Tax Committee
November 19, 2014

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2015 Tax Committee Calendar
Meetings will begin at 10:00 a.m.

Wednesday, March 18, 2015
Thursday, May 28, 2015
Thursday, October 15, 2015

OMA Tax Committee Meeting Sponsor:

OMA Tax Policy Committee

November 19, 2014

AGENDA

Welcome & Self-Introductions:	Michele Kuhrt, Chairman Lincoln Electric
Ohio Board of Tax Appeals Presentation	Jim Williamson, Chairman, Ohio Board of Tax Appeals
Ohio Department of Taxation Presentation	Ohio Department of Taxation
OMA Counsel's Report	Mark Engel Bricker & Eckler
OMA Public Policy Report	Rob Brundrett OMA Staff

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

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

Thanks to Today's Meeting Sponsor:

Taft/

Jim Williamson

Mr. Williamson serves as Chair of the Ohio Board of Tax Appeals. He is a CPA with business degrees from Ball State University and Indiana University and has private sector interests in energy management and commercial real estate. Jim was elected Madison County Auditor in 1994 and served in that capacity until 2011 when Governor John R. Kasich appointed him to the Board of Tax Appeals.

Matthew H. Chafin, Esq. – Chief Legal Counsel, Ohio Department of Taxation
Matt is responsible for the tax legal affairs of the department and management of four legal groups providing legislatively authorized services: Tax Appeals, Appeals Management, Bankruptcy, and Legal Counsels.

Prior to his appointment, Matt was an attorney examiner for the Ohio Board of Tax Appeals for eleven years. Previously, Matt served as an assistant prosecuting attorney for the Franklin County Prosecutor's Attorney, handling various civil matters, representation of elected officials, and representing the Franklin County Board of Revision. Matt has litigated cases before a variety of Courts of Appeals, County Common Pleas Courts, Federal District Court, Ohio Supreme Court, and the Board of Tax Appeals.

While in law school Matt was a mediator in the Columbus City Attorney's Office, Night Prosecutor's program.
Prior to becoming a member of the Ohio Bar, Matt served as a deputy county auditor and deputy county recorder. Matt graduated from Ohio University with a degree in communications and earned his J.D. from Capital University Law School.

Marjorie Kruse – Compliance & Audit, Ohio Department of Taxation
Marj has responsibility for oversight of all taxes administered by the Department, as well as both the audit and compliance functions. Prior to joining Taxation, she worked for the Franklin County Auditor, serving thirteen years as the director of fiscal services and three years as chief accountant. She also has worked on school district performance audits as an employee of the State Auditor's Office. She was an audit manager at Coopers & Lybrand before focusing her career in the public sector.

Marj graduated summa cum laude from The Ohio State University in 1988 with a Bachelor's degree in Accounting and is a Certified Public Accountant. In the past, she has served as president of the Columbus Chapter of the American Society of Women Accountants and as education co-chair for the Central Ohio Chapter of the Association of Government Accountants. She has four children ranging in age from 14 to 31, and four grandchildren.

Laura M. Stanley - Legal Counsel, Commercial Activity, Excise & Energy Tax Divisions, Ohio Department of Taxation
Laura is Legal Counsel for the Commercial Activity, Motor Fuel, and Excise Tax Divisions for the Ohio Department of Taxation. In this position, Laura is responsible for drafting final determinations, legal ruling requests, administrative rules, information releases, and reviewing proposed legislation, as well as advising the Administrators of the Commercial Activity, Motor Fuel, and Excise Tax Divisions and Commissioner's Office on legal matters.

Prior to becoming Legal Counsel, Laura worked as a Management Analyst Supervisor in the Commercial Activity Tax Division and was instrumental in several projects, including the Voluntary Disclosure Program. Additionally, Laura assisted Sarah O'Leary in her capacity as Legal Counsel for the Commercial Activity, Motor Fuel, and Excise Tax Divisions.

Laura graduated from The University of Akron in Akron, Ohio with a Bachelors of Science in Political Science & Criminal Justice and an Associate of Applied Science in Criminal Justice Technology. Additionally, Laura earned her J.D. from Capital University School of Law in Columbus, Ohio. A significant aspect in Laura's life is family – her husband and two daughters.

Phyllis J. Shambaugh - Counsel, Sales & Use Tax Division, Ohio Department of Taxation

Phyllis is currently Counsel for the Sales & Use Tax Division of the Ohio Department of Taxation. She has over eighteen years of experience in state and local tax law. Phyllis began her state tax career in the Ohio Attorney General's Office. As an Assistant Attorney General she presented both trial and appellate cases before the Ohio Board of Tax Appeals, Courts of Appeal and the Supreme Court of Ohio. Next, Phyllis served as a Hearing Officer at the Ohio Board of Tax Appeals. In that capacity, she presided over hearings on state tax cases, drafted opinions for the Board's consideration and mediated cases.

Phyllis then went into private practice with Jones Day. There she advised and represented clients regarding multi-state tax issues. She has appeared before taxing authorities and courts in multiple states including New York and Texas.
Phyllis has lectured at numerous seminars and conferences on state tax and unclaimed property issues. She has published articles in national publications, including State Tax Review, Journal of State Taxation and Corporation Business Taxation Monthly.

Ohio Board of Tax Appeals Board Update

Jim Williamson, Board Chairman

Kathleen Crowley, Executive Director

Carrie Young, Chief Attorney Examiner

November 19, 2014

Year-Over-Year BTA Statistics

Incoming Appeal Volumes

New Appeals	2012	2013	% Change
Calendar Year (Jan-Dec)	5,198	**6,591**	26.8%

Board Decision Volumes

Board Decisions	2012	2013	% Change
Calendar Year (Jan-Dec)	7,256	**8,809**	21.4%

- Incoming appeal volumes have increased (~2k to 5-6k annually)
- Backlog peaked at 10,000 active cases in early 2012
- Decision volumes (2012, 2013 & 2014) now exceed incoming volume (Process re-engineering, HB138, cloud-based CMS)
- 2014 to-date shows a leveling off of incoming appeal volume, but still near record levels

Recent BTA Changes

Small Claims Docket (R.C. 5703.021) (HB 138)

- **TAXPAYER** must Opt-In; Property must qualify for R.C. 319.302 “partial tax exemption” – “not intended primarily for use in a business activity,” e.g., less than 4 family dwelling; Written argument due in 75 days; *Where hearing requested*, a 15-minute non-record, informal telephonic hearing is conducted; BTA issues a brief, non-precedential/non-appealable decision

Case Management Schedules

- Case milestones established when appeal is docketed; Hearings scheduled only upon request; Case track depends on complexity; Sequential disclosure of evidence & witnesses, appellant then appellee; **Effective 1/1/15, transcripts must be filed electronically**

Recent BTA Changes

Stricter Rule Adherence

- BTA modified its rules and practices to provide increased consistency / predictability / efficiency, i.e., setting fairly rigid guidelines for adjustments to case milestones, e.g., 21-day notice for continuance requests/2 continuance maximum; BTA's transition to a user-driven case management system will require another rules update

No Ex Parte Contacts

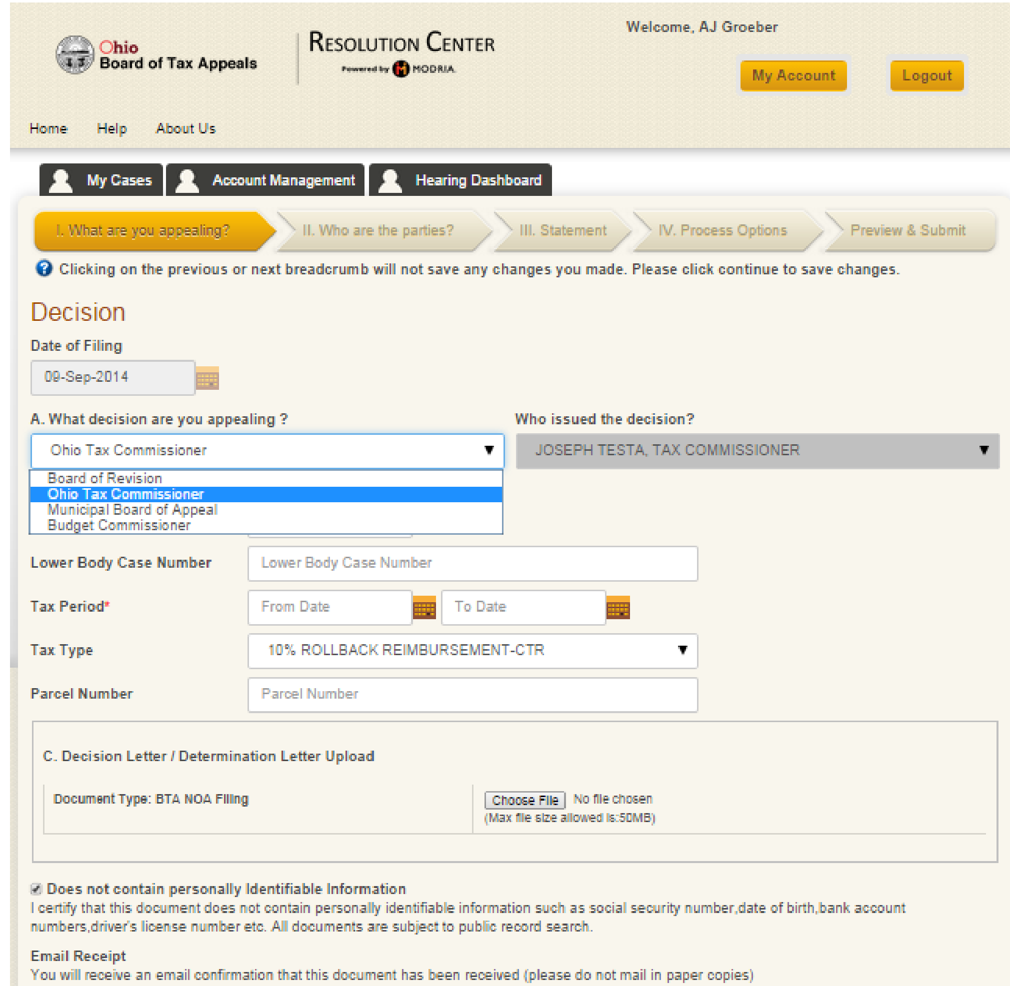
- In order to provide increased confidence in an independent tax appeals system and transparency regarding BTA actions, unilateral phone/email requests will not be acted on; If an issue/error/problem is identified by a party, that party's representative must file a timely/appropriate written motion, properly served on all parties

New BTA Resolution Center

- Cloud-Based
- User Driven
- Interactive Resolution Process
  - Where parties are more actively engaged
  - Case activity responses are immediate
  - Milestones (using BTA rules) are clear
  - Full access to case filings
  - Off-The-Record communication available
  - Accessible anywhere 24/7
- Resolves Appeals
  - Voluntarily or by Decision & Order

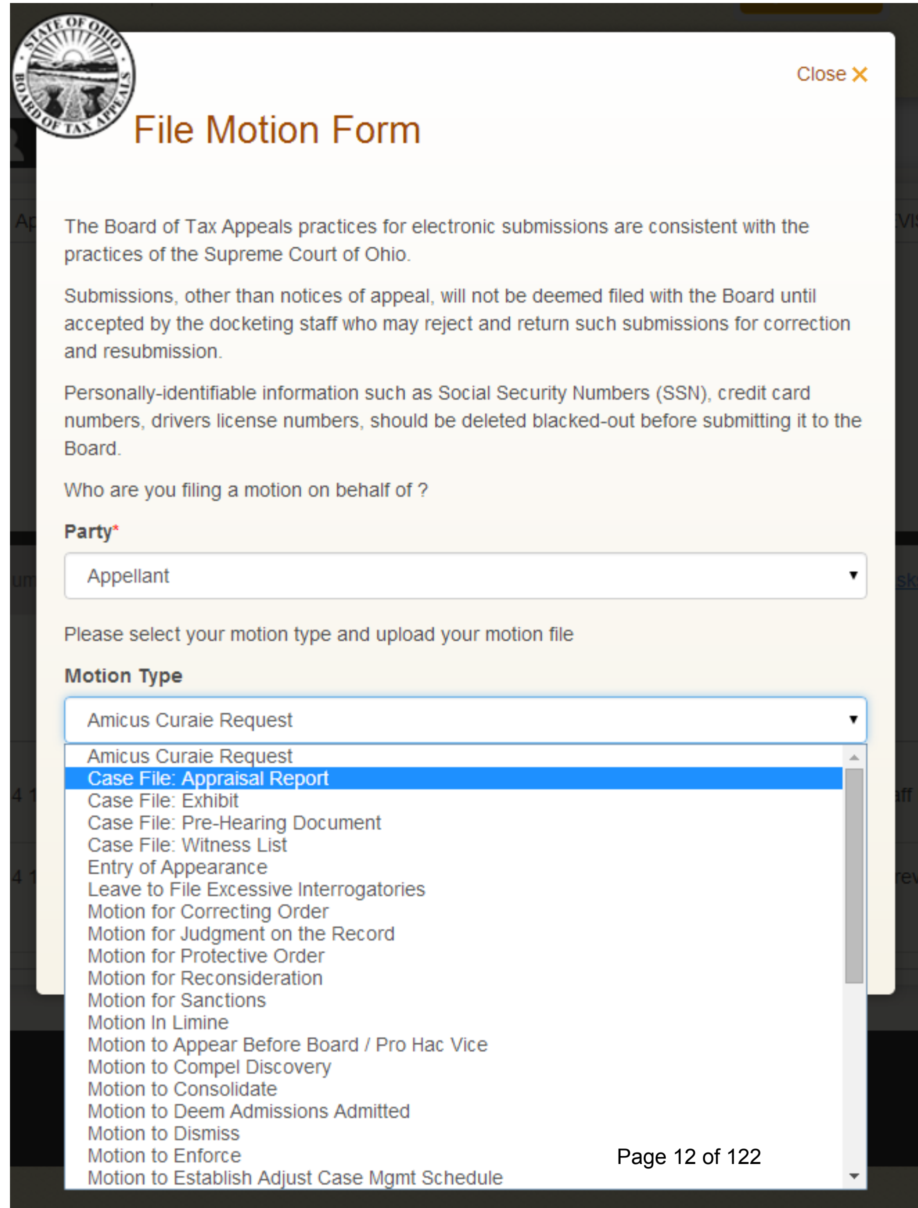
Online Appeal Filing

- The Notice of Appeal is filed within the Resolution Center
- Interactive Q&A
- Appellant enters case details directly
  - Avoiding transcription errors
  - Providing immediate confirmation of filing
  - Establishing case milestones up front
  - Faster, less costly, more accurately and entirely transparent



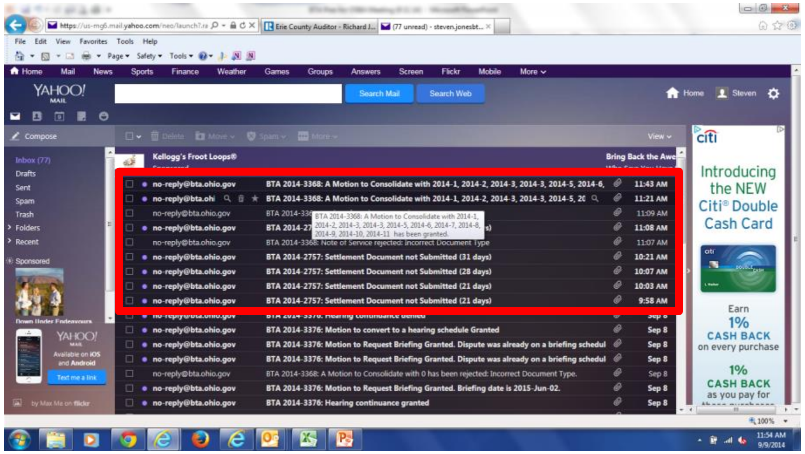
Electronic Case Document Filing

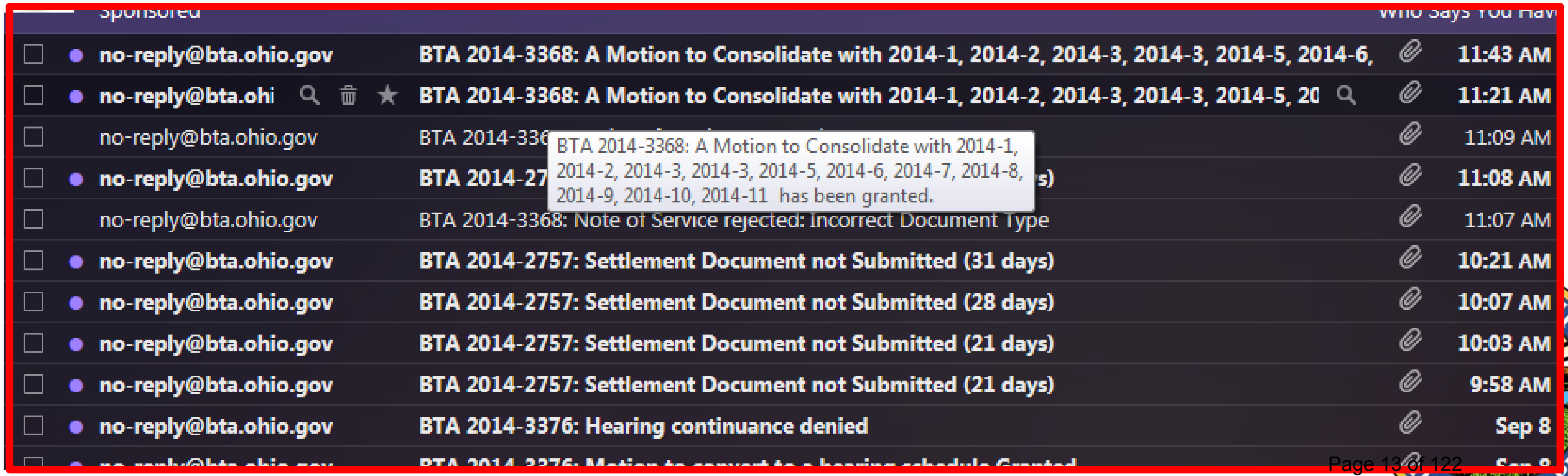
- Parties can file motions, briefs and other pre- & post-hearing documents directly into the case file
- Documents are stored online and are available to all parties
- Transcription & docketing errors by the BTA are minimized
- Workflow routes filings the to correct BTA staff member for immediate action



E-mail Notification of Case Activity

- BTA action that would trigger a letter to the parties, can now be delivered by email immediately
- Users of the system will have – in minutes – what took days to receive





Conclusion

- BTA's backlog (10,000 open appeals in early 2012; ~4 years from filing to resolution) required drastic change to reduce uncertainty and keep the BTA relevant
- Transformation, facilitated by process re-engineering, HB138 and implementation of the Resolution Center, have brought the BTA's caseload current (now <270 days from filing to resolution)
- The BTA's Resolution Center now provides certainty, transparency and predictability to our customers
- Customers now have the ability to actively engage in the resolution process from filing to resolution
- Allowing BTA resources to focus on legal analysis, and delivery of high-quality, well-reasoned decisions

State of Ohio Board of Tax Appeals

Ohio Board of Tax Appeals Board Update

Jim Williamson, Board Chairman
Kathleen Crowley, Executive Director
Carrie Young, Chief Attorney Examiner

November 19, 2014

Tax Analysis Division
30 E Broad St, 22nd Floor
Columbus, Ohio 43215
(614)466-3961 Fax (614)752-0700

Table CAT 1&2
No. 114 & 115 (2014)
October 24, 2014

COMMERCIAL ACTIVITY TAX: Number of Taxpayers and Tax Return Data, Fiscal Year 2014

The commercial activity tax went into effect on July 1, 2005. It is a privilege tax measured by gross receipts from activities in this state. The tax is a key component of the 2005 tax reform package enacted by Am. Sub. House Bill 66 (126th General Assembly). Major business tax components of the act consist of the phase-out of both the tangible personal property tax and the corporate franchise tax and the phase-in of the commercial activity tax.

The tax is levied and paid on a quarterly or annual basis. In general, persons with annual gross receipts of $150,000 or less are not subject to the commercial activity tax, and filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year pay the $150 annual minimum tax, and file an annual return.

Filers with over $1 million in taxable gross receipts are required to pay an annual minimum tax and additional tax at a rate of 0.26% of taxable gross receipts that have been reduced by a $1 million exclusion to taxable gross receipts. The annual minimum tax is $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year. The annual minimum tax is $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year.

The attached CAT-1 and CAT-2 tables reflect information reported on tax returns that were due and filed during fiscal year 2014. For quarterly filers, these returns reflect activity for the April 2013 to March 2014 period; the returns were due and filed in August 2013, November 2013, February 2014 and May 2014. In addition, the data include tax returns filed by annual filers due in May 2014. Each combined taxpayer group and each consolidated elected taxpayer group is shown as a *single filer* in these tables.

As shown in these tables, the total reported commercial activity tax liability before credits for fiscal year 2014 was approximately $1,856.5 million. Of this amount approximately $102.6 million was attributable to the annual minimum tax and approximately $1,753.8 million was attributable to the 0.26% tax rate. Taxable gross receipts amounted to approximately $767.8 billion but the exclusion available on each return reduced taxable gross receipts to net taxable gross receipts, which amounted to approximately $674.6 billion.

Table CAT-1 shows tax return information for 19 industrial sectors. The industrial sector data is based on each filer's reported primary business activity, using the North American Industry Classification System (NAICS). The combined taxpayer group or consolidated elected taxpayer group is reported under the primary filer's industry code. In fiscal year 2014, the retail sector comprised the largest group of taxpayers, and accounted for 12.4% of all taxpayers. This was followed by taxpayers in the manufacturing (10.2%), unclassified (9.6%), professional, scientific and technical services (9.5%), and construction (9.2%) categories. In terms of tax liability, manufacturers accounted for the largest share at 24.9% of the total. The retail (20.4%) and wholesale (14.6%) sectors accounted for the next largest shares of total liability.

Table CAT-2 provides tax return information based on the size of each filer's taxable gross receipts (prior to the exclusion). Each combined taxpayer group and each consolidated elected taxpayer group is shown as a single filer, and the filer's gross receipts determine the size category in which the group is placed. Filers whose fiscal year 2014 taxable gross receipts were $1 million or below accounted for approximately 67.0% of all returns, but less than 1.0% of the total liability. Filers with taxable gross receipts of $1 billion and above comprised less than 0.1% of all returns but accounted for approximately 22.5% of total tax liability.

Data contained in these tables was derived from commercial activity tax returns filed by taxpayers with the Ohio Department of Taxation.

Fiscal Year 2014 Commercial Activity Tax Returns:
Number of Returns and Reported Financial Data, by Industrial Classification (a)
Dollar amounts are in 1,000's

Industrial Sector	NAICS Code Ranges	Number of Filers	Taxable Gross Receipts	Exclusion (b) (e)	Net Taxable Gross Receipts	Tax at 0.26% Rate	Annual Minimum Tax (c)	Tax at 0.26% rate plus Minimum Tax, before all credits (e)	Non-refundable Tax Credits (d)	Refundable Tax Credits (d)	Total Tax Due: 0.26% Tax and Minimum Tax, After All Credits
Agriculture, Forestry, and Fishing	111100-115310	6,954	$ 8,270,943	$ 3,850,514	$ 4,420,429	$ 11,491	$ 2,817	$ 14,308	$ 21	$ 1	$ 14,286
Mining	211110-213110	855	$ 7,672,942	$ 543,138	$ 7,129,804	$ 18,544	$ 746	$ 19,290	$ 284	$ 234	$ 18,833
Utilities (excluding telecommunications)	221100-221300	173	$ 17,489,343	$ 134,898	$ 17,354,444	$ 45,121	$ 213	$ 45,335	$ 1,466	$ -	$ 43,869
Construction	236110-238900	14,628	$ 36,694,068	$ 8,550,472	$ 28,143,596	$ 73,173	$ 9,789	$ 82,962	$ 323	$ 149	$ 82,560
Manufacturing	311110-339900	16,227	$ 196,335,128	$ 11,659,413	$ 184,675,715	$ 480,162	$ 17,033	$ 497,194	$ 41,511	$ 33,572	$ 422,405
Wholesale Trade	423100-425120	8,896	$ 110,025,884	$ 6,337,639	$ 103,688,245	$ 269,570	$ 9,593	$ 279,163	$ 12,958	$ 18,035	$ 248,393
Retail Trade	441110-454390	19,772	$ 144,471,530	$ 12,669,972	$ 131,801,558	$ 342,685	$ 14,859	$ 357,545	$ 1,516	$ 9,525	$ 346,510
Transportation and Warehousing	481000-493100	4,446	$ 17,546,485	$ 2,743,505	$ 14,802,979	$ 38,486	$ 3,263	$ 41,750	$ 54	$ 1,222	$ 40,464
Information (including telecommunications)	511110-519100	1,632	$ 29,395,561	$ 1,002,682	$ 28,392,879	$ 73,817	$ 1,327	$ 75,145	$ 1,462	$ 1,430	$ 72,244
Finance and Insurance	522110-525990	5,689	$ 11,437,455	$ 2,476,649	$ 8,960,806	$ 23,300	$ 2,349	$ 25,649	$ -	$ 3,117	$ 23,369
Real Estate, and Rental & Leasing of Property	531110-533110	13,642	$ 19,627,705	$ 6,716,770	$ 12,910,935	$ 33,570	$ 5,752	$ 39,322	$ 100	$ 25	$ 39,266
Professional, Scientific and Technical Services	541110-541990	15,178	$ 39,585,021	$ 8,201,551	$ 31,383,470	$ 81,586	$ 8,425	$ 90,011	$ 557	$ 6,611	$ 82,820
Management of Companies (Holding Companies)	551111-551112	945	$ 47,488,551	$ 730,423	$ 46,758,128	$ 121,559	$ 1,459	$ 123,019	$ 11,717	$ 12,411	$ 98,867
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	4,038	$ 10,903,128	$ 2,246,146	$ 8,656,982	$ 22,508	$ 2,365	$ 24,873	$ 174	$ 424	$ 24,274
Education, Health Care and Social Assistance	611000-624410	11,830	$ 25,649,493	$ 7,479,581	$ 18,169,911	$ 47,243	$ 7,357	$ 54,600	$ 106	$ 168	$ 54,321
Arts, Entertainment, and Recreation	711100-713900	1,656	$ 3,994,834	$ 850,721	$ 3,144,113	$ 8,175	$ 712	$ 8,886	$ -	$ 274	$ 8,614
Accommodation and Food Services	721110-722410	9,328	$ 17,552,608	$ 5,632,370	$ 11,920,237	$ 30,993	$ 5,108	$ 36,100	$ 150	$ -	$ 35,954
Other Services	811110-812990	8,290	$ 8,571,167	$ 4,185,581	$ 4,385,585	$ 11,403	$ 3,197	$ 14,599	$ 48	$ 13	$ 14,538
Unclassified	n/a	15,333	$ 15,063,518	$ 7,201,030	$ 7,862,488	$ 20,442	$ 6,278	$ 26,720	$ 80	$ 90	$ 26,556
TOTAL		159,512	$ 767,775,362	$ 93,213,056	$ 674,562,306	$ 1,753,829	$ 102,641	$ 1,856,471	$ 72,528	$ 87,302	$ 1,698,141

(a) The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2013. The table reflects reported tax liability, not actual payments made. In addition the table reflects information from tax returns processed by the Department of Taxation on or after July 1, 2013 to on or before September 30, 2014, and includes quarterly returns for the 2nd, 3rd, 4th calendar quarters of 2013, the 1st calendar quarter of 2014, and annual returns for calendar year 2013. The quarterly CAT returns for these time periods are due in August 2013, November 2013, February 2014 and May 2014, respectively, and the annual returns are due May 2013. Each of these due dates fall within fiscal year ending June 30, 2014. Any original or amended returns filed after September 30, 2014 are not reflected in this table.

