10 a.m. (EST)
Via Zoom

Tax & Finance Committee
February 17, 2021

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2021 Tax & Finance Committee Calendar
Meetings begin at 10 a.m.

Wednesday, February 17
Wednesday, June 2
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OMA Meeting Sponsor:

Tax & Finance Policy Committee Agenda

February 17, 2021

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State Financial Update	Rob Brundrett, OMA Staff
RSM Presentation	Justin Stallard, Partner, RSM Bob Horstman, Senior Manager, RSM
Ohio COVID-19 Withholding Temporary Law Discussion	Rob Brundrett, OMA Staff Rachael Carl, OMA Staff
Guest Speaker	Jeff McClain, Ohio Tax Commissioner
OMA Public Policy Report	Rob Brundrett, OMA Staff Rachael Carl, OMA Staff
OMA Counsel's Report	Justin Cook, Bricker & Eckler, LLP

Our Meeting Sponsor:

Jeff McClain

Tax

Jeff McClain was appointed Ohio Tax Commissioner by Governor Mike DeWine in January 2019.

Commissioner McClain comes to the Ohio Department of Taxation from the Ohio Chamber of Commerce where he served for three years (2016-19) as Director of Tax & Economic Policy. Prior to that Mr. McClain was elected to four, two-year terms (2009-2016) as state representative from the 87th House District. In the General Assembly, he was actively involved in budget and tax issues, particularly as Chair of the Ways and Means Committee. He also served as Vice-Chairman of Finance Committee, and Chairman of Finance Medicaid subcommittee.

Before serving in the state legislature, Mr. McClain was the Wyandot County Auditor for more than 26 years (1982-2008). He earned a Bachelor of Business Administration degree (Accounting) from Tiffin University (OH). He is a lifetime Ohioan and a graduate of Upper Sandusky high school.

Commissioner McClain, and his wife, Barb, have a son, two daughters and ten grandchildren.

February 10, 2021

MEMORANDUM TO: The Honorable Mike DeWine, Governor
The Honorable Jon Husted, Lt. Governor

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

Report Overview:

UNEMPLOYMENT RATE DECLINES TO 5.5%

The Ohio unemployment rate decreased to 5.5 percent in December, a 0.2 percentage point drop compared to the November rate. During the week ending January 23, 2021, 47,786 initial unemployment claims were filed. This was an 82.6 percent decline from the peak week in March 2020 when 274,288 initial claims were filed.

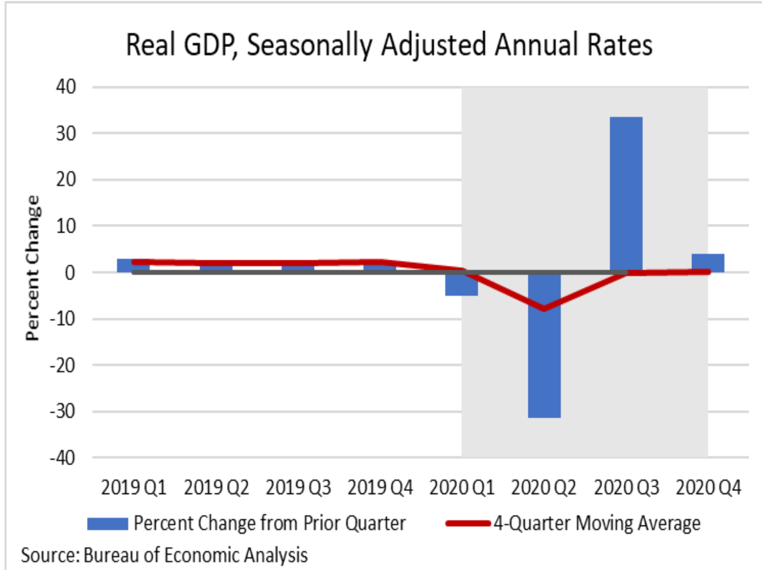
INCOME TAX COLLECTIONS TOTAL $1.06 BILLION

January GRF personal income tax receipts totaled $1.1 billion and were $71.5 million (7.2%) above estimate. On a year-over-year basis, January income tax collections were $78.5 million (8.0%) above January 2020 collections. The overage was primarily attributable to timing effects – refund payments were lower-than-expected in January due to the Internal Revenue Services' delay in the opening of income tax filing season.

