, the employer will be eligible for the credit if the employer is otherwise an eligible employer for purposes of the credit.[19]

[17] Questions 40 – 42 published May 3, 2020.
[18] Questions 43 – 44 published May 5, 2020.
[19] Question 45 published May 6, 2020; revised May 27, 2020 to change the date from "(May 14, 2020)" to "(May 18, 2020)."

46. **Question:** How will SBA review borrowers' required good-faith certification concerning the necessity of their loan request?

    Answer: When submitting a PPP application, all borrowers must certify in good faith that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." SBA, in consultation with the Department of the Treasury, has determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: Any borrower that, together with its affiliates,[20] received PPP loans with an original principal amount of less than $2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.

    SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment than borrowers that obtained larger loans. This safe harbor will also promote economic certainty as PPP borrowers with more limited resources endeavor to retain and rehire employees. In addition, given the large volume of PPP loans, this approach will enable SBA to conserve its finite audit resources and focus its reviews on larger loans, where the compliance effort may yield higher returns.

    Importantly, borrowers with loans greater than $2 million that do not satisfy this safe harbor may still have an adequate basis for making the required good-faith certification, based on their individual circumstances in light of the language of the certification and SBA guidance. SBA has previously stated that all PPP loans in excess of $2 million, and other PPP loans as appropriate, will be subject to review by SBA for compliance with program requirements set forth in the PPP Interim Final Rules and in the Borrower Application Form. If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request, SBA will seek repayment of the outstanding PPP loan balance and will inform the lender that the borrower is not eligible for loan forgiveness. If the borrower repays the loan after receiving notification from SBA, SBA will not pursue administrative enforcement or referrals to other agencies based on its determination with respect to the certification concerning necessity of the loan request. SBA's determination concerning the certification regarding the necessity of the loan request will not affect SBA's loan guarantee.

47. **Question:** An SBA interim final rule posted on May 8, 2020 provided that any borrower who applied for a PPP loan and repays the loan in full by May 14, 2020 will be deemed by SBA to have made the required certification concerning the necessity of the loan request in good faith. Is it possible for a borrower to obtain an extension of the May 14, 2020 repayment date?

[20] For purposes of this safe harbor, a borrower must include its affiliates to the extent required under the interim final rule on affiliates, 85 FR 20817 (April 15, 2020).

Answer: Yes, SBA is extending the repayment date for this safe harbor to May 18, 2020, to give borrowers an opportunity to review and consider FAQ #46. Borrowers do not need to apply for this extension. This extension will be promptly implemented through a revision to the SBA's interim final rule providing the safe harbor.[21]

48. **Question:** What is the deadline for lenders to complete the initial SBA Form 1502 reporting process?

Answer: SBA is extending the deadline for lenders to submit the initial SBA Form 1502. Under SBA's interim final rule on disbursements, posted April 28, 2020, lenders must disburse PPP loans within 10 calendar days of loan approval; a loan is considered approved when the loan is assigned a loan number by SBA. That interim final rule also provides that loans for which funds have not been disbursed because a borrower has not submitted required loan documentation within 20 calendar days of loan approval shall be cancelled by the lender.[22] Previously, the deadline for lenders' submission of the initial SBA Form 1502 reporting information was May 22, 2020.[23] SBA is extending the deadline for lenders to electronically upload the initial SBA Form 1502 reporting information to the later of: (1) May 29, 2020, or (2) 10 calendar days after disbursement or cancellation of the PPP loan. This extension of the timeline for the initial SBA Form 1502 reporting information will be promptly implemented through revisions to SBA's interim final rules providing an extension to the certification safe harbor and the deadline for SBA Form 1502 reporting.[24]

[21] Questions 46 – 47 published May 13, 2020.
[22] 85 FR 26321, 26322-23.
[23] 85 FR 29845, 29846.
[24] Question 48 published May 19, 2020.

THE OHIO MANUFACTURERS' ASSOCIATION

CARES Act / FFCRA Update: PPP Development and Tax Incentives

June 10, 2020

With you today

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Justin has over 20 years of experience including 11 years with Big Four firms. His primary focus includes serving middle market clients in the manufacturing and distribution industries, including a number of clients with international operations. His professional experience is comprised of entity and owner-level tax planning, including federal, state and local and international tax minimization strategies.

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Matt has over 15 years of public accounting experience, including four years with a Big Four firm. His primary focus is serving privately-held businesses in the manufacturing and distribution industries, as well as companies that have international operations or are foreign-owned.

Overview

- Paycheck Protection Program
  - Brief overview of forgiveness calculation
  - Recent changes including Paycheck Protection Program Flexibility Act
- CARES Act and FFCRA provisions impacting manufacturers
  - Paid Sick / Family Leave credits
  - Other payroll incentives
  - Monetizing tax losses
  - Other CARES Act provisions

PAYCHECK PROTECTION PROGRAM UPDATES

PPP Loan forgiveness calculation (high-level)

	Original Loan Amount		
	Baseline Forgiveness Amount	←	Qualifying expenses during "covered period"
-	25% Pay Reduction Haircut	←	Did employees make 75% of average weekly compensation?
	Preliminary Forgiveness Amount		
	Preliminary Forgiveness Amount		
x	FTE "Haircut" Ratio	←	What percentage of employees did we retain?
	Loan Forgiveness Amount	←	Amount also reduces tax expenses

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Baseline forgiveness amount

- Payroll costs – new developments
  - 8 or 24 week (or December 31) covered period
  - Alternative covered period for biweekly or weekly payroll
  - “Accrual”/incurred option for end of covered period
  - Paid is either day checks are issued or day of ACH credit
  - Possible inclusion of more than 8/24 weeks of pay
  - Delayed payroll (e.g. a week in arrears) can create interesting outcomes
  - Multiple pay dates? More than one subsequent paycheck?

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Baseline forgiveness amount (cont.)

- Rent / mortgage interest / utilities
  - Must be entered into prior to February 15, 2020
  - “Rents” on both real AND personal property
  - Areas of uncertainty
    - Mortgages on personal property
    - Asset-based lending arrangements
    - Transportation = fuel for business vehicles?
    - “Distributed” utilities
  - Similar provision for non-payroll costs that are due after the end of covered period but “incurred” during covered period
  - Opportunity to include more than 8 / 24 weeks of costs

Salary and wage deduction (25% pay reduction) haircut

- Congressional intent
- Loan forgiveness is reduced by the amount by which AVERAGE compensation reductions exceed 25% in comparative periods
- Exception - EEs with pay annualizing > $100k
- Recent changes have negated impact for most borrowers
- Areas of concern
  - Commissioned employees
  - High overtime pay in Q1 of 2020

Full-time employee (FTE) equivalent "haircut" ratio

- Congressional intent
- Baseline forgiveness amount X FTE haircut ratio
- Ratio
  - Numerator – Avg. FTEs for eight weeks after receipt
  - Denominator – FTEs during one of two periods:
    - 2/15/2019 – 6/30/2019, or
    - 1/1/2020 – 2/29/2020
    - Exception for seasonal employers
- Exceptions
  - Offers extended to and declined by former employees
  - Fired for cause, resigned or requested reduced hours

Example

- Assumptions
  - Average payroll for twelve months - $1m
  - Average health insurance for 12 months - $200k
  - Monthly rent / utilities / mortgage interest - $100k
  - Average FTEs during post-loan period – 160
  - Average FTEs during pre-COVID 19 period – 200
- Loan amount
  - 2.5x payroll of $1m = $2.5m
  - 2.5x health insurance of $200k = $500k
  - Total loan amount = $3m

Example (cont.)

- Baseline loan forgiveness
  - 24 weeks of payroll – 5,538,462 ($1,000,000*12/52*24)
  - 24 weeks of health insurance - $1,107,692 ($200,000*12/52*24)
  - 24 weeks of rent / mortgage int./ utilities - $553,846
- Baseline loan forgiveness = 7,200,000
  - Loan amount of $3m

Example (cont.)

- 25% pay reduction haircut
  - Assumed no impact
- FTE haircut
  - FTEs during eight week period / FTE during pre-COVID
  - 160 / 200 = 80%
  - Preliminary forgiveness X FTE ratio
  - 80% x $7,200,000 = $5,760,000

Example (cont.)

Original Loan Amount	3,000,000
Baseline Forgiveness Amount	7,200,000
25% Pay Reduction Haircut	-
Adjusted Forgiveness Amount	7,200,000
FTE "Haircut" Ratio	80%
Prelminary Loan Forgiveness Amount	5,760,000
Reduction for 40% Limit on Non-payroll Costs	-
Final Loan Forgiveness Amount	3,000,000 *
Loan Amout Forgiven	3,000,000
Tax Cost of Lost Deductions	(1,050,000)
Net Cash Flow Benefit of PPP	1,950,000

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How have discussions changed after the new legislation?

- Revisit decisions previously made to maximize loan forgiveness
  - Retention or plans to rehire
  - Furlough and/or workforce reduction decisions
  - Acceleration of certain costs/expenditures
  - Balancing forgiveness analysis with business decisions
- Consideration of 8 vs. 24 week period
- 40% limit on non-payroll costs and “cliff vesting”
- Revisit loan amount
- Apply for a loan?

“Breakeven” between FTE and Compensation Reductions

	FTE Reduction	Compensation Reduction
Weekly payroll	100,000	60,069
Annual payroll	5,200,000	3,123,611
PPP Loan Amount	1,083,333	1,083,333
FTEs - Covered Period	67	100
FTEs - Pre-Covid 19 Period	100	100
FTE Ratio	67%	100%
Payroll in 24-week Covered Period	1,612,451	1,441,667
Less > 25% Paycut Reduction	-	(358,334)
Preliminary Forgiveness Amount	1,612,451	1,083,333
Times FTE Ratio	67%	100%
Forgiveness Amount	1,083,333	1,083,333

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Other PPP developments / considerations

- Availability of FICA tax deferral
- Exception to loan reductions
  - Business is unable to return to pre-February 15, 2020 levels
  - Caused by required compliance with government requirements
  - Must be able to document
  - How does a lifting of restrictions impact this?
  - What period of time is considered?