(b) For each filer, the entire annual exclusion of $1,000,000 may be taken on the first quarter return, up to the amount of total gross receipts. Any unused exclusion is carried forward to subsequent quarters.

(c) The annual minimum tax is $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year. The annual minimum tax is $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax. In general, persons with annual gross receipts of $150,000 or less are not subject to the commercial activity tax.

(d) Nonrefundable credits and refundable credits listed on this table were filed according to the time schedule described in footnote (a), and were reviewed and verified by the Department of Taxation, Commercial Activities Tax Division, as of September 30, 2014. Any credits filed, reviewed, or verified after September 30, 2014 are not reflected in this table.

(e) Two fields, "Exclusion", and "Tax at 0.26% rate plus Minimum Tax, before all credits", do not exist as lines on CAT returns. Each of these fields was, therefore, calculated. The "Exclusion" field was calculated by subtracting "Net Taxable Gross Receipts" from "Taxable Gross Receipts" for each filer. The "Tax at 0.26% rate plus Minimum Tax, before all credits", field was calculated by summing "Tax at 0.26% Rate", and "Annual Minimum Tax" for each filer.

Fiscal Year 2014 Commercial Activity Tax:
Number of Returns and Reported Financial Data, by Size of Taxable Gross Receipts (a)
Dollar amounts are in 1,000's

Taxable Gross Receipts (b)	Number of Filers	Taxable Gross Receipts	Exclusion (c) (f)	Net Taxable Gross Receipts	Tax at 0.26% Rate	Annual Minimum Tax (d)	Tax at 0.26% rate plus Minimum Tax, before all credits (f)	Non-refundable Tax Credits (e)	Refundable Tax Credits (e)	Total Tax Due: 0.26% Tax and Minimum Tax, After All Credits
Less than $1,000,000	106,797	$ 41,234,033	$ 40,925,976	$ 308,057	$ 801	$ 15,861	$ 16,662	$ 63	$ 4,637	$ 12,024
$1,000,000 - $1,999,999	21,711	$ 30,625,340	$ 21,364,573	$ 9,260,767	$ 24,080	$ 16,991	$ 41,071	$ 203	$ 1,471	$ 39,555
$2,000,000 - $2,999,999	8,779	$ 21,413,162	$ 8,836,209	$ 12,576,953	$ 32,699	$ 16,605	$ 49,303	$ 144	$ 850	$ 48,303
$3,000,000 - $3,999,999	4,806	$ 16,606,183	$ 4,848,454	$ 11,757,729	$ 30,572	$ 9,833	$ 40,406	$ 210	$ 736	$ 39,554
$4,000,000 - $4,999,999	2,984	$ 13,300,992	$ 3,009,602	$ 10,291,390	$ 26,757	$ 7,195	$ 33,952	$ 294	$ 1,141	$ 32,644
$5,000,000 - $9,999,999	6,423	$ 44,798,390	$ 6,356,872	$ 38,441,518	$ 99,948	$ 16,040	$ 115,988	$ 785	$ 2,053	$ 113,304
$10,000,000 - $24,999,999	4,425	$ 68,165,834	$ 4,356,742	$ 63,809,092	$ 165,905	$ 11,087	$ 176,992	$ 1,256	$ 4,776	$ 170,963
$25,000,000 - $49,999,999	1,653	$ 57,799,654	$ 1,619,388	$ 56,180,266	$ 146,066	$ 4,157	$ 150,223	$ 1,122	$ 4,735	$ 144,322
$50,000,000 - $99,999,999	935	$ 64,476,254	$ 924,650	$ 63,551,604	$ 165,234	$ 2,365	$ 167,599	$ 2,383	$ 11,173	$ 154,017
$100,000,000 - $499,999,999	839	$ 171,073,466	$ 810,112	$ 170,263,354	$ 442,663	$ 2,092	$ 444,754	$ 11,447	$ 23,084	$ 411,499
$500,000,000 - $999,999,999	91	$ 61,955,468	$ 91,478	$ 61,863,990	$ 160,846	$ 237	$ 161,083	$ 7,139	$ 3,458	$ 150,190
$1 billion and above	69	$ 176,326,585	$ 69,000	$ 176,257,585	$ 458,259	$ 179	$ 458,438	$ 47,483	$ 29,187	$ 381,769
TOTAL	159,512	$ 767,775,362	$ 93,213,056	$ 674,562,306	$ 1,753,829	$ 102,641	$ 1,856,471	$ 72,528	$ 87,302	$ 1,698,141

(a) The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2013. The table reflects reported tax liability, not actual payments made. In addition the table reflects information from tax returns processed by the Department of Taxation on or after July 1, 2013 to on or before September 30, 2014, and includes quarterly returns for the 2nd, 3rd, 4th calendar quarters of 2013, the 1st calendar quarter of 2014, and annual returns for calendar year 2013. The quarterly CAT returns for these time periods are due in August 2013, November 2013, February 2014 and May 2014, respectively, and the annual returns are due May 2013. Each of these due dates fall within fiscal year ending June 30, 2014. Any original or amended returns filed after September 30, 2014 are not reflected in this table.

(b) These categories reflect aggregate taxable gross receipts (before exclusion) as reported by taxpayers on returns that were due and filed during fiscal year 2014. For example, a taxpayer whose taxable gross receipts were $5 million, $6 million, $4 million, and $7 million, on returns filed in August 2013, November 2013, February 2014 and May 2014, respectively, would have total fiscal year 2014 taxable gross receipts of $22 million, and thereby would be included within the $10 - $25 million category.

(c) For each filer, the entire annual exclusion of $1,000,000 may be taken on the first quarter return, up to the amount of total gross receipts. Any unused exclusion is carried forward to subsequent quarters.

(d) The annual minimum tax is $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year. The annual minimum tax is $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax. In general, persons with annual gross receipts of $150,000 or less are not subject to the commercial activity tax.

(e) Nonrefundable credits and refundable credits listed on this table were filed according to the time schedule described in footnote (a), and were reviewed and verified by the Department of Taxation, Commercial Activities Tax Division, as of September 30, 2014. Any credits filed, reviewed, or verified after September 30, 2014 are not reflected in this table.

(f) Two fields, "Exclusion", and "Tax at 0.26% rate plus Minimum Tax, before all credits", do not exist as lines on CAT returns. Each of these fields was, therefore, calculated. The "Exclusion" field was calculated by subtracting "Net Taxable Gross Receipts" from "Taxable Gross Receipts" for each filer. The "Tax at 0.26% rate plus Minimum Tax, before all credits", field was calculated by summing "Tax at 0.26% Rate", and "Annual Minimum Tax" for each filer.

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30 E Broad St, 22nd Floor
Columbus, Ohio 43215
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http://tax.ohio.gov

Table S2-2FY14
No. 106 (2014)
October 17, 2014

SALES AND USE TAX: Collections for January 1, 2014 through June 30, 2014, by Industrial Classification

During the January 1 through June 30, 2014 period, approximately $5.1 billion in state and permissive (local) sales & use tax was collected from 177,190 different sales vendors. The following table summarizes the sales tax data by type of industry classification for the indicated six-month period.

Out of the 30 classification groups, sales tax collections ranged from a high of approximately $555.2 million by general merchandise stores to a low of approximately $5.7 million by the agriculture, forestry and fishing sector. The number of accounts per classification ranged from 24,020 miscellaneous store retailers to 73 holding companies.

Figures shown in this publication are from records of the Ohio Department of Taxation.

State and Permissive (Local) Sales and Use Tax Collections
for January through June 2014,
for Major Industrial Classifications

Industrial Classification	Industry Codes	Number of Entities (a)	State Sales & Use Tax Collections	Permissive Sales & Use Tax Collections	Total (State and Permissive) Sales & Use Tax Collections
Agriculture, Forestry, and Fishing	111100-115310	866	$4,612,045	$1,063,986	$5,676,031
Mining	211110-213110	181	10,561,441	2,470,767	13,032,209
Utilities (excluding telecommunications)	221100-221300	125	94,119,712	24,928,494	119,048,206
Construction	236110-238900	2,434	24,148,871	5,991,926	30,140,797
Manufacturing	311110-339900	10,880	175,304,636	42,998,157	218,302,793
Wholesale Trade	423100-425120	4,852	137,217,315	35,104,891	172,322,205
Retail Trade:					
Motor Vehicle and Parts Dealers (b)	441110-441300	5,236	175,198,117	43,743,942	218,942,059
Furniture and Home Furnishings Stores	442110-442299	3,363	78,582,197	20,249,763	98,831,960
Electronic and Appliance Stores	443111-443130	2,436	140,454,592	40,137,095	180,591,686
Building Material and Garden Equipment & Supplies	444110-444200	6,819	317,756,883	77,924,523	395,681,406
Food and Beverage Stores	445110-445310	6,842	208,948,326	53,512,709	262,461,035
Health and Personal Care Stores	446110-446190	7,028	97,871,439	26,531,471	124,402,909
Gasoline Stations	447100	1,402	68,010,274	17,180,228	85,190,502
Clothing and Clothing Accessories Stores	448110-448320	4,614	143,755,842	42,315,386	186,071,228
Sporting Goods, Hobby, Book, and Music Stores	451110-451220	5,867	83,336,180	23,012,902	106,349,082
General Merchandise Stores	452110-452900	4,169	431,650,736	123,563,222	555,213,958
Miscellaneous Store Retailers	453110-453990	24,020	324,689,961	83,193,452	407,883,413
Nonstore Retailers	454110-454390	5,184	89,107,837	22,881,417	111,989,254
Transportation and Warehousing	481000-493100	1,759	14,496,273	3,545,245	18,041,518
Information (including telecommunications)	511110-519100	3,300	330,850,861	89,315,414	420,166,275
Finance and Insurance	522110-525990	540	259,781,417	63,849,267	323,630,683
Real Estate, and Rental & Leasing of Property	531110-533110	3,823	105,588,821	27,180,016	132,768,837
Professional, Scientific and Technical Services	541110-541990	7,743	52,607,663	20,009,641	72,617,304
Management of Companies (Holding Companies)	551111-551112	73	9,494,005	2,459,754	11,953,760
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	10,783	159,541,668	41,259,727	200,801,395
Education, Health Care and Social Assistance	611000-624410	3,391	10,871,853	2,589,252	13,461,105
Arts, Entertainment, and Recreation	711100-713900	3,451	24,821,371	6,117,633	30,939,004
Accommodation and Food Services	721110-722410	19,371	343,938,681	88,080,155	432,018,836
Other Services	811110-812990	18,206	114,223,763	27,602,900	141,826,663
Unclassified	n/a	8,432	21,434,254	5,056,736	26,490,991
TOTAL (b)		177,190	$4,052,977,032	$1,063,870,071	$5,116,847,103

(a) Indicates the number of separate legal entities, not the number of locations.
(b) Tax collections from automobile and watercraft sales are not included in this table. Such taxes are collected by the county clerks of courts and then remitted to the state. The total tax on such sales was $753,798,222 during the January-June 2014 period.

Commercial Activity Tax Impact

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

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

Impact on Manufacturers

According to Ohio Department of Taxation *Fiscal Year 2013 Commercial Activity Tax Returns* data, manufacturers are the second-largest group of CAT taxpayers, **representing 9.8% of all taxpayers** (retail trade is the largest). And yet . . .

- In terms of **CAT revenues** based only on the 0.26% CAT rate for gross receipts in excess of $1 million, **manufacturers pay 28.1% of the state's total –** far more than any other group. If the CAT rate is increased from 0.26% to 0.30%, as proposed by the governor in his 2014 mid-biennium review, manufacturers as a group will be required to pay roughly **$69,430,000 in additional CAT payments per year, which represents a 14.7% tax increase.** That would be in addition to the increase in the minimum tax that was enacted as part of the 2014-2015 state budget bill.

- In terms of **total CAT revenues** paid, including the minimum tax, manufacturers still pay the most as a group – **27.8% of all CAT** before credits and **26.2% of all CAT** after credits – generally one-third more than the next largest taxpayer group (retail trade).

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

Foregone Revenue from CAT Exclusions, Deductions and Credits

Below are estimates of revenue foregone in FY 2015 by the state General Revenue Fund from various CAT exclusions, deductions and credits.[1] Dollar amounts are millions.

Exclusion of first $1 million of taxable gross receipts	$136.6 [2]
Qualified distribution center receipts exclusion	$89.7
Job creation credit	$40.7
State and federal fuel excise tax exclusion	$32.2
Job retention tax credit	$13.2
Credit for increased qualified research and development expenses	$11.1
Agricultural receipts	$11.0 [3]
Casino receipts in excess of "gross casino revenue"	>$10.0 [4]
Exclusion for exchanges of petroleum not involving monetary compensation	$8.5
State and federal cigarette tax exclusion	$6.6
Credit for net operating loss carry forwards and other deferred tax assets	$5.5
Professional employer organization exclusion	$2.7
State and federal alcoholic beverage excise tax exclusion	$2.0
Motor vehicle transfer exclusion	$1.9
Exclusion of real estate brokerage gross receipts not retained	$1.5
Research and development loan program credit	<$1.0 [5]
Exemption for pre-1972 trusts	<$1.0
Anti-neoplastic drug exclusion	<$1.0
Horse racing taxes and purse exclusion	<$1.0
Receipts from sale of uranium from qualifying uranium enrichment zone	<$1.0
Exclusion of certain services to financial institutions	<$1.0
Providing public services exclusion	No Estimate Available
Petroleum receipts [6]	No Estimate Available
Motion picture credit	No Estimate Available
Estimated Total Foregone Revenues	**More than $373.2 million**

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

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[1] Unless otherwise noted, the source for the data listed above is the Ohio Department of Taxation Tax Expenditure Report (Fiscal Years 2014-2015).
[2] Ohio Legislative Service Commission
[3] Ohio Legislative Service Commission
[4] Ohio Legislative Service Commission estimates foregone revenue from casino receipts in excess of "gross casino revenue" will be "tens of millions of dollars."
[5] The Ohio Department of Taxation Tax Expenditure Report provides only general "less than $1 million" estimates for six items in this list (rather than precise estimates as provided for the other items). For this reason, we have chosen not to include any foregone revenue for the six items with estimated foregone revenues of less than $1 million each.
[6] Motor vehicle fuel dealers pay a one-time tax of 0.65% on their sales of petroleum products.

OBM

November 10, 2014

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

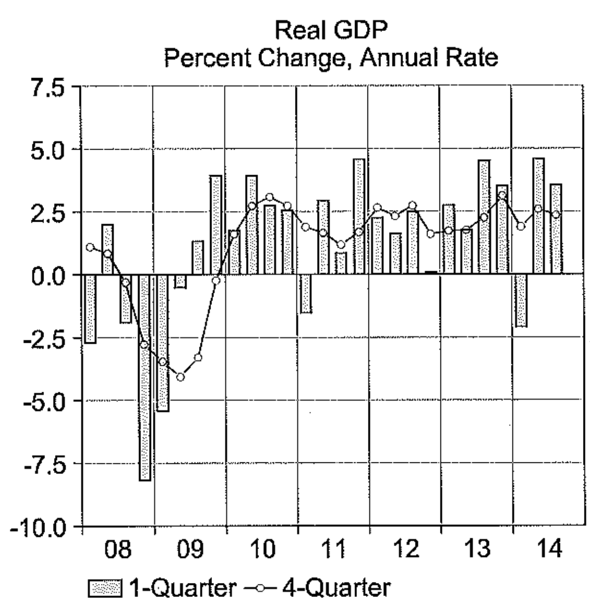
ECONOMIC SUMMARY

Economic Performance Overview

- The economy grew at a 3.5% annual pace in the third quarter, up from 1.2% during the first half of the year.
- U.S. employment increased by 214,000 jobs in October and the gains in the two previous months were revised higher by a total of 31,000 jobs. The unemployment rate decreased 0.1 percentage points to 5.8%.
- Ohio employment increased by 6,000 jobs in September, and the August level was revised upward by 4,500 jobs, to a total gain of 4,700. The unemployment rate decreased 0.1 percentage points to 5.6%, down from 7.1% last December.
- Leading economic indicators have softened somewhat recently but remain consistent with uninterrupted growth at a moderate pace across the country and in Ohio.

Economic Growth

Real GDP grew 3.5% in the third quarter, according to the advance estimate, compared with 4.6% in the second quarter and a decrease of 2.1% in the first quarter. Growth has matched or exceeded 3.5% in four of the last five quarters, but the year-over-year change in the third quarter was only 2.3% because of the decline in the first quarter. Growth averaged 1.2% in the first half, and is widely expected to continue at 3% or better in the current quarter. The consensus is for a moderate pickup in real GDP growth next year from an estimated 2.2% increase this year.



It should be noted that some analysts expect the revised estimate of third quarter GDP growth to be less than 3.5% because the September report on international trade showed a drop in U.S. exports that was not factored into the initial GDP estimate. The economists at the Bureau of Economic Analysis (BEA) who prepare the GDP estimates must estimate exports and imports for the quarter in the initial GDP estimate and then make revisions once the actual trade data is available.

The increase in real GDP during the third quarter resulted from positive contributions from personal consumption expenditures, exports (but see the comment above), nonresidential fixed investment, and government spending. Imported goods and services, which are included in the other categories and subtracted separately, decreased largely due to a reduction in the quantity of oil that was imported.

Consumer spending, which is the largest category, decelerated from 2.5% growth in the second quarter to 1.8% in the third quarter. A small acceleration in spending on services was insufficient to offset a large slowdown in spending on goods (although spending growth for goods was still much faster at 3.1% than for services, which was only 1.1%). The primary factor behind the slower increase in spending on goods was the smaller increase in unit auto sales, which increased to 16.7 million units at an annual rate from 16.5 million units in the second quarter. The second quarter sales pace was up substantially from the pace in the first quarter. Consumer spending accounted for 1.22 percentage points of the overall GDP growth rate.

The rebound in **exports** from a 9.2% decrease in the first quarter continued over the summer. After climbing 11.1% in the second quarter, exports grew 7.8% in the third quarter, contributing 1.03 percentage points to overall GDP growth (again, the September trade data suggest that this growth figure may be revised downward). Exports of goods increased in all major categories with the exception of food. Because of the large first-quarter decline, however, the year-to-date increase in exports has been only 2.8% at an annual rate, despite strong back-to-back quarters.

Fixed business investment growth was once again solid, if somewhat slower than in the second quarter, across the board. Investment in structures, equipment and intellectual property all increased but at slower rates than in the second quarter. **Investment in residential structures** also increased in the third quarter, but at a slower rate, perhaps reflecting the smaller increase in housing starts during the third quarter. **Businesses** drew down inventories in the third quarter, subtracting 0.57 percentage points from overall GDP.

Government spending growth accelerated from 1.7% in the second quarter to 4.6% in the third quarter, primarily reflecting a 16.0% annualized increase in federal defense spending. State and local government spending growth slowed from 3.4% in the second quarter, but remained positive at 1.3%. Federal and state and local government spending combined to add 0.83 percentage points to overall GDP growth during the third quarter.

The consensus is for somewhat slower GDP growth this quarter, in part due to what is perceived as the one-time nature of much of the strength during the third quarter. In particular, the recent strengthening in the foreign exchange value of the U.S. dollar is expected to restrain further growth in exports, and the increase in defense spending in the third quarter is not expected to continue.

In line with this thinking, the 4-week moving average of **ECRI's Weekly Leading Index** declined in twelve of the thirteen weeks ending in late October, reducing the 6-month smoothed annual rate of change to -1.2% from a recent peak of 5.3% in late May.

Source: The Conference Board

In contrast, the composite **Leading Economic Index** from the Conference Board increased 0.8% in September after a downward revision to no change in August that followed a 1.1% gain in July. The year-over-year rate of change was a solid 6.3%. The rate of change of the index has fallen below zero in advance of previous recessions, but is far above zero now.

According to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, the Ohio economy continues to grow at a solid pace. The coincident index was 4.2% higher in September than a year earlier, up from a 2.8% year-over-year increase back in November 2013. The index has been much closer to or below zero around the times recessions have begun in the past.

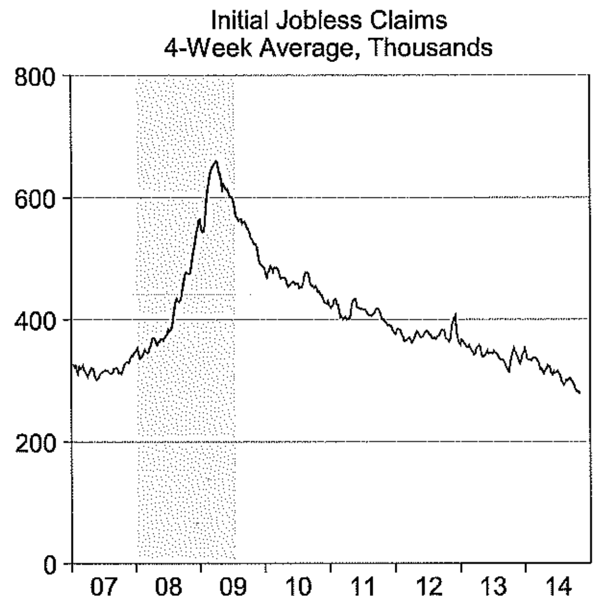
The diffusion of changes in the Coincident Economic Index across the 50 states has deteriorated somewhat this year, but it remained consistent with uninterrupted growth in September. The index increased month-over-month for 43 states, down from 49 states in January. Similarly, the index increased versus three months earlier in 44 states, down from all 50 states in January. Although the breadth of increases has declined, the still-high diffusion of increases points toward continued economic growth in the near-term.

The message of the companion **Ohio Leading Economic Index** has turned weaker in recent months, declining for the third month in a row to 1.1% in September. The index, which is compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of change in the coincident index during the next six months. It reached a recent low of 0.9% in June 2013. Index values have been revised significantly on occasion, but the recent pattern is consistent with ongoing expansion of the Ohio economy through fall and into winter.

The number of state leading indexes from the Philadelphia Fed with positive readings increased slightly to 46 in September, up from 44 states in August. The number was 49 in January and 48 as recently as June. Nonetheless, the recent pattern remains consistent with continued economic expansion. The number of positive state leading indexes fell to an average of 34 three months in advance of the most recent three recessions and to an average of 23 during the first month of those recessions.

Employment

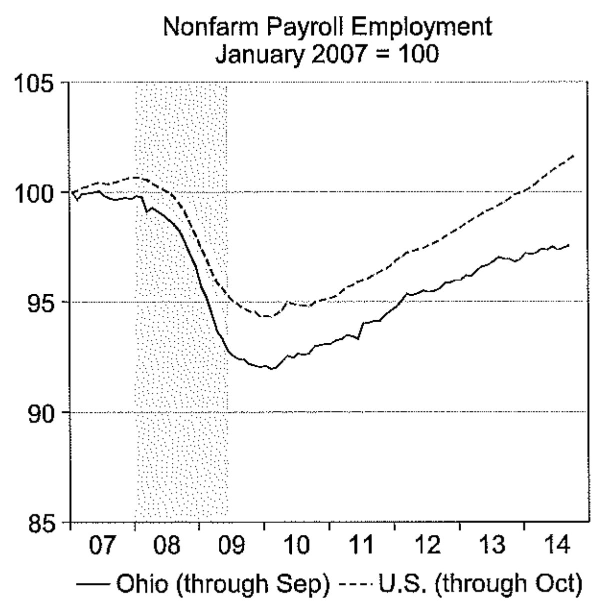
Labor markets across the country strengthened further in October, lifting **nonfarm payrolls** by 214,000 jobs. The gains in the two previous months were revised higher by a total of 31,000 jobs. Monthly job gains have averaged 238,000 during the most recent nine months – the best 9-month stretch by a slim margin since the late 1999 to mid-2000 period.



The recent strengthening in labor markets is also evident in a decline in the number of layoffs to a long time low and an increase in the number of job openings to a long time high. **Initial claims** for unemployment compensation declined in late November to the lowest level on a 4-week moving average basis since April 2000, indicating that involuntary job separations have fallen to a healthy level. At the same time, the number of **job openings** increased to a 13-year high in August, according to the most recent Job Openings and Labor Turnover Survey.