SALES TAXES CONTINUE ABOVE ESTIMATE

GRF non-auto sales and use tax collections in January totaled $922.1 million and were $31.5 million (3.5%) above the estimate. Across the first seven months of the fiscal year, revenues are now $282.6 million (4.9%) above estimate; actual revenue has exceeded estimate in six of these months.

Economic Activity



According to the Bureau of Economic Analysis (BEA)'s advance estimate **Real Gross Domestic Product (GDP)** expanded in the fourth quarter of the calendar year at an annualized rate of 4.0 percent. This expansion reflects both the continued economic recovery from the sharp declines in the first and second quarters, and the challenges the nation faces due to the ongoing pandemic.

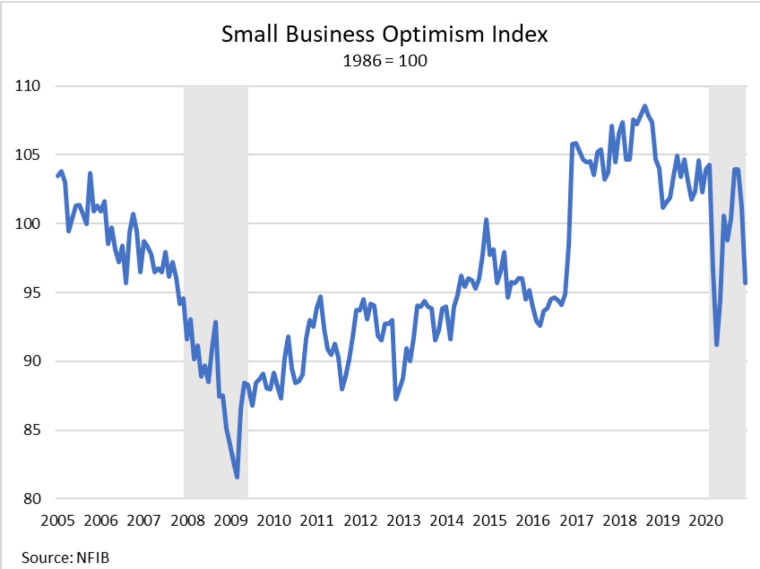
The massive swings in the economy in the second and third quarters made it harder to assess the overall impact of the COVID-19 pandemic on the economy until the end of the year. However, with the completion of 2020, it is now estimated that the economy contracted 3.5 percent in 2020, the first decline since the Great Recession and the largest decline since just after World War II.

The fourth-quarter increase in real GDP resulted from growth in exports (2.0%), nonresidential fixed investment (1.7%), personal consumption expenditures (1.7%), residential fixed investment (1.3%), and private inventory investment (12.0%). These increases were partially offset by decreases in state and local government spending (-0.4%) and federal government spending (-0.4%). Imports, which are included in the above categories and then subtracted in a separate category, decreased, effectively adding to other categories by a total of 3.5 percent.

Moody's Analytics and CNN created the **Back-to-Normal Index** to track the economic recovery. The national index combines 37 indicators of economic activity, including the 25 traditional economic indicators used in their High Frequency GDP model, with 12 real-time indicators. Each state index is composed of a weighted average of the national index and six state-level indicators. Both indices range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of February 3, 2021, the national index was at 81.8 percent, while Ohio's index was 2.5 percentage points above at 84.3 percent. Both indices increased substantially from their low points at the end of April; however, in recent months, growth seems to have reached a plateau.

The Conference Board's composite **Leading Economic Index** (LEI) is an index designed to reveal patterns in economic data by smoothing the volatility of its ten individual components. In December, the LEI increased 0.3 percent to reach 109.5 following similar increases between September and November. While there was a large negative contribution due to the increase in initial unemployment claims, this was principally offset by positive contributions from the new orders for manufacturing, stock prices, and building permits. The declining rate of growth in the LEI over the last six months, suggests that the U.S. economy may be growing at a significantly slower rate than earlier in the year. However, the overall growth in the LEI during the second half of the calendar year (6.5%) recovered most of the losses from the first half of 2020 (7.7%).