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FFCRA AND OTHER CARES ACT INCENTIVES

Families First Coronavirus Response Act: Mandatory Paid Leave

- FFCRA instituted mandatory paid leave rules to specified employers
  - Mandatory paid leave rules generally apply to employers with fewer than 500 employees (must apply “integrated employer“ rules under FMLA)
  - Department of Labor can exempt small businesses with less than 50 employees
  - Emergency sick leave (and pay) based on one of six potential criteria for COVID-19 quarantine
  - Emergency family leave available to employees who must care for children due to school or daycare closure
  - Employers must give employees notice that these type of leaves are available
  - These paid leave rights expire at the end of 2020

Families First Coronavirus Response Act: Payroll Tax Credits

- Paid Sick Leave & Paid Family Leave Tax Credits
  - Payroll credits provided under FFCRA to help employers pay for mandatory leave costs
  - Depending on reason for the quarantine, different credit limits apply
  - Employer wants to ensure that it maintains supporting documentation dictated by IRS (see IRS FAQ)
  - Credits available to self-employed individuals as well

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CARES Act: Payroll Tax Incentives

- Employee Retention Credit
  - Tax credit to incentive employers to continue to pay furloughed employees
  - Credit against specified employment taxes for any business forced to suspend or close its operations due to COVID-19
  - Credit also available to employers who experience substantial decrease in business resulting in gross receipts less than 50% of what they generated for the same quarter in 2019
  - Employer must determine if they have less than (or more than) 100 employees in order to determine what wages are eligible for the credit computation
  - Credit limited to 50% of qualified wages (up to $10k per employee)
  - **NOTE: An employer is not eligible for this credit if they are taking a small business interruption loan (PPP)**

CARES Act: Payroll Tax Incentives

- Delay of Payment of Employer Payroll Taxes
  - The Act provides employers the ability to defer the <u>employer's share</u> of Social Security tax (i.e. 6.2%) incurred from the date of enactment thru December 31, 2020
  - The deferred tax liability would be paid over the following two years, with half being paid by 12.31.2021 and the remaining half paid by 12.31.2022
  - **NOTE: An employer IS now eligible for this deferral even if they are taking a small business interruption loan (PPP)**

CARES Act: Net Operating Losses (NOL's)

- NOL's Generated by C-Corporations
  - The Act suspends the 80% taxable income limitation for NOL deductions for tax years beginning before January 1, 2021
  - For NOL's arising in tax years beginning in 2018, 2019, or 2020, a five-year carryback period is now provided
  - Rate arbitrage: Corporations generally subject to a 34% Federal tax rate prior to 2018
  - **NOTE: Taxpayers have until June 30, 2020, to file the 2018 NOL carryback claim via Form 1139 (and obtain associated benefits)**

CARES Act: Net Operating Losses (NOL's)

- NOL's Generated by Individuals, Trusts & Estates
  - The Act suspends the 80% taxable income limitation for NOL deductions for tax years beginning before January 1, 2021
  - For NOL's arising in tax years beginning in 2018, 2019, or 2020, a five-year carryback period is now provided
  - Rate arbitrage: Top individual income tax rates were 39.6% prior to 2018

- Suspension of Excess Business Loss Limitations (2018 – 2020)
  - TCJA limited business losses to $250k for single filers, trusts, and estates
  - TCJA limited business losses to $500k for married-filing joint filers
  - Any excess loss became part of the NOL carryover calculation
  - **The Act defers (retroactively) these loss limitations to tax years beginning after 12.31.2020 => Amended returns may be filed for 2018 and 2019!!!**

CARES Act: Maximizing Net Operating Losses (NOL's)

- Deferral of Income
  - Advanced payments for goods or services – Potential ability to defer revenue
  - Disputed income – Potential ability to exclude revenue on disputed receivables
  - Conditions precedent – Does income require a 3rd party action to be deemed "fixed"?
  - Technical analysis and accounting method change(s) may be required

CARES Act: Maximizing Net Operating Losses (NOL's)

- Acceleration of Deductions
  - Acceleration of specified prepaid expenditures (i.e. payment liabilities)
  - Accrued self-insurance liabilities (review plan requirements & lag reports)
  - Deduction of software development costs (see Rev. Proc. 2000-50)
  - Qualified improvement property (QIP) & cost segregation studies
  - Repair & maintenance expenditures along with "ghost assets"
  - Worthless stock deduction for underperforming or insolvent subsidiary?
  - Technical analysis and accounting method change(s) may be required

- **Goal is to maximize refunds in higher tax years (pre-2018)**

CARES Act: Other Business Provisions

- Interest Expense Limitations
  - Interest expense limitations temporarily increased from 30% to 50% of taxable income (with adjustments)
  - The 50% limitation is available for tax years beginning in 2019 and 2020
  - Taxpayers can also elect to use 2019 income (vs. 2020) when calculating interest expense limitation on their 2020 tax returns (if more beneficial)

- Alternative Minimum Tax Credits
  - TCJA repealed <u>corporate</u> AMT and any associated credits became refundable over several years (ending in 2021)
  - The Act now accelerates the ability of C-corporations to recover those AMT credits

- Capitalization of Inventory (UNICAP / 263A)
  - New regulations issued in November 2018 impacting both manufacturers & resellers
  - Generally impact 2019 returns and require accounting method change (Form 3115)

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THANK YOU FOR YOUR TIME AND ATTENTION

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TO: OMA Tax and Finance Committee
FROM: Rob Brundrett
SUBJECT: Tax Public Policy Report
DATE: June 10, 2020

Overview

The state's finances have fallen off a cliff since the beginning of the pandemic. Prior to the outbreak Ohio was looking at a surplus for the 2020 fiscal year. Last month the governor asked agencies to shave $775 million from the state's budget. Fiscal year 2021 finances are looking bleak.

OMA worked with the General Assembly to ease certain tax deadlines. While successful working with legislative leaders to provide authority to move deadlines, the administration only used the power sparingly. While the income tax deadline was moved back to coincide with the federal tax deadlines, the state refused to defer CAT or excise tax deadlines.

Aggressive tax relief legislation will become much harder to pass. OMA is working with Development Services Agency to ensure that manufacturers receiving tax credits will not be penalized in the coming year because of COVID-19.

Tax Legislation

Senate Bill 8 – Ohio Opportunity Zone Tax Credits
Originally the bill authorized tax credits for investments in Ohio Opportunity Zones. Federal laws allowed states to designate economically distressed areas as these Zones. The bill allowed state tax incentives to compliment the federal tax treatment for the Opportunity Zones. SB 8 quickly passed the Senate. Once in the House the legislation became part of the bigger budget bill.

Senate Bill 37 – Motion Picture Tax Credit
The bill makes a variety of changes to the current motion picture tax credit and expands it to allow for more types of entertainment productions. There is no new money tied with this bill, however its sponsor, Senator Schuring has indicated he would like to see the credit more than double to $100 million. The Senate voted out the bill after six hearings. No new money was included in the bill. The OMA continues to be a vocal opponent over such tax credits.

House Bill 60 – Diaper Sales Tax Exemption
The bill exempts from sales and use tax the sale of child and adult diapers. It has had three hearings in the House Ways and Means Committee.

House Bill 92 – County Sales Tax Voting
The bill would require voter approval of any increase in the rate of a county sales tax. The bill has had one hearing.

Senate Bill 95 – State and Local Tax Inducements
The bill will enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers. The bill provides a CAT

credit the integrated supply chain to a qualifying project. The OMA submitted a letter with likeminded allies regarding protecting the integrity of the CAT. The Senate passed the bill. The House Ways and Means Committee has had three hearings on the bill. Again the OMA submitted interested party testimony warning about carving up the CAT.

Senate Bill 109 – Workforce Scholarship Program
SB 109 establishes the Workforce Scholarship Program. The bill would terminate the provisions of the Scholarship Program on December 31, 2023 and authorize tax credits for graduates of the Scholarship Program and their employers. The bill includes a CAT credit. It had its second hearing in early October.

House Bill 134 – March Sales Tax Holiday
The bill provides a three-day sales tax "holiday" each March during which sales of qualifying Energy Star products are exempt from sales and use taxes. The bill had its first hearing in October.

House Bill 175 – Tax Exemption on Goods Movement
The bill provides an exemption from sales and use tax for things used primarily to move completed manufactured products or general merchandise. The bill has been referred to the House Ways and Means Committee and has had two hearings this fall.

House Bill 197 – Pandemic Emergency Legislation
House Bill 197 became the pandemic emergency legislation bill back in March. Among the items included in the bill was a provision that gave the Tax Commissioner the authority to change deadlines for a variety of state taxes. The OMA worked with the House and Senate to include a provision that would allow companies to continue their previous withholding practices during the state of emergency.

House Bill 222 – CDL Training Tax Credit
The bill provides an income tax credit for an employer's expenses to train a commercial vehicle operator. The bill passed the House 91-1.

Senate Bill 257 – Electric Vehicle Tax Credit
Earlier this month, Sens. Michael Rulli (R-Salem) and Sean O'Brien (D-Bazetta) introduced Senate Bill 257, designed to make Ohio — and particularly the Mahoning Valley — the nation's leader in the electric vehicle revolution. The bill would create two different tax credits:

- A sales tax credit for the purchase of an electric vehicle; and
- An income tax and commercial activity tax credit for the purchase and installation of a charging station for an electronic vehicle.

Its third hearing is this week in the Senate. The House is considering introducing a companion bill.

House Bill 378 – Striking Worker Unemployment Benefit
The bill would provide unemployment benefits to striking workers. This adds a new group of workers eligible to receive benefits in Ohio and would put even more stress on the system.

House Bill 440 – Abolish Tax on Manufacturing Temp Labor and Sales Tax on Manufacturing Janitorial Supplies and Equipment

House Bill 440 is an OMA-sponsored bill to eliminate the sales tax on temporary workers, while also eliminating the sales tax on industrial janitorial services purchased to clean machinery in a manufacturing facility.

Both provisions — longtime priorities of the OMA Tax Committee — are contained House Bill 440, bipartisan legislation offered by State Reps. Sara Carruthers (R-Hamilton) and Jessica Miranda (D-Forest Park). HB 440 was referred to the House Ways and Means Committee; and had its first hearing in January.

Ohio remains one of a handful of states that taxes temporary workers and is the only state that double taxes those workers on both the service fee and wages. Eliminating the sales tax on janitorial services would bring much-needed certainty for manufacturers and this type of service, which is often contested under the manufacturing sales and use tax exemption.

A second hearing was set for April. However that hearing was canceled due to the pandemic. We will try and work with the Chairman to set up a second hearing in the fall.

The OMA would like to hear from members who are willing to testify on the importance of this proposed tax change. Please contact Rob Brundrett if you or your company is interested in testifying or learning more about the bill.

House Bill 467 – Pass-Through Entity Tax Reduction

The bill reduces the pass-through entity withholding tax rate to four percent. It is expected to clear the House Ways and Means Committee this winter.

Senate Joint Resolution 3 – Require a Supermajority for an Income Tax Increase

Proposing to enact Section 7 of Article XII of the Constitution of the State of Ohio to require that any increase in income tax rates be approved by a supermajority of the membership of each house of the General Assembly.

Senate Joint Resolution 4 – Unemployment Compensation Bonding

Proposes to allow the state to bond future unemployment compensation debt, allowing the state to either pay off the federal loan directly or issues bonds to the pay the debt. The OMA has been supportive of such a method and testified in support of the plan this week. OMA provided proponent testimony last week.

Tax News

OMA Asks Tax Commissioner to Defer Deadlines

The OMA wrote Ohio Tax Commissioner Jeff McClain, asking him to act on the authority granted in House Bill 197 to defer tax payments and deadlines during the COVID-19 emergency. The OMA — which advocated for this authority when HB 197 was considered by the General Assembly — specifically asked the commissioner to defer approaching deadlines of the commercial activity tax, as well as the beer and wine excise tax.

Governor Announces $775M Reduction in State Spending
Gov. DeWine announced a $775 million reduction in planned state spending for the remainder of Fiscal Year 2020, which ends June 30. The cuts, which are due to a $1 billion swing in the state's coffers since late February, will impact:

- Medicaid spending (approximately $210 million);
- K-12 foundation payments ($300 million);
- Other education line items ($55 million);
- Higher education ($110 million);
- All other state agencies ($100 million).

Speaker Signals Support for Tapping Rainy Day Fund
House Speaker Larry Householder (R-Glenford) said state lawmakers will likely need to utilize the state's rainy-day fund to close an expected budget gap due to the COVID-19 outbreak.

According to Gongwer News Service, the speaker told WOSU Radio: "We're sitting on a $2.7 billion fund, and we're looking at some significant shortfalls in our budget. That budget stabilization fund is going to literally help stabilize our budget."

In the same interview, Householder said the state budget could be as much as $2 billion short of projections by the end of the fiscal year on June 30, according to Hannah News Service. Asked about Gov. DeWine's order to agencies to cut 20% of their budgets, Householder said, "It will not be anywhere close to what we need to cut."