The **unemployment rate** decreased 0.1 percentage points to 5.8% – the lowest level since June 2008. The broadest measure of unemployment, which in part includes people who want to work but have stopped looking because of poor prospects, also declined 0.3 points to 11.5% – a new low for this expansion. Job gains are not causing wage inflation: average hourly earnings increased only 0.1% in October, and were up 2.0% from a year earlier. Aggregate hours worked increased 0.5% in October and 2.8% year-over-year.

The gain in jobs was broad-based among major sectors, led by leisure and hospitality (+52,000) and followed closely by trade, transportation and utilities (+49,000), about one half of which was in retail trade (+27,000). Other notable increases include education and health services (+41,000) and professional and business services (+37,000). Employment increased in both manufacturing (+15,000) and construction (+12,000). The only major category registering a decrease was information services (-4,000).



Ohio nonfarm payroll employment increased by 6,000 jobs in September, and the August level was revised upward to show a gain of 4,700 jobs. So far in 2014 Ohio employment is higher by 35,400 jobs, with the increases concentrated in manufacturing (+12,600), government (+10,500), professional and business services (+6,900), and educational and health services (+5,600). Employment is lower on the year in leisure and hospitality (-4,200), financial activities (-2,600), and information (-1,700).

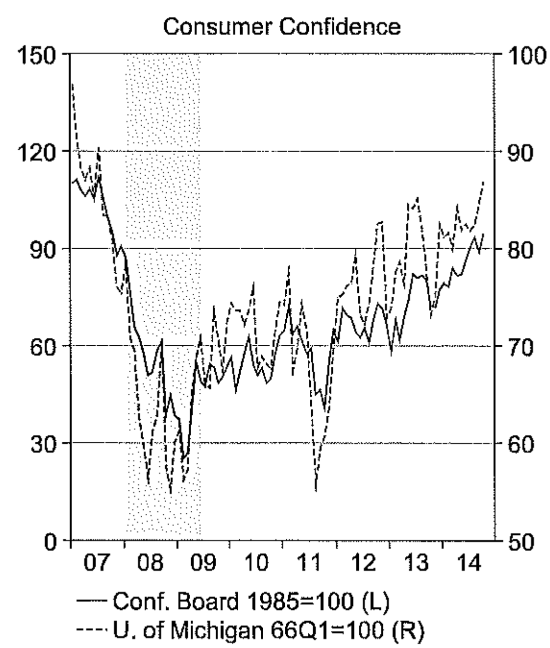
The **Ohio unemployment rate** decreased to 5.6% in September, reflecting an increase in total employment of 16,618 workers and a decrease of 5,399 unemployed people. The labor force increased by 11,219 people, the largest increase in 2014. The unemployment rate is down 1.5 percentage points from 7.1% last December and 5.0 percentage points since the peak of 10.6% reached in February 2010.

The reduction in the Ohio unemployment rate since September of last year has resulted both from a decline in the number of unemployed people (-110,747) and a rise in the number of employed people (+72,639). The labor force has declined 38,108 over the last twelve months, despite its increase last month. Across the country, the unemployment rate in September decreased in 31states, increased in 8 states, and was unchanged in 11 states.

Among the **contiguous states**, year-over-year employment growth was strongest in West Virginia (+2.2%), followed by increases in Indiana (+2.0%), Kentucky (+1.5%), Michigan (+0.8%), Ohio (+0.6%), and Pennsylvania (+0.6%). Year-over-year growth in manufacturing was 2.4% in Ohio. Among the contiguous states, manufacturing employment increased 5.2% in Indiana, 2.2% in West Virginia, 2.1% in Michigan, and 0.3% in Kentucky, while it decreased 0.4% in Pennsylvania.

Consumer Income and Consumption

Personal income slowed slightly in September, rising 0.2%. For the quarter, nominal personal income increased at an annual rate of 4.2%. **Wage and salary disbursements**, which account for more than one-half of personal income, set the pace by rising 0.2%. Compared with a year earlier, personal income was 4.1% higher than a year ago and wage and salary disbursements were 5.1% higher. In comparison, consumer prices were up 1.7% year-over-year in September.



Despite the rise in income, **personal consumption expenditures** decreased by 0.2% in September. The decline was essentially due to the 6.4% decline in unit sales of light motor vehicles from an unsustainably high rate of 17.4 million in August. The 0.2% rise in spending on services was large enough in dollar terms to offset the 0.3% decline in spending on non-durable goods.

Auto sales continued near the September pace in October, and reflect a healthy underlying trend. Better-than-expected **back-to-school spending** also boosted overall personal consumption, as has the large decrease in the **price of gasoline**. The retail price of regular gasoline in Ohio declined 25.1% during the five months ending in early November, adding appreciably to the discretionary spending power of consumers. Based on recent trends and related developments, forecasters anticipate that **holiday retail sales** will be notably stronger than in the last two years. The National Retail Federation predicts 4.1% year-over-year growth in holiday sales, while Global Insight predicts a 4.2% rise.

Possibly in response to steady improvement in labor markets, low inflation and the very large drop in the price of gasoline, **consumer confidence** increased during October. The expectations component of the Conference Board's consumer confidence index increased in October to the highest mark since February 2011, lifting the overall index to its highest level since October 2007. The expectations component of the Reuters/University of Michigan Index of Consumer Sentiment increased to its highest level since July 2007, pulling the overall index up to its highest level since the same date. After a very slow rise since the end of the recession, the current levels of consumer confidence measures now roughly match the averages observed during previous economic expansions.

Manufacturing

Industrial production increased 1.0% in September, following a decline of 0.2% in August and reflecting a 3.9% increase in utility output and a 1.8% increase in mining output. Manufacturing output increased by 0.5%, essentially reversing a similar-size decline in August. Industrial production was higher by 4.3% year-over-year, while manufacturing output was up 3.7% year-over-year.

A return to normal weather in September from a cooler-than-normal August fueled the rise in utility output. Oil drilling and production were largely behind the increase in mining output. Manufacturing output was broad-based outside of technology and motor vehicles. Production of motor vehicles and parts decreased 1.4% in September.

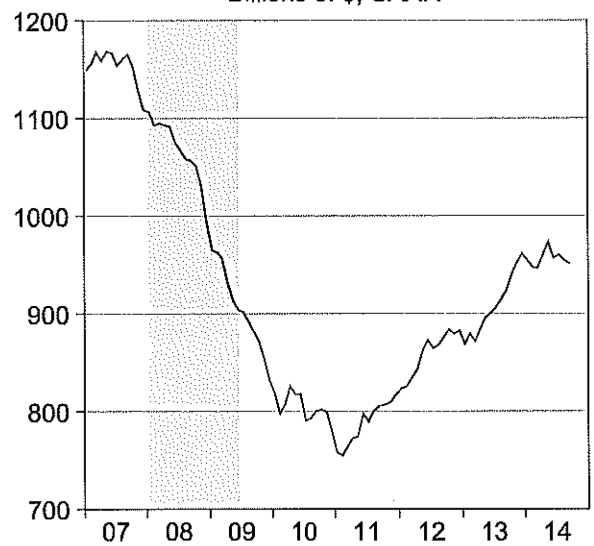
Production in industries of particular importance to Ohio was mixed with modest changes during September. Production of **primary metal, fabricated metal,** and **machinery** increased 0.3%, increased 0.8%, and decreased 0.1% in September, respectively. Year-over-year increases in all three industries were well ahead of the 3.7% year-over-year increase in total manufacturing production. Together with the motor vehicle industry, these three industries account for almost one-half of manufacturing jobs in Ohio and approximately one out of every thirteen private sector jobs in the state.

Regional surveys indicate that manufacturing activity was less robust in October. The diffusion index of current activity from the Philadelphia Federal Reserve Manufacturing Business Outlook Survey eased slightly to 20.7 in September from 22.5 in August. The Empire State Manufacturing Survey compiled by the New York Federal Reserve Bank points to more of a slowdown in that region, falling from 27.5 in September to 6.2 in October. Both orders and shipments posted large declines.

At the national level, however, purchasing managers at manufacturing firms reported more widespread improvements in conditions during October than in September. The **purchasing managers index** increased back to its August level of 59.0 in October after having fallen to 56.6 in September. The new orders index posted a sizable increase, while the production index essentially held its ground at a relatively high level. As of October, the overall index has been in expansion territory above 50.0 for 23 consecutive months.

Construction

Construction Put-In-Place
Billions of $, SAAR



Overall construction activity has stalled. **Construction put-in-place** fell 0.4% in September for the third decline in the last four months and the fifth decline in the last nine months. **Residential** construction posted a 0.4% increase, but that came after four straight declines and six declines in the previous eight months. **Nonresidential** construction fell 1.0% in September for the second straight decline and the seventh decline in the last ten months.

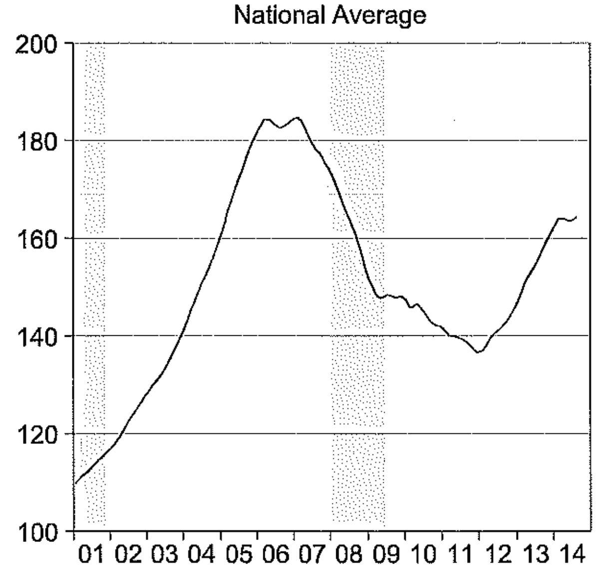
As a consequence, year-over-year changes decreased further. Total construction put-in-place was 2.9% higher than a year earlier in September, while residential was only 0.7% higher and nonresidential was 4.2% higher. Within nonresidential, year-over-year gains were led by conservation and development (+31.7%), manufacturing (+16.4%), office (+15.7%), and commercial (+12.3%). Year-over-year declines were concentrated in communications (-12.8%), public safety (-11.1%), and health care (-7.5%).

Housing starts increased 3.6% across the country on a 3-month moving average basis in September. Single-family starts were up 2.8%, and multi-family starts rose 5.1%. Midwest housing starts increased 3.5%, reflecting a 1.3% rise in single-family and a 2.4% rise in multi-family. Compared with a year earlier national starts were higher by 16.1% and Midwest starts were higher by 8.6%, all on a 3-month moving average basis.

The more-forward-looking **housing permits** were up 1.9% in September on a 3-month moving average basis, reflecting a 5.3% gain in multi-family permits. Single-family permits were little changed on the month. Midwest permits edged down 0.8% for the second decline in a row, reflecting small declines in both single-family and multi-family permits.

Existing home sales increased 0.9% in September on a 3-month moving average basis for the second increase of that size in a row. Sales of existing homes in the Midwest edged down by 0.8%. **New home sales** were stronger, rising 4.5% across the country and 6.0% in the Midwest.

S&P Case/Shiller Home Price Index
National Average



Inventories of homes for sale were little changed again in absolute terms in September for both existing and new homes. Relative to the recent pace of sales, the inventories of existing homes and of new homes were running at the relatively low level of 5.3 months.

Home prices turned up in July and August, according to the Case-Shiller national home price index. The increases followed three small declines during April-June, but did not prevent the year-over-year change from declining to 5.1%. Home prices have essentially stabilized during the most recent six months at a level up notably from the low in early 2012 but still well below the peak achieved in 2006.

REVENUES

October **GRF receipts totaled $2,679.2 million** and were $173.8 million (6.9%) above the estimate. Monthly tax receipts totaled $1,821.9 million and were $134.9 million (8.0%) above estimate, while non-tax receipts totaled $857.2 million and were $39.0 million (4.8%) above estimate. Variances for the fiscal year to date by category are provided in the following table ($ in millions).

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$217.7 million	3.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($263.1 million)	-7.3%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$4.8 million	82.5%
TOTAL REVENUE VARIANCE:		**($40.6 million)**	**-0.4%**

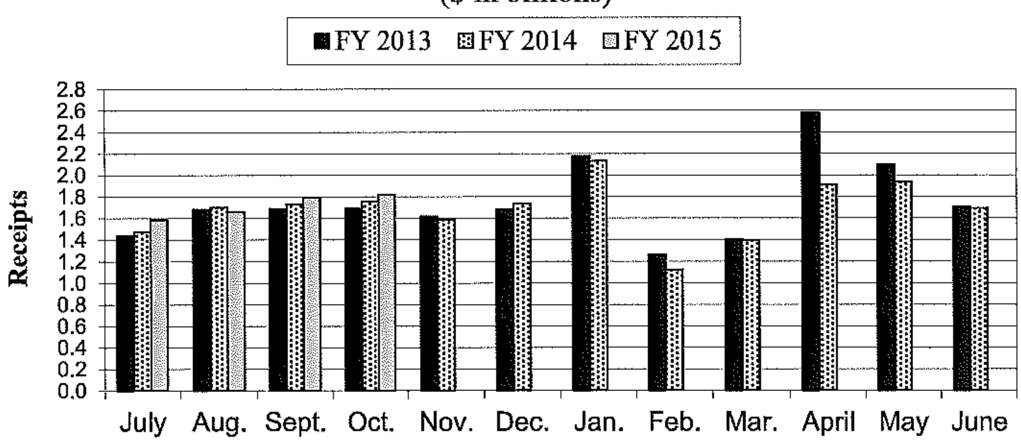
On a year-over-year basis, monthly receipts were $87.7 million (3.2%) lower than in October of the previous fiscal year, mainly due to decreases in federal grants ($147.0 million, -14.7%). Tax revenues were $67.3 million above estimate, or 3.8%. The net growth of $67 million is almost entirely explained by two offsetting trends, with the sales tax growing from last year and the income tax declining. The sales tax for October increased by $98.7 million from last year, with both the auto and non-auto categories growing strongly. Since the increase in the state sales tax rate began to affect collections last October, the tax rate should not be a factor in comparing collections last month and October the year before. On the other hand, personal income tax receipts declined $28.9 million, or 4.1%. Unlike the sales tax, the income tax year-over-year comparisons are still being affected by law changes: the additional 1% withholding rate cut in July 2014, the impact of the 2013 tax rate cuts (8.5%) and the small business deduction (50% of business income, up to a cap of $250,000 per taxpayer).

GRF Revenue Sources Relative to Monthly Estimates – October 2014
($ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Personal Income Tax	$62.5	Earnings on Investments	($4.5)
Federal Grants	$44.6	Financial Institutions Tax	($2.4)
Auto Sales Tax	$28.9	Corporate Franchise Tax	($2.4)
Non-Auto Sales Tax	$28.9	Alcoholic Beverage Tax	($1.8)
Foreign Insurance Tax	$9.8	Other Income	($1.4)
Cigarette and Other Tobacco Tax	$6.2		
Commercial Activity Tax	$4.4		
Other Sources Above Estimate	$1.6	Other Sources Below Estimate	($0.5)
Total above	**$186.8**	**Total below**	**($13.0)**

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

Tax Revenue Comparison by Month
($ in billions)



Non-Auto Sales and Use Tax

October non-auto sales and use tax collections totaled $734.0 million and were $28.9 million (4.1%) above estimate for the second month in a row. Year-to-date revenue collections are $41.1 million (1.5%) above the estimate and currently sit at $2,861.0 million.

On a year-over-year basis, October 2014 receipts were a strong $69.6 million (10.5%) above collections in the same month of the previous fiscal year. The positive variance reflects a retreating unemployment rate and improving economic conditions for Ohio. As mentioned in the previous section, October comparisons should be unaffected by the tax rate increase, although year-to-date comparisons are influenced by the rate increase because it affected July through September results.

Auto Sales Tax

October auto sales and use tax collections totaled $130.6 million and were a staggering $28.9 million (28.4%) above the estimate, after a couple of months missing the mark. National sales of light-vehicles hit its highest level since January 2006, with a seasonally adjusted annual rate (SAAR) of 17.4 million units in August. This led OBM to expect a surge in auto sales tax collections, albeit with a lag, and this expectation was met last month. National light-vehicle demand remains strong with a reported 16.4 million units (SAAR) sold in October.

On a year-over-year basis, monthly receipts were above the amount collected in October of last year by $29.0 million (28.6%). Going forward, there are reasons to expect that auto sales tax collections will continue to grow strongly from last year, at least in the short term. National light-vehicle sales last October (2013) were a weak 15.3 million units (SAAR). Some of the low performance in last year's sales tax collections and light-vehicle sales can be tied to the federal government shutdown, which furloughed federal employees in Washington, D.C. as well as certain parts of Ohio. The shutdown also had a serious negative effect on consumer confidence until a new federal continuing resolution was passed in mid-October 2013. With these factors absent this Fall, sales and tax collections are expected to be stronger.

Personal Income Tax

October personal income tax receipts totaled $672.1 million and were $62.5 million (10.2%) above the estimate. A major contributing factor was refunds that totaled $45.2 million, and were less than half of the estimate of $91.6 million. At this point OBM's working hypothesis is that the expected level of filing of extension returns for refunds to be claimed on account of the new small business deduction did not materialize. Also, after two months of lower-than-estimate performance withholding collections were back in positive territory in October. Withholding collections totaled $684.4 million, and were $20.4 million (3.1%) above estimate. Also contributing to the positive variance were payments associated with annual returns, which totaled $52.3 million and were above the estimate by $15.6 million (42.4%).

The shortfall in the quarterly estimated payments, which totaled just $3.4 million and were below estimate by $16.4 million (82.7%), should be viewed in combination with the overage in prior month. Adding both September and October numbers, quarterly estimated payments receipts registered $13.1 million (5.7%) above the combined estimate.

On a year-over-year basis, October personal income tax collections were $28.9 million (4.1%) below the October 2013 level. The payments associated with annual returns accounted for more than the entirety of this decline, and were $29.4 million (36.0%) below the same month a year ago. Also contributing to the decline was the quarterly estimated payments that were $23.0

million (87.1%) below the same month a year ago. Overall the year-over-year reduction was tempered to some extent by growth in withholding of $15.1 million (2.3%) compared to the same month a year ago. The refunds also contributed in the tempering of year-over-year reduction in October, with a decline of $8.7 million (16.1%) compared to the same month of the previous fiscal year.

FY2015 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE OCT	ACTUAL OCT	$ VAR OCT	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$664.0	$684.4	$20.4	$2,572.4	$2,600.2	$27.8
Quarterly Est.	$19.8	$3.4	($16.4)	$253.7	$275.3	$21.6
Trust Payments	$1.2	$0.6	($0.6)	$9.9	$11.2	$1.3
Annual Returns & 40 P	$36.7	$52.3	$15.6	$81.0	$93.1	$12.1
Other	$9.5	$8.1	($1.4)	$30.9	$27.7	($3.2)
Less: Refunds	($91.6)	($45.2)	$46.4	($212.6)	($165.1)	$47.5
Local Distr.	($30.0)	($31.6)	($1.6)	($114.9)	($115.5)	($0.6)
Net to GRF	**$609.6**	**$672.1**	**$62.5**	**$2,620.4**	**$2,726.9**	**$106.5**

Corporate Franchise Tax

As noted in previous months' reports, although the corporate franchise tax has been eliminated, prior year settlement activity continues. This results in a small amount of monthly activity for this tax, whether settlement payments or refunds, which by definition create variances, since the estimate for this tax is now zero. October corporate franchise tax receipts totaled -$2.4 million compared to the estimate of zero, and were $1.1 million lower than the collection for October 2013.

Financial Institutions Tax

October financial institutions tax receipts totaled -$2.4 million against an estimate of zero. This month was the first time that tax returns for this new tax were filed, which lead to additional payments or refund claims. Overall, refunds outweighed additional payments, which caused the negative variance for the month. As the first collections from this tax were in January 2014, there is no year-over-over comparison of its performance at this time.

Commercial Activity Tax

October commercial activity tax (CAT) receipts continued their fiscal year 2015 rebound as the GRF share of the tax totaled $30.3 million and was $4.4 million (17.0%) above the estimate. Year-to-date, GRF CAT receipts totaled $239.8 million and were $34.8 million (17.0%) above estimate. Year-over-year growth in GRF CAT receipts through the first four months of the fiscal year was $21.3 million (9.8%) compared to the same period in fiscal year 2014.

All-funds October CAT receipts, meanwhile (net of refunds and attorney general fees) totaled $61.2 million and were $9.4 million (18.0%) above the $51.8 million estimate. Year-to-date, all funds receipts total $483.7 million and were $73.6 million (18.0%) above estimate. Year-over-year growth in all funds CAT receipts through the first four months of the fiscal year was $34.0 million (7.7%) above the same period in fiscal year 2014.

Public Utility Tax

October public utility tax collections were slightly above the $2.0 million estimate, recording a 5.7% overage. Year-to-date collections were under by $15.1 million (50.8%) entirely due to a public utility tax refund issued last month against several prior years of collections. On a year-over-year basis, October receipts were virtually the same as the same month in the previous fiscal year, with a small 0.4% gain.

Kilowatt-Hour Tax

October kilowatt hour tax receipts totaled $25.8 million and were just 0.6% above the estimate. Year-over-year collections also were virtually the same in October as in the same month in the previous fiscal year, showing a slight 0.6% gain in revenue.

Natural Gas Distribution Tax (MCF Tax)

October natural gas distribution tax receipts were slightly below the $0.5 million estimate by only 1.5%. However, this is a small revenue collection month for the tax, whereas year-to-date receipts are above the $12.0 million estimate by $1.7 million (14.3%), showing good performance for the year thus far.

Year-over-year collections were also somewhat below last year's total receipts of $0.5 million, or a small 1.1% decline compared to October of 2013.

Cigarette and Other Tobacco Tax

Cigarette and other tobacco tax receipts for October totaled $72.7 million and were $6.2 million (9.3%) above the estimate of $66.5 million. On a year-over-year basis, October 2014 cigarette tax receipts were $0.7 million (0.9%) above the level for the same month of the previous fiscal year. Year-to-date receipts were $5.6 million (2.5%) above the estimate, although $3.3 million (1.4%) below the collections in the first four months of fiscal year 2014.

GRF non-tax receipts totaled $857.2 million in October and were $39.0 million (4.8%) above the estimate. The majority of this overage was due to a $44.6 million (5.5%) positive variance in federal grants. Partially offsetting this overage were the shortfalls in earnings on investments and other income that were $4.5 million and $1.4 million below their estimates respectively. The variance on earnings on investments was the result of receipts estimated to post in October, actually posting in early November. October transfers in - other totaled $0.1 million and was marginally below the estimate of $0.2 million

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $3,211.3 million and were $119.9 million (3.9%) above estimate. This was primarily attributable to higher than estimated disbursements in the Primary and Secondary Education and Property Tax Reimbursements categories being partially offset by lower than estimated disbursements in the Health and Human Services category. On a year-over-year basis, October total uses were $613.4 million (23.6%) higher than those of the same month in the previous fiscal year, with the Primary and Secondary Education and Property Tax Reimbursements categories responsible for the increase. Year-to-date variances by category are provided in the table below.

Category	Description	YTD Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($114.7 million)	-1.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($10.4 million)	-1.8%
TOTAL DISBURSEMENTS VARIANCE:		**($125.1 million)**	**-1.0%**

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

Primary and Secondary Education

This category contains GRF spending for the Ohio Department of Education, minus property tax reimbursements. October disbursements for this category totaled $994.9 million and were $141.6 million (16.6%) above the estimate. Expenditures for the school foundation program totaled $945.2 million and were $147.4 million (18.5%) above the estimate. This variation was primarily attributable to the early processing of a community school payment and a scholarship payment in October, rather than in November as originally estimated. As a result, November disbursements are expected to be lower by a proportional amount.

Year-to-date disbursements were $2,867.7 million, which was $131.2 million (4.8%) above the estimate. On a year-over-year basis, disbursements in this category were $374.0 million (60.2%) higher than in the same month of the previous fiscal year while year-to-date expenditures were $545.3 million (23.5%) higher than at the same point in fiscal year 2014.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Board of Regents, totaled $188.7 million and were $2.9 million (1.6%) above the estimate for the month. The majority of this variance was due to spending in the Ohio College Opportunity Grant Scholarship Program, which was $1.7 million above estimate due to higher than expected requests for reimbursement from higher education institutions. The remaining $1.2 million was due to Technology Integration and Professional Development subsidy disbursements being made in October instead of over the course of several months as estimated.

Year-to-date disbursements were $719.0 million, which was $2.0 million (0.3%) above the estimate. On a year-over-year basis, disbursements in this category were $4.8 million (2.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $54.6 million (8.2%) higher than at the same point in fiscal year 2014.

Other Education

This category includes non-debt service expenditures made by the Broadcast Education 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.

October disbursements in this category totaled $4.2 million and were $5.8 million (58.3%) below estimate. This variance was primarily attributable to $2.6 million in Ohio Historical Society quarterly subsidy disbursements and $2.2 million in Ohio Arts Council state program subsidy disbursements occurring in September instead of October as originally estimated. Year-to-date disbursements were $25.3 million, which was $2.3 million (8.2%) below the estimate. On a year-over-year basis, disbursements in this category were $0.3 million (7.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $3.4 million (15.5%) higher than at the same point in fiscal year 2014.

Medicaid

This category includes all Medicaid disbursements from the H.B. 59-created "650 series" Medicaid line items. Therefore, this category includes all Medicaid spending on services and program support by the following six agencies: the Department of Medicaid (651 prefix), the Department of Mental Health and Addiction Services (652), the Department of Developmental Disabilities (653), the Department of Health (654), the Department of Job and Family Services (655), and the Department of Aging (656).