Produced by the National Federation of Independent Business (NFIB), the **Small Business Optimism Index** surveys a sample of small-business owners to determine the health of small businesses each month. The national index declined 5.5 points to 95.9 in December, bringing the index below the 47-year historic average of 98.0, and only 4.9 percent above the pandemic low point in April. Nine of the ten index components declined. However, this one-month decline was primarily driven by the outlook of sales and business conditions. Owners expecting better business conditions over the next six months declined 24 points since December, to a net -16.0 percent. Small business owners cite concerns about the changing economic policies of the new administration, and the increased spread of COVID-19 that has caused new mandated closures in some parts of the nation.

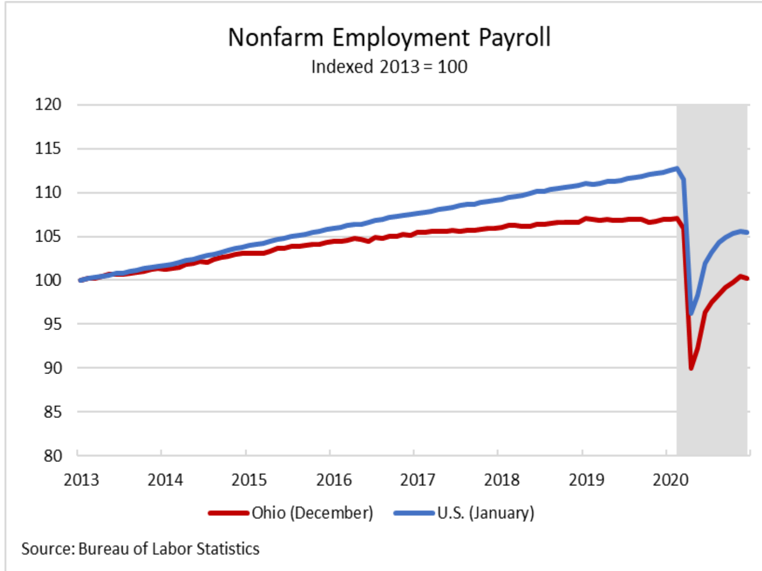


The Ohio economy showed signs of expansion in December. The **state-level coincident economic index** produced by the Federal Reserve Bank of Philadelphia is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. The Ohio index increased 0.5 percent between November and December, and 1.5 percent over the last three months. For comparison, the U.S. coincident index increased 0.1 percent between November and December, and 1.2 percent over the last three months. Between November and December, the indexes increased in 36 states, decreased in 12 and remained stable in two. This resulted in a one-month diffusion index of 48. Between October and December, the indexes increased in 46 states and decreased in four states, for a three-month diffusion index of 84.

The consensus among forecasters is for modest growth in the first quarter of calendar year 2021. Although there is continued uncertainty regarding the course of the virus and its secondary impacts, there are signs that federal stimulus has spurred on consumption in January. Most economists expect growth between 4.0 and 4.8 percent (see table below) during the first quarter of 2021, with greater increases during the rest of the year.

Source	**Date**	**1st Quarter Annualized GDP Forecast**
Federal Reserve Bank of Atlanta (GDPNow)	2/05/21	4.6%
Federal Reserve Bank of New York (NowCast)	2/05/21	6.8%
IHS Markit GDP Tracker	2/1/21	3.1%
Moody’s Analytics High Frequency GDP Model	2/03/21	4.8%
Wells Fargo	1/13/21	4.0%
Conference Board	1/13/21	3.5%
Wall Street Journal Survey	1/01/21	4.3%

Employment



The U.S. Bureau of Labor Statistics reported that total **nonfarm payroll employment** had a slight increase of 49,000 jobs in January. This follows a decline in nonfarm employment in December. The impacts of the coronavirus pandemic and containment efforts are continuing to affect the labor market. Nonfarm employment was below its February 2020 level by 9.9 million, or 6.5 percent. Within nonfarm employment, there were gains in professional and business services along with public and private education. These gains were offset by losses in leisure and hospitality, health care, retail trade and in transportation and housing.

In January **professional and business services** increased by 97,000 jobs largely because of gains in temporary help services. Employment in professional and business services is down 825,000 jobs from February 2020. **Local government education** (49,000), **state government education** (36,000), and **private education** (34,000) also increased in January. Jobs continued to increase in **wholesale trade** (14,000) but it remained 263,000 below its February 2020 level. Employment in **mining** increased by 9,000 but since hitting a peak in January 2019 mining is down 133,000.