Sobering Data From Ohio's Monthly Budget Report
Ohio's monthly budget report shows that income tax revenues in April fell 50% below estimates. Auto sales taxes were off by 57% and other sales tax revenues were nearly 18% below the forecasted level. Altogether, tax revenues were down $872.4 million at the end of April.

The budget report says Ohio manufacturing production decreased by 6.3%, and 3,900 manufacturing jobs were lost in March. Within durable goods, which saw production drop 9.1%, the motor vehicles and parts industry fell by 28%.

Sales Tax Exemption for All Food Manufacturers Now in Effect
Good news for all food manufacturers! During last summer's debate on the state budget (House Bill 166), the OMA led tax changes for food manufacturers as lawmakers approved an expanded sales-and-use tax exemption for equipment and supplies used to clean equipment that produces or processes food for human consumption. (Previously, the exemption applied only to dairy food processors. Now it applies to all Ohio food manufacturers.)

The expanded exemption went into effect Oct. 1, 2019. Make sure you are tracking the necessary information.

Comparison Shows Ohio is Among the Best States for Corporate Taxpayers
A new map by the Tax Foundation illustrates Ohio's competitiveness by comparing the combined federal and state corporate tax rates of all 50 states. Only six states — Ohio, Nevada, South Dakota, Texas, Washington, and Wyoming — have no state corporate

income tax. Corporations in these states are liable for only the federal tax rate of 21% (reduced from 35% by the 2017 Tax Cuts and Jobs Act).

Fifteen years ago, the OMA helped lead the repeal of Ohio's antiquated corporate franchise tax and tangible personal property tax. They were replaced with the manufacturing-friendly Commercial Activity Tax (CAT) — a gross receipts tax that imposes a single low rate of 0.26% on in-state sales, while out-of-state sales are exempt

Ohio Supreme Court Hears Muni Tax Case
In May the Ohio Supreme Court held oral arguments on the municipalities' appeals to the municipal income tax cases. The OMA joined a business group coalition and filed an amicus brief.

May 19, 2020

The Honorable Derek Merrin
Chairman
House Ways and Means Committee
77 S. High St
13th Floor
Columbus, OH 43215

Dear Chairman Merrin:

Since the inception of the commercial activity tax (CAT), The Ohio Manufacturers' Association, The Ohio Society of CPAs, Ohio State Bar Association, Ohio Chemistry Technology Council, Ohio State Medical Association, and Ohio Dental Association have been united in opposition to diluting the CAT base.

The CAT is a broad-based, low rate tax that applies to gross receipts from virtually all business activities conducted in Ohio. It was enacted to conform to the four main elements of sound tax policy: equality, simplicity of compliance, transparency, and minimal disruption in economic decisions. The CAT promotes equality in that it applies to virtually all business activity in the state. It is simple due to the minimal calculations needed to determine the tax base and relatively few credits or exclusions. It is relatively transparent, while there is some pyramiding, that is ameliorated by the low rate. Finally, because of the broad base and low rate, it minimizes the intrusion of tax considerations in economic decisions.

Senate Bill 95 authorizes tax incentives for the operators and certain suppliers of a "megaproject," i.e., a development project with at least $1 billion in investment or that creates at least $75 million in Ohio payroll. One of the tax incentives is a CAT exclusion for gross receipts of a megaproject supplier from sales to a megaproject operator.

When the CAT 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 2020 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, since its enactment, CAT credits and exclusions have doubled the amount of the tax expenditure.

The CAT was created to fix an archaic business taxing system in Ohio that was riddled with exemptions and credits. The old system failed to promote sound tax policy by eroding the tax base and piling disproportionate payments on certain industries. We would request the committee remove the CAT credit provisions from Senate Bill 95 in order to preserve the tax's base and rate.

Thank you for considering our position of preserving the broad-base, low-rate nature of the CAT with very few exclusions and weighing the potential consequences of new large credits.

Sincerely,

Rob Brundrett The Ohio Manufacturers' Association	Greg Saul The Ohio Society of CPAs	Scott Lundregan Ohio State Bar Association
Joe Rosato Ohio State Medical Association	Jennifer Klein Ohio Chemistry Technology Council	David J. Owsiany Ohio Dental Association

March 19, 2020

The Honorable Mike DeWine
Governor, State of Ohio
77 S. High Street, 30th Floor
Columbus, OH 43215

The Honorable Larry Householder
Speaker, Ohio House of Representatives
77 S. High Street, 14th Floor
Columbus, OH 43215

The Honorable Larry Obhof
President, Ohio Senate
1 Capitol Square
Columbus, OH 43215

Re: **Business withholding tax relief due to COVID-19**

Dear Governor DeWine, Speaker Householder, and President Obhof:

Ohio businesses are striving to comply with Executive Orders, Department of Health Orders, guidelines from CDC and all guidance from all legitimate sources to keep employees safe from COVID-19 exposure.

Many businesses, at the request of Governor DeWine, have - on a temporary basis - sent home their employees whose jobs could be performed remotely.

Working from home triggers changes in Ohio's withholding and income tax laws that will be cumbersome and difficult to implement for businesses that don't regularly permit work from home.

Ohio Revised Code provides an exception to municipal income tax withholding, which also applies to the "payroll factor" of corporate income tax, for occasional entrant employees, or employees performing services in a municipality for less than 20 days.

Companies are concerned that their payroll staff and systems will not be able to handle the required withholding and income tax changes required by law for this unique and temporary set of circumstances.

Our organizations recommend that the 20-day rule in current law be extended to last for the duration of the Governor’s state of emergency Executive Order. We have attached sample language that addresses the issue.

If enacted, this will relieve one administrative burden for Ohio employers, who are focused on many complex management priorities at this time.

Again, we appreciate your leadership during this public health crisis. We would be pleased to arrange for a call with a representative group of businesses if that would be helpful.

Thank you for your prompt consideration.

Sincerely,

The Ohio Manufacturers’ Association

Ohio Chamber of Commerce

Ohio Business Roundtable

The Ohio Council of Retail Merchants

Ohio Farm Bureau

NFIB - Ohio

Attachment

718.011 Municipal income tax on qualifying wages paid to an employee for the performance of personal services.

(A) As used in this section:

(1) "Employer" includes a person that is a related member to or of an employer.

(2) "Professional athlete" means an athlete who performs services in a professional athletic event for wages or other remuneration.

(3) "Professional entertainer" means a person who performs services in the professional performing arts for wages or other remuneration on a per-event basis.

(4) "Public figure" means a person of prominence who performs services at discrete events, such as speeches, public appearances, or similar events, for wages or other remuneration on a per-event basis.

(5) "Fixed location" means a permanent place of doing business in this state, such as an office, warehouse, storefront, or similar location owned or controlled by an employer.

(6) "Worksite location" means a construction site or other temporary worksite in this state at which the employer provides services for more than twenty days during the calendar year. "Worksite location" does not include the home of an employee.

(7) "Principal place of work" means the fixed location to which an employee is required to report for employment duties on a regular and ordinary basis. If the employee is not required to report for employment duties on a regular and ordinary basis to a fixed location, "principal place of work" means the worksite location in this state to which the employee is required to report for employment duties on a regular and ordinary basis. If the employee is not required to report for employment duties on a regular and ordinary basis to a fixed location or worksite location, "principal place of work" means the location in this state at which the employee spends the greatest number of days in a calendar year performing services for or on behalf of the employee's employer.

If there is not a single municipal corporation in which the employee spent the "greatest number of days in a calendar year" performing services for or on behalf of the employer, but instead there are two or more municipal corporations in which the employee spent an identical number of days that is greater than the number of days the employee spent in any other municipal corporation, the employer shall allocate any of the employee's qualifying wages subject to division (B)(1)(a) of this section among those two or more municipal corporations. The allocation shall be made using any fair and reasonable method, including, but not limited to, an equal allocation among such municipal corporations or an allocation based upon the time spent or sales made by the employee in each such municipal corporation. A municipal corporation to which qualifying wages are allocated under this division shall be the employee's "principal place of work" with respect to those qualifying wages for the purposes of this section.

For the purposes of this division, the location at which an employee spends a particular day shall be determined in accordance with division (B)(2) of this section, except that "location" shall be substituted for "municipal corporation" wherever "municipal corporation" appears in that division.

(B) (1) Subject to divisions (C), (E), (F), and (G) of this section, an employer is not required to withhold municipal income tax on qualifying wages paid to an employee for the performance of personal services in a municipal corporation that imposes such a tax if the employee performed such services in the municipal corporation on twenty or fewer days in a calendar year, unless one of the following conditions applies:

(a) The employee's principal place of work is located in the municipal corporation.

(b) The employee performed services at one or more presumed worksite locations in the municipal corporation. For the purposes of this division, "presumed worksite location" means a construction site or other temporary worksite in this state at which the employer provides services that can reasonably be expected by the employer to last more than twenty days in a calendar year. Services can "reasonably be expected by the employer to last more than twenty days" if either of the following applies at the time the services commence:

(i) The nature of the services are such that it will require more than twenty days of actual services to complete the services;

(ii) The agreement between the employer and its customer to perform services at a location requires the employer to perform actual services at the location for more than twenty days.

(c) The employee is a resident of the municipal corporation and has requested that the employer withhold tax from the employee's qualifying wages as provided in section 718.03 of the Revised Code.

(d) The employee is a professional athlete, professional entertainer, or public figure, and the qualifying wages are paid for the performance of services in the employee's capacity as a professional athlete, professional entertainer, or public figure.

(2) For the purposes of division (B)(1) of this section, an employee shall be considered to have spent a day performing services in a municipal corporation only if the employee spent more time performing services for or on behalf of the employer in that municipal corporation than in any other municipal corporation on that day. For the purposes of determining the amount of time an employee spent in a particular location, the time spent performing one or more of the following activities shall be considered to have been spent at the employee's principal place of work:

(a) Traveling to the location at which the employee will first perform services for the employer for the day;

(b) Traveling from a location at which the employee was performing services for the employer to any other location;

(c) Traveling from any location to another location in order to pick up or load, for the purpose of transportation or delivery, property that has been purchased, sold, assembled, fabricated, repaired, refurbished, processed, remanufactured, or improved by the employee's employer;

(d) Transporting or delivering property described in division (B)(2)(c) of this section, provided that, upon delivery of the property, the employee does not temporarily or permanently affix the property to real estate owned, used, or controlled by a person other than the employee's employer;

(e) Traveling from the location at which the employee makes the employee's final delivery or pick-up for the day to either the employee's principal place of work or a location at which the employee will not perform services for the employer.

(C) If the principal place of work of an employee is located in a municipal corporation that imposes an income tax in accordance with this chapter, the exception from withholding requirements described in division (B)(1) of this section shall apply only if, with respect to the employee's qualifying wages described in that division, the employer withholds and remits tax on such qualifying wages to the municipal corporation in which the employee's principal place of work is located.

(D) (1) Except as provided in division (D)(2) of this section, if, during a calendar year, the number of days an employee spends performing personal services in a municipal corporation exceeds the twenty-day threshold described in division (B)(1) of this section, the employer shall withhold and remit tax to that municipal corporation for any subsequent days in that calendar year on which the employer pays qualifying wages to the employee for personal services performed in that municipal corporation.

(2) An employer required to begin withholding tax for a municipal corporation under division (D)(1) of this section may elect to withhold tax for that municipal corporation for the first twenty days on which the employer paid qualifying wages to the employee for personal services performed in that municipal corporation.

(3) If an employer makes the election described in division (D)(2) of this section, the taxes withheld and paid by such an employer during those first twenty days to the municipal corporation in which the employee's principal place of work is located are refundable to the employee.