Please note that the total GRF disbursement estimates in fiscal year 2015 are lower than the original appropriations by $845.6 million. Budgeted transfers and other projected lapses account for $148.7 million. The remaining $697.0 million is due to an adjustment for lower than expected caseload. While enrollment steadily increased each month in fiscal year 2014, the rate of growth was lower than initially expected and was a key driver of the lower than expected spending. This spending trend is expected to continue in fiscal year 2015, and the disbursement estimates have been adjusted accordingly.

<u>Expenditures</u>
October GRF disbursements for the Medicaid Program totaled $1,275.0 million and were $9.3 million (0.7%) below the estimate, and $80.2 million (6.7%) above the same point in the

previous fiscal year. Year-to-date GRF disbursements for the Medicaid Program totaled $5,418.1 million and were $354.9 million (6.1%) below the estimate, and $301.2 million (5.9%) above the same point in the previous fiscal year.

October all-funds disbursements totaled $2,027.4 million and were $33.2 million (1.7%) above the estimate, and $337.8 million (20.0%) above disbursements in the same month of the previous fiscal year. Year-to-date all-funds disbursements totaled $7,622.9 million and were $184.1 million (2.4%) below the estimate, and $1,235.9 million (19.3%) above disbursements in the same month of the previous fiscal year.

The October variance was due to lower than anticipated costs across fee for service categories, including hospital, physician, and prescribed drugs, and to lower enrollment in the MyCare managed care program. The lower enrollment in the MyCare program does contribute to greater fee for service costs for this population as their claims have not yet shifted to managed care plans, but not enough to off-set the savings in fee for service for other groups that is primarily due to below estimate caseload. The year-to-date variance includes these and a managed care payment reconciliation that occurred in July that drove under spending in that month.

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

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

	Oct. Projection	Oct. Actual	Variance	Variance %
GRF	$ 1,284.3	$ 1,275.0	$ (9.3)	-0.7%
Non-GRF	$ 709.9	$ 752.4	$ 42.5	6.0%
All Funds	$ 1,994.2	$ 2,027.4	$ 33.2	1.7%

Enrollment

Total October enrollment across all categories was 2.88 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 55,209 persons to an October total of 2.24 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 1,015 people to an October total of 174,871 covered lives. Individuals covered under Medicaid extension (eligibility group VIII) are included as part of the larger CFC category.

Total enrollment across all categories for the same period last year was 2.40 million covered persons, including 1.68 million persons in the CFC category and 184,253 people in the ABD category.

Please note that these data are subject to revision.

Health and Human Services

This category includes non-debt service GRF expenditures for 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: child care, 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 previous category.

October disbursements in this category totaled $133.5 million and were $63.9 million (32.4%) below estimate for the month. Year-to-date disbursements were $482.0 million, which was $59.9 million (11.1%) below the estimate. On a year-over-year basis, disbursements in this category were $35.0 million (35.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $60.0 million (14.2%) higher than at the same point in fiscal year 2014.

Department of Job and Family Services

October disbursements for the Department of Job and Family Services totaled $70.3 million and were $44.2 million (38.6%) below estimate. This variance was primarily attributable to several lines. First, Program Support disbursements were $1.8 million (54.0%) below estimate and Information Technology Projects disbursements were $3.7 million (54.7%) below estimate, both due to invoices not being received as estimated. Second, TANF State/Maintenance of Effort disbursements were $12.6 million (54.2%) below estimate due to a $10.0 million county adjustment for TANF administrative expenditures being moved to December instead of being made in October as anticipated, and lower than estimated Ohio Works First expenditures. Third, Child Care State/Maintenance of Effort disbursements were $10.9 million (24.0%) below estimate and Early Care and Education disbursements were $2.3 million (44.3%) below estimate, both due to payments estimated to be made in October being made in September instead. Finally, Family and Children Services disbursements were $12.2 million (97.0%) below estimate to due county payments of the State Child Protective Allocation be made in September instead of October as estimated.

Department of Mental Health and Addiction Services

October disbursements for the Department of Mental Health and Addiction Services totaled $35.3 million and were $14.6 million (29.3%) below estimate. This variance was attributable to lower than estimated disbursements in three lines. First, Community Behavioral Health disbursements were $5.5 million (96.1%) below estimate due to the timing of county draws on block grant supplement funds. Second, Hospital Services disbursements were $5.1 million (24.0%) below estimate due to payments estimated for October being made in August and September instead. Finally, Continuum of Care Services disbursements were $3.3 million (18.8%) below estimate due to subsidy payments for county collaborative projects occurring in September instead of October as originally estimated.

Department of Health
October disbursements for the Department of Health totaled $7.0 million and were $3.3 million (31.7%) below estimate. These variances were primarily attributable to three lines. First, Federally Qualified Health Center disbursements were $2.0 million (99.9%) below estimate due to subsidy payments planned for October being moved to future months and disbursements on prior year encumbrances being made in September instead of October as estimated. Second, Help Me Grow program disbursements were $1.9 million (68.8%) above estimate due to Early Intervention subsidy payments being made in October instead of November as estimated. Finally, Medically Handicapped Children program disbursements were $1.1 million (69.2%) below estimate due to disbursements originally planned for October being made in prior months instead.

Opportunities for Ohioans with Disabilities
October disbursements for Opportunities for Ohioans with Disabilities totaled $0.5 million and were $1.4 million (72.1%) below estimate. This was primarily attributable to Services for People with Disabilities disbursements being $1.4 million (72.1%) below estimate due to subsidy payments originally planned for October being moved to November instead.

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.

October disbursements in this category totaled $164.8 million and were $7.4 million (4.3%) below estimate for the month. Year-to-date disbursements were $662.4 million, which was $41.6 million (5.9%) below estimate. On a year-over-year basis, disbursements in this category were $11.6 million (6.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $9.7 million (1.4%) lower than at the same point in fiscal year 2014.

Department of Rehabilitation and Correction
October disbursements for the Department of Rehabilitation and Correction totaled $135.1 million, and were $3.4 million (2.4%) below estimate. This variance was primarily attributable to timing factors that resulted in lower than estimated disbursements for Institutional Operations and Community Nonresidential Programs being partially offset by higher than estimated Prisoner Compensation disbursements. Department disbursements year-to-date were $501.5 million, which was $31.4 million (5.9%) below estimate.

Department of Youth Services
October disbursements for the Department of Youth Services totaled $12.4 million, and were $2.8 million (18.2%) below estimate. This variance was attributable to Community Corrections Facility disbursements estimated for October being moved to November. Department disbursements year-to-date were $84.6 million, which was $5.9 million (6.5%) below estimate.

General Government

This category includes non-debt service GRF expenditures by the 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.

October disbursements in this category totaled $34.8 million and were $3.7 million (9.5%) below the estimate. Year-to-date disbursements were $124.9 million, which was $9.4 million (7.0%) below the estimate. On a year-over-year basis, disbursements in this category were $2.2 million (6.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $2.7 million (2.1%) lower than at the same point in fiscal year 2014.

Department of Administrative Services

The Department of Administrative Services (DAS) disbursements totaled $10.1 million during the month of October and were $2.7 million (36.7%) above the estimate. This occurred primarily because DAS finalized fiscal year 2015 building rental rates in September. As a result, DAS made first quarter rent payments in October, which were estimated for earlier in the fiscal year, from its GRF appropriations that pay rent for GRF-supported state agencies and vacant space in state buildings managed by DAS.

Department of Transportation

October disbursements for the Department of Transportation totaled $0.35 million and were $1.1 million (75.3%) below estimate. This variance was primarily attributable to Public Transportation - State disbursements of $1.1 million planned for earlier in the fiscal year being moved to November instead. Year-to-date disbursements were $1.5 million, which was $1.75 million (54.5%) below the estimate.

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. October disbursements of property tax reimbursements totaled $329.3 million and were $75.4 million (29.7%) above the estimate for the month. Through the first four months of the fiscal year, total disbursements were $761.0 million and were $222.8 million (41.4%) above estimate. Both the monthly and year-to-date variances are due to reimbursement requests being received from counties in a different pattern than anticipated. The heaviest months for these payments in the first half of the fiscal year tend to be September through November and OBM expects that by the end of December the estimates for the first half of the fiscal year should be very near the estimate.

Debt Service

October payments for debt service totaled $86.2 million and were essentially on estimate. Major October debt service disbursements were comprised of payments on general obligation bonds for the Higher Education, Third Frontier, and Site Development. Year-to-date, debt service payments total $820.1 million and were $2.7 million (0.3%) below estimate.

Transfers Out

There were no Transfers Out in October. An estimate of $10.0 million was originally anticipated for the transfer of sales tax from the GRF to the TourismOhio Administration Fund, which pays for the operating costs and other expenditures of the office of TourismOhio. The transfer is based on year-over-year growth in sales tax collections from industries that are specified in law as being related to tourism, but not to exceed $10 million (adjusted for inflation). The transfer anticipated in October will actually occur in November.

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2015. Based on the estimated revenue sources for FY 2015 and the estimated FY 2015 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2015 is an estimated $631.6 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2015 nor should it be considered as equivalent to the FY 2015 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF unencumbered ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2015
($ in thousands)

July 1, 2014 Beginning Cash Balance	**$ 1,700,065**
Plus FY 2015 Estimated Revenues	21,139,610
Plus FY 2015 Estimated Federal Revenues	8,990,764
Plus FY 2015 Estimated Transfers to GRF	648,386
Total Sources Available for Expenditure & Transfer	**32,478,825**
Less FY 2015 Estimated Disbursements	30,912,411
Less FY 2015 Estimated Total Encumbrances as of June 30, 2015	328,448
Less FY 2015 Estimated Transfers Out	606,390
Total Estimated Uses	**31,847,249**
FY 2015 UNENCUMBERED ENDING FUND BALANCE	**631,576**

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Ohio Manufacturers' Association

Tax Counsel Report
November 19, 2014

By Mark A. Engel
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Administrative Actions:

Nothing to report.

Legislative Actions:

Please see the legislative report from OMA staff for more details regarding pending bills.

Judicial Actions:

Ohio Supreme Court

In *Worthington City Sch. Bd. of Edn. v. Franklin Cty. Bd. of Revision*, Slip Opinion No. 2014-3620, the Court ruled that an employee of the single member of the limited liability company that owned the subject property was competent to give an "owner's opinion of value" regarding the property. Moreover, when the BOR reduced the value of the property based upon that information, it was error for the BTA, in rejecting the testimony, to revert to the auditor's value. Once the BOR has determined to change the auditor's initial value of a parcel, the burden is on the party that appeals to the BTA to present evidence to negate that determination. In the absence of such evidence, the BTA may not revert to the auditor's value.

In *Apple Group Ltd. v. Medina Cty. Bd. of Revision*, 139 Ohio St. 3d 434, 2014-Ohio-2381, the Court reaffirmed earlier holdings that where evidence was introduced that tended to contradict the auditor's initial determination of value, it was error for the BTA to revert to that value. Instead, the introduction of contradictory evidence triggers the obligation for the BTA to make an affirmative, independent determination of value. The Court also held that the BTA properly declined to carry forward a determination of value beyond the three-year interim period in issue in the appeal.

In *Richman Properties, LLC v. Medina Cty. Bd. of Revision*, Slip Opinion No. 2014-Ohio-2439, the Court held that splitting two parcels into four parcels rendered the purchase of the two parcels "remote" with respect to the tax lien date subsequent to the split. The Court also ruled that a member of a limited liability company engaged in the unauthorized practice of law when the individual cross examined witnesses and make legal arguments to the BTA.

However, such conduct did not, alone, arise to reversible error with respect to the decision of the BTA.

In *Olentangy Local Sch. Bd. of Edn. v. Delaware Cty. Bd. of Revision*, 2014-Ohio-4723, the Court ruled that a property sold at auction is presumed not to be arm's length, but that a party could introduce evidence to try to overcome the presumption.

In *RNG Properties, Ltd. v. Summit Cty. Bd. of Revision*, 2014-Ohio-4036, the Court held that the allocation of a lump sum purchase price did not have to be followed where the allocation involved parcels that were not in issue, and omitted some parcels that were in issue, in the valuation proceedings.

In *Kohl's Illinois, Inc. v. Marion Cty. Bd. of Revision*, 2014-Ohio-4353, the Court held that a provision in a TIF agreement that precluded the property owner from contesting the valuation of the property that was the subject of the TIF was a not jurisdictional bar to the complaint subsequently filed by the property owner, but that the beneficiaries of the TIF agreement (the jurisdiction creating the TIF and the local school district) could come forward to seek dismissal of the complaint.

In *Cincinnati Sch. Dist. Bd. of Edn. v. Testa*, 2014-Ohio-4647, the Court held that a school district that failed to file notice under R.C. 5715.27(B) that it wished to be apprised of exemption applications, could not later intervene before the Tax Commissioner or the BTA to become involved in a case.

<u>Ohio Court of Appeals</u>

In *Piepho v. Franklin Cty. Bd. of Revision*, Slip Opinion No. 2014-Ohio-2908 (10th Dist.), the Court of Appeals upheld a decision of the BTA that rejected the owner's claimed reduction in value. The taxpayer supplied a great deal of data regarding the sale of other condominium units within the same development, but contained no analysis of how similarities or differences might impact the value of the subject property. The Court of Appeals noted the BTA had no obligation to assume there were no differences among the properties, or that any differences that did exist had no impact on the value of the properties.

In *Dugan v. Franklin Cty. Bd. of Revision*, 2014-Ohio-4491 (10th Dist.), the Court of Appeal s held that an application for the homestead exemption was properly denied where the owner who filed the application did not reside in the property and use it as the owner's principal residence on tax lien date (January 1) of the year in which the application was filed.

In *Goldshtein v. Fiscal officer, Cuyahoga Cty*., 2014-Ohio-3730 (8th Dist.), the Court of Appeals held that a property owner could prove that a notice of appeal from a decision of the BOR was filed with other parties by certified mail, as required by R.C. 5717.05, by evidence other than signed receipt (green) cards. In this case, not only did the taxpayer have evidence showing the post office indicated delivery, but the notices themselves bore date stamps of filing that matched the dates of the alleged deliveries.

In *Western Reserve Hist. Soc. v. Testa*, 2014-Ohio-5929 (9th Dist.), the Court of Appeals upheld a decision of the BTA that a notice of appeal was not timely filed with the Tax Commissioner. R.C. 5717.02 that a notice of appeal must be filed with both the BTA and the Tax Commissioner within 60 days of the Tax Commissioner's final determination. Because the notice to the Tax Commissioner was mailed by ordinary mail, it was not deemed to have been filed until received, and there was no evidence of receipt by that official.

<u>Ohio Board of Tax Appeals</u>

In *Bd. of Edn. of the Kettering City Sch. v. Montgomery Cty. Bd. of Revision*, BTA No. 2012-4926 (Aug. 8, 2014), the BTA held that where title to real property is transferred pursuant to a land contract, but the date the price is established and the date the title is actually transferred must be "recent" to the tax lien date. In this case, a contract price established in 2001 for a property to which title was transferred in 2011 was not "recent" for valuation purposes.

In *Internat'l. Paper Co. v. Levin*, BTA No. 2010-2230 (Aug. 19, 2014), the BTA held that an assessment is deemed "issued" on the date that it is actually mailed or sent to the taxpayer, and not the earlier date when it is journalized or stamped by the Department of Taxation. As a result, an assessment that was made prior to a deadline, but was not mailed until after the deadline, was not timely issued.

In *Olentangy Local Sch. Bd. of Edn. v. Delaware Cty. Bd. of Revision,* BTA No. 2012-1728 (Aug. 22, 2014), the BTA held that it would not exclude as evidence an appraisal report that was provided late to both the BTA and opposing counsel. The BTA gave the attorney for the BOE the opportunity for a continuance to review the report. When the BOE elected to go ahead with the hearing, the BTA decided the case base on all the evidence presented, including the appraisal report.

In *Padgett v. Testa*, BTA No. 2012-609 (Aug. 22, 2014), the BTA held that a taxpayer that maintained places of residence both within and without Ohio failed to overcome the presumption that he was domiciled in Ohio for income tax purposes. Although he demonstrated some time absent from the state, his family resided in Ohio, he maintained an Ohio driver's license, continued to vote, jointly owned a family home that was used as his official residence, and registered automobiles in Ohio, all before, during, and after the taxable year in question.

In *Giddens v. Testa*, BTA No. 2012-359 (Oct. 20, 2014), the BTA held that income earned by a pass-through entity retained its identity as business income in the hands of its owners, and did not become passive, non-business income, for Ohio income tax purposes. This was important because the taxpayers were not Ohio residents and none of the income would have been taxable had it been deemed passive or investment income.

In *Renacci v. Testa*, BTA No. 2012-1850 (Oct. 1, 2014), the BTA held that return of the penalty paid on a tax assessment could be the subject of a refund claim so long as (1) the original assessment had been the subject of a petition for reassessment, and (2) the issue had not been addressed by the BTA or a court on appeal.

In *Redflex Traffic Systems, Inc. v. Testa*, BTA No. 2012-2997 (Oct. 24, 2014), the BTA upheld the assessment of use tax on cameras, computers, and other equipment located in Ohio and used to provide red light photo enforcement. The BTA rejected the argument that the property had been resold to the jurisdictions pursuant to an agreement that provided to the jurisdictions a limited, non-exclusive license to use the equipment.

In *Arcaro v. Testa*, BTA No. 2014-432 (Oct. 22, 2014) and *Epic Aviation, LLC v. Testa*, BTA No. 2012-1557 (Sept. 3, 2014), the BTA rejected claims that items were exempt from sales tax because they were used directly in providing public transportation for hire. A taxpayer claiming this particular exemption must prove both that it is subject to the requisite level of regulation, and that the property is used primarily in an exempted manner. In *Arcaro*, the taxpayer failed to establish that the property being transported (primarily waste material) belonged to others. In *Epic*, the taxpayer failed to establish the requisite level of regulation to satisfy the BTA.

In *Perren v. Testa*, BTA No. 2013-614 (Aug. 29, 2014), the BTA held that caustic used to clean dies, in which aluminum stampings were produced for sale by manufacturing, did not qualify for the manufacturing exemption. The BTA noted the caustic solution was not used during the manufacturing operation, and was used to clean the dies between stampings.

In Olentangy Local Sch. Bd. of Edn. v. Delaware Cty. Bd. of Revision, BTA No. 2012-1728 (Aug. 22, 2014), the BTA admitted into evidence an appraisal report and accompanying testimony that had not been disclosed prior to hearing as required by the BTA rules.

Tax Commissioner Opinion

No opinions to report.

Other

Navistar Amicus Brief

The OMA filed an amicus brief in support of the taxpayer in *Navistar, Inc. v. Levin*, Sup. Ct. No. 2014-0140. The case involves the credit against the CAT for net operating loss carryforwards contained in R.C. 5751.53. The statute provides a credit for deferred franchise tax assets net of any associated valuation reserve recorded on its books and records as of the last day of the taxpayer's taxable year ending in 2004 (the "amortizable amount"). Any taxpayer wishing to claim the credit had to file a report notifying the tax commissioner of its amortizable amount by June 30, 2006. The Tax Commissioner had until June 30, 2010, to audit the report any make any correction to it.

Navistar timely filed its report and claimed an amortizable amount based upon its books and records. However, in December 2007 it restated its financial statements for the years ending in 2003-2005. This restatement caused its valuation reserve to increase, causing its amortizable amount to be reduced to $0. Upon audit, the Tax Commissioner reduced Navistar's credit accordingly. The BTA upheld the action and Navistar appealed to the Supreme Court.

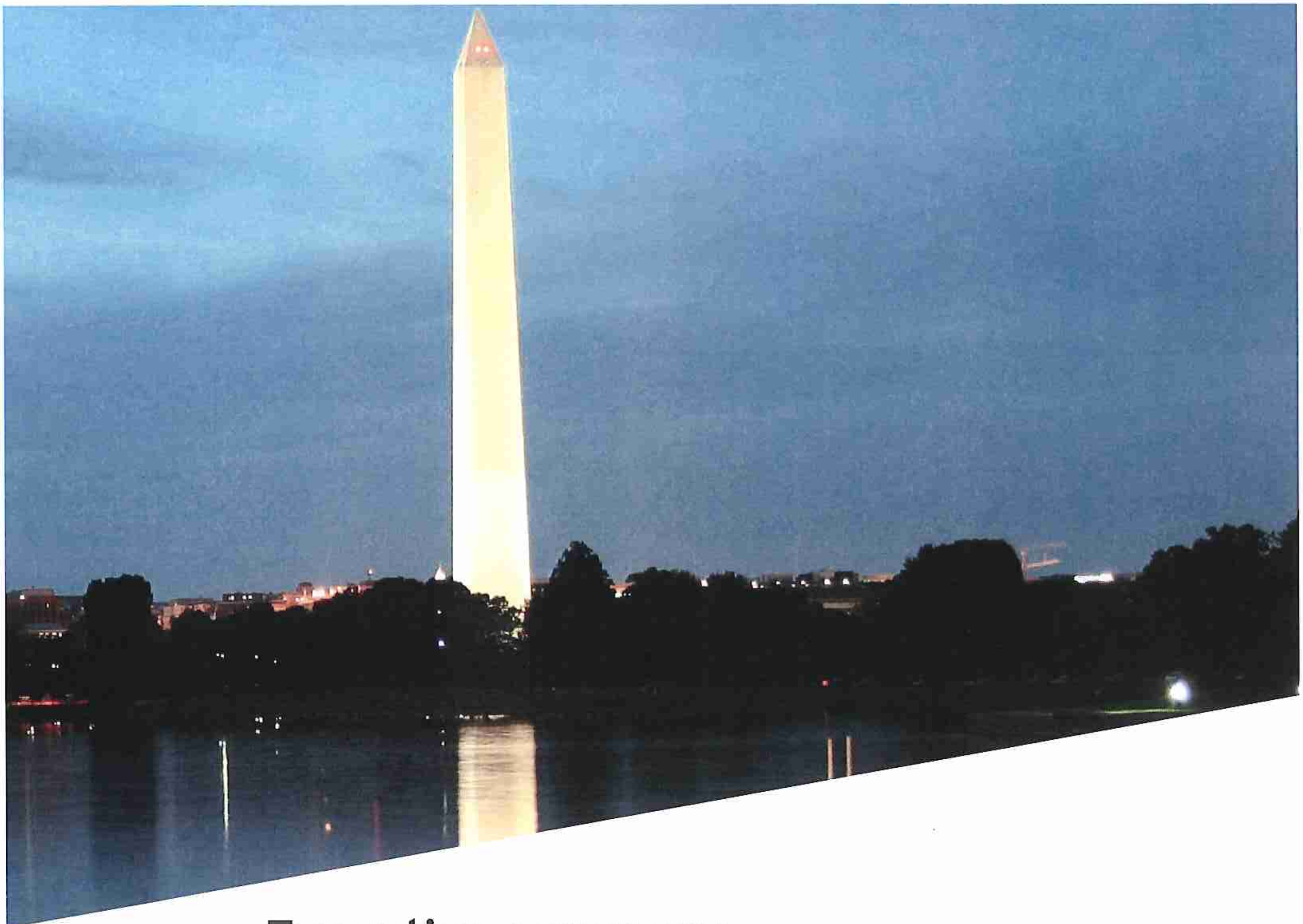
On appeal, Navistar and OMA argued there is no authority for the Tax Commissioner to alter an otherwise correct amortizable amount due to events occurring after the date the report was due in 2006. Rather, that official's authority is limited to correcting mistakes existing as of the date of the report was filed. At the BTA hearing, the Tax Commissioner admitted that it would not have adjusted the credit upward had a subsequent restatement increased the amortizable amount. In fact, in 2011 Navistar once again restated is financial statements, eliminating its valuation reserve and establishing a deferred tax asset even larger than previously claimed.

Oral argument is likely to be scheduled after the first of 2015, with a decision possible by summer.

COST Report on State & Local Business Taxes

The Council on State Taxation has issued its 2014 study on the state and local business tax burden by state. The report, "Total State and Local Business Taxes: State-by-State Estimates for Fiscal Year 2013," prepared by Ernst & Young LLP, focuses on fiscal year 2013. According to the study, the overall tax burden on businesses increased for the third consecutive year. The study includes information from all 50 states and the District of Columbia. The taxes studied include business property taxes; sales and excise taxes paid by businesses on their input purchases and capital expenditures; gross receipts taxes; corporate income and franchise taxes; business and corporate license taxes; unemployment insurance taxes; individual income taxes paid by owners of non-corporate (pass-through) businesses; and other state and local taxes that are the statutory liability of business taxpayers. A copy of the study may be viewed at this URL: http://www.cost.org/WorkArea/DownloadAsset.aspx?id=87982

According to the study, the state and local business tax burden rose an average of 4.3% nationally in 2013. Ohio's tax burden increase was below average at 3.7%, placing it 28th among states in terms of the increase. The single tax that businesses paid the most in Ohio was the property tax, followed by the state sales tax. Overall, businesses in Ohio paid approximately $20.4 billion in state and local taxes, which amounts to 4.1% of the Gross State Product, below the national average of 4.7% and placing it 39th among all states.



Executive summary

This study presents detailed state-by-state estimates of the state and local taxes paid by businesses for FY2013. It is the 12th annual report prepared by Ernst & Young LLP in conjunction with the Council On State Taxation (COST).

Businesses paid close to $671 billion in state and local taxes in FY2013, an increase of 4.3% from FY2012. State business taxes grew somewhat more quickly than local taxes, with state taxes growing 4.7% compared to local tax growth of 3.7%. In FY2013, business taxes accounted for 44.9% of all state and local taxes. While this is the lowest share of total state and local taxes since FY2006, the business share has remained relatively stable and peaked at 45.7% in FY2007, less than one percentage point different from the current share. The business share has been within one percentage point of 45% since FY2003.

The change in business taxes suggests relatively broad, yet still gradual, economic recovery. All categories of business taxes other than public utility and severance taxes rose in FY2013, which indicates increases in property values, business incomes, capital expenditures and input purchases. Lower energy prices, potentially due to expanded natural gas production in North America, resulted in lower severance and public utility taxes in 28 of the 48 states that levy such taxes.