These gains were partially offset by employment in **leisure and hospitality**, which decreased by 61,000 after a substantial decline in December of 536,000. Over the past two months employment in leisure and hospitality declined 597,000 and since February it is down 3.9 million (22.9%). Food service and drinking places employment continued its decline (-19,000). Employment in **retail trade** decreased 38,000, after increasing in December by 135,000 jobs. Retail trade remains lower than its February level by 383,000 jobs. **Health care** lost 30,000 jobs in January and since February employment is down by 542,000. In January, employment in **transportation and warehousing** declined by 28,000 and is 164,000 below February 2020. After eight months of increases jobs in **manufacturing** (-10,000) and **construction** (-3,000) changed little between December and January.

The **national labor force participation** rate and **employment-population ratio** had little change in January. The labor force participation rate decreased 0.1 percentage point to 61.4 percent but is 1.9 percentage points below its February level. The employment population ratio decreased 0.1 percentage points to 57.5 percent and is 3.6 percentage points lower than in February 2020.

Ohio nonfarm payroll employment decreased 0.2 percent from November to December, essentially staying stable at 5.2 million jobs. With this small monthly decrease, nonfarm employment was down 6.3 percent from December 2019. Sectors with the greatest job losses between November and December included leisure and hospitality (-9,200); education and health services (-6,200); government (-5,000); manufacturing (-1,100); and professional and business services (-1,000). These losses were partially offset by job gains in trade, transportation, and utilities (8,600); financial activities (2,100). Employment in all sectors remained below December 2019 levels due to the economic effects of the pandemic.

The Bureau of Labor Statistics reported that the national **unemployment rate** fell by 0.4 percentage points to 6.3 in January. The number of **unemployed individuals** decreased to 10.1 million. Despite both measures being lower than their highs in April they remain above their February pre pandemic levels (3.5 percent and 5.7 million, respectively).

When the unemployment rate is broken down by demographic, most unemployment rates had small changes in January. The unemployment rate for individuals who identify as Asian increased 0.7 percentage points to 6.6 percent, the unemployment rate for those who identify as Black stayed the same at 9.2 percent, those who identify as Hispanic decreased 0.7 percentage points to 8.6 percent, and for those who identify as White it decreased 0.3 percentage points to 5.7 percent. In January, the unemployment rate for adult men and adult women dropped slightly to 6.0 percent for both groups. The unemployment rate in January decreased by 1.2 percentage points for teenagers to 14.8 percent. All other age groups showed little change from their December rates.

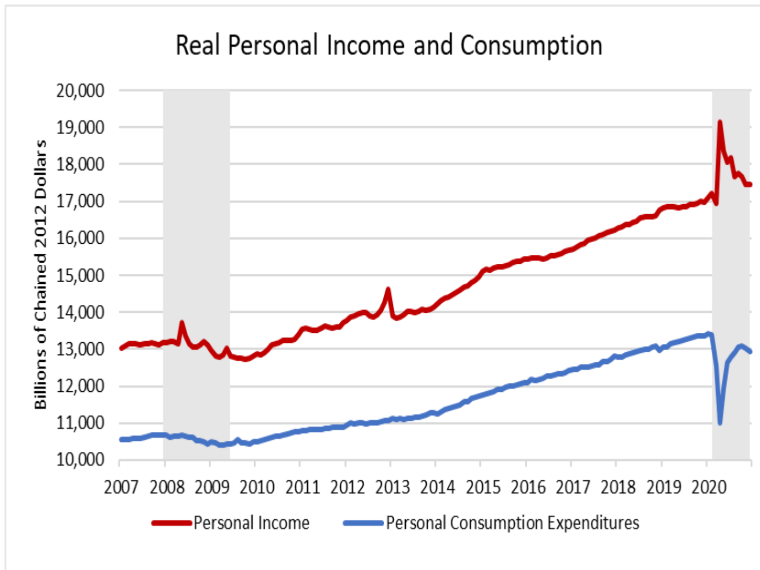
Of those people that were unemployed, the number of individuals that were on **temporary layoff** decreased by 293,000 in January to 2.7 million. This was down substantially from its high in April of 18.0 million and is 2.0 million higher than its February level. The number of people with **permanent job losses** increased by 130,000 jobs to 3.5 million in January and remained 2.2 million higher than in February 2020. The number of unemployed reentrants, those who have previously worked but were not in the labor force prior to beginning their job search, decreased 287,000 to 2.0 million.