(E) Without regard to the number of days in a calendar year on which an employee performs personal services in any municipal corporation, an employer shall withhold municipal income tax on all of the employee's qualifying wages for a taxable year and remit that tax only to the municipal corporation in which the employer's fixed location is located if the employer qualifies as a small employer as defined in section 718.01 of the Revised Code.

To determine whether an employer qualifies as a small employer for a taxable year, a tax administrator may require the employer to provide the tax administrator with the employer's federal income tax return for the preceding taxable year.

(F) Divisions (B)(1) and (D) of this section shall not apply to the extent that a tax administrator and an employer enter into an agreement regarding the manner in which the employer shall comply with the requirements of section 718.03 of the Revised Code.

(G) In the case of a person performing personal services at a petroleum refinery located in a municipal corporation that imposes a tax on income, an employer is not required to withhold municipal income tax on the qualifying wages of such a person if the person performs those services on twelve or fewer days in a calendar year, unless the principal place of work of the employer is located in another municipal corporation in this state that imposes a tax applying to compensation paid to the person for services performed on those days and the person is not liable to that other municipal corporation for tax on the compensation paid for such services. For the purposes of this division, a petroleum refinery is a facility with a standard industrial classification code facility classification of 2911, petroleum refining.

Notwithstanding division (D) of this section, if, during a calendar year, the number of days an individual performs personal services at a petroleum refinery exceeds twelve, the employer shall withhold tax for the municipal corporation for the first twelve days for which the employer paid qualifying wages to the individual and for all subsequent days in the calendar year on which the individual performed services at the refinery.

(H) Notwithstanding any other provision of this section, an employer is not required to withhold municipal income tax on qualifying wages paid to an employee for the performance of personal services in a municipal corporation that imposes such a tax if the municipality is not the regular principal place of work of the employee and the locating of the employee away from the regular principal place of work is in response to a governmental determination of conditions that encourage employers to have employees working remotely in order to prevent the spread of contagious disease. The employer may rely on this determination for one hundred twenty days after the governmental determination of the conditions forming the basis for such relocating of the employee or when the governmental official or agency that made the determination announces the end of those conditions, whichever is later. Any employer that does not withhold municipal income tax at the remote location pursuant to this division shall continue to withhold municipal income taxes at the regular principal place of work of the employee for the period when the employee is working remotely.

………………………………………………………………………………

718.19 Requests for refunds.

(A) Upon receipt of a request for a refund, the tax administrator of a municipal corporation, in accordance with this section, shall refund to employers, agents of employers, other payers, or taxpayers, with respect to any income or withholding tax levied by the municipal corporation:

(1) Overpayments of more than ten dollars;

(2) Amounts paid erroneously if the refund requested exceeds ten dollars;

(3) Requests for individual refunds from the municipality in which the regular principal place of work of the employee is located as defined in section 718.011 of the Revised Code shall not be granted for time spent temporarily working outside of the regular principal place of work under the conditions described in division (H) of section 718.011 of the Revised Code.

(B) (1) Except as otherwise provided in this chapter, requests for refund shall be filed with the tax administrator, on the form prescribed by the tax administrator within three years after the tax was due or paid, whichever is later. The tax administrator may require the requestor to file with the request any documentation that substantiates the requestor's claim for a refund.

(2) On filing of the refund request, the tax administrator shall determine the amount of refund due and certify such amount to the appropriate municipal corporation official for payment. Except as provided in division (B)(3) of this section, the administrator shall issue an assessment to any taxpayer whose request for refund is fully or partially denied. The assessment shall state the amount of the refund that was denied, the reasons for the denial, and instructions for appealing the assessment.

(3) If a tax administrator denies in whole or in part a refund request included within the taxpayer's originally filed annual income tax return, the tax administrator shall notify the taxpayer, in writing, of the amount of the refund that was denied, the reasons for the denial, and instructions for requesting an assessment that may be appealed under section 718.11 of the Revised Code.

(C) A request for a refund that is received after the last day for filing specified in division (B) of this section shall be considered to have been filed in a timely manner if any of the following situations exist:

(1) The request is delivered by the postal service, and the earliest postal service postmark on the cover in which the request is enclosed is not later than the last day for filing the request.

(2) The request is delivered by the postal service, the only postmark on the cover in which the request is enclosed was affixed by a private postal meter, the date of that postmark is not later than the last day for filing the request, and the request is received within seven days of such last day.

(3) The request is delivered by the postal service, no postmark date was affixed to the cover in which the request is enclosed or the date of the postmark so affixed is not legible, and the request is received within seven days of the last day for making the request.

(D) As used in this section, "withholding tax" has the same meaning as in section 718.27 of the Revised Code.

May 7, 2020

Jeff McClain
Tax Commissioner
Ohio Department of Taxation
30 E. Broad, 22nd Floor
Columbus, OH 43215

Dear Commissioner McClain,

We appreciate your leadership and the leadership of the DeWine administration as we all continue to navigate the COVID-19 pandemic.

We're grateful for leadership on House Bill 197. That bill included important tax changes that benefit Ohio's manufacturing community, including aligning the state's income tax filing date with the federal date and ensuring that businesses would not be required to make massive changes to their withholding systems to account for local taxes of employees working from home.

House Bill 197 also granted the Tax Commissioner the authority to extend state tax filings and payment deadlines for the duration of the state emergency and to waive interest and penalties.

Therefore, we request that you move to defer both the quarterly commercial activity tax filing due on May 11 and follow the lead of the Alcohol and Tobacco Tax and Trade Bureau and defer Ohio's beer and wine state excise taxes.

As you know, a top priority for many businesses in this environment is access to cash and protecting cash flow. By deferring the two upcoming tax deadlines the state would be throwing a needed lifeline to countless manufacturers desperately in need of cash. This measure is critical to the survival of many companies.

We appreciate your leadership at the Ohio Department of Taxation during this unprecedented public health crisis and applaud your efforts to continue to operate in an efficient and creative manner. Your consideration of this matter is of utmost importance.

Sincerely,

Robert A Brundrett

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

CC: Speaker Householder
President Obhof

Jobs Retention Tax Credit – Guardrail Considerations When Evaluating Applications

A. Comply with the statute and any regulations set forth by DSA

B. Timeframe Criteria
   - Can only use the credit once every 5 years per facility
   - Not currently receiving JRTC or JCTC
   - Facility must have been located in Ohio for at least ten years

C. Upgrade Requirements
   - Not routine maintenance
   - Project results in modernization or technology upgrade, an increase in capacity at the facility, or a new product line

D. Other Consideration
   - Review if project is using machinery and equipment, or inputs from Ohio if Ohio has practical options

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Ohio Manufacturers' Association

Tax Counsel Report
June of 2020
By Justin D. Cook
Bricker & Eckler LLP

Administrative Actions

Administrative Journal Entries 470 and 471. The Tax Commissioner extended the filing and payment date for taxpayers who elected to file municipal income tax returns with the state. The extension applies to returns typically due from April 15th through June 15th. The new due date is July 15, 2020. Additionally, for taxpayers filing municipal income tax returns with the state, the Tax Commissioner extended the date for declaring and remitting estimated payments that would otherwise be due between April 15th and June 15th. Such estimated payments are now due on July 15th.

Administrative Journal Entry 472. The Tax Commissioner extended the filing and payment date to July 15, 2020 for tax year 2019 returns of individual income tax, school district income tax, fiduciary income tax, and pass-through entity tax.

Proposed Legislation

H.B. 609. This bill proposes a new tax amnesty program that would start January 1, 2021 and run through March 31, 2021. Thus far, it has passed the House and is under consideration in the Senate. H.B. 609 would allow delinquent taxpayers to voluntarily pay unreported or underreported state taxes and receive a waiver of all otherwise applicable penalties and interest. Taxpayers would also be immune from criminal prosecution. Most, but not all, Ohio taxes would be eligible. Eligible taxes would include commercial activity tax, sales and use tax, public utility excise tax, and natural gas consumption tax, among others.

S.B. 307. This bill, introduced on May 6, 2020, proposes to temporarily exempt sales of protective equipment from Ohio sales and use tax. "Protective equipment" includes items that protect the wearer from injury or disease, but that are not suitable for general use. The exemption would apply to sales made prior to January 1, 2021.

S.J.R. 3. We previously reported on S.J.R. 3, and it remains pending before the legislature. This resolution proposes an amendment to Ohio's constitution. The amendment would require a two-thirds vote in both the Ohio House and Senate to approve any increase in income tax rates.

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H.B. 440. We previously reported on H.B. 440, and it remains pending before the legislature. This bill was introduced in December of 2019 to eliminate sales tax on employment services where the individuals providing temporary labor operate manufacturing equipment. It also would eliminate sales tax on supplies and services to clean and maintain manufacturing equipment.

H.B. 449. We previously reported on H.B. 449, and it remains pending before the legislature. H.B. 449 was introduced in the House on December 17, 2019 and referred to the House Ways and Means Committee on January 28, 2020. Under this bill, transferring more than 50% ownership in a pass-through entity that owns real property would be subject to real estate conveyance fees. The proposed legislation targets transactions where real estate is dropped into a newly formed entity and ownership in the new entity is transferred to the buyer (as opposed to directly conveying the underlying real estate). *See also Columbus City Schools Bd. of Edn. v. Franklin County Bd. of Revision*, Slip Opinion No. 2020-Ohio-353.

H.B. 467. We previously reported on H.B. 467, and it remains pending before the legislature. This bill relates to Ohio's withholding tax imposed on non-residents' distributive shares of income from a pass-through entity. The current withholding tax applies at either 8.5% or 5%, depending on the type of non-resident investor. The proposed bill would reduce the withholding rate to 4% across the board.

S.B. 310. S.B. 310 would exclude forgiven Paycheck Protection Program ("PPP") loans from the definition of a "gross receipt" for commercial activity tax purposes. Thus, similar to the federal income tax treatment, this bill would make forgiveness of PPP loans non-taxable under the CAT. By way of background, the PPP loans were provided to businesses through a federal government program created under the CARES Act, and these loans are generally forgiven if businesses use them to cover certain types of expenses, such as maintaining payroll. Absent a change proposed by S.B. 310, forgiveness of PPP debt will result in taxable gross receipts for Ohio taxpayers.

New Legislation

H.B. 197. H.B. 197 was enacted on March 27, 2020. It includes numerous minor technical corrections to Ohio's tax laws, as well as provisions relating to COVID-19.

Section 28 of the act authorized the Tax Commissioner to extend tax filing and payment deadlines for state taxes and municipal income taxes. It also authorized the Tax Commissioner to waive interest and penalties that would otherwise apply for late filing and payment.

Section 29 of the act temporarily modifies the municipal income withholding rules. It generally provides that employees working from home during the pandemic will be deemed to be performing services at their principal place of employment, meaning employers would continue withholding in the municipality where employees would typically report for work under normal circumstances. To trigger the rule under Section 29, however, employees must be required to work from home under the executive order establishing Ohio's state of emergency. Given the gradual return to work adopted by Ohio, this may result in Section 29 being more difficult to apply than anticipated. The full text is set forth below and should be carefully reviewed:

> Notwithstanding section 718.011 of the Revised Code, and for the purposes of Chapter 718 of the Revised Code, during the period of the emergency declared by Executive Order 2020-01D, issued on March 9, 2020, and for thirty days after the conclusion of that period, any day on which an employee performs personal services at a location, including the employee's home, to which the employee is required to report for employment duties because of the declaration shall be deemed to be a day performing personal services at the employee's principal place of work.