The state and local business tax estimates presented in this study reflect tax collections from July 2012 through June 2013 in most states.[1] These include business property taxes; sales and excise taxes paid by businesses on their input purchases and capital expenditures; gross receipts taxes; corporate income and franchise taxes; business and corporate license taxes; unemployment insurance taxes; individual income taxes paid by owners of non-corporate (pass-through) businesses; and other state and local taxes that are the statutory liability of business taxpayers.

Key findings of the study include:

- Following two years of decline in FY2009 and FY2010, state and local business taxes increased for a third consecutive year in FY2013. From FY2012 to FY2013, overall state and local business taxes increased 4.3%, with state business taxes growing by 4.7% and local business taxes growing 3.7%.
- After three straight years of growth rates below 1%, business property taxes increased 3.7% in FY2013, a gain of $8.5 billion. Property taxes remain by far the largest state and local tax paid by businesses, accounting for 36.1% of the total.
- General sales taxes on business inputs and capital investment totaled $139.8 billion, or 20.8% of state and local business taxes. While state sales taxes increased 3.8%, general sales taxes paid by businesses remained flat at the local level.
- In FY2013, state and local corporate income tax collections were $53.3 billion, or 7.9% of all state and local business taxes. FY2013 marked the third consecutive year of corporate income tax growth. While overall state and local corporate income tax collections grew in FY2013 by 8.4%, the corporate income tax has been the slowest of the major types of business taxes to return to pre-recession levels. In FY2013, state and local corporate income tax collections were still nearly 13% below the prior peak that occurred in 2007.
- Individual income taxes on pass-through business income accounted for 5.5% of total state and local business taxes. Individual income taxes on business income grew 13.2%, the highest rate of any tax in FY2013.
- On average, business taxes are equal to 4.7% of private-sector gross state product (GSP), which measures the total value of a state's annual private-sector production of goods and services. There is substantial variation, with ratios ranging from 3.3% in Oregon to 12.0% in Alaska.
- Businesses continue to pay more in state and local taxes than they receive in benefits, on average. On average, businesses paid $3.26 for every dollar of government spending benefiting businesses, assuming that education spending does not benefit local businesses. An alternate assumption, that half of education spending benefits local businesses, still results in businesses paying 20% more in taxes than the cost of state and local government spending benefiting business.
- Twelve states have still not returned to their prior highs for business tax collections reached near the start of the last recession. The corporate income tax has been the slowest to rebound, with 28 of the 47 states that levy some form of corporate income tax not yet returning to their prior peak level of collections.

TO: OMA Tax Committee
FROM: Rob Brundrett
DATE: November 19, 2014
SUBJECT: Tax Policy Highlights

Overview

The General Assembly returned from the campaign break to a full slate of committee hearings last week. The House and Senate will be pushing hard to pass a large amount of legislation in the final two months of the year known as "lame duck." The Senate Ways and Means Committee, under the new leadership of Senator Bob Peterson are looking to pass House Bill 5 as soon as the first week of December.

Next year will come a new state budget, and with it, the potential for a large scale tax reform package.

State Financial Condition

The state's economy grew at 3.5% annual pace in the third quarter, up from 1.2% during the first half of the year.

Ohio employment increased by 6,000 jobs in September, and the August level was revised upward 4,500 jobs, to a total gain of 4,700. The unemployment rate decreased 0.1 percentage points to 5.6% down from 7.1% last December.

Leading economic indicators have softened somewhat recently but remain consistent with uninterrupted growth at a moderate pace across the country and in Ohio.

Special Committees

House Unemployment Compensation Debt Committee

This summer the House created a special Unemployment Compensation Debt Committee to travel the state and have hearings on the state's current unemployment debt to the federal government. The debt stands at $1.3 billion and recently it was announced that the state's FUTA tax rate will be 1.8%. The Committee heard testimony from individuals, interest groups, and companies including OMA member O-I over the course of the hearings. A final report is due next month. There are House Republicans who would like to do something in the next General Assembly to help the state quickly erase this debt.

Tax Legislation

House Bill 5

After almost a full year of hurry up and wait House Bill 5 passed the House floor in November 2013. That capped off almost a year of testimony and aggressive lobbying by both the proponents and the opponents of the bill.

This fall Senate President Keith Faber announced it would be a priority to vote the bill in lame duck. The Senate Ways and Means Committee had sponsor and proponent testimony on the bill last week. This week, more hearings are scheduled. The bill is slated to move out of committee the first week of December. The OMA is planning on testifying in support of the bill later this afternoon.

House Bill 135
Representative Dorothy Pelanda (R-Marysville) introduced a bill to rehab vacant industrial buildings. This is modeled on a bill from Indiana. The bill originally included a CAT credit which the OMA was able to successfully remove from the bill. It is currently pending in Senate committee and has not had a hearing since last November. Rumors around the Statehouse, is that tax credit bills will not pass unless there is a prearranged reason.

Senate Bill 149/House Bill 219
Representative Jim Butler (R-Oakwood) and Senator Bill Beagle (R-Tipp City) have introduced companion bills that would authorize nonrefundable tax credits against the CAT for businesses that contribute to economic development projects undertaken by local governments and nonprofit businesses. The credit is equal to 60% of a business' contribution to a project primarily benefiting a rural area, and 50% of a contribution to a project benefiting an urban area. There is concern with these bills that they will erode the CAT base creating more pressure to increase the CAT rate on businesses. The OMA sent letters to both sponsors and has worked with them and the committee chairmen to remove the CAT credits from the bills.

Senate Bill 210
Senator Chris Widener (R-Springfield) quickly moved to introduce legislation following the Medicaid expansion controlling board vote that would take the expected savings from expansion and provide a permanent income tax rate reduction of 4% for all tax brackets beginning in 2014. That would put the highest bracket at 5.176%. The bill has had four hearings. The last was in February. The projected savings with Medicaid expansion might have been overstated. Because of this new information bills relying on expansion money will not be passed until a true figure can be determined.

Senate Bill 228
Senator Chris Widener (R-Springfield) introduced legislation in the wake of the controlling board Medicaid expansion vote that would limit the controlling board's authority to approve the expenditure of certain federal and nonfederal funds that are received in excess of the amount appropriated or are not anticipated in the current biennial appropriations act. The bill also requires information about selected non Ohio companies and requires agencies to contact Ohio entities who did not respond to an RFP. The bill was voted out of the Senate is pending in a House committee, where it has had two hearings, the last in February.

House Bill 230
Representative Cheryl Grossman (R-Grove City) has recently introduced and provided sponsor testimony on HB 230. This bill creates a refundable CAT credit for a business that donates food inventory to charitable organizations, equal to a percentage of a federal income tax deduction taken by the business for the same donation. This bill also puts pressure on the CAT rate. The OMA has expressed its concerns with Rep. Grossman and has offered language that could create a transparent grant program.

House Bill 246

Representatives Terry Blair (R-Washington Twp.) and John Rogers (D-Mentor on the Lake) introduced HB 246 that allows an employer who hires a recent post-secondary graduate to deduct over five years, all or a percentage of the employer's costs of employing that graduate from the employer's gross receipts subject to the commercial activities tax. This is another concern for manufacturers. While not as bad as a credit is still creates a hidden deduction that could eventually impact the CAT rate. OMA met with Rep. Blair and then Chairman Beck on this bill to stress our concerns. The bill's last hearing was in October 2013. With Rep. Blair's untimely death over the summer, it appears unlikely this bill will have any more hearings.

House Bill 289

House Bill 289, sponsored by Representative Kirk Schuring (R-Canton) addresses flaws in Ohio's Joint Economic Development Zone (JEDZ) law which goes beyond the original objective of supporting economic growth and development.

House Bill 289 contains the necessary provisions that resolve the unintended consequences of the JEDZ law, specifically that income tax revenues are being diverted from their intended economic development purposes unrelated to economic development, possibly in violation of due process for those paying the tax.

The Senate passed the just prior to the reelection break and the Governor signed the bill in June.

House Bill 328

Representatives Ron Young (R-Leroy) and Christina Hagan (R-Alliance) introduced legislation from the House that would modify the authority of the controlling board to approve certain expenditures. This was reaction to the controlling board vote to expand Medicaid in the state of Ohio. The bill had its third hearing in late February where the committee accepted a sub bill.

House Bill 336

House Bill 336 sponsored by Reps Dave Hall (R-Millersburg) and Sean O'Brien (D-Hubbard) would provide tax breaks to consumers and businesses who purchase new vehicles or convert existing vehicles to run on natural gas. The bill also provides a phase in for the motor-fuel tax collections for compressed natural gas.

The bill remains a concern because one of the tax breaks included in the bill is a CAT credit for the purchase of a new alternative fuel vehicle or conversion of a traditional fuel vehicle to an alternative fuel vehicle. The bill was passed out of the House in late March and has been assigned to the Senate Finance Committee.

House Bill 375

In December House Speaker Pro Tem Matt Huffman (R-Lima) introduced legislation supported by the House Speaker that would increase the state's severance tax. The legislation drafted by House leadership and a portion of the oil and gas industry in Ohio would exclude the oil and gas industry from the CAT.

Two different substitute bills have been accepted by the House Ways and Means Committee. The latest version removes the CAT exclusion for C corps but includes the exclusion for pass through entities. The bill allows companies who are not excluded from the CAT to take a credit against the severance in the amount they pay in CAT. The bill also increases the severance tax rate to 2.5%.

The Senate indicated they are not going to pass the bill during lame duck. The Governor will most likely introduce a new version with his budget in 2015.

House Bill 402
This bill would authorize the Tax Commissioner to either apply a taxpayer's overpayment of a tax or fee to the taxpayer's future liability or issue a refund to the taxpayer with the taxpayer having to request the credit or refund. It would also require the Department of Taxation to notify taxpayers of tax or fee overpayments. The bill passed the House and had its second hearing in the Senate on May 8th.

House Bill 510
This bill would gradually reduce the CAT rate by 25% over five years and increase the proportion allocated to schools and local governments. This bill while reducing the burden on businesses is not expected to move.

Mid-Biennium Review
The Governor introduced House Bill 472 which became the mid-biennium review (MBR) bill. This bill was quickly broken up into a plethora of bills based on topics. The tax package stayed as HB 472 and the appropriations bill became HB 483.

House Bill 472 is centered around an 8.5% income tax reduction across the board phased in over three years. It will be paid by increasing the cigarette tax by $0.60 per pack over two years, increasing the severance tax rate to 2.75%, and raising the CAT from .26% to .30%. The bill had some early hearings, the OMA submitted a letter to leadership warning against the adverse economic impacts raising the CAT would create. Leadership has indicated if this package is going to be dealt with; it will wait until the fall.

House Bill 483 which contains a mix of random policy changes includes one CAT credit for historic rehabilitation for buildings. We were able to get this provision removed from the state budget but it has reappeared.

Tax News
Senate Ways and Means Committee
Senator Bob Peterson was named the new Chairman of the Senate Ways and Means Committee, replacing term limited Senator Tim Schaffer. The move was made so that Senator Peterson who has been working with stakeholders over the summer, could take the lead on the House Bill 5 legislation. Senator Peterson previously Chaired the Senate's tax study committee last fall.

Ohio Beats National Average in Business Tax Burden
The Council on State Taxation (COST) recently released its 2014 report on state and local business taxes.

COST says that the state and local business tax burden rose an average of 4.3% nationally in 2013. Ohio's tax burden increase was below average at 3.7%. The Ohio business tax burden equaled 4.1% of the Gross State Product, below the national average of 4.7%.

The largest tax on Ohio business was the property tax, followed by the state sales tax.

This study presents detailed state-by-state estimates of the state and local taxes paid by businesses for FY2013. It is the 12th annual report prepared by Ernst & Young LLP.

Ohio Ranked Low by Tax Foundation

The Tax Foundation has just released its 2015 State Business Tax Climate Index. According to the foundation. the Index is designed to show how well states structure their tax systems.

While Ohio ranks more favorably in other tax studies, the Tax Foundation ranked Ohio 44th, worse by two positions than in 2014.

NAM Lobbies for Extension of Federal Tax Provisions

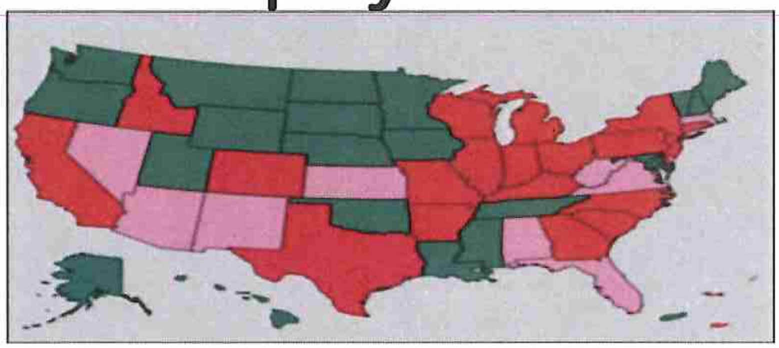
Lawmakers in Washington still have unfinished business to attend to in “lame duck” session following the election. The National Association of Manufacturers (NAM) has a top priority to revive and extend a package of more than 50 temporary tax provisions known as the “extenders.” Most of these provisions, which cover a wide range of issues, expired at the end of 2012.

While NAM’s focus is primarily on five provisions in the package: the R&D credit, bonus depreciation, Sec. 179 enhanced expensing, CFC ”look-though,” and deferral for active financing, it is actively lobbying to push the whole package through before this Congress adjourns for good.

U.S. Department of Labor
Office of Unemployment Insurance
Division of Fiscal and Actuarial Services

July 2014

2014
State Unemployment Insurance



Trust Fund Solvency Report

- Individual State Data Sheets
- State Summary Tables
  - State Trust Fund Status
  - State Eligibility for 2014 Interest Free Loans
  - FUTA Credit Reductions with Estimated Add-ons
- Definitions

View this report online at:
http://ows.doleta.gov/unemploy/finance.asp

Solvency of State Unemployment Insurance (UI) Trust Funds

Introduction

The publication of the yearly Solvency Report provides an opportunity for interested users to evaluate and compare the solvency level of each state's UI trust fund.

UI taxes paid primarily by employers on the wages paid to employees flow into state UI accounts maintained at the U.S. Treasury. These same accounts are the source of benefit payments to eligible claimants in the regular UI program.

In the 2007-09 recession and its aftermath, 36 states were depleted their UI funds and were forced to borrow from the Federal government to continue paying benefits. Much of the borrowing was due to the fact that many states did not have adequate UI trust funds going into the recession. Now these states are in a position of having to find ways to repay the Federal loans as well as to build up their trust funds before the next recession.

Currently, state UI programs have approximately $15 billion in outstanding Federal loans (and approximately an additional $10 billion in outstanding private borrowing) from 23 states. In the next few years, states will have to repay their loans and rebuild their trust funds.

This report is constructed to provide the information needed for analyzing trust fund solvency. The seventeen variables in this report are divided into three sections. The first eleven variables provide the status of the State Trust fund level, the next two items cover the state's Solvency Measures, followed by the Calculations of Federal Borrowing Statutes and FUTA Credit Reductions. An explanation and derivation of each item can be found in the report glossary.

OHIO - 2014

State Trust Fund Status

1)	UI Trust Fund Balance 3/31/2014:	$7,880,823	2) Interest Earned for 2013:	$0.00
	Balance 12/31/2013:	$51,016,111		
3)	Outstanding Title XII Advance 3/31/2014:	$1,589,750,581	4) Total Title XII Advances[1]:	$3,605,488,574
5)	Title XII Interest Owed for 2013:	$44,495,535	6) Max. Amount of Outstanding Advances:	$2,611,387,131
7)	Title XII Advances Per Cov. Employee:	$400.62	8) Date of Maximum Outstanding Amount:	4/30/2011
9)	Title XII Advances as % of Cov. Wages:	0.91	10) Private Borrowing Instrument Issued:	N/A
			11) For Amount of :	$0

State Trust Fund Solvency

12) Trust Fund Compared to Benefit Costs

13) Solvency Level (using AHCM)[2]

Calculations of Federal Borrowing Statutes and FUTA Credit Reductions

Eligibility for Interest Free Borrowing in 2014

14)	Last year in which State achieved a 0.5 Avg. High Cost Multiple[3]:	2001
15)	Lowest Percentage the Avg. Tax rate is of the Previous 5 yr. Ben Cost Rate (in the last 5 years)	N/A
16)	Lowest Percentage the Average Tax Rate is of the Previous Avg. Year's Tax Rate (in the last 5 years)	N/A
		Ineligible

FUTA Tax Rate

17)	Credit Reduction Due to Outstanding Loans	2.7% Add-on	BCR Add-on	Total Credit Reduction	FUTA Tax Rate[5]
2013	0.9%	0.0%	0.0%	0.90%	1.5%
Potential 2014[4]	1.2%	0.0%	1.4%	2.60%	3.2%

1 Total Advances from 12/31/2007 to 3/31/2014.
2 Average High Cost Multiple (AHCM) value is as of 1/1/2014.
3 Must occur in the last 5 years to be eligible for an interest free loan
4 Amounts estimated as of 3/31/2014. Credit reductions apply only to states with outstanding loans as of November 10, 2014.
5 Represents the difference between total FUTA credit (with any reductions) and the FUTA tax rate of 6.0%

Summary of State Eligibility For Interest Free Advance 2014

Table 2

STATE	Interest Free Loan Eligibility for 2014	Last Year State Achieved 0.5 AHCM	Lowest Percentage Avg. Tax Rate is of the 5 yr. Ben Cost Rate	Lowest Percentage Avg. Tax Rate is of the Previous Yr. Tax Rate
ALASKA	Eligible	2013	98%	87%
ALABAMA	Ineligible	2007	84%	80%
ARKANSAS	Ineligible	2000	94%	100%
ARIZONA	Ineligible	2008	65%	92%
CALIFORNIA	Ineligible	2002	69%	96%
COLORADO	Eligible	2013	92%	95%
CONNECTICUT	Ineligible	2007	92%	104%
DIST. OF COLUMBIA	Eligible	2013	79%	99%
DELAWARE	Ineligible	2008	69%	103%
FLORIDA	Ineligible	2008	74%	109%
GEORGIA	Ineligible	2008	76%	105%
HAWAII	Eligible	2013	35%	95%
IOWA	Eligible	2013	99%	88%
IDAHO	Eligible	2013	106%	93%
ILLINOIS	Ineligible	1999	75%	85%
INDIANA	Ineligible	2008	57%	97%
KANSAS	Ineligible	2008	94%	98%
KENTUCKY	Ineligible	2002	71%	99%
LOUISIANA	Eligible	2013	47%	92%
MASSACHUSETTS	Ineligible	2007	93%	96%
MARYLAND	Eligible	2013	82%	92%
MAINE	Eligible	2013	74%	100%
MICHIGAN	Ineligible	2008	70%	99%
MINNESOTA	Eligible	2013	92%	99%
MISSOURI	Ineligible	2007	85%	95%
MISSISSIPPI	Eligible	2013	50%	85%
MONTANA	Eligible	2013	92%	98%
NORTH CAROLINA	Ineligible	2000	82%	96%
NORTH DAKOTA	Eligible	2013	96%	92%
NEBRASKA	Eligible	2013	83%	64%
NEW HAMPSHIRE	Eligible	2013	109%	98%
NEW JERSEY	Ineligible	2003	81%	104%
NEW MEXICO	Ineligible	2010	73%	95%
NEVADA	Ineligible	2008	61%	97%
NEW YORK	Ineligible	1990	84%	98%
OHIO	Ineligible	2001	75%	88%
OKLAHOMA	Eligible	2013	66%	92%
OREGON	Eligible	2013	98%	99%
PENNSYLVANIA	Ineligible	2001	77%	97%
PUERTO RICO	Eligible	2013	73%	96%
RHODE ISLAND	Ineligible	2003	75%	102%
SOUTH CAROLINA	Ineligible	2008	55%	89%
SOUTH DAKOTA	Eligible	2013	101%	66%
TENNESSEE	Eligible	2013	95%	91%
TEXAS	Ineligible	1991	77%	98%
UTAH	Eligible	2013	75%	99%
VIRGINIA	Ineligible	2008	77%	101%
VIRGIN ISLANDS	Ineligible	2007	12%	95%
VERMONT	Eligible	2013	73%	110%
WASHINGTON	Eligible	2013	70%	78%
WISCONSIN	Ineligible	2003	78%	100%
WEST VIRGINIA	Ineligible	2002	92%	99%
WYOMING	Eligible	2013	119%	100%

Testimony on behalf of Owens-Illinois, Inc.
Presented by Melanie Jennings
to the Ohio House of Representatives
Unemployment Compensation Debt Study Committee
Tuesday, October 14, 2014

Chairwoman Sears and members of the Unemployment Compensation Debt Study Committee, my name is Melanie Jennings, Payroll Manager, Finance, for Owens-Illinois General Inc. and Owens-Brockway Glass Container Inc. Thank you for this opportunity to testify before the committee about the impact of the unemployment compensation debt on Owens-Illinois (O-I).

O-I is growing more concerned about this increase in the Federal Unemployment Tax. As any responsible corporation would do, we do our best to forecast our payroll tax liabilities. It is very important that our budget estimates are close to the actual liability. Unfortunately, we did not expect this large of an increase and we have not budgeted for these additional taxes.

For O-I, the increase over the original estimated FUTA payment is 426% - and rising every year! In dollars, this increase is approximately $250,000 over the original estimated FUTA payment.

We read that one of Ohio's goals is to increase employment, or the number of jobs in Ohio. Unfortunately for the State of Ohio and for Ohio employers, the more people that you employ, or the more jobs that you create in Ohio, the larger the penalty caused by this reduction in FUTA tax credits.

O-I has its Headquarters, R&D facilities and a large manufacturing plant in Ohio. This FUTA issue will not cause O-I to leave Ohio, but it does cause O-I to incur costs that our competitors in other states do not incur. As a major corporation, our prices must be competitive and it hurts when our costs and expenses are greater than the competition.

O-I appreciates this Committee reviewing this unfortunate FUTA situation, and we hope that something can be done to reverse part of this increase and to keep this tax from further accumulating in future years.

Thank you for allowing me to testify and explain how this tax is impacting Owens-Illinois.

MUNICIPAL TAX REFORM COALITION
Less paperwork.
Better compliance.
More jobs.

Municipal Tax Reform Legislation
(Sub. H.B. 5)

Municipal Tax Reform Coalition

Ohio Society of CPAs
Ohio Chamber of Commerce
NFIB-Ohio
Associated Builders and Contractors of Ohio
Associated General Contractors of Ohio
Central Ohio NECA
The Cincinnati USA Regional Chamber
Columbus Chamber of Commerce
Council of Smaller Enterprises (COSE)
Dayton Area Chamber of Commerce
Greater Cleveland NECA
Greater Ohio Policy Center
North Central Ohio NECA
Ohio Association of Realtors
Ohio Automobile Dealers Association
Ohio Cable Telecommunications Association
Ohio Contractors Association
Ohio Council of Retail Merchants
Ohio Grocers Association
Ohio Home Builders Association
Ohio Insurance Institute
Ohio Manufacturers' Association
Ohio Newspaper Association
Ohio Nursery & Landscape Association
Ohio Oil & Gas Association
Ohio Pharmacists Association
Ohio Produce Growers & Marketers Association
Ohio Restaurant Association
Ohio State Bar Association
Ohio State Medical Association
Ohio Trucking Association
Professional Independent Agents Association of Ohio (PIAA)
Toledo Regional Chamber of Commerce

Why Ohio Needs Reform

- Ohio has the most complicated local income tax system in the U.S.
- Ohio is one of only 10 states that tax both individuals and businesses.
- Ohio is the only state where each city/village makes its own rules and regulations – businesses must keep track of and comply with as many as 600 different sets of tax ordinances.
- It's particularly burdensome for businesses whose employees work/travel in multiple cities.
- The high cost of complying hinders economic growth.
- Compliance often costs businesses more than they owe in tax.
- International site selectors say Ohio's municipal tax system is the second highest negative factor (the first being the labor environment) when it comes to attracting new employers.

Key Provisions in Bill

- Extends occasional entry rule (requiring companies to withhold for employees not working in principal place of business city) from 12 days to 20 days.
- Defines a "day" for occasional entry purposes to where the employee spends "preponderance of work day." Currently an Ohio worker (i.e. a plumber) can owe tax to every city he visits in a single 8-hour workday, even if he's only there for 10 minutes.
- Creates uniform net operating loss (NOL) carry-forward period of 5 years (currently ranges from zero to 10 years). Currently two thirds of Ohio cities have an NOL, most with 5 years. Phases it in over six years to limit impact on cities.
- Creates uniform treatment of filing requirements – extensions, penalties, due dates, etc.
- Creates consistent taxation of pass-through entities (PTEs) at the entity level. Owners also are taxed by their resident city. Currently, cities are divided as to if and how they tax PTEs and owners.
- Defines "resident" with a uniform set of facts and circumstances for municipal tax purposes.

Benefits of Municipal Tax Reform

- This legislation will help achieve the goals of any good tax policy: **making Ohio's municipal income tax system simpler, fairer and more predictable.**
- **Businesses will reduce their municipal tax compliance costs**. This frees up capital and time to reinvest and grow their companies.
- The bill establishes one set of municipal tax rules and regulations that apply to nearly all Ohio cities that impose business and individual income taxes.
- The bill will **minimize the administrative hassles** many Ohio businesses are subjected to by cities with conflicting notice rules, administrative appeal procedures and tax forms/documentation requirements.
- **Makes Ohio more competitive** for new investment and jobs – Ohio will no longer stand out as the worst state in the nation in terms of the difficulty of complying with municipal tax requirements.