The number of unemployed individuals who were **jobless less than 5** weeks decreased by 626,000 to 2.3 million individuals. Those who were **jobless 5 to 14 weeks** increased by 306,000 to 2.5 million individuals. Those **jobless 15 to 26 weeks** decreased by 226,000 to 1.3 million individuals. Unemployed individuals that were long-term unemployed, **jobless 27 weeks or more**, increased by 67,000 to 4.0 million, accounting for 39.5 percent of the total unemployed.

The number of people **not in the labor force who currently want a job** decreased 374,000 to 7.0 million but remained 1.9 million higher than in February 2020. These are individuals who want a job but are not counted as unemployed because they were not actively looking for work over the last 4 weeks or were unavailable to take a job for a variety of reasons including caring for children or other family members.

The **Ohio unemployment rate** decreased to 5.5 percent in December, a 0.2 percentage point drop compared to the November rate. During the week ending January 23, 2021, 47,786 initial unemployment claims were filed. This was an 82.6 percent decline from the peak week in March 2020 when 274,288 initial claims were filed. Continued claims in Ohio decreased substantially between the peak of 777,214 in April and the week ending January 23, 2021, in which 160,366 individuals filed continued claims. However, 117,736 people filed for an extension of benefits during the same week; these individuals were unemployed for 27 or more weeks. As of February 4, 2021, the Ohio Department of Job and Family Services received Worker Adjustment and Retraining Notification (WARN) Act notices warning 343 employees of potential future layoffs and closures in February and 239 in March.

<u>Consumer Income and Consumption</u>



Nationally, **personal income** increased by $116.6 billion (0.6%) in December. This increase was mainly a result of an increase in compensation, personal dividend income and government social benefits. This was partially offset by a decrease in proprietors' income. Compensation increased by $60.0 billion (0.5%) in December, mainly contributed by increases in wages and salaries in service producing industries. Personal dividend income increased by $58.3 billion (4.6%) in December. Government social benefits increased $85.0 billion (2.3%). This is due to a rise of $40.2 billion (14.3%) in unemployment insurance benefits because of an increase in Pandemic Unemployment Compensation. The Coronavirus Response and Relief Supplemental Appropriations Act reinstated supplemental weekly payments to unemployed recipients. In addition, "other" social benefits increased by $34.7 billion (5.6%) because of an upsurge in payments to nonprofit institutions from the Provider Relief Fund. Both farm and nonfarm proprietors' income decreased because of a decline in loans to businesses within the Paycheck Protection Program. Nonfarm proprietors' income decreased by $70.0 billion (-4.3%). Farm proprietors' income decreased by $8 billion (-10.0%) due to a decline in payments within the Coronavirus Food Assistance Program.

Real personal consumption expenditures, a measure of national consumer spending for goods and services, decreased 0.6 percent ($79.8 billion) between November and December. This change resulted from a decrease of $71.9 billion in spending for goods, primarily driven by a decline in durable goods and nondurable goods. This decrease was partially offset by a rise in expenditures for motor vehicles and parts. Spending for services decreased $17.6 billion, which was driven by a decline in spending for food services and accommodations along with health care spending. An increase in spending for household utilities partially offset the decline in services.

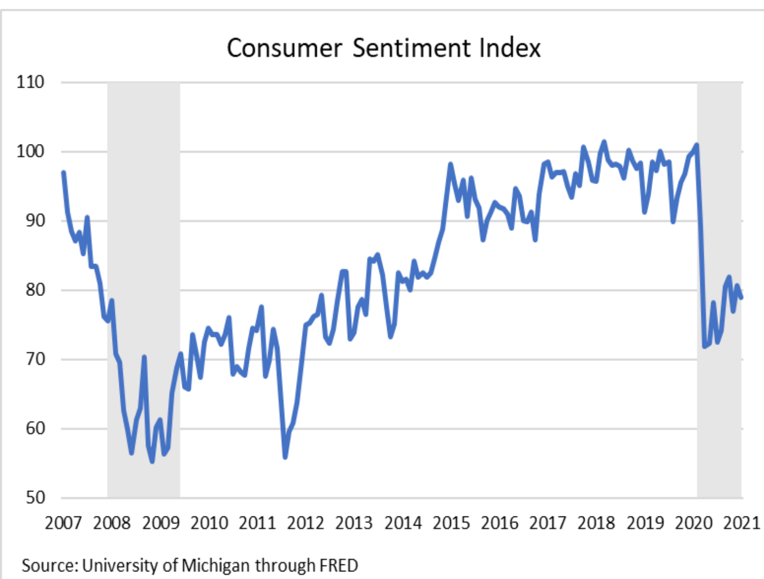
Personal savings increased 6.8 percent in December compared to November, marking the first month of an increase since April 2020. Personal savings remained above the February level by 71.2 percent. Personal savings as a percentage of disposable personal income, the **personal savings rate**, was 13.7 percent, an increase of 0.8 percentage points between November and December.