Judicial Actions

Karvo Paving Co. v. Testa, 9th Dist. Summit No. 28930, 2019-Ohio-3974. Last year, the Ninth District Court of Appeals issued a decision in *Karvo Paving Co. v. Testa* dealing with three separate claims for sales and use tax exemption (i.e., purchase for resale exemption, affiliated entity exception to employment services, and casual sale exemption). This decision was subsequently appealed to the Ohio Supreme Court for a jurisdictional issue. The appeal to the Supreme Court of Ohio was dismissed on April 22, 2020. *See Karvo Paving Co. v. Testa*, 158 Ohio St.3d 1484. Consequently, dismissal of the appeal leaves intact the Court of Appeals decision which offered glosses on several important sales and use tax exemptions. We've summarized the Court of Appeals decision below given its renewed importance.

Karvo involved a paving company that contracted with the Ohio Department of Transportation ("ODT") to repave roads and involves three discrete claims for exemption. The first relates to traffic control equipment. Taxpayer had 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. On its initial appeal before the BTA, the BTA 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. On this issue, the Court of Appeals agreed with taxpayer and upheld the BTA's decision.

The second issue relates to employment services provided by one of Taxpayer's affiliates. While the majority owner of Taxpayer only owned 45% of Taxpayer's affiliate, his wife owned the remaining interests. Testimony also established that Taxpayer's majority owner, in practice, actually controlled both entities. The BTA concluded this satisfied the affiliate entity exception, thus the employment services were not taxable. Again, the Court of Appeals upheld the BTA's decision on this issue.

The third issue relates to intercompany leases and the casual sale exemption. Taxpayer's affiliate acquired excavation equipment and used it to provide excavation services in years prior to the audit period. However, during the audit period, leasing this equipment was the company's only business activity. While the BTA denied the casual sale exemption, the Court of Appeals remanded this case to the BTA. The Court noted that "the Board incorrectly found that…the casual sale exemption cannot apply unless the seller used the item within the audit period."

Hyundai Motor Finance Company, et. al. v. McClain, BTA No. 2015-785, 2020 WL 883134 (Feb. 6, 2020). In this case, taxpayer received several forms of revenue, including sales of cars upon termination of leases and various complex intercompany financing transactions. Importantly, taxpayer was able to successfully argue that sales to leased cars were sales of 1231 assets, and thus excluded from taxable gross receipts under Ohio's commercial activity case. Ultimately, the holding applies to a very limited class of taxpayers. However, the BTA's analysis and discussion of federal income tax laws as they impact the application of the commercial activity tax is noteworthy.

The Ohio Manufacturers' Association

2018-19

OMA Public Policy COMPETITIVENESS Agenda

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OMA

Competitiveness Agenda

Manufacturing is responsible for 17% – $106 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 Ohio Tax System**
- **A Lean, Productive Workers' Compensation System**
- **Access to Reliable, Economical Energy Resources**
- **A Fair, Stable, Predictable Civil Justice System**
- **Science-based, Technologically Achievable, and Economically Reasonable Environmental Regulations**
- **A Modern, Job-Supporting Infrastructure**
- **An Adequate, 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.

Government should instead create incentives for capital investment in Ohio. 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 tax policies which encourage investment should be a priority.

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 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.

Finally, the state's tax system would also benefit from a reduction in 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.

ABOUT OHIO'S UNEMPLOYMENT INSURANCE TRUST FUND

To avoid costly borrowing from federal funds, Ohio's Unemployment Insurance Trust Fund must be made solvent before the next recession. The state must align benefits with contributions to build an adequate unemployment trust fund balance. The best solvency plan is one that also includes a focus on job creation because increased employment not only increases fund contributions but also reduces benefit payouts. For that reason, unemployment compensation tax rates also should be in line with surrounding states and states with which Ohio competes to attract and retain business.

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:

- Safety is the number one priority for Ohio's manufacturers.
- 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:

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.

A WORD ABOUT WORKPLACE GUN POLICY

Manufacturers remain concerned with weapons violence and the erosion of private property laws at the expense of more relaxed gun rights. Ohio needs to ensure that business is in the driver's seat and can make decisions about whether or not an individual can bring a concealed weapon onto their private property.

PolicyGoal:

Access to Reliable, Economical 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, and (b) promote energy efficiency that lowers costs for manufacturers and strengthens grid resiliency.

The OMA'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.

Reform Public Utilities Commission of Ohio (PUCO) rate-making processes by eliminating electric security plans (ESPs) to protect manufacturers from above-market generation charges.

Correct Ohio case law that denies electric customers refunds from electric utilities for charges that are later determined to be improper by the Supreme Court of Ohio.

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

Oppose legislation and regulation that force customers to subsidize uneconomical generation, including nuclear and certain coal power plants.

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 OMA 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 any new federal regulations, 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.

Ohio's transportation infrastructure fund is declining at a time when traffic is increasing, construction and maintenance costs are escalating and fuel efficiency is climbing. Coupled with a fixed per gallon fuel tax that has not been adjusted since 2002, Ohio may not be able to sufficiently support its transportation infrastructure unless a long-term budget mechanism is created.

The state also must continue to 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 and markets outside the state. This infrastructure produces a job-creating competitive advantage for Ohio.

INFRASTRUCTURE POLICY PRIORITIES INCLUDE THE FOLLOWING:

Support the creation of an Ohio Division of Freight to focus regulatory attention on the logistics needs of manufacturers.

Support state and federal legislation, rules and regulations that safely provide greater flexibility and efficiency in truck movements.

Provide for funding sustainability of Ohio's transportation budget.

Support technology and workforce solutions that address the shortage of truck drivers.

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 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:

Focus state government and industry efforts on industry-led regional sector partnerships, guided by a statewide OMA-led Workforce Leadership Committee. The committee will identify industry-specific workforce priorities, set standards for collaboration, align funding streams to minimize duplication of workforce programs and services, and evaluate program and service efficacy.

Provide financial support for sector partnerships that have 1) demonstrated industry leadership in their organizational structure and, 2) gained meaningful commitments by way of financial and volunteer contributions to ensure they are truly demand-driven.

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

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 of the manufacturing industry. The credentials validate foundational skills and competencies needed to be productive and successful in entry-level positions in manufacturing environments. Credentials can be earned from both secondary and postsecondary educational programs.

Incentivize K-12 and two- and four-year higher education institutions to coordinate outcomes-based education and training programs. Multiple on- and off-ramps for entry-to leadership-level careers will be mapped to real industry needs and jobs. Industry-recognized credentials and certificate programs will be standardized across institutions to increase stackable and transferable credentials from classroom to workplace. Investment in demand-driven training programs will offer internal pathways to retain incumbent workers and allow them to acquire new skills as jobs shift.

Support statewide “Making Ohio” manufacturing image campaign, managed by the OMA, to create a consistent, positive perception among audiences of Ohio manufacturing career opportunities and pathways.

Urge state agency administrators to accurately measure and communicate the outcomes of recruitment and training efforts while protecting individual privacy concerns. Having systems in place to produce these data will allow policymakers and industry leaders to better understand outcomes and create more informed policies.

Address the school funding disincentive for school districts to refer students to career and technical centers, a vital source of the skill training needed to fill the manufacturing workforce pipeline.

Ensure schools have career counselors whose sole focus is career planning – not just college planning – and equip them with an understanding of the career opportunities within manufacturing and the various options for acquiring the skills necessary for success; task them with sharing this information in meaningful ways with students, parents, teachers, and others within the districts to better inform student career path choices.

Provide meaningful professional development opportunities for educators to have exposure to industry and be able to incorporate real life exercises into lesson plans and classroom activities.

Ensure career counselors within the network of OhioMeansJobs centers have a modern and accurate understanding of manufacturing career pathway opportunities to be able to share with adult job seekers and career switchers.

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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Tax

PPP Loans Get More Flexible for Small Businesses
June 5, 2020

Small businesses will have more time to spend their Paycheck Protection Program (PPP) loans, should new legislation approved this week by the U.S. Senate be enacted. Originally, loan recipients needed to spend their funds within eight weeks of receipt. That time limit has been expanded to 24 weeks under the Senate-approved bill.

For more details, **see this analysis** from OMA Connections Partner Clark Schaefer Hackett. **Additional insight** has been published by Plante Moran.
As of our publishing deadline, the bill was awaiting signature by President Donald Trump. *6/4/2020*

OMA Urges Simplified, Streamlined PPP Process
June 5, 2020

Last week, the OMA joined the Ohio Bankers League and other Ohio business organizations, **urging** U.S. Treasury Secretary Steven Mnuchin and the U.S. Small Business Administration to streamline and simplify the process for recipients of small business loans made under the Paycheck Protection Program (PPP). Specifically, the group recommend that Treasury and SBA create a streamlined forgiveness application for loans under $350,000. *6/1/2020*

More State Cuts Announced to Offset Budget Deficit
June 5, 2020

Ohio's Office of Budget and Management (OBM) this week estimated the state's looming budget deficit for the coming fiscal year, FY 2021, to be $2.5 billion. OBM Director Kimberly Murnieks announced a number of steps to curb personnel costs, including pay cuts and step freezes. These follow adjustments announced in early May by Gov. Mike DeWine to address the budget shortfall for the current fiscal year, which ends on June 30.

While Gov. Mike DeWine has **ruled out** an income tax increase, there are increasing concerns that the growing state deficit could result in increased taxes on businesses — or rescinded business tax credits. The OMA will continue to monitor the situation. *6/2/2020*

Think Tank: Net Operating Loss Carrybacks are Critical for Struggling Businesses
May 29, 2020

As federal policymakers explore options for a "Phase 4" coronavirus relief plan, the Tax Foundation **notes** that it's important to understand how the CARES Act modified tax rules for businesses, including changes to net operating loss (NOL) deduction rules such as NOL carrybacks.
The HEROES Act, recently approved by the U.S. House of Representatives, would limit NOL carrybacks by only allowing firms to carry back losses to 2018 rather than a full five years. The Tax Foundation says this would cut short an important liquidity measure while disrupting firms' plans. *5/26/2020*

Help in Developing Cash Flow Projections
May 29, 2020

During the COVID-19 challenge, OMA Connections Partner Clark Schaefer Hackett recommends businesses develop a rolling 13-week cash flow projection to get a picture of what cash flow looks like today and may look like in the coming weeks. If businesses identify a future cash crunch or shortfall, the firm suggests asking **this list of questions** to help implement a cash flow plan to maximize liquidity. *5/27/2020*

Critical Considerations for Small Businesses Webinar
May 29, 2020

OMA Connections Partner Schneider Downs will host a **free webinar** Tuesday, June 2, at 1 p.m. (ET) to review "critical considerations for small businesses" during COVID-19. Topics will include recent guidelines for Paycheck Protection Program loan forgiveness; retirement plan contributions and benefits; important tax considerations; and navigating the Main Street Lending program. *5/28/2020*

<u>New Documents Available for Main Street Lending Program</u>
May 29, 2020

The Federal Reserve has released the legal forms and agreements for eligible borrowers and lenders to participate in the **Main Street Lending Program**. The Fed has also published instructions for completing the required documents and an updated FAQ overview of the program. You can access the **new documents and information here**. *5/28/2020*

<u>A Look at PPP Loan Forgiveness</u>
May 29, 2020

New guidance issued by the U.S. Small Business Administration addresses questions regarding Paycheck Protection Program's loan forgiveness. Here's a **brief summary** by OMA Connections Partner Plante Moran regarding the interim final rule's main provisions. *5/28/2020*

<u>OMA Leads Coalition to Stop CAT Erosion in House Committee</u>
May 22, 2020

This week OMA led a coalition of business organizations to again defend the Ohio Commercial Activity Tax (CAT). Since 2005, the OMA and like-minded organizations have continually reinforced to lawmakers the importance of keeping the CAT's competitive attributes: broad-base and low rate.