**BEFORE THE WAYS AND MEANS COMMITTEE
OF THE OHIO SENATE**

SENATOR BOB PETERSON, CHAIRMAN

**TESTIMONY
OF
MARK ENGEL
BRICKER & ECKLER LLP
OMA TAX COUNSEL**

NOVEMBER 19, 2014

Mr. Chairman, and members of the committee, good afternoon. My name is Mark Engel. I am a partner with Bricker & Eckler LLP and tax counsel to The Ohio Manufacturers' Association (OMA). The OMA is here today to testify in support of House Bill 5, a bill to streamline and modernize Ohio's antiquated municipal income tax system.

For the past several years, administration after administration has attempted to make Ohio more business-friendly. Several steps have been taken to make that happen. Those efforts include tax reform in 2005; tort reform in 2004; repeal of the estate tax; and recent reforms at the Board of Tax Appeals. However, despite efforts to improve it, in study after study and report after report, one feature continues to receive criticism for its negative impact on the business climate in Ohio: The Municipal Income Tax.

According to a publication of the Ohio Department of Taxation, *Ohio Taxes: A Brief Summary of Major State and Local Taxes in Ohio*,[1] in 2009, the latest year for which figures were available, 577 municipal corporations (236 cities, 341 villages) in Ohio imposed a tax on income. The tax rates varied from 0.4% to 3.0%. Together, almost $4 billion in revenue was raised.

While the amount of revenue is significant, it isn't just the amount that garners criticism. It is the myriad of rules that vary from jurisdiction to jurisdiction that creates problems.

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[1] As of November 14, 2014, this report may be found at http://www.tax.ohio.gov/portals/0/communications/publications/brief_summaries/new%20internet%20feb_7_2012/municipal_income_tax_2_8.pdf

Different rules regarding issues such as payment dates and extensions, statutes of limitations, the treatment of pass-through entities and their owners, and net operating losses, render compliance difficult, uncertain, and as a result, frustrating and time-consuming.

To be competitive, a tax system needs to be transparent and simple. The existing municipal income tax provisions in Ohio are anything but. H.B. 5 isn't perfect, but it goes a long ways towards improving the situation from the perspective of business in Ohio. Its passage will simplify compliance among manufacturers and businesses in general. It will allow them to devote limited resources to growing their businesses. That will improve the situation for everybody in Ohio, the municipal jurisdictions as well as the taxpayers.

H.B. 5 addresses many of the current myriad of municipal income tax requirements. However, there are three advantages of HB 5 in particular that we highlight for your consideration.

First, a consistent rule regarding some consideration of net operating loss carryforwards is imperative. NOLs occur because our tax system is based on economic performance during a defined period. When income is earned, no matter how much, a tax is incurred. When a taxpayer operates at a loss, however, its tax bill is merely reduced to $0. It does not get money back. Recognition of some level of net operating loss carryforward better reflects the operations of a business over time. Without this provision, business is faced with a “heads you win, tails I lose” proposition. This is a clear impediment to business in Ohio.

Second, uniformity on filing dates, estimated payment dates, statutes of limitations, penalties and interest, and a myriad of other compliance issues is important. As noted earlier, almost 600 different municipal taxing jurisdictions exist in Ohio. Trying to keep track of the differences between them is a tremendous drain of time and resources. Having single rules as to these items would go a long way towards making the system less onerous and compliance easier.

Finally, the occasional entrant rules need to be addressed. Employees may be in multiple jurisdictions, however, briefly, during the course of a day. Under current law, potential liability exists in every jurisdiction. Clarifying the rules, and providing a small business exception, would go a long way towards simplifying this issue.

Business recognizes that it receives a number of benefits from government services, and that it has to pay for those services. However, it should not do so at the expense of being competitive, or even being able to survive. H.B. 5 offers a number of improvements over the existing patch-work of municipal income tax provisions, bringing clarity and easier compliance to the table. These changes will help render Ohio more competitive with other states, most of which have no local income taxes to worry about.

We urge your passage of H.B. 5.

Ohio Legislative Service Commission

Bill Analysis Sam Benham

H.B. 510

130th General Assembly
(As Introduced)

Reps. Brenner, Butler, Becker, Hood, J. Adams, Terhar, Retherford, Roegner

BILL SUMMARY

- Gradually reduces the rate of the commercial activity tax (CAT) by 25% over five years.
- Gradually decreases the percentage of CAT revenue allocated to the General Revenue Fund (GRF) and increases the proportion allocated for school districts and local governments that receive reimbursement for the prior repeal of taxes on business personal property.

CONTENT AND OPERATION

Commercial activity tax

Over five fiscal years, the bill gradually reduces the rate of the CAT by 25% and gradually and proportionately redistributes CAT revenue from the GRF to any local governments and school districts that are still being reimbursed for the repeal of business tangible personal property taxes. Ultimately, by the fifth fiscal year, the rate reductions and revenue redistribution effectively causes the proportionate amount of CAT revenue allocated to the GRF to decrease by approximately 50% and the amount allocated to such local governments and school districts to remain the same as under current law.

The CAT is an annual excise tax imposed on businesses for the privilege of doing business in Ohio that is based on a business' taxable gross receipts. Taxable gross receipts are derived from a business' "gross receipts," which is defined broadly to include all amounts realized that contribute to the production of gross income. There are over 35 other categories of receipts that are at least partly excluded from the gross receipts base from which taxable gross receipts is derived.

Rate reduction

The current CAT rate equals 0.26%. This rate applies to a taxpayer's taxable gross receipts in excess of $1 million. Beginning in fiscal year 2014, the bill reduces the CAT rate in equal proportions over five fiscal years to 0.195% by fiscal year 2019—a 25% reduction.[1]

Minimum tax reduction

In addition to the bill's decrease in the basic CAT rate, the bill decreases by 25% the CAT due on a taxpayer's first $1 million in taxable gross receipts for taxpayers that have more than $1 million in taxable gross receipts. Under continuing law, businesses with less than $150,000 in taxable gross receipts are excluded from paying the CAT. All other businesses owe a minimum tax on the first $1 million in taxable gross receipts plus 0.26% of receipts in excess of $1 million. Under current law, the minimum tax ranges from $150 to $2,600, depending on a business' total taxable gross receipts. Beginning in fiscal year 2014, the bill reduces these amounts in equal proportions over five fiscal years by 25% so that they will range from $112.50 to $1,950 by fiscal year 2019.[2]

Revenue allocation

The bill also reduces the percentage of CAT revenue allocated to the GRF, while increasing the percentage, but not necessarily the amount, allocated to pay local governments and school districts that still qualify for reimbursement for the prior repeal of business personal property taxes. Current law allocates 50% of CAT revenue to the GRF; 35% to school districts; and 15% to local governments. Beginning in fiscal year 2014 and continuing in equal proportions over the next five fiscal years, the bill reduces the percentage allocated to the GRF and increases the percentage allocated to such local governments and school districts by 33.3%. By fiscal year 2019, the bill allocates 33.3% of CAT revenue to the GRF; 46.7% to school districts; and 20% to local governments.[3]

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[1] R.C. 5751.03(A) and 5751.031.

[2] R.C. 5751.03(B).

[3] R.C. 5751.20.

In effect, these percentages hold the school districts and local government shares of the tax harmless against the CAT rate reduction; any revenue reduction resulting from the tax rate reduction is borne by the GRF.[4]

HISTORY

ACTION	DATE
Introduced	04-01-14

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[4] Although continuing law segregates CAT revenue into three funds according to the percentages specified above, another continuing provision ensures that the school district and local government reimbursements are payable from the GRF if the specified percentage of the revenue is insufficient to pay those reimbursements. Conversely, if the percentages produce more revenue than needed to pay the reimbursements, the excess is transferred to the GRF. R.C. 5751.21(G) and (H) and 5751.22(D) and (E).

Senator Bob Peterson

17th Senate District

As a farmer, business owner and former county official, Bob Peterson has devoted much of his time and attention to solving the challenges facing our communities. He now brings that same attitude and drive to the Ohio Senate as he works to improve all of Ohio. Bob represents the 17th Ohio Senate District, which encompasses Clinton, Fayette, Gallia, Highland, Jackson, Pike and Ross counties as well as portions of Lawrence, Pickaway and Vinton counties.

A farmer by trade, Senator Peterson and his family are the eighth generation of Petersons to farm in the U.S. Peterson raises corn, soybeans, wheat and livestock on his family's farm. He also has been active in the Farm Bureau in a variety of leadership positions, culminating to his position as Ohio Farm Bureau President for nearly five years.

In addition to his farming duties, Senator Peterson served as a Fayette County Commissioner for 14 years before being elected to the Ohio House of Representatives in 2011. He joined the Ohio Senate in 2012, where his knowledge and leadership have earned him a seat at the table on the issues that matter most to the families and communities of the 17th Senate District.

Peterson currently serves as the Chairman of the Finance Subcommittee on General Government, where he plays a key role in examining issues related to all aspects of government during the state budget process. He also serves as Vice-Chair of the Ways & Means Committee, and chaired the Tax Reform Subcommittee of Ways & means. He also served as a member of the budget-writing Finance Committee, the Agriculture Committee, the Energy & Natural Resources Committee and the Insurance & Financial Institutions Committee.

Senator Peterson has received numerous awards for his efforts in the Statehouse. Last year, he received the Watchdog of the Treasury award from the United Conservatives, and was also named an Ohio Farm Bureau Friend of Agriculture. Additionally, Peterson was named Legislator of the Year by the Ohio Pest Management Association for his work on House Bill 420 during the 129th General Assembly.

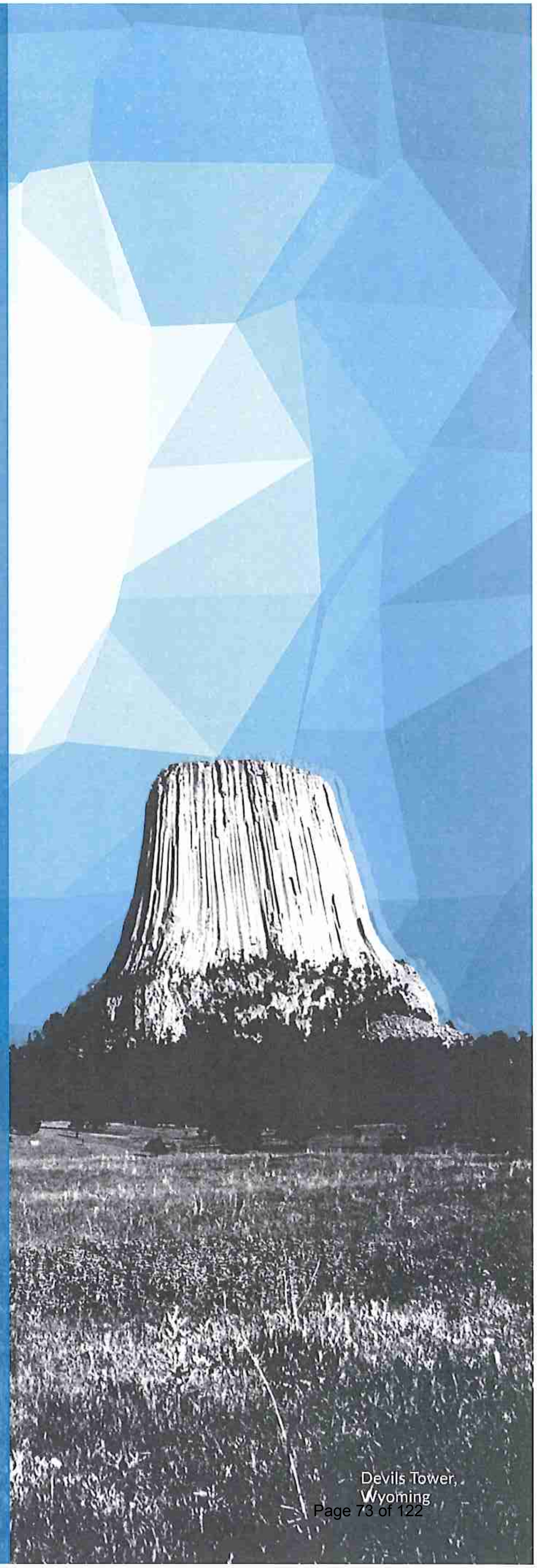
Peterson received his bachelor's degree from The Ohio State University, and is also a graduate of its LEAD Program, an intense two-year agriculture leadership program that features extensive experience in economics, environmental issues and state and national political processes.

The Ohio Statehouse Columbus, Ohio 43215 (614) 466-8156 peterson@ohiosenate.gov

Senator Peterson and his wife Lisa are the proud parents of Sarah, Hannah and Todd. The family lives on their farm in Fayette County. They are active in church, 4-H, FFA and other community activities.

2015 State Business Tax Climate Index

by Scott Drenkard
Joseph Henchman



Devils Tower, Wyoming

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Executive Summary

The Tax Foundation's *State Business Tax Climate Index* enables business leaders, government policymakers, and taxpayers to gauge how their states' tax systems compare. While there are many ways to show how much is collected in taxes by state governments, the *Index* is designed to show how well states structure their tax systems, and provides a road-map to improving these structures.

The 10 best states in this year's Index are:

1. Wyoming
2. South Dakota
3. Nevada
4. Alaska
5. Florida
6. Montana
7. New Hampshire
8. Indiana
9. Utah
10. Texas

The absence of a major tax is a common factor among many of the top ten states. Property taxes and unemployment insurance taxes are levied in every state, but there are several states that do without one or more of the major taxes: the corporate tax, the individual income tax, or the sales tax. Wyoming, Nevada, and South Dakota have no corporate or individual income tax; Alaska has no individual income or state-level sales tax; Florida has no individual income tax; and New Hampshire and Montana have no sales tax.

But this does not mean that a state cannot rank in the top ten while still levying all the major taxes. Indiana and Utah, for example, have all the major tax types, but levy them with low rates on broad bases.

The 10 lowest ranked, or worst, states in this year's Index are:

41. Iowa
42. Connecticut
43. Wisconsin
44. Ohio
45. Rhode Island
46. Vermont
47. Minnesota
48. California
49. New York
50. New Jersey

The states in the bottom ten suffer from the same afflictions: complex, non-neutral taxes with comparatively high rates. New Jersey, for example, suffers from some of the highest property tax burdens in the country, is one of just two states to levy both an inheritance and an estate tax, and maintains some of the worst structured individual income taxes in the country.

Scott Drenkard is an Economist and Manager of State Projects at the Tax Foundation, and Joseph Henchman is Vice President for State Projects at the Tax Foundation.

They would like to acknowledge the valuable research assistance of Chris Stephens, Liz Malm, Anne Gordon, Tyler Dennis, and Joshua McCaherty in this edition of the Index, as well as the authors of previous editions: Scott A. Hodge, Scott Moody, Wendy Warcholik, Chris Atkins, Curtis Dubay, Joshua Barro, Kail Padgitt, and Mark Robyn.

Notable Ranking Changes in this Year's *Index*

3

North Carolina

Perhaps the greatest testament to the value of the *Index* is its use as a success metric for comprehensive reforms passed last year in North Carolina. In this year's edition, North Carolina has improved dramatically from 44th place last year to 16th place this year, the single largest rank jump in the history of the *Index*. The state improved its score in the corporate, individual, and sales tax components of the *Index*, and as the reform package continues to phase in, the state is projected to continue climbing the rankings.

North Carolina's largest improvement was in the individual income tax component section, where legislation restructured the previously multi-bracketed system with a top rate of 7.75 percent to a single-bracket system with a rate of 5.8 percent and a generous standard deduction of $7,500. This translates to an improvement of 27 rankings in the individual income tax component of the *Index*, with further improvement expected next year as the rate is expected to decrease again to 5.75 percent (see Table 4).

The corporate income tax rate in North Carolina is also phasing down. The rate fell from 6.9 percent last year to 6 percent this year, improving the state's ranking in that component from 30th to 25th (see Table 3). The rate is subject to a trigger mechanism that will further reduce the rate in future years when state general fund revenues are healthy, to as low as 3 percent by 2017.

Finally, the state improved its sales tax structure this year by disallowing localities the ability to set their own tax bases, improving simplicity for sales tax filing. This improved the sales tax component from 47th to 33rd (see Table 5).[1]

Kansas

Despite income tax cuts that are phasing in, Kansas dropped three rankings overall, from 19th

Table 1. 2015 State Business Tax Climate Index Ranks and Component Tax Ranks

	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Rank	Property Tax Rank
Alabama	28	27	23	41	25	10
Alaska	4	30	1	5	24	32
Arizona	23	24	19	49	4	6
Arkansas	39	40	28	44	39	19
California	48	34	50	42	14	14
Colorado	20	12	16	43	35	22
Connecticut	42	32	34	31	20	49
Delaware	14	50	33	1	2	13
Florida	5	14	1	12	3	16
Georgia	36	8	42	17	36	30
Hawaii	30	9	37	15	28	12
Idaho	19	21	24	22	46	3
Illinois	31	47	11	34	38	44
Indiana	8	22	10	10	7	5
Iowa	41	49	32	23	33	38
Kansas	22	38	18	30	9	28
Kentucky	26	29	30	11	45	17
Louisiana	35	23	27	50	6	24
Maine	33	45	22	9	42	40
Maryland	40	16	45	8	21	41
Massachusetts	24	37	13	21	48	45
Michigan	13	10	14	7	47	27
Minnesota	47	44	46	37	29	34
Mississippi	18	11	21	28	8	33
Missouri	17	4	29	29	12	7
Montana	6	18	20	3	18	8
Nebraska	29	31	25	27	13	39
Nevada	3	1	1	39	43	9
New Hampshire	7	48	9	2	44	43
New Jersey	50	41	48	48	32	50
New Mexico	38	35	35	45	10	1
New York	49	20	49	40	31	46
North Carolina	16	25	15	33	11	29
North Dakota	25	19	36	20	16	2
Ohio	44	26	47	32	5	20
Oklahoma	32	7	40	38	1	11
Oregon	12	36	31	4	30	15
Pennsylvania	34	46	17	24	50	42
Rhode Island	45	43	38	26	49	47
South Carolina	37	13	41	18	40	21
South Dakota	2	1	1	35	41	18
Tennessee	15	15	8	47	26	37
Texas	10	39	6	36	15	36
Utah	9	5	12	19	22	4
Vermont	46	42	44	16	17	48
Virginia	27	6	39	6	37	26
Washington	11	28	6	46	19	23
West Virginia	21	17	26	25	23	25
Wisconsin	43	33	43	14	27	31
Wyoming	1	1	1	13	34	35
District of Columbia	45	38	35	42	27	44

Note: 1 is best, 50 is worst. Rankings do not average to total. States without a tax rank equally as 1 for that component. D.C. score and rank do not affect other states. Report shows tax systems as of July 1, 2014 (the beginning of Fiscal Year 2015).
Source: Tax Foundation calculations.

1 *See generally* Liz Malm, *North Carolina Income Tax Rate Set to Drop in January*, Tax Foundation Tax Policy Blog, Nov. 20, 2013.

to 22nd, as North Carolina jumped several spaces, and West Virginia's score continued to improve as property tax and corporate tax improvements phased in.

Maine

Maine fell five rankings overall, from 28th to 33rd, primarily due to a sales tax rate increase but also partly due to improvements in the relative rankings of North Carolina and Nebraska.

Nebraska

Nebraska improved five ranks overall, from 34th place to 29th, due to improvements in its corporate and individual income tax systems, including reform of corporate net operating loss carryforwards, a repeal of the individual alternative minimum tax, and indexation of the brackets of the individual income tax code.[2]

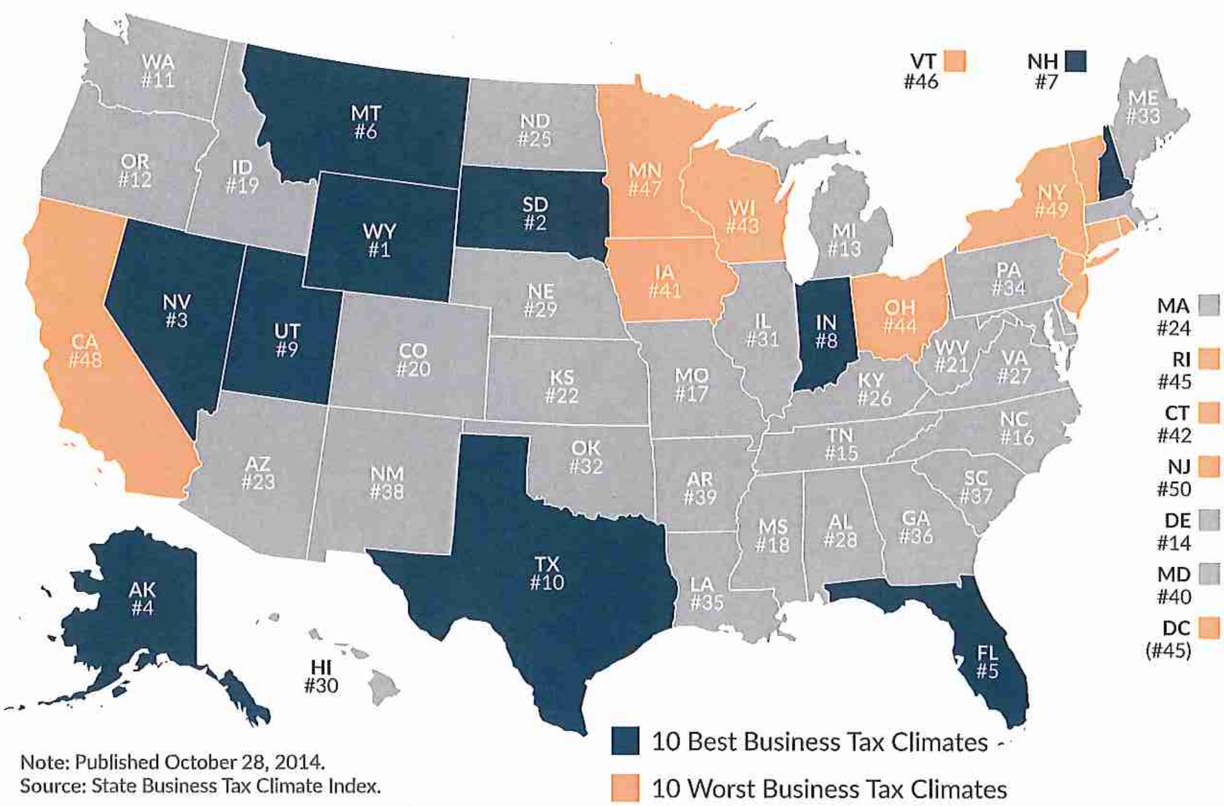
New York

New York's corporate income tax ranking improved from 24th to 20th as a result of corporate tax reform passed this year that is starting to phase in (see Table 3). Once fully phased in, the package will lower the corporate rate from 7.1 to 6.5 percent, eliminate the capital stock tax and corporate alternative minimum tax, extend net operating loss carrybacks from 2 to 3 years, and remove the carryback cap. Once fully phased in, the corporate tax component of the *Index* is expected to improve to 4th place.[3]

North Dakota

North Dakota improved from 27th to 25th overall due to a cut in the top individual income tax rate from 3.99 percent to 3.22 percent.

2015 State Business Tax Climate Index



Note: Published October 28, 2014.
Source: State Business Tax Climate Index.

2 *See generally* Joseph Henchman, *Nebraska Legislators Approve Inflation Indexing but Drop Major Tax Overhaul*, Tax Foundation Tax Policy Blog, Mar. 12, 2014.

3 Joseph Henchman, *New York Corporate Tax Overhaul Broadens Bases, Lowers Rates, and Reduces Complexity*, Tax Foundation Special Report No. 217 (Apr. 14, 2014).

Tax

Help Push Good Municipal Tax Bill to Finish Line

Municipal tax reform legislation, Sub. HB 5, was voted out of the House and is due for a vote by the Senate in this lame duck session. This is an important and common sense measure for Ohio.

Ohio has the most complicated local income tax system in the U.S. And, Ohio is the only state where each city/village makes its own rules and regulations; businesses must keep track of and comply with as many as 600 different sets of tax ordinances.

Sub. HB 5 corrects many of the deficiencies of the current system and makes Ohio's municipal income tax system simpler, fairer and more predictable.

Here is a one-page recap.

You can help push this good legislation to the finish line by using the easy email tool at OMA's Manufacturing Advocacy Center to send a note to your state senator.

There are opportunities for manufacturers to testify in support of this bill. If you're willing to share your company's story, please contact OMA's Rob Brundrett. It is important for lawmakers to hear directly from the business community. *11/12/2014*

Tax Foundation Puts Ohio in Bottom Ten States for 2015

The Tax Foundation has just released its 2015 State Business Tax Climate Index. According to the foundation. the Index is designed to show how well states structure their tax systems.

While Ohio ranks more favorably in other tax studies, the Tax Foundation ranked Ohio 44th, worse by two positions than in 2014. *10/29/2014*

Income Tax Break Underutilized

Owners of pass through entities had until October 15 to file their 2013 income tax returns under extensions. This was the first year these business owners could take advantage of the 50% deduction on the first $250,000 of income, created by Governor Kasich and the General Assembly through a tax reform bill in June 2013.

The result? Only a bit more than half of the expected number of taxpayers took advantage of the tax cut.

According to the state tax department, 379,000 business filers claimed the tax deduction. That's about half of the 717,000 filers the department estimated. The deductions totaled $287 million in income tax, much less than the $533 million in projected savings. *10/23/2014*

NAM Lobbies for Extension of Federal Tax Provisions

Lawmakers in Washington still have unfinished business to attend to in "lame duck" session following the election. The National Association of Manufacturers (NAM) has a top priority to revive and extend a package of more than 50 temporary tax provisions known as the “extenders.” Most of these provisions, which cover a wide range of issues, expired at the end of 2012.

While NAM’s focus is primarily on five provisions in the package: the R&D credit, bonus depreciation, Sec. 179 enhanced expensing, CFC ”look-though,” and deferral for active financing, it is actively lobbying to push the whole package through before this Congress adjourns for good.