Consumer Spending by Industry, for Select Industries
($ in Millions of Chained 2012 dollars)

	November 2020	December 2020	1-Month Percent Change	12-Month Percent Change
Durable Goods	$2,021,069	$1,994,255	-1.3%	9.5%
Motor vehicles and parts	$569,149	$586,131	3.0%	8.0%
Recreational goods and vehicles	$749,506	$711,493	-5.1%	15.6%
Nondurable goods	$3,155,456	$3,110,192	-1.4%	3.4%
Food and beverages purchased for off-premises consumption	$1,057,897	$1,038,130	-1.9%	5.1%
Clothing and footwear	$410,900	$399,654	-2.7%	-4.6%
Gasoline and other energy goods	$396,287	$393,679	-0.7%	-9.0%
Services	$7,995,037	$7,977,430	-0.2%	-7.2%
Food services and accommodations	$667,922	$638,362	-4.4%	-25.0%
Transportation services	$331,073	$335,180	1.2%	-25.1%
Recreation services	$339,694	$339,821	0.0%	-33.1%

Source: Bureau of Economic Analysis, Table 2.4.6U Personal Consumption Expenditures by Type of Product

The latest University of Michigan's **Surveys of Consumers** results indicated that consumer sentiment decreased in January, although it remained mostly unchanged in the later part of the month. The Consumer Sentiment Index decreased 1.7 points to 79.0. This was a 2.1 percent decrease from December and a 20.8 percent decline compared to January 2020. The Current Economic Conditions Index decreased 3.3 points to 86.7. This was a 3.7 percent decrease from December and a 24.2 percent decline compared to January 2020. The Consumer Expectations Index decreased 0.6 points to 74.0. This was a 0.8 percent decline from December and an 18.2 percent decline compared to January 2020. Despite the decreases consumers economic expectations have remained relatively stable.



The Conference Board's **Consumer Confidence Index**, which reflects consumer attitudes and buying intentions increased after having decreased in the three prior months. In January, consumer confidence increased 2.2 percentage points to 89.3 up from December's revised value of 87.1. The Conference Board's **Present Situation Index**, which measures consumers' current assessment of business and labor market conditions, decreased by 2.8 percentage points, from 87.2 in December to 84.4 in January. The Conference Board's **Expectation Index** examines consumers short term outlook for the economy. In January it increased to 5.5 percentage points to 92.5. Consumers view of current day conditions continued to decline in January as COVID-19 has continued to surge in some areas of the country. Consumer appraisal of the economy and jobs over next six months has improved.

The travel and hospitality industries continue to face significant challenges due to the pandemic. The Transportation Security Administration (TSA) tracks how many travelers go through TSA checkpoints as "throughput". Total travel throughput remains significantly lower than last year, January 2021 compared to January 2020 is 61.9 percent lower. Despite increases in travel in December, January 2021 throughput declined 10.6 percent from December 2020.

For the week ending January 30, 2021, STR, a company that provides analytics and data on the hospitality sector, reported an occupancy rate of 40.4 percent, a 29.6 percent decline compared to the same week in 2020. The average daily rate earned for an occupied room declined 29.8 percent compared to the same week in 2019. Revenue per available room also declined 50.6 percent in a year-over-year comparison.

Commercial vehicle miles traveled on the Ohio turnpike in January 2021 increased 10.2 percent compared to January 2020 and increased 2.4 percent from December 2020. However, passenger vehicle miles traveled in January 2021 decreased 8.1 percent from January of last year and decreased 5.8 percent from December 2020.