On Tuesday, May 19, in the House Ways and Means Committee the OMA and others **provided interested party testimony** on **Senate Bill 95** to communicate that "the CAT was created to fix an archaic business taxing system in Ohio that was riddled with exemptions and credits. The old system failed to promote sound tax policy by eroding the tax base and piling disproportionate payments on certain industries."
The coalition is advocating for the committee remove the CAT credit provisions from Senate Bill 95 in order to protect the tax's base and rate. Senate Bill 95 authorizes tax incentives for the operators and certain suppliers of a "mega-project" — such as a development project with at least $1 billion in investment or that creates at least $75 million in Ohio payroll. One of the tax incentives is a CAT exclusion for gross receipts of a mega-project supplier from sales to a mega-project operator. *5/21/2020*

<u>Treasury Issues PPP Loan Forgiveness Application</u>
May 22, 2020

On May 15, the U.S. Treasury issued the Paycheck Protection Program (PPP) loan forgiveness application (**see it here**).
OMA Connections Partner **Clark Schafer Hackett says** this highly anticipated release provides some, but not all, answers to open questions that borrowers have had related to PPP loan forgiveness.
OMA Connections Partner **CLA posted this analysis** about what they do and don't like about the issued guidance. *5/19/2020*

<u>Fed Commits to Launching the Main Street Lending Program by June 1</u>
May 22, 2020

According to OMA Connections Partner Frantz Ward, in testimony before the Senate Banking Committee on May 19, Jerome Powell, the Chair of the Board of Governors of the Federal Reserve System, promised to have the Main Street Lending Program ready by June 1. Once launched, the program will offer up to $600 billion in loans to small and medium sized businesses struggling to recover from the COVID-19 Pandemic and resulting economic crisis.

The program will launch with some significant changes from the initial proposal made in early April and has been expanded to include three separate lending facilities from the two initially proposed, with loan amounts from $500,000 to $200 million. **Read the details here**. *5/20/2020*

<u>How to Claim the Employee Retention Credit</u>
May 22, 2020

From OMA Connections Partner GBQ: If you were not able to receive a Small Business Interruption Loan under the Paycheck Protection Program, or if you repaid that loan by May 18, 2020, you may be eligible for the Employee Retention Credit.

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The maximum credit is $5,000 per employee. **More from GBQ here**. *5/21/2020*

Good News for Some PPP Borrowers
May 15, 2020

The U.S. Treasury Department this week **issued new guidance** related to the SBA's Paycheck Protection Program (PPP), clarifying that loans under $2 million will not be subject to further review. Also, the safe harbor deadline for returning PPP loans was extended again, this time to May 18, 2020. No action is necessary to obtain the extension.
For more information, review **Question 46** in the SBA's updated FAQ document, or read insight published by OMA Connections Partners **Clark Schaefer Hackett**, **Thompson Hine**, and **CliftonLarsonAllen**. *5/14/2020*

As Expected, Sobering Data From Ohio's Monthly Budget Report
May 15, 2020

Ohio's **monthly budget report**, released this week, shows that income tax revenues in April fell 50% below estimates. Auto sales taxes were off by 57% and other sales tax revenues were nearly 18% below the forecasted level. Altogether, tax revenues were down $872.4 million at the end of April.
The budget report says Ohio manufacturing production decreased by 6.3%, and 3,900 manufacturing jobs were lost in March. Within durable goods, which saw production drop 9.1%, the motor vehicles and parts industry fell by 28%. *5/13/2020*

Department of Taxation Posts FAQs
May 15, 2020

While most tax filings have been extended to July 15, 2020, many business filers still have questions. In response, the Ohio Department of Taxation has posted an **FAQs page**. *5/11/2020*

Qualified Opportunity Zones Update
May 15, 2020

The IRS recently announced the extension of certain deadlines for taxpayers making investments in Qualified Opportunity Zone (QOZ) funds. At noon (ET) on Wednesday, June 3, OMA Connections Partner GBQ Partners will host a **free webinar** to review tax incentives available for QOZ investments and discuss related issues. *5/14/2020*

Study: Ohio is 19th Most Dependent State on Individual Income Taxes
May 15, 2020

Ohio depends on individual income taxes more than many of its peers, according to a **new comparison** by the Tax Foundation. The think tank found that nearly 26% of Ohio's total state and local collections were derived from personal income taxes. That is higher than the U.S. average of 23%, but considerably lower than our neighbor to the south, Kentucky, which depends on individual income taxes for nearly 34% of its revenue. *5/13/2020*

OMA Asks Tax Commissioner to Defer Deadlines
May 8, 2020

This week, the OMA **wrote** Ohio Tax Commissioner Jeff McClain, asking him to act on the authority granted in **House Bill 197** to defer tax payments and deadlines during the COVID-19 emergency. The OMA — which advocated for this authority when HB 197 was considered by the General Assembly — specifically asked the commissioner to defer approaching deadlines of the commercial activity tax, as well as the beer and wine excise tax. *5/7/2020*

OBM: State's April Tax Receipts 35% Below Forecast
May 8, 2020

The Office of Budget and Management this week released **preliminary figures** showing Ohio's overall tax receipts finished the month of April at $866.5 million — or 35.3% below estimates. Sales and use taxes missed estimates by 24% or $236.7 million. Income tax revenues were 50.5% or $635.7 million below projections. *5/6/2020*

Governor Announces $775M Reduction in State Spending
May 8, 2020

Gov. DeWine this week announced a $775 million reduction in planned state spending for the remainder of Fiscal Year 2020, which ends June 30. The cuts, which are due to a $1 billion swing in the state's coffers since late February, will impact:

- Medicaid spending (approximately $210 million);
- K-12 foundation payments ($300 million);
- Other education line items ($55 million);
- Higher education ($110 million);
- All other state agencies ($100 million).

On Wednesday, May 6, State Budget Director Kimberly Murnieks provided details on the administration's $775 million budget reduction plan as it will impact **higher education** (reductions by school district) and **K-12 education**. (Click these links to see how your local schools will be affected.) *5/6/2020*

<u>Transportation Projects Could Fall Victim to Plummeting Fuel Tax Revenue</u>
May 8, 2020

Ohio's gasoline and diesel sales are down more than 50% statewide, according to reports, which could mean big setbacks for transportation projects. *The Columbus Dispatch* this week **reported** that "all the funding gains from the 37.5% hike in the state motor-fuel tax ushered in by Gov. Mi DeWine last July might be wiped out unless the economy soon picks up and people resume driving." *5/4/2020*

<u>Maximizing the Employee Retention Tax Credit</u>
May 8, 2020

The employee retention credit, created as part of the federal CARES Act, has raised many questions. OMA Connections Partner Plante Moran is hosting a **free webinar** at 2 p.m. (ET) on Wednesday, May 20, to address the most significant aspects of the credit. *5/7/202*

<u>COVID-19: Accounting Considerations in 2020</u>
May 8, 2020

OMA Connections Partner GBQ Partners will host a **free webinar** at noon (ET) on Wednesday, May 13, to discuss numerous accounting and disclosure considerations that should be top of mind during the COVID-19 emergency, including: PPP loan accounting; asset impairments (PPE, goodwill, etc.); accounts receivable collectability; an

<u>New Details Emerge About Main Street Lending Program</u>
May 1, 2020

The Federal Reserve has announced **new details** on the **Main Street Lending Program**, including lowering the minimum loan size to $500,000 to enable more small businesses to benefit from the program. Also, the program's expanded eligibility includes companies with up to 15,000 employees or $5 billion in annual revenues.
Here is an overview of the program from the National Association of Manufacturers.
The Main Street Lending Program is separate from the **Paycheck Protection Program**, which is primarily designed for companies with fewer than 500 employees. Companies may qualify for both programs. *4/30/2020*

<u>IRS Provides Expanded FAQs on Employee Retention Tax Credit</u>
May 1, 2020

The IRS has issued expanded FAQs for the employee retention tax credit. The FAQs cover employer eligibility, allocation of qualified health plan expenses, interaction with other COVID-19 relief provisions and more. **Here is more information** on this temporary, refundable payroll credit. *4/30/2020*

<u>Fight Intensifies Over COVID-19 Business Interruption Coverage</u>
May 1, 2020

In its **recent analysis**, OMA Connections Partner Jones Day writes, "In an ongoing effort to discourage commercial policyholders from pursuing COVID-19-related business interruption claims, the insurance industry continues to issue sweeping pronouncements of alleged 'no coverage' for such losses."
According to Jones Day, policymakers in several states have issued orders and proposed legislation that may be of assistance in holding property insurers accountable for their COVID-19 coverage obligations. *4/29/2020*

<u>Proposed Regulations Issued on Unrelated Business Taxable Income</u>
May 1, 2020

Last week, the U.S. Department of the Treasury and the IRS issued proposed regulations under Section 512(a)(6), which was enacted by the Tax Cuts and Jobs Acts of 2017. Among other things, this section provides that losses from one unrelated trade or business cannot offset the gains from another. Comments on the proposed regulations are due by June 23, 2020. For more details, **see this report** for OMA Connections Partner Crowe. *4/30/2020*

Additional PPP Guidance for Seasonal Employers
May 1, 2020

Under the federal Paycheck Protection Program (PPP), there are unique requirements for seasonal employers to determine their payroll costs. The Treasury Department this week released an Interim Final Rule to provide additional relief for these employers. **Read insight** from OMA Connections Partner CliftonLarsonAllen. *4/29/2020*

Husted: State's Rainy Day Fund Will Fall Well Short of What's Needed
April 24, 2020

During the governor's COVID-19 press briefing on Wednesday, April 22, Lt. Gov. Jon Husted told reporters that Ohio's $2.7 billion Budget Stabilization Fund will be insufficient to balance the state budget over the next 15 months. It will likely require twice that amount to recover the state's expenditures during the emergency, he said.

Gongwer News Service reports that Senate President **Larry Obhof** (R-Medina) has said he expects the General Assembly to act on some sort of budget correction measure before the summer. *4/22/2020*

Ohio Sales Tax on Internet Access Becomes Illegal on July 1 Under Federal Law
April 24, 2020

On July 1 of this year, sales taxes levied on internet access in six states — including Ohio — will become illegal under the provisions of the federal Permanent Internet Tax Freedom Act (PITFA).