For more information, contact NAM's Dorothy Coleman, Vice President, Tax and Domestic Economic Policy at (202) 637-3077. *10/22/2014*

O-I Testifies at UC Debt Study Committee

This week, Melanie Jennings, Payroll Manager, Finance, for Owens-Illinois General Inc. and Owens-Brockway Glass Container Inc., presented testimony to the Ohio House of Representatives Unemployment Compensation Debt Study Committee.

Ohio owes more than $1.3 billion to the federal government, from whom the state borrowed during the recent recession to pay its unemployment compensation liabilities. Ohio employers face continual increases in their unemployment taxes until that loan is repaid in full.

Ms. Jennings outlined the impacts of Ohio’s unemployment debt problems on O-I. “For O-I, the increase over the original estimated FUTA payment is 426% - and rising every year! In dollars, this increase is approximately $250,000 over the original estimated FUTA payment.”

The study committee spent the summer and fall touring Ohio and gathering testimony from a wide range of stakeholders on the issue. A report is planned to be released in December. *10/16/2014*

Which Party is Liable for Medical Devices Excise Tax in Contract Manufacturing?

In the medical device industry, it is common for the company inventing, owning, or designing a medical device to hire an unrelated contract manufacturer to manufacture the device to the owner's exact specifications.

Since the section 4191 medical device excise tax (MDET) is imposed on the "manufacturer, producer, or importer" of the medical device, the question is whether the MDET should be imposed on the contract manufacturer or the party that invented, owned, or designed the product.

According to OMA Connections Partner, Decosimo, a recent private letter ruling restates past guidance, while adding further clarity to the circumstances under which a party will be considered the "manufacturer, producer, or importer" of a medical device for purposes of the 2.3 percent medical device excise tax. Read more. *9/24/2014*

Ohio Beats National Average in Business Tax Burden

The Council on State Taxation (COST) recently released its 2014 report on state and local business taxes.

COST says that the state and local business tax burden rose an average of 4.3% nationally in 2013. Ohio's tax burden increase was below average at 3.7%. The Ohio business tax burden equaled 4.1% of the Gross State Product, below the national average of 4.7%.

The largest tax on Ohio business was the property tax, followed by the state sales tax.

This study presents detailed state-by-state estimates of the state and local taxes paid by businesses for FY2013. It is the 12th annual report prepared by Ernst & Young LLP. *9/24/2014*

OMA Files Amicus in CAT Case

On September 4, 2014, OMA filed an amicus brief on behalf of OMA member Navistar, Inc., in the case *Navistar, Inc. v. Testa*. The case involves the credit against the commercial activity tax for net operating loss carry forwards provided by R.C. 5751.53.

The tax commissioner and the Board of Tax Appeals reduced the credit claimed by Navistar, and Navistar appealed to the Supreme Court. OMA tax counsel Mark Engel from Bricker & Eckler has provided a synopsis of the brief for members. *9/18/2014*

Sears Announces Next Unemployment Compensation Debt Hearing

This week Rep. Barbara Sears (R-Monclova Township), chair of the House Unemployment Compensation Debt Study Committee, announced the next hearing will take place on September 9th at OMA member company, Pentaflex, Inc., 4981 Gateway Blvd.,Springfield. The hearing will begin at 1:00 p.m.

This is an opportunity for members to voice concerns about unemployment tax rates in Ohio; rates have been increasing as the state continues to pay down its debt to the federal government. If you would like to testify at the hearing, contact OMA's Rob Brundrett for details. *9/4/2014*

Tiberi Talks Tax at O-I with Manufacturing Leaders

This week Congressman Pat Tiberi (R-Genoa Township) met with manufacturing leaders and OMA staff at the headquarters of OMA member O-I in Perrysburg.

Congressman Tiberi provided insights about trending political and policy developments in Washington, heavily focusing on analysis of federal tax policy including corporate tax reform, international tax issues, tax extenders, and corporate inversions.

The event, organized by the National Association of Manufacturers, provided manufacturers valuable information from a hardworking congressional leader about the importance of, and need for, an overhaul of the federal corporate taxing system.

Tiberi is a long-time friend of Ohio manufacturing, and of the OMA, and is the House's leading advocate for corporate tax reform in D.C. *8/27/2014*

Recent FASB Proposal re. Subsequent Measurement of Inventory

OMA Connections Partner, Decosimo, reports that in mid-July, the Financial Accounting Standards Board (FASB) issued a proposal to simplify the subsequent measurement of inventory by changing the measurement guidance. The proposal would move the standards on measuring inventory from the current "lower of cost or market" to the parameters of "lower of cost or net realizable value."

The proposal is the result of a FASB simplification initiative to make U.S. accounting rules less complex and thus reduce the cost associated with complying with the regulations while improving or maintaining the usefulness of information reported to investors. Read more. 8/28/2014

Tax Saving Strategies Not to be Overlooked

The terms IC-DISC, DPAD, SALT and Cost Seg may sound like a foreign language to those outside of the tax and accounting world. However, on the stage of the global economy, the Interest-Charge Domestic International Sales Corporation (IC-DISC), the Domestic Production Activity Deduction (DPAD), State and Local Tax (SALT) policy, Research & Development and Cost Segregation (Cost Seg) translate into time-tested tax savings vehicles which have helped deliver increased profitability to those organizations that have put them to good use.

According to OMA Connections Partner, Decosimo, while these programs have grown in their popularity with many companies, they continue to be underutilized either due to lack of understanding of the opportunities or fears about the cost and time commitments that may be involved.

Decosimo provides this overview of some of the tax-saving opportunities found within IC-DISC, DPAD, SALT, Cost Segregation and R&D credits – all of which are strong tax vehicles. *8/20/2014*

House Kicks off Summer Unemployment Insurance Study Committee

Last week Chair Barbara Sears (R-Monclova Township) held the first hearing of the House Unemployment Compensation Debt Study Committee. The committee heard comprehensive testimony about the function and status of Ohio's unemployment compensation system from Ohio Department of Jobs and Family Services Director Cynthia Dungey and Assistant Director Bruce Madson.

Director Dungey provided an overview of the Ohio unemployment compensation program and the Unemployment Compensation Trust Fund. Assistant Director Madson, elaborated on the program's tax and benefit structure, and explained why paying down the debt and achieving long-term solvency are separate issues due to the structural imbalance of the system.

The committee intends to provide system improvement recommendations to the full House. Its next hearing is at OMA member, Gorman Rupp, 600 S. Airport Road, Mansfield, OH 44903, on Tuesday, August 19, 2014 at 1:00 p.m. Public testimony will be heard. OMA's contact on the issue is Rob Brundrett. *8/14/2014*

IRS Issues Draft Forms for 2015 ACA Reporting

On July 24, 2014, the Internal Revenue Service released drafts of the forms that large employers will be required to file in order to show that the health coverage they offer to their employees complies with the Affordable Care Act (ACA).

OMA Connections Partner, Roetzel, advises that companies with 100 or more full-time equivalent employees must begin complying with the ACA coverage requirements in 2015. And, companies with 50 to 99 full-time equivalent employees will have another year—until 2016—to start complying. Smaller businesses are exempt.

The IRS announced that the draft forms are being provided to help employers, tax professionals and other stakeholders prepare for the new reporting provisions under tax code sections 6055 and 6056. Under these requirements, employers must compile monthly and report annually numerous data points to the IRS and their own employees. Read more from Roetzel. *8/11/2014*

26 Major Corporations Commit to 'SupplierPay'

OMA Connections Partner, GBQ partners LLC, tells us about SupplierPay, a new program that 26 public companies - including Honda, Philips and Rolls Royce - have already joined, which promises to pay small suppliers faster and offers low-cost financing solutions to suppliers with limited access to capital. This private-sector program -- announced by the White House and Small Business Administration in July -- is modeled after "QuickPay," a federal program in which the government pledges to pay small contractors within 15 days of receiving an invoice. Here's more. *8/10/2014*

House to Study Unemployment Compensation Debt this Summer

Earlier this month Speaker Batchelder (R-Medina) announced a new summer legislative study committee that will travel the state to hold hearings about eliminating Ohio's nearly $1.4 billion debt to the federal unemployment loan fund.

Ohio's unemployment tax has been raised each of the last four years as Ohio continues to struggle to pay off the loan. Unless the loan is repaid, Ohio businesses will see a fifth hike next year. The committee will be chaired by Barbara Sears (R-Sylvania); the vice chair is Gary Scherer (R-Circleville). The initial meeting will be August 5 at the Statehouse.

The panel will submit a report of potential legislative recommendations to the General Assembly. *7/24/2014*

Ohio Ends Fiscal Year in the Black

This week the Ohio Office of Budget and Management announced that the state finished the fiscal year (ending June 30) with a nearly $800 million dollar surplus. It is the fourth year in a row that Ohio finished the fiscal year with a surplus. Lower than expected spending and solid tax revenues are credited with producing the surplus.

The $800 million will allow for a cushion to pay for the accelerated implementation of the income tax cuts and $300 million Medicaid Reserve Fund outlined in the mid-biennium review. The extra revenue will also allow the state to put away between $100-200 million into the general revenue for fiscal year 2015, according to Tim Keen, Director of the Ohio Office of Budget and Management. *7/2/2014*

More Income Tax Cuts Coming

The General Assembly concluded action on the governor's major mid-biennial review bill, House Bill 483. Through the bill, Ohio taxpayers will receive more tax cuts for fiscal year 2014 than previously planned, and pass-through business entities will see another big benefit.

The tax reductions are projected to lower state revenue through state fiscal year 2015 by just over $400 million. The biggest cut, estimated at about $290 million, will be a one-time increase from 50% to 75% in a small business tax deduction created in the governor's biennial budget bill, House Bill 59, earlier in the session. This 25% increase in the deduction for pass-through entities is contingent on the state ending the current fiscal year (2014, which ends on the last day of June) with an appropriate balance, something Office of Budget and Management Director Tim Keen thinks will happen.

The bill also accelerates the previously enacted personal income tax reduction from 8.5% to 10% for tax year 2014. *6/3/2014*

Senate Holds First Hearing on House Bill 5

Six months after the House passed House Bill 5, the municipal income tax uniformity bill, the Senate Finance Committee held its first hearing on the bill. The committee heard sponsor testimony from Reps. Cheryl Grossman (R-Grove City) and Michael Henne (R-Clayton).

Municipalities oppose the measure for fear of revenue loss. The bill's most controversial provisions require municipalities to claim their net operating losses over a five-year period, change the occasional entrant rule from 12 to 20 days, and change the "throwback" rule which applies to sales originating in other communities.

OMA members favor the bill because it standardizes tax treatment among Ohio municipalities.

With the spring legislative session winding down, it is unlikely that the bill will move, but this first hearing may help pave the way for action during lame duck session following the November elections. *5/29/2014*

JEDZ Bill Becomes Law

This week the Senate passed, and the House concurred with the Senate amendments to, House Bill 289. The bill abolishes Ohio's joint economic development zone (JEDZ) laws and creates municipal utility districts (MUDs) (bill analysis). The bill addresses flaws in Ohio's JEDZ law, which went beyond the original objective of supporting economic growth and development.

The bill contains the necessary provisions that resolve the unintended consequences of the former law, specifically that income tax revenues were being diverted from their intended economic development purposes unrelated to economic development, possibly in violation of due process for those paying the tax. *5/29/201*

HB5 **MUNICIPAL CORPORATIONS INCOME TAXES** (GROSSMAN C, HENNE M) To revise the laws governing income taxes imposed by municipal corporations.
Current Status: 11/19/2014 - Senate Ways and Means, (Third Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_5

HB24 **TAX EXPENDITURE REVIEW COMMITTEE** (BOOSE T) To create a Tax Expenditure Review Committee for the purpose of periodically reviewing existing and proposed tax expenditures.
Current Status: 12/4/2013 - House Ways and Means, (Third Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_24

HB26 **SALES-USE TAX EXEMPTION** (MAAG R) To exempt from sales and use taxes the sale or use of investment metal bullion and coins.
Current Status: 6/5/2013 - House Ways and Means, (Second Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_26

HB40 **INVESTIGATION OF LOST FUNDS-LIBOR** (FOLEY M) To require the Treasurer of State to investigate whether state treasury funds, custodial funds, or funds of state institutions of higher education were lost as a result of fraudulent manipulations to the LIBOR and to declare an emergency.
Current Status: 2/13/2013 - Referred to Committee House Policy and Legislative Oversight
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_40

HB46 **SMALL CLAIMS DIVISION-TAX APPEALS BOARD** (AMSTUTZ R) To create a small claims division of the Ohio Board of Tax Appeals, to allow for parties to file a notice of appeal to the Board by facsimile or electronic transmission using electronic mail, to require the Board to establish a case management schedule for appeals, and to authorize the Tax Commissioner to expedite and issue a final determination for residential property value appeals with written consent of the parties.
Current Status: 2/13/2013 - Referred to Committee House Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_46

HB54 **INTERNAL REVENUE CODE** (BECK P) To expressly incorporate changes in the Internal Revenue Code since December 20, 2012, into Ohio law, and to declare an emergency.
Current Status: 3/12/2013 - Referred to Committee Senate Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_54

HB56 **BUSINESS PROPERTY TAX EXEMPTION** (GERBERRY R) To allow a board of township trustees to reduce the percentage or term of a property tax exemption granted to a business under a tax increment financing agreement if the business fails to create the number of new jobs the business agreed to create in the agreement.
Current Status: 3/12/2013 - House State and Local Government, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_56

HB59 **BIENNIAL BUDGET** (AMSTUTZ R) To make operating appropriations for the biennium beginning July 1, 2013, and ending June 30, 2015; to provide authorization and conditions for the operation of state programs.

Current Status: 6/30/2013 - **SIGNED BY GOVERNOR**; Eff. 6/30/2013; Some Eff. 9/29/2013; Others Various Dates

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_59

HB63 **TAX CREDIT- OIL AND GAS PRODUCTION** (CERA J, O'BRIEN S) To establish a nonrefundable commercial activity tax credit for companies involved in horizontal well drilling or related oil and gas production services that hire Ohio residents or dislocated workers who have enrolled in or completed a federally registered apprenticeship program.

Current Status: 2/20/2013 - Referred to Committee House Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_63

HB81 **TAX EXPENDITURES EFFECTIVENESS** (DRIEHAUS D, FOLEY M) To provide for the periodic appraisal of the effectiveness of tax expenditures.

Current Status: 2/27/2013 - Referred to Committee House Policy and Legislative Oversight

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_81

HB107 **CAREER EXPLORATION INTERNSHIPS-TAX CREDIT** (BAKER N) To authorize a tax credit for businesses that employ high school students in career exploration internships.

Current Status: 3/26/2014 - **SIGNED BY GOVERNOR**; Eff. 6/25/2014. Section 2 Eff. 3/26/2014

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_107

HB118 **BOND ISSUES BALLOT LANGUAGE** (ROEGNER K) To revise the ballot language requirements for bond issues.

Current Status: 6/11/2013 - House State and Local Government, (Second Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_118

HB135 **INCOME TAX CREDIT-VACANT INDUSTRIAL SITE** (PELANDA D, CERA J) To authorize a nonrefundable credit against the income tax and certain business taxes for the rehabilitation of a vacant industrial site.

Current Status: 11/12/2013 - **SUBSTITUTE BILL ACCEPTED**, Senate Ways and Means, (Second Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_135

HB138 **TAX APPEALS BOARD LAW CHANGES** (MCCLAIN J, LETSON T) To make changes to the law governing the Board of Tax Appeals, including authorizing a small claims division within the Board, requiring the Board to institute measures to manage certain appeals, requiring the Board to receive notices of appeal and statutory transcripts electronically, providing pleading standards for appeals to the Board, granting the Board authority to grant summary judgments and consider motions, vesting hearing examiners with the authority to determine credibility of witnesses and issue statements of fact and conclusions of law separately, and authorizing the Board to require parties to engage in mediation, and to authorize the Tax Commissioner to expedite and issue a final determination for residential property value appeals with written consent of the parties.

Current Status: 7/11/2013 - **SIGNED BY GOVERNOR**; Eff. 10/11/2013; Some Provisions Eff. 1/1/2015

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_138

HB189 **JOBSOHIO ACCOUNTABILITY ACT** (LUNDY M) To create the JobsOhio Accountability Act.

Current Status: 6/4/2013 - Referred to Committee House Policy and Legislative Oversight
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_189

HB198 **TAX INCREMENT FINANCING** (BUTLER, JR. J, BURKLEY T) To establish a procedure by which political subdivisions proposing a tax increment financing (TIF) incentive district are required to provide notice to the record owner of each parcel within the proposed incentive district before adopting the TIF resolution, and to permit such owners to exclude their parcels from the incentive district by submitting a written response.
Current Status: 5/28/2014 - Referred to Committee Senate Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_198

HB212 **SEVERANCE TAX-HORIZONTAL WELLS** (HAGAN R) To levy a tax on the severance of oil, gas, condensate, and natural gas liquids from horizontal wells, to distribute revenue from the tax to environmental and oil and gas regulatory purposes, local governments impacted and not impacted by horizontal well development, and a permanent fund to promote economic development, and to provide for the administration, investment, and use of the permanent fund.
Current Status: 1/21/2014 - House Agriculture and Natural Resources, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_212

HB219 **CONTRIBUTIONS-ECONOMIC DEVELOPMENT PROJECTS** (BUTLER, JR. J) To authorize tax credits for contributions of money to economic and infrastructure development projects undertaken by local governments and nonprofit corporations.
Current Status: 12/4/2013 - House Ways and Means, (Third Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_219

HB224 **TAX CREDITS** (GONZALES A, TERHAR L) To make various changes to the administration of the investment tax credit and the venture capital loan loss tax credit, including the increase of the maximum amount of the investment tax credit and the venture capital loan loss tax credit and the elimination of the Industrial Technology and Enterprise Advisory Councils.
Current Status: 6/26/2013 - Referred to Committee House Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_224

HB230 **TAX CREDIT-FOOD DONATIONS** (GROSSMAN C, ANIELSKI M) To authorize an income tax or commercial activity tax credit for businesses that donate food inventory to charitable organizations.
Current Status: 5/21/2014 - House Ways and Means, (Second Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_230

HB245 **PROPERTY TAX ROLLBACK** (BARBORAK N) To extend the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election and to declare an emergency.
Current Status: 9/19/2013 - Referred to Committee House Finance and Appropriations
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_245

HB246 **TAX DEDUCTION-COLLEGE GRADUATES** (ROGERS J, BLAIR T) To allow recent college graduates to claim an income tax deduction for qualified higher education expenses and allow employers of recent college graduates to deduct the employer's costs of employing the graduate from the employer's gross receipts subject to the commercial activities tax.

Current Status: 10/2/2013 - House Ways and Means, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_246

HB260 **ELECTRONICALLY FILED TAX RETURNS** (GONZALES A) To allow the Department of Taxation to provide taxpayers who file electronic returns the option of receiving their income tax refund in the form of a credit card, debit card, prepaid card, or other device used to electronically transfer funds.

Current Status: 12/4/2013 - House Ways and Means, (Second Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_260

HB282 **SALES-USE TAX LICENSE** (ROGERS J) To authorize vendors and others required to hold a sales or use tax license whose business and home address is the same to apply to the Tax Commissioner to keep such address confidential.

Current Status: 2/26/2014 - **BILL AMENDED**, House Ways and Means, (Second Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_282

HB284 **HISTORIC REHABILITATION TAX CREDIT INCREASE** (SCHURING K) To increase the maximum historic rehabilitation tax credit allowed to a taxpayer, from $5 million to $25 million, and to limit the amount of such credit that may be claimed in each year to $5 million.

Current Status: 10/10/2013 - Referred to Committee House Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_284

HB289 **JOINT ECONOMIC DEVELOPMENT ZONE-DISTRICT** (SCHURING K) To require subdivisions to obtain written approval from owners and lessees of real property located within a proposed or existing joint economic development zone (JEDZ) or joint economic development district (JEDD) before approving, amending, or renewing the JEDZ or JEDD contract, to require that income tax revenue derived from a JEDZ or JEDD approved, amended, or renewed after the bill's effective date be used to carry out the JEDZ or JEDD economic development plan before being used for other purposes, and to institute contiguity requirements for which subdivisions may create a JEDZ or JEDD.

Current Status: 6/5/2014 - **SIGNED BY GOVERNOR**; Eff. 6/5/2014
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_289

HB312 **ELECTRIC LIGHT COMPANY-JOB RETENTION PROGRAM COSTS** (JOHNSON T) To permit a public utility electric light company to recover costs of an economic and job retention program from all public utility electric light customers in Ohio.

Current Status: 1/22/2014 - House Public Utilities, (Second Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_312

HB319 **INFRASTRUCTURE DEVELOPMENT RIDER-GAS COMPANIES** (GROSSMAN C) To permit natural gas companies to apply for an infrastructure development rider to cover costs of certain economic development projects.

Current Status: 11/19/2014 - House Public Utilities, (Third Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_319

HB329 **FEDERAL FUNDS REPAYMENT-UNEMPLOYMENT BENEFITS** (HALL D) To require the Director of Budget and Management to make payments on the balance of amounts borrowed by the state from the federal government to issue unemployment benefits and to make an appropriation.

Current Status: 11/6/2013 - Referred to Committee House Finance and Appropriations
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_329

HB336 **GASEOUS FUEL VEHICLE CONVERSION PROGRAM** (O'BRIEN S, HALL D) To create the Gaseous Fuel Vehicle Conversion Program, to allow a credit against the income or commercial activity tax for the purchase or conversion of an alternative fuel vehicle, to reduce the amount of sales tax due on the purchase or lease of a qualifying electric vehicle by up to $500, to apply the motor fuel tax to the distribution or sale of compressed natural gas, to authorize a temporary, partial motor fuel tax exemption for sales of compressed natural gas used as motor fuel, and to make an appropriation.
Current Status: 5/27/2014 - Senate Finance, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_336

HB345 **LOST REVENUE-TAX INCENTIVES** (BARBORAK N) To require the Director of Development Services to estimate the revenue that would be foregone by the state as a result of each tax incentive proposed to the Tax Credit Authority and publish that estimate on the web site of the Development Services Agency.
Current Status: 3/19/2014 - House Ways and Means, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_345

HB357 **SALES-USE TAX CREDITS-RECYCLED ITEMS** (BECKER J) To exclude credits afforded by vendors to consumers for conveying items of tangible personal property to the vendor for recycling or remanufacturing from the price of a sale for sales and use tax purposes.
Current Status: 5/21/2014 - House Ways and Means, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_357

HB365 **BUSINESS TAX OVERPAYMENT** (STINZIANO M, DUFFEY M) To require the Tax Commissioner to notify a taxpayer that the taxpayer has overpaid certain business taxes.
Current Status: 12/4/2013 - Referred to Committee House Ways and Means
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_365

HB375 **MBR-SEVERANCE TAX-HORIZONTAL OIL AND GAS WELLS** (HUFFMAN M) To levy a severance tax on well owners of oil and gas severed from horizontal wells, to create a nonrefundable income tax credit for the amount of horizontal well severance tax paid, to repeal a cost recovery assessment imposed on oil and gas well owners, to reduce the severance tax rate on natural gas extracted from nonhorizontal wells, to exclude from the tax base of the commercial activity tax gross receipts from the sale of oil or natural gas severed through use of a horizontal well, and to make an appropriation.
Current Status: 5/27/2014 - Senate Ways and Means, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_375

HB405 **INCOME TAX CREDIT-CERTAIN DEGREES** (BUDISH A, HOTTINGER J) To grant an income tax credit to individuals who earn degrees in science, technology, engineering, or math-based fields of study.
Current Status: 3/19/2014 - House Ways and Means, (First Hearing)
State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_405

HB450 **SALES TAX HOLIDAY** (PATTERSON J) To provide a three-day sales tax "holiday" each August during which sales of back-to-school clothing, school supplies, personal computers, and personal computer accessories are exempt from sales and use taxes.
Current Status: 5/27/2014 - House Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_450

HB472 **MBR-MID-BIENNIUM BUDGET REVIEW** (MCCLAIN J) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs.

Current Status: 3/26/2014 - House Ways and Means, (Third Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_472

HB478 **NEW MARKETS TAX CREDIT** (BOOSE T) To eliminate the requirement that a taxpayer receive a federal New Markets tax credit in order to qualify for the state New Markets tax credit, to allow taxpayers to claim the credit earlier in the credit schedule, and to allow credit-eligible investments to be made in low-income community businesses that derive 15% or more of annual revenue from the rental or sale of real property.

Current Status: 5/27/2014 - House Ways and Means, (Second Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_478

HB483 **MBR-OPERATION OF STATE PROGRAMS** (AMSTUTZ R) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs.

Current Status: 6/16/2014 - **SIGNED BY GOVERNOR**; Eff. 6/16/2014 Other Sections Eff. on Other Dates

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_483

HB492 **MBR-TAXATION** (SCHERER G) To provide authorization and conditions for the levy and administration of taxes in this state.

Current Status: 6/16/2014 - **SIGNED BY GOVERNOR**; Eff. 9/17/2014

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_492

HB510 **COMMERCIAL ACTIVITY TAX** (BRENNER A) To reduce the commercial activity tax (CAT) rate and minimum payment amounts and to reduce the proportion of CAT revenue allocated to the general revenue fund.

Current Status: 5/27/2014 - House Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_510

HB517 **MOTOR FUEL RECEIPTS TAX** (SMITH R, ROSENBERGER C) To change the motor fuel receipts tax to be imposed on gross receipts to a petroleum activity tax to be imposed on a hybrid of gallonage and the average wholesale price of gasoline and diesel fuel.

Current Status: 5/7/2014 - Referred to Committee House Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_517

HB571 **EMERGENCY PROPERTY TAX-POLITICAL SUBDIVISIONS** (ROGERS J) To authorize subdivisions to levy a fixed-sum emergency property tax for police, fire, or emergency medical services purposes.

Current Status: 11/6/2014 - Referred to Committee House Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_571

HB579 **PROPERTY TAX VALUATION DISPUTE HEARING** (GROSSMAN C) To prohibit any party to a property tax valuation dispute, other than the original complainant, from appearing at a county board of revision hearing or subsequent appeal unless the party calls as a witness a representative of the county auditor or another qualified person who has appraised the property at issue.