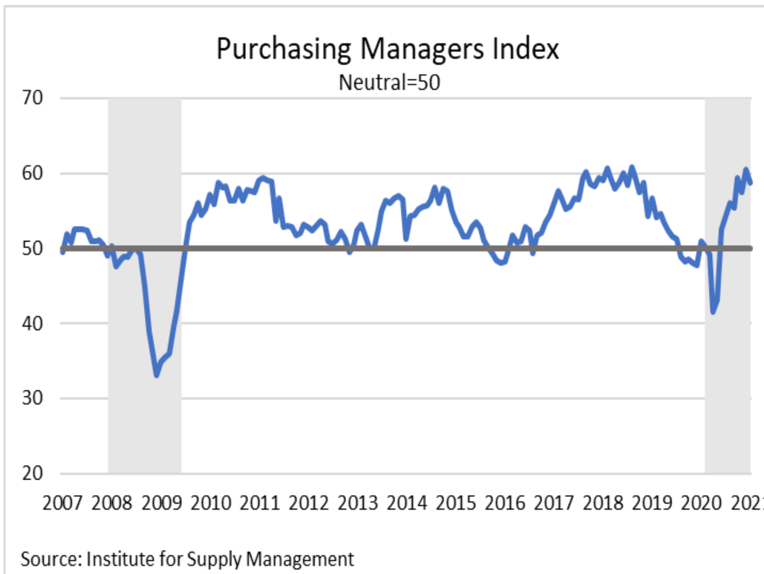
Industrial Activity

The Industrial Production Index, produced by the Board of Governors of the Federal Reserve System, is an indicator that measures real output for manufacturing, mining, and gas and electric utility facilities located in the United States. **Total industrial production** increased 1.6 percent between November and December. The index recovered more than half of its pandemic decline but remained 3.3 percent below its pre-pandemic reading in February and 3.6 percent below December 2019.

For the eighth consecutive month, **manufacturing production** increased. Production rose in December 2020 by 0.9 percent but remained 2.8 percent below December 2019 levels. The durable goods manufacturing industry index increased by 1.5 percent in December, while the index for nondurable goods production increased 0.9 percent. The output of utilities increased 6.2 percent in December as demand for heating rose after a warm November.

Most of the manufacturing industries that are most relevant to Ohio made small gains nationally in December when compared to November. The largest gain was in the production of plastics and rubber parts, which increased by 3.2 percent in December. Additional gains were made in primary metal manufacturing and aerospace and miscellaneous transportation equipment production, which both increased 2.5 percent. The production of machinery goods increased by 2.1 percent, electrical equipment and appliances increased by 1.8 percent, petroleum and coal increased by 1.5 percent, the chemical manufacturing industry increased by 1.1 percent and the productivity of fabricated metals products increased by 0.6 percent. These gains were partially offset by losses in motor vehicles and parts, which decreased by 1.6 percent in December. The production food, beverage and tobacco products stayed the same between November and December.

Produced by the Institute for Supply Management (ISM), the **Purchasing Managers Index** (PMI) measures expansions and contractions of the manufacturing economy. A PMI score reading above 50 percent indicates that the manufacturing economy is generally expanding, while below 50 percent it is generally contracting. In January, the PMI for the United States decreased to 58.7 percent, compared to the revised value of 60.5 in December 2020. This indicated an overall expansion of the economy for the eighth month in a row after the significant contraction between March and May.



The new orders index decreased 6.4 percentage points to 61.1 percent and the production index was up 4.0 percentage points to 60.7 percent. The backlog of orders index rose 0.6 percentage points to 59.7 percent. The employment index expanded 3.1 percentage points to 51.5. Overall, these changes provide evidence that manufacturing sector and the economy continued to grow after the rapid decline in the spring; however, at a slower rate than in prior months.

Of the 18 industries tracked by the Manufacturing ISM® *Report on Business*, 16 reported growth between December and January. Of the top ten industries most important to Ohio manufacturing only the petroleum and coal products industry reported contraction.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM suggest that demand is up, but labor and supplies are a potential problem. A source in the primary metals industry reported "[b]usiness is improving, but we are still struggling with a shortage of available labor." Additionally, a respondent in the transportation equipment industry noted "very strong demand with limitations in supply to meet increased demand."