The Tax Foundation **reports** that the 1998 law included a grandfather clause that allowed states with taxes existing before 1998 to keep that tax in place until June 30, 2020. *4/20/2020*

Guidance on COVID-19 Tax Relief
April 17, 2020

The IRS recently issued guidance significantly expanding relief from tax filing and payment deadlines available to tax-exempt entities in response to the COVID-19 pandemic. OMA Connections Partner RSM has published **this alert** to describe the new guidance. Check out **RSM's COVID-19 Tax Relief Resource Center**. *4/17/2020*

Ohio's Unemployment Insurance Fund Could be Depleted in Two Months
April 17, 2020

While discussing the Unemployment Insurance (UI) Trust Fund during the governor's April 15 COVID-19 briefing, Lt. Gov. Jon Husted said that without federal assistance, the fund is expected to be insolvent "sometime in June." He said the administration would work with the General Assembly on how best to address Ohio's UI fund, which had the nation's **fifth-worst solvency rate** according to a federal report released earlier this year.
During the Great Recession of 2008-09, the state was forced to borrow $3.4 billion from the federal government — resulting in more than $200 million in interest on the loan. *4/15/2020*

Ohio Ranked Among Top States for Taxpayer ROI
April 17, 2020

According to a **new study**, Ohio ranks among the top states for taxpayer return on investment in 2020. Financial website WalletHub contrasted state and local tax collections with the quality of the services residents receive in each state across 30 metrics in five categories: Education, health, safety, economy, and infrastructure and pollution. When all the factors were considered, the Buckeye State was the sixth-best state for ROI on its tax

IRS Guidance on COVID-19 Credits for Employers
April 10, 2020

Many businesses that have been severely impacted by the COVID-19 pandemic will qualify for two new employer tax credits from the federal government: the Credit for Sick and Family Leave and the Employee Retention Credit. For more information, **see the IRS' guidance page** regarding these new employer credits. *4/6/2020*

Ohio's March Tax Receipts Fall Short of Forecast by Nearly $160 Million
April 10, 2020

Last month, Ohio's total General Revenue Fund tax receipts **fell short $159.4 million**, or 10.5%, from what analysts had projected before the COVID-19 outbreak. Despite last month's huge dip in economic activity, the state is still in the black for the fiscal year to date, having collected $89.5 million over estimates, or 0.5%.
Ohio's Office of Budget and Management says that income tax revenues this month will likely miss the April estimates "by a significant margin" due to lawmakers moving the tax filing deadline to July 15. *4/6/2020*

Speaker Signals Support for Tapping Rainy Day Fund
April 10, 2020

This week, House Speaker **Larry Householder** (R-Glenford) said state lawmakers will likely need to utilize the state's rainy day fund to close an expected budget gap due to the COVID-19 outbreak.
According to Gongwer News Service, the speaker told WOSU Radio: "We're sitting on a $2.7 billion fund, and we're looking at some significant shortfalls in our budget. That budget stabilization fund is going to literally help stabilize our budget."

In the same interview, Householder said the state budget could be as much as $2 billion short of projections by the end of the fiscal year on June 30, according to Hannah News Service. Asked about Gov. DeWine's order to agencies to cut 20% of their budgets, Householder said, "It will not be anywhere close to what we need to cut." *4/7/2020*

House Task Force Gathering Ideas for Post-Pandemic Recovery Plan
April 10, 2020

Speaker of the House **Larry Householder** (R-Glenford) **recently named** Reps. **Paul Zeltwanger** (R-Mason) and **Terrence Upchurch** (D-Cleveland) co-chairs of the Ohio House Economic Recovery Task Force, created to identify ways to help Ohio as the COVID-19 crisis subsides. The group includes 22 other House members.
The task force has already started meeting remotely. It plans to invite guests from various sectors of the economy, including manufacturing. Rep. Zeltwanger has told members he hopes to craft a framework for recommendations by the end of next week. *4/8/2020*

Reminder: Applications Now Being Accepted for Paycheck Protection Program
April 3, 2020

Beginning today, April 3, the U.S. Small Business Administration (SBA) will accept **applications** for the **Paycheck Protection Program** (PPP). You must apply through qualified lenders. For details, see the **SBA's press release**. Also, here is a **quick overview** of the PPP.
Please note that the U.S. Treasury Department has encouraged businesses in need to apply as quickly as possible due to a funding cap. *4/3/2020*

Summaries of the CARES Act
April 3, 2020

The federal government's "phase three" COVID-19 emergency aid package — known as the CARES Act — included $2.2 trillion in economic relief for individuals and businesses affected by the pandemic. It includes the Paycheck Protection Program for small businesses.

Here is valuable insight on the CARES Act from selected OMA Connections Partners:

- **Clark Schaefer Hackett's summary of the CARES Act.**
- **RSM's summary of CARES Act's loans for businesses.**
- **Benesch's summary of business tax provisions in the CARES Act.**
- **GBQ Partners' summary of the CARES Act.**

- **Frantz Ward's summary of the CARES Act.**

Also, here are **summaries of the "phase two" legislation** — the Families First Coronavirus Response Act (FFCRA) — which included provisions on paid sick leave and expanded unemployment benefits. *4/1/2020*

April 3 Webinar to Focus on CARES Act Tax Provisions
April 3, 2020

Today, April 3, at 11:30 a.m. (EDT), OMA Connections Partner GBQ Partners will host a free webinar on the tax provisions in the federal CARES Act — Washington, D.C.'s "phase three" response to the COVID-19 pandemic. Topics to be discussed include employee retention credit and employer payroll tax payments, as well a net operating loss provisions and excess business loss limitations. **Register here**. *4/3/2020*

Manufacturing and the State Tax Ramifications of COVID-19
April 3, 2020

OMA Connections Partner RSM has shared **this insight**, which examines the short-term and intermediate effects that state and local taxation could have on manufacturers during the COVID-19 outbreak. *4/2/2020*

Getting a Better Grasp on the Legislative Response to COVID-19 Crisis
April 3, 2020

OMA Connections Partner Clark Schaefer Hackett is offering an **on-demand webinar** that covers the fast-changing legislative response to the coronavirus. Topics include the federal Families First Act and the CARES Act, liquidity and financial assistance, and state and federal tax filing updates. Watch at your convenience. *4/1/2020*

IRS Page Addresses Filing Extensions
March 27, 2020

The IRS has posted **filing and payment deadline questions and answers** to address the new July 15 federal filing and payment extension. The IRS also has created **this page** to provide updates on mission-critical functions of the IRS. It includes an overview of changes related to IRS operations and guidance for taxpayers during this period. *3/25/2020*

IRS Promises Employers Full, Immediate Reimbursement for FFCRA Paid Leave
March 27, 2020

Late last week, the IRS and U.S. Department of Labor announced that employers subject to the Families First Coronavirus Response Act (FFCRA) will be eligible for two new refundable payroll tax credits that will "immediately and fully reimburse them" for complying with its paid leave mandate. Analysis by HR Dive says the credits are designed to grant 100% reimbursement for paid leave pursuant to the FFCRA, and that health insurance costs are included in the credit. **Read the article**. *3/25/2020*

Insight on the Delayed Deadline for Tax Payments
March 20, 2020

The U.S. Treasury Department has pushed back the April 15, 2020 tax payment deadline by 90 days. Specifically, individuals can defer tax payments of up to $1 million for 90 days, while corporations can defer up to $10 million of tax payments for 90 days. However, there is no extension for the April 15 filing deadline.
See **this summary** from OMA Connections Partner GBQ Partners, as well as **this guidance** from CliftonLarsonAllen.
Also, the IRS has **published this site** for coronavirus-related tax guidance. *3/19/2020*

How to Apply for SBA's Disaster Loans
March 20, 2020

On Thursday, Lt. Gov. Jon Husted announced that the U.S. Small Business Administration (SBA) has qualified Ohio for the Economic Injury Disaster Loan program. As a result, Ohio businesses that have been economically impacted by the COVID-19 outbreak may now apply for a low-interest loan of up to $2 million to help pay for fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.

Businesses can **apply for the loan online**, which is recommended, or by calling (800) 659-2955 to have an application mailed. To expedite the application process, applicants should have copies of their most recent federal income tax return and a completed and signed **IRS Form 4506T**, which authorizes the release of tax information. Also have handy a schedule of liabilities, personal financial statement, monthly sales figures, a current year-to-date profit-and-loss statement, and a year-end profit-and-loss statement and balance sheet for that tax year — if the most recent federal income tax return has not been filed.
Here's **guidance** from OMA Connections Partner Roetzel. *3/19/2020*

Huntington Bank Offering Payment Deferrals for Small Businesses
March 20, 2020

OMA Connections Partner Huntington National Bank has **announced** it will offer payment deferrals of up to 90 days for consumers and small businesses facing pandemic-related financial problems. Such deferrals will not lead to any negative credit report impacts. The bank is also working directly with governors' offices to facilitate a disaster declaration from the SBA for businesses to be eligible for federal Economic Injury Disaster Program loans. *3/18/2020*

At a Glance: Ohio's Per-Capita Income Tax Collections
March 13, 2020

Ohio's combined state and local income tax collections per capita are 16th highest in the nation, according to a **revised report** from the Tax Foundation. As of FY 2017 (the latest year available), state and local income taxes in Ohio were $1,207 per person, not much more than the U.S. average of $1,198. However, collections varied widely from state to state, ranging from $2,877 per person in New York to zero or nearly zero in nine states. *3/10/2020*

Study: Ohio has 44th Most Expensive State & Local Taxes
March 13, 2020

Ohio does not fare well in **WalletHub's new comparison** of state and local tax rates. The financial website compared the tax rates of the 50 states and D.C. — and their impact on the U.S. median household — and found Ohio was the 44th most expensive. According to the study, Ohio's effective state and local tax rates on the U.S. median household is 13.14% — or $7,962 — roughly 22% more than the U.S. average. *3/11/2020*

Ohio's February Tax Revenues $111M Above Estimate
March 6, 2020

On Thursday, Ohio's Office of Budget and Management released preliminary **February 2020 revenue data**, showing the state's total General Revenue Fund tax receipts finished the month $111 million (7.2%) above estimates. Fiscal-year-to-date tax receipts through February exceeded estimates by $249 million (1.6%) and were more than $475 million (3.1%) over total tax receipts through the same period last fiscal year. *3/5/2020*

Guidance on Income Tax Nexus, ESOPs, Indirect Job Costs
March 6, 2020

The latest "**Manufacturing Minute**" — published by OMA Connections Partner GBQ — contains an update on state and local income tax nexus as affected by the U.S. Supreme Court's ruling on *South Dakota v. Wayfair.* The publication also contains information regarding ESOPs, new lease accounting guidance, and accounting for indirect job costs. *3/2/2020*

Ohio's Unemployment Insurance Woes
March 6, 2020

Ohio's Unemployment Insurance (UI) Trust Fund — funded by employers — has the fifth worst solvency rate in the nation, according to a **newly revised report** from the U.S. Department of Labor. It's estimated the fund could pay for just four months of benefits during a recession. Even without a recession, the fund could be broke by 2025. While Ohio's UI system is paying out more than it takes in, a temporary freeze on benefits was allowed to expire on Jan. 1. *3/2/2020*

HB17 **SURVIVING SPOUSES-HOMESTEAD EXEMPTION** (GINTER T) To allow an enhanced homestead exemption for surviving spouses of public safety personnel killed in the line of duty.

Current Status: 2/11/2020 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-17

HB19 **PINK TAX EXEMPTION** (ANTANI N, KELLY B) To exempt from sales tax the sale of tampons and other feminine hygiene products associated with menstruation.

Current Status: 5/7/2019 - House Ways and Means, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-19

HB46 **STATE GOVT EXPENDITURE DATABASE** (GREENSPAN D) To require the Treasurer of State to establish the Ohio State Government Expenditure Database.

Current Status: 1/22/2020 - **SUBSTITUTE BILL ACCEPTED**, Senate General Government and Agency Review , (Seventh Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-46

HB47 **TAX COMPLAINTS-LEGAL ASSISTANCE FOUNDATION** (GREENSPAN D) To increase the time within which property tax complaints must be decided.

Current Status: 10/22/2019 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-47

HB54 **LGF TAX REVENUE INCREASE** (CERA J, ROGERS J) To increase the proportion of state tax revenue allocated to the Local Government Fund from 1.66% to 3.53% beginning July 1, 2019.

Current Status: 2/12/2019 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-54

HB56 **MINE SAFETY EXCISE TAX** (CERA J) To allocate 3.75% of kilowatt-hour excise tax revenue for mine reclamation, mine drainage abatement, and mine safety.

Current Status: 2/26/2019 - House Energy and Natural Resources, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-56

HB57 **HEATING SOURCES TAX EXEMPTION** (PATTERSON J, CERA J) To exempt certain heating sources from sales taxation and to hold local governments and libraries harmless from the revenue effect.