Current Status: 6/3/2014 - Referred to Committee House Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_579

HB638 **BUDGET STABILIZATION FUND DEPOSIT** (BECK P) To require an annual deposit to the Budget Stabilization Fund equal to 5% of General Revenue Fund revenues for the preceding fiscal year.

Current Status: 11/6/2014 - Referred to Committee House Finance and Appropriations

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_638

HB639 **INCOME TAX PHASE OUT** (BECK P, ADAMS J) To phase out the income tax and income tax expenditures over ten years.

Current Status: 11/6/2014 - Referred to Committee House Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_639

HB650 **PROPERTY TAX ROLLBACK RESTORATION** (GERBERRY R) To revise the law governing classroom facilities assistance programs and to restore the application of the 10% and 2.5% property tax rollbacks to school district tax levies approved on or after the effective date of Am. Sub. H.B. 59 of the 130th General Assembly.

Current Status: 10/28/2014 - Introduced

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_650

HCR6 **FEDERAL EXCISE TAX-MEDICAL DEVICES** (BRENNER A, HUFFMAN M) To urge the Congress of the United States and the President of the United States to repeal the new federal excise tax on medical devices.

Current Status: 4/30/2013 - Referred to Committee Senate Medicaid, Health and Human Services

State Bill Page: http://www.legislature.state.oh.us/res.cfm?ID=130_HCR_6

SB27 **PROPERTY TAX EXEMPTION-MILITARY VETERANS** (SCHAFFER T) To exempt from property taxation the primary residences of military veterans who are 100% disabled from a service-connected disability.

Current Status: 2/27/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_27

SB28 **INTERNAL REVENUE CODE** (OBHOF L) To expressly incorporate changes in the Internal Revenue Code since December 20, 2012, into Ohio law, and to declare an emergency.

Current Status: 3/22/2013 - **SIGNED BY GOVERNOR**; Eff. 3/22/2013

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_28

SB29 **INCOME TAX REFUND-JUDGMENT DEBTOR TENANT** (SCHAFFER T) To enable a judgment creditor landlord to obtain a court order directing the Tax Commissioner to pay the judgment debtor tenant's income tax refund to the landlord.

Current Status: 2/27/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_29

SB30 **AMERICAN RED CROSS CONTRIBUTIONS** (SCHAFFER T) To allow taxpayers to make contributions to the American Red Cross Ohio Disaster Response Readiness and preparedness Fund through their income tax returns.

Current Status: 2/27/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_30

SB31 **INCOME TAX CREDIT-TEACHERS** (SCHAFFER T) To allow a credit against the personal income tax for amounts spent by teachers for instructional materials.

Current Status: 2/27/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_31

SB42 **PROPERTY TAXES-SCHOOL SECURITY** (MANNING G, GARDNER R) To authorize school districts to levy a property tax exclusively for school safety and security purposes.

Current Status: 6/19/2013 - House Ways and Means, (Third Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_42

SB52 **PROPERTY TAX COMPLAINTS** (COLEY W) To permit property tax complaints to be initiated only by the property owner.

Current Status: 6/18/2013 - Senate Ways and Means, (Fourth Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_52

SB56 **INCOME TAX REFUNDS** (KEARNEY E) To require the Department of Taxation to provide taxpayers the option of receiving their income tax refund in the form of a prepaid debit card.

Current Status: 3/5/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_56

SB76 **NONPROFIT CORPORATION CORRECTIONAL FACILITY TAX EXEMPTION** (SCHIAVONI J) To specify that a nonprofit corporation, the principal purpose of which is operating a halfway house, community-based correctional facility, or other venue offering rehabilitative residential programming to criminal offenders is presumed to be a charitable institution exempt from property taxation.

Current Status: 6/18/2013 - Senate Ways and Means, (Second Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_76

SB85 **TAX EXEMPTION-INVESTMENT METAL BOUILLON-COINS** (JORDAN K, BEAGLE B) To exempt from sales and use taxes the sale or use of investment metal bullion and coins.

Current Status: 4/16/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_85

SB89 **EARNED INCOME TAX CREDIT** (SKINDELL M) To grant a state earned income tax credit equal to a percentage of the federal earned income tax credit.

Current Status: 6/11/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_89

SB108 **INCOME TAX** (JONES S) To repeal the income tax deduction for wagering losses, to increase the income tax credit for the legal adoption of a child to $10,000 for each child, and to increase the maximum income tax deduction for college savings contributions to $10,000 annually for each beneficiary.

Current Status: 4/30/2013 - Senate Ways and Means, (Second Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_108

SB120 **TECHNOLOGY INVESTMENT TAX CREDIT PROGRAM** (KEARNEY E) To increase the total amount of credits that may be awarded under the Technology Investment Tax Credit Program from $45 to $145 million.

Current Status: 5/8/2013 - Referred to Committee Senate Finance

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_120

SB149 **CONTRIBUTIONS-ECONOMIC DEVELOPMENT PROJECTS** (BEAGLE B) To authorize tax credits for contributions of money to economic and infrastructure development projects undertaken by local governments and nonprofit corporations.

Current Status: 11/19/2013 - Senate Ways and Means, (Third Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_149

SB159 **PROPERTY TAX ROLLBACK EXEMPTIONS** (SCHIAVONI J) To extend the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election and to declare an emergency.

Current Status: 9/26/2013 - Referred to Committee Senate Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_159

SB203 **INCOME TAX CREDIT-NONPROFITS** (SCHAFFER T, TAVARES C) To authorize an income tax credit for individuals that earn a nonprofit management degree or certain professional designations and to allow a sales tax exemption for out-of-state nonprofit corporations that relocate jobs to Ohio.

Current Status: 11/19/2013 - Senate Ways and Means, (First Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_203

SB210 **INCOME TAX RATE REDUCTION** (WIDENER C) To provide for a permanent income tax rate reduction of 4% for all tax brackets beginning in 2014.

Current Status: 2/25/2014 - Senate Finance, (Fourth Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_210

SB211 **INCOME TAX CREDIT** (SCHAFFER T, PETERSON B) To authorize an income tax credit for donations to the permanent endowment fund of an eligible community foundation.

Current Status: 11/19/2013 - Senate Ways and Means, (Third Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_211

SB243 **SALES TAX HOLIDAY** (BACON K) To provide a three-day sales tax "holiday" each August during which sales of back-to-school clothing, school supplies, personal computers, and personal computer accessories are exempt from sales and use taxes.

Current Status: 11/19/2014 - House Finance and Appropriations, (Third Hearing)

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_243

SB282 **MUNICIPAL CORPORATIONS-INCOME TAX** (JORDAN K) To prohibit municipal corporations from levying an income tax on nonresidents' compensation for personal services or net profits from a sole proprietorship.

Current Status: 2/19/2014 - Referred to Committee Senate Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_282

SB323 **MOTOR FUEL RECEIPTS TAX** (HITE C, SEITZ B) To change the motor fuel receipts tax to be imposed on gross receipts to a petroleum activity tax to be imposed on a hybrid of gallonage and the average wholesale price of gasoline and diesel fuel.

Current Status: 4/8/2014 - Referred to Committee Senate Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_323

SB376 **PROPERTY TAX ROLLBACK RESTORATION** (SCHIAVONI J) To revise the law governing classroom facilities assistance programs and to restore the application of the 10% and 2.5% property tax rollbacks to school district tax levies approved on or after the effective date of Am. Sub. H.B 59 of the 130th General Assembly.

Current Status: 11/12/2014 - Referred to Committee Senate Ways and Means

State Bill Page: http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_376

SCR1 **FEDERAL EXCISE TAX-MEDICAL DEVICES** (JORDAN K) To urge the Congress of the United States and the President of the United States to repeal the new federal excise tax on medical devices.

Current Status: 2/13/2013 - Referred to Committee Senate Medicaid, Health and Human Services

State Bill Page: http://www.legislature.state.oh.us/res.cfm?ID=130_SCR_1

The Ohio Manufacturers' ASSOCIATION

OMA PUBLIC POLICY FRAMEWORK FOR ACTION

The Ohio Manufacturers' Association

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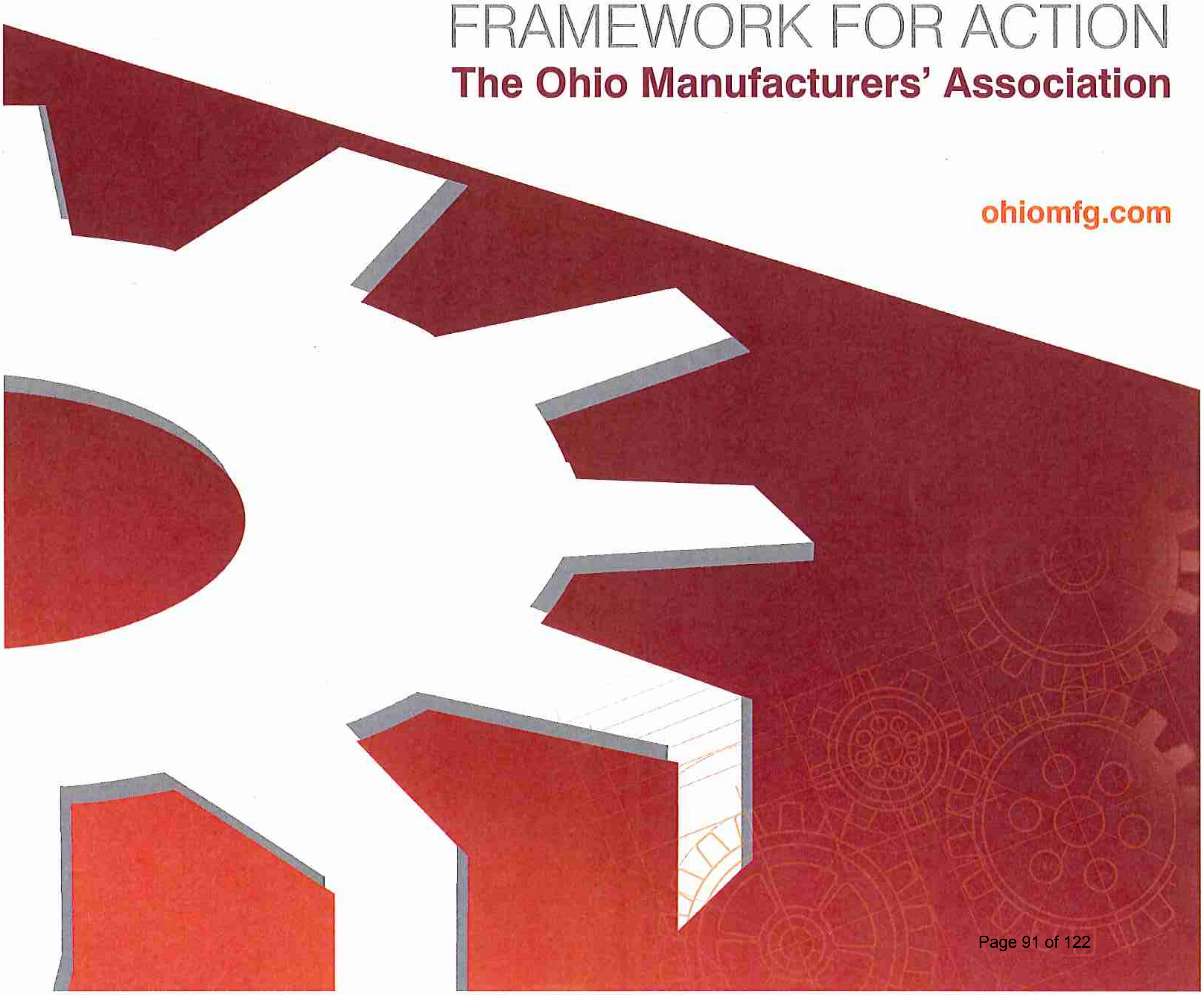


OMA
Public Policy Framework for Action

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

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

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

MAJOR POLICY GOALS INCLUDE THE FOLLOWING:

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

The Ohio Manufacturers' ASSOCIATION

Policy Goal:
An Efficient, Competitive Ohio Tax System

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

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

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

Major tax reforms approved by the Ohio General Assembly in 2005 and additional reforms in 2011 through 2014 have led to significant improvements to a tax system that was for many years widely regarded as 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 by granting narrow special interests credits and carve-outs, in order to protect the productivity of the taxes. Where possible and reasonable, tax bases should be expanded, and tax rates reduced.

In addition, the state should continue its negotiations with Ohio municipalities to streamline the collection of municipal income tax by creating a uniform statewide municipal tax code, with uniform definitions of taxable income, consistent rules and regulations, and a generic municipal income tax form.

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

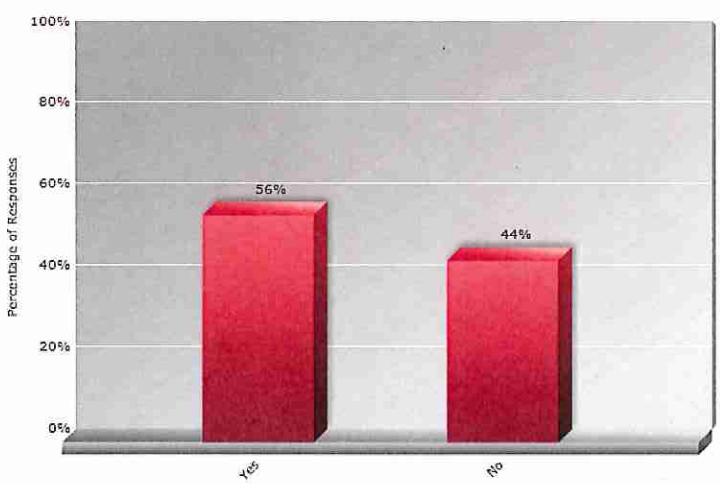
The Ohio Manufacturers' ASSOCIATION

OMA Committee Meeting Participant Survey Results August 2014

The Ohio Manufacturers' Association

Have you attended a committee meeting IN PERSON in the past year?

Answer	Percentage	Number
Yes	56 %	15
No	44 %	12
Number of Respondents: 27		



What was the best part about attending an OMA policy committee meeting in person?

Themes:

- **Information** – "The information on how pending policies impact the economics of business in Ohio."
- **Networking** - "I enjoy the personal interaction and the important sidebar conversations."
- **Access to elected officials** – "Hearing directly from administration or legislative representatives."
- **Meeting design** – "It is easier to ask questions of the guest speakers when you are in the room."

What changes to policy committee meetings should OMA consider?

Time management –

"Sometimes there is not enough time to properly accomplish the business."

"I'd like to figure out way to attend without losing the entire day from the office."

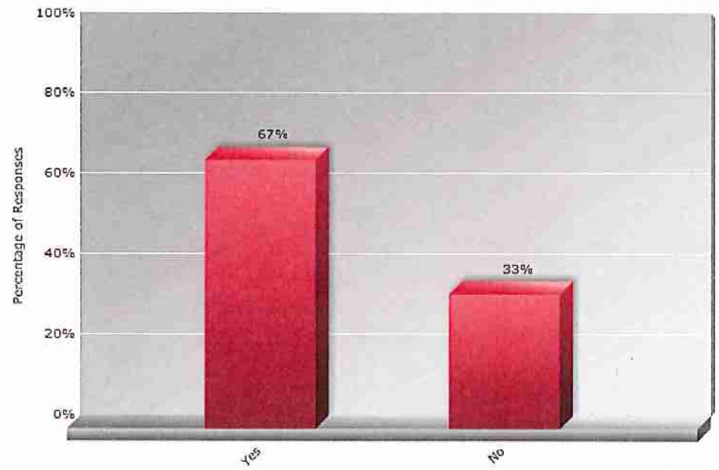
"More time for networking, shared perspectives, learning through interaction."

"Lengthen them."

"Shorten them."

Have you participated in an OMA policy committee meeting VIA PHONE in the past year?

Answer	Percentage	Number
Yes	67 %	16
No	33 %	8
Number of Respondents: 24		



What would improve OMA policy committee meeting participation via phone?

Themes:

Interaction – "Ask people on the phone for their reactions more frequently."

Technology –

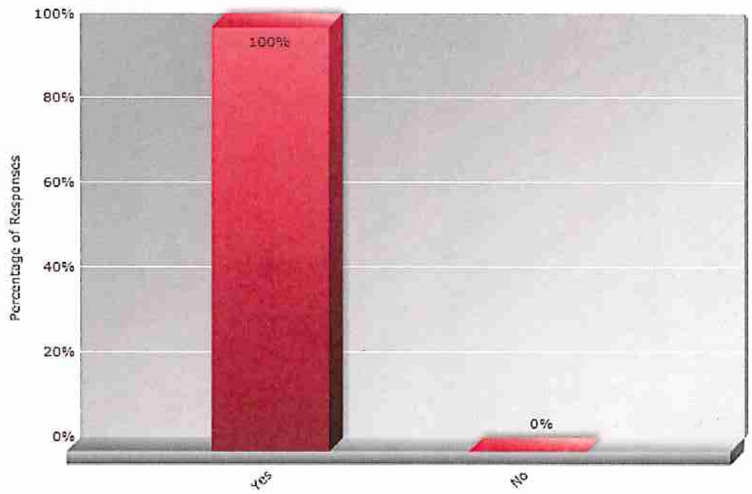
"Webinar or improved system that does not allow callers to interfere with the meeting."

"It would be nice to be able to view the meetings by internet."

"It is difficult to hear the speakers and attendees who have questions or comments."

OMA emails the committee materials to you whether or not you register for the policy committee meeting(s). Is this of value to you?

Answer	Percentage	Number
Yes	100 %	20
Number of Respondents: 20		



Should OMA consider any changes to the meeting materials?

"Making sure they are as brief as possible while still being meaningful."

"Adding an executive summary."

"More detailed index."

"Have archives online for reference." (See ohiomfg.com footer)

The Ohio Manufacturers' Association

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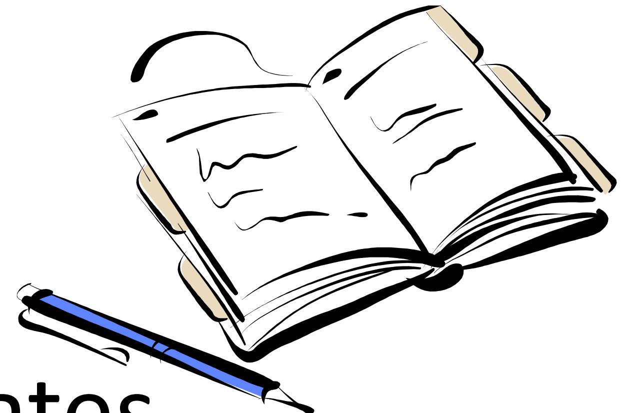
Sales and Use Tax Update

Phyllis J. Shambaugh, Counsel Sales & Use Tax,
Business Tax Division

Ohio | Department of Taxation

Agenda for Today's Presentation



- Sales and Use Tax Updates
- Audit Issues
- Voluntary Disclosure Agreements (VDA)
- Questions

Sales and Use Tax Updates

Department has undertaken a review of rules for all taxes including sales and use tax.

- The following rules were revised effective September 13, 2014:
  - 5703-9-01—Vendor’s License Requirements
    - Rescinded. Rule is unnecessary because the requirements for vendor's licenses are set forth in Ohio Rev. Code 5739.17.

Sales and Use Tax Updates

Revised rules continued:

- 5703-9-02—Maintenance of Records
  - Rule revised to delete provisions of the rule that duplicate Ohio Rev. Code 5739.03 and 5739.13.
- 5703-9-03—Exemption Certificate Forms
  - Rule revised to delete provisions of the rule that duplicate Ohio Rev. Code 5739.03 and 5739.031.

Ohio Department of Taxation

Sales and Use Tax Updates

Revised rules continued:

- 5703-9-04—Taxable Use of Property
- 5703-9-05—Storage Transactions
  - Rules revised to correct citations to the Ohio Rev. Code.

Sales and Use Tax Updates

Revised rules continued:

- 5703-9-11—Returned Merchandise and Rejected Services
  - No changes.
- 5703-9-12—Exchanged Merchandise
  - Minor revisions to simplify language.

Audit Issues

Taxability Issues—Is Tax Due?

- Office equipment
- Computers, monitors, printers, scanners, staplers, copiers, telephone systems, application software
- Office supplies
- Paper, tape, CDs, business cards,
- Cleaning supplies

Ohio | Department of Taxation

Audit Issues

Taxability Issues—Is Tax Due?

- Mops, brooms, cleaners, paper towels, gloves
- Furniture—desks, chairs, tables, lights, televisions
- Business fixtures (R.C. 5701.03(B))
- Signage
- Data cabling
- Special purpose lighting
- Specialized HVAC

Ohio | Department of Taxation

Audit Issues

Taxability Issues—Is Tax Due?

- Installation of tangible personal property
- Repair of tangible personal property
- Employment service (temporary labor)
- Landscaping/lawn care
- Exterminating
- Janitorial and maintenance
- Snow removal

Audit Issues

Manufacturers

- Taxable: storage equipment, waste equipment, employee protection equipment, environmental items

- Exempt: raw materials, manufacturing equipment, packaging and packaging equipment

Voluntary Disclosure Agreements

- Already registered taxpayers may come forward
- Generally a three year look back on uncollected sales tax and unreported use tax
  - No penalty, but interest must be paid

- Tax collected not remitted
  - Unlimited look back, 10% penalty plus interest
- VDA application (ST VDA)
  - Available on the Department's website at tax.ohio.gov
  - May be emailed to the VDA mailbox

Ohio | Department of Taxation

Voluntary Disclosure Agreements

- Initial VDA application may be anonymous
- VDA application must be submitted prior to any oral or written contact by the Department's:
  - Audit Division;
  - Tax Discovery Division; or
  - Investigation and Enforcement Division
- Taxpayer must disclose the taxable purchases to the tax commissioner

Voluntary Disclosure Agreements

- Taxpayer must make a non-refundable payment of the tax and interest
- Taxpayer must register and file for appropriate sales and use tax accounts
- Tax commissioner will forego previously unbilled sales/use tax liability prior to the disclosure period
- Tax commissioner will forgo penalties except in case of tax collected/not remitted
- Tax commissioner may audit the disclosure period

Advantages to a Voluntary Disclosure Agreement

- Waive civil and criminal penalties (except for tax collected, but not remitted)
- Limit liabilities to the voluntary disclosure period (except for sales tax collected, but not remitted)
- Not disclose the company's identity to other parties (except as provided/allowed)
- Allow the company to remain anonymous, if desired, until the signed agreement is returned

How Do I Stay Up to Date on Sales & Use Tax Law?

http://tax.ohio.gov/OhioTaxAlert/isUserInfo.asp

How Do I Contact the Department?

General Information for Sales & Use Tax

- Phone: 1-888-405-4039
- P.O. Box 530, Columbus, OH 43215
- Or visit tax.ohio.gov

Ohio | Department of Taxation

Questions

- Phyllis Shambaugh
  - 614-466-4974
  - phyllis.shambaugh@tax.state.oh.us

Commercial Activity Tax (CAT) Updates

Laura M. Stanley, Esq.
Division Counsel, CAT, Excise & Energy Tax Divisions
Business, Excise and Energy Tax Divisions

Major Business Tax in Ohio

- Active Taxpayers: 185,262
  - Quarterly: 67,585
  - Active Annual: 117,677
- In 2013, 16,477 taxpayers (by NAICS Code) identified themselves as associated with manufacturing
- Manufacturing accounts for the largest share of tax liability – 26.3%

Tiered Annual Minimum Tax

- January 1, 2014 and thereafter, the AMT is a tiered structure.
- Taxpayers will utilize its previous calendar year's taxable gross receipts to determine the current year's AMT.

- The tiered structure is as follows:

Taxable Gross Receipts	**Annual Minimum Tax (AMT)**
Less than $150,000*	No Tax Due (No change)
More than $150,000 but less than $1 million	$150 (No change)
More than $1 million but less than $2 million	$800
More than $2 million but less than $4 million	$2,100
More than $4 million	$2,600

* Taxpayers that are registered as a consolidated elected taxpayer group are subject to a minimum of $150 AMT.

Mandatory Electronic Filing

- Effective January 1, 2014, all CAT taxpayers must file and pay electronically.
- The Ohio Business Gateway (OBG) is available for all taxpayers
- Annual taxpayers may now file through Telefile
- Taxpayers may still fill out form CAT FBP to request to file by paper

Exclusion for Receipts from the Sale of Motor Fuel

- New Tax Created - Effective July 1, 2014
- Am. Sub. H.B. 59 also included a provision to exclude receipts from the sale, transfer, exchange, or other disposition of motor fuel from the CAT. Those receipts were carved out completely and are now included in the base of taxpayers under the petroleum activity tax (PAT).
- The PAT applies to suppliers of motor fuel, which include racks, refineries, and importers. The new tax includes a licensing component and follows the same quarterly due dates as the CAT.

Exclusion for Receipts from the Sale of Motor Fuel

- In July 2015, there is a change in the PAT. It will be measured by calculated gross receipts rather than actual gross receipts. Because of this, the exclusion was modified to be more narrow.
  - **Current Exclusion** – R.C. 5751.01(F)(2)(r) Receipts from the sale, transfer, exchange, or other disposition of motor fuel as "motor fuel" is defined in section 5736.01 of the Revised Code.
  - (Effective July 1, 2015) - In the case of receipts from the sale, transfer, exchange, or other disposition of motor fuel as "motor fuel" is defined in section 5736.01 of the Revised Code, an amount equal to the value of the motor fuel, including federal and state motor fuel excise taxes and receipts from billing or invoicing the tax imposed under section 5736.02 of the Revised Code to another person.

Contact Information

- For more information about the CAT or the PAT, please contact us:

Business Tax Division

4485 Northland Ridge Boulevard

P.O. Box 16158

Columbus, Ohio 43229

P: 1-888-722-8829

F: (614) 644-9641

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