Current Status: 2/4/2020 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-57

HB60 **DIAPER SALES TAX EXEMPTION** (ANTANI N, KELLY B) To exempt from sales and use tax the sale of child and adult diapers.

Current Status: 3/19/2019 - House Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-60

HB62 **TRANSPORTATION BUDGET** (OELSLAGER S) To increase the rate of and modify the distribution of revenue from motor fuel excise taxes, to make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2019, and ending June 30, 2021, and to provide authorization and conditions for the operation of those programs.

Current Status: 4/3/2019 - **SIGNED BY GOVERNOR**; eff. 90 days, Taxes eff. 7/1/19

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-62

HB75 **PROPERTY VALUE CONTESTS** (MERRIN D) To require local governments that contest property values to formally pass an authorizing resolution for each contest and to notify property owners.

Current Status: 2/12/2020 - Referred to Committee Senate Local Government, Public Safety and Veterans Affairs

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-75

HB92 **VOTE ON COUNTY SALES TAX** (ANTANI N, SMITH J) To require voter approval of any increase in the rate of a county sales tax.

Current Status: 3/13/2019 - House State and Local Government, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-92

HB109 **SAP EXTRACTION TAX BREAK** (PATTERSON J, LATOURETTE S) To authorize a property tax exemption for land used for commercial maple sap extraction.

Current Status: 1/28/2020 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-109

HB112 **TAX REMITTANCE-BAD DEBTS** (SCHAFFER T) To allow vendors to receive a refund of sales tax remitted for certain bad debts charged off as uncollectible by credit account lenders.

Current Status: 5/14/2019 - House Financial Institutions, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-112

HB121 **TAX CREDIT-CLASSROOM MATERIALS** (SCHAFFER T) To allow a credit against the personal income tax for amounts spent by teachers for instructional materials.

Current Status: 3/19/2019 - House Primary and Secondary Education, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-121

HB134 **MARCH SALES TAX HOLIDAY** (ANTANI N, WEINSTEIN C) To provide a three-day sales tax "holiday" each March during which sales of qualifying Energy Star products are exempt from sales and use taxes.

Current Status: 10/29/2019 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-134

HB135 **SALES TAX HOLIDAY EXPANSION** (ANTANI N) To expand the class of products exempt from sales tax if bought during a sales tax holiday.

Current Status: 11/5/2019 - House Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-135

HB162 **MOTION PICTURE TAX CREDIT** (PATTON T) To increase the overall cap on the motion picture tax credit from $40 million per fiscal year to $100 million per fiscal biennium.

Current Status: 3/26/2019 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-162

HB166 **OPERATING BUDGET** (OELSLAGER S) To make operating appropriations for the biennium beginning July 1, 2019, and ending June 30, 2021, and to provide authorization and conditions for the operation of state programs.

Current Status: 7/18/2019 - **SIGNED BY GOVERNOR**; Eff. Immediately

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-166

HB175 **TAX EXEMPTION-GOODS MOVEMENT** (ANTANI N) To exempt from sales and use tax things used primarily to move completed manufactured products or general merchandise.

Current Status: 10/22/2019 - House Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-175

HB183 **TAX CREDIT-BEGINNING FARMERS** (MANCHESTER S, PATTERSON J) To allow income tax credits for beginning farmers who participate in a financial management program and for businesses that sell or rent agricultural land, livestock, facilities, or equipment to beginning farmers.

Current Status: 11/19/2019 - **REPORTED OUT AS AMENDED**, House Agriculture and Rural Development, (Fifth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-183

HB187 **TAX ISSUES-AUGUST** (MERRIN D, WIGGAM S) To prohibit local tax-related proposals from appearing on an August special election ballot.

Current Status: 4/10/2019 - Referred to Committee House State and Local Government

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-187

HB197 **OMNIBUS MEASURES ON CORONAVIRUS** (POWELL J, MERRIN D) To continue essential operations of state government and maintain the continuity of the state tax code in response to the declared pandemic and global health emergency related to COVID-19, to make appropriations, and to declare an emergency.

Current Status: 3/27/2020 - **SIGNED BY GOVERNOR**; eff. 3/27/20

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-197

HB222 **CDL TRAINING TAX CREDIT** (STOLTZFUS R, HOWSE S) To authorize an income tax credit for an employer's expenses to train a commercial vehicle operator.

Current Status: 6/9/2020 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-222

HB245 **PROPERTY TAX EXEMPTION TIMELINES** (SMITH J) To remove the current deadlines by which an owner or lessee of a qualified energy project must apply for a property tax exemption.

Current Status: 5/21/2019 - Referred to Committee House Energy and Natural Resources

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-245

HB382 **PROHIBIT INCOME TAX-MUNICIPAL NONRESIDENTS** (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: 11/6/2019 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-382

HB410 **SALES TAX EXEMPTION - COLLEGE TEXTBOOKS** (SWEENEY B, ANTANI N) To exempt from sales and use tax textbooks purchased by post-secondary students.

Current Status: 12/10/2019 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-410

HB440 **SALES TAX EXEMPTIONS-MANUFACTURING** (MIRANDA J, CARRUTHERS S) To authorize sales tax exemptions for property and services used to clean or maintain manufacturing machinery and for employment services used to operate manufacturing machinery.

Current Status: 1/28/2020 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-440

HB467 **PASS-THROUGH ENTITY TAX REDUCTION** (SCHERER G) To reduce the pass-through entity withholding tax rate to four percent.

Current Status: 2/19/2020 - **SUBSTITUTE BILL ACCEPTED**, House Ways and Means, (Fourth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-467

HB490 **ELECTRIC/ HYBRID VEHICLE REGISTRATION FEES** (GREENSPAN D, SHEEHY M) To provide for the proration of the plug-in electric and hybrid motor vehicle registration fees.

Current Status: 2/11/2020 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-490

HB507 **DELINQUENT TAX LIEN PAYMENTS** (MANNING D) To prohibit enforcement of delinquent property tax liens against owner-occupied homesteads and to require that any delinquent tax be paid before the title to a homestead may be transferred.

Current Status: 2/19/2020 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-507

HB523 **STEM DEGREE LOAN REPAYMENT PROGRAM** (PATTERSON J, CARFAGNA R) to establish theSTEM Degree Loan Repayment Program, to authorize a refundable tax creditfor employers who make payments on student loans obtained by a graduate toearn a STEM degree, and to make an appropriation.

Current Status: 2/21/2020 - Introduced

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-523

HB565 **EXTEND INCOME TAX FILING DEADLINE** (ROGERS J, CROSSMAN J) To extend the filing and payment dates for state, municipal, and school district income taxes by the same period as any federal income tax extension granted in response to the COVID-19 disease outbreak and to declare an emergency.

Current Status: 5/5/2020 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-565

HB567 **PARTIALLY REFUNDABLE INCOME TAX CREDIT** (ROGERS J, CROSSMAN J) To temporarily authorize a partially refundable earned income tax credit and to declare an emergency.

Current Status: 5/5/2020 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-567

HB582 **MAKE APPROPRIATIONS, REAPPROPRIATIONS** (CALLENDER J) To make appropriations for the biennium ending June 30, 2021, and capital reappropriations for the biennium ending June 30, 2022.

Current Status: 5/5/2020 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-582

HB591 **SUSPEND EMPLOYER MUNICIPAL INCOME TAX** (ROGERS J) To suspend some employer municipal income tax withholding requirements during the COVID-19 state of emergency and to declare an emergency.

Current Status: 5/5/2020 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-591

HB614 **UNEMPLOYMENT COMPENSATION REFORM** (FRAIZER M, RICHARDSON T) To study and reform the application, processing, and administration infrastructure of Ohio's unemployment compensation system.

Current Status: 6/3/2020 - **SUBSTITUTE BILL ACCEPTED**, House Ways and Means, (Fifth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-614

SB1 **REDUCE REGULATORY RESTRICTIONS** (MCCOLLEY R, ROEGNER K) To require certain agencies to reduce the number of regulatory restrictions and to continue the provision of this act on and after August 18, 2019.

Current Status: 6/4/2020 - House Appoints Managers; S. Wiggam, B. Seitz & B. Kelly Named as House Conferees

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-1

SB8 **TAX CREDITS-OHIO OPPORTUNITY ZONE** (SCHURING K) To authorize tax credits for investments in an Ohio Opportunity Zone.

Current Status: 5/8/2019 - House Economic and Workforce Development, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-8

SB37 **MOTION PICTURE TAX CREDIT** (SCHURING K) To extend eligibility for and make other changes to the motion picture tax credit.

Current Status: 6/30/2019 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-37

SB39 **MIXED USE DEVELOPMENT PROJECTS-TAX CREDIT** (SCHURING K) To authorize an insurance premiums tax credit for capital contributions to transformational mixed use development projects.

Current Status: 2/12/2020 - **BILL AMENDED**, House Economic and Workforce Development, (Seventh Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-39

SB95 **STATE AND LOCAL TAX INDUCEMENTS** (KUNZE S, PETERSON B) To enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers.

Current Status: 5/19/2020 - House Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-95

SB109 **WORKFORCE SCHOLARSHIP PROGRAM** (SCHURING K) To establish the Workforce Scholarship Program, to terminate the provisions of the Scholarship Program on December 31, 2023, to authorize tax credits for graduates of the Scholarship Program and their employers, and to make an appropriation.

Current Status: 10/8/2019 - Senate Finance, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-109

SB125 **TAX DEDUCTION-529 PLANS** (HOTTINGER J, BRENNER A) To expand the income tax deduction allowed for contributions to Ohio's 529 education savings plans to include contributions to 529 plans established by other states.

Current Status: 5/12/2020 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-125

SB132 **GAS TAX-LOCAL GOVERNMENT ALLOCATION** (WILLIAMS S) To modify the amount of revenue derived from any increase in the motor fuel tax rate that is allocated to local governments and to change the manner in which that revenue is divided between municipal corporations, counties, and townships.

Current Status: 5/1/2019 - Referred to Committee Senate Transportation, Commerce and Workforce

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-132

SB153 **JOB RETENTION TAX CREDIT-ALTERNATIVE REQUIREMENTS** (DOLAN M) To permit manufacturers to meet alternative minimum employment and investment requirements to qualify for the Job Retention Tax Credit.

Current Status: 6/4/2019 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-153

SB268 **CAPITAL APPROPRIATION** (SYKES V) To modify the purpose of a capital appropriation.

Current Status: 2/25/2020 - Senate Finance, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-268

SB307 **SALES TAX EXEMPTION-PPE** (GAVARONE T) To authorize a temporary sales and use tax exemption for personal protective equipment and to declare an emergency.

Current Status: 6/9/2020 - Senate Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-307

SB310 **FEDERAL COVID FUNDING** (DOLAN M) To provide for the distribution of some federal coronavirus relief funding to local subdivisions, to make an appropriation, and to declare an emergency.

Current Status: 6/4/2020 - **PASSED BY HOUSE**; Amended on Floor, Bill Vote 87-8, Emergency Clause 91-4

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-310

SB316 **CAPITAL REAPPROPRIATIONS** (DOLAN M) To make capital reappropriations for the biennium ending June 30, 2022, and to declare an emergency.

Current Status: 6/3/2020 - **REPORTED OUT**, Senate Finance, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-316

SJR3 **REQUIRE SUPERMAJORITY-INCOME TAX INCREASE** (BURKE D) Proposing to enact Section 7 of Article XII of the Constitution of the State of Ohio to require that any increase in income tax rates be approved by a supermajority of the membership of each house of the General Assembly.

Current Status: 6/9/2020 - Senate Ways and Means, (Sixth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SJR-3