Construction

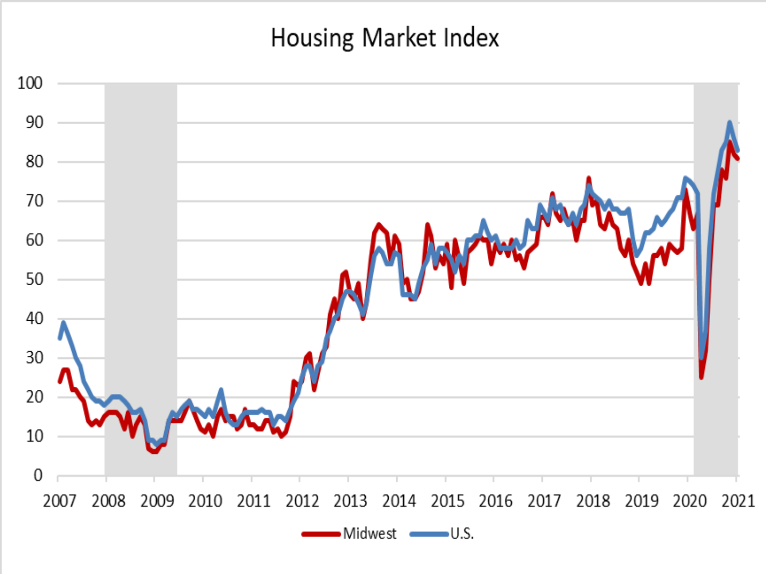
The U.S. Census Bureau estimated **total construction spending** in December to be at a seasonally adjusted annual rate of $1.5 billion, which was a 1.0 percent increase from the revised November estimate. The December estimate was 5.7 percent above that of December 2019. Residential construction increased 3.1 percent and nonresidential construction decreased 1.7 percent between November and December.

Public sector construction spending in December was at a seasonally adjusted annual rate of $352.8 billion, a 0.5 percent increase compared to the revised November estimate. In December, educational construction was 0.6 percent above November 2020 levels, and 4.5 percent above December 2019. Spending in December on highway construction was 0.9 percent above November, and 3.9 percent above December 2019. Public safety spending was 2.7 percent lower in December than November but remained 27.7 percent above December 2019 levels.

Nationally, the number of privately-owned housing units approved increased 4.2 percent between November and December and were 17.0 percent above December 2019 levels. In Ohio, building permits for privately owned units increased 54.3 percent between November and December 2020, and were 77.5 percent above permits issued in December 2019. Nationally, privately-owned housing starts in December increased 5.8 percent compared to November and were 5.2 percent above the December 2019 level. Midwest privately-owned housing starts increased 32.1 percent from November and increased 5.5 percent from December 2019. Nationally, privately-owned housing completions increased 15.9 percent in December and were 8.0 percent above the December 2019 rate. December privately-owned housing completions in the Midwest increased 15.7 percent compared to November and were 38.1 percent above the December 2019 level.

The National Association of Home Builders reported newly built single-family home sales in December increased 1.6 percent to 842,000. In addition, new home sales in 2020 increased 18.8 percent compared to 2019 and in the Midwest, sales increased 24.2 percent. Higher home prices are stemming from a rise in lumber and building material costs along with a lack of inventory.

Existing home sales, as reported by the National Association of Realtors, increased in December, and reached their highest level since 2006. Sales increased 0.7 percent in December to a seasonally adjusted rate of 6.8 million housing units in December and an increase of 22.2 percent from a year ago. Available inventory in December totaled 1.07 million units, this is down 1.39 million units from a year ago. Home prices have increased due to a low level of home supply. Sales in the Midwest remained unchanged in December at an annual rate of 1.59 million. However, existing home sales increased 26.2 percent from December 2019. According to the Ohio Realtors, activity in the Ohio housing market increased 4.3 percent in 2020 compared to 2019. The Ohio housing market rose 18.4 percent from December 2019. The average home price in Ohio in December was $217,825, a 14.3 percent increase compared to December last year.



The Housing Market Index (HMI) from the National Association of Home Builders (NAHB) and Wells Fargo takes the pulse of the single-family housing market and asks the respondents to rate market conditions for the sale of new homes at the present time and in the next six months. Nationally the HMI decreased in January to 83.0 from 86.0 in December, a 3.5 percent decline. This is the second month of decreases in the index. Despite the decline, this index remains high compared to the history of the series. Builder confidence has fallen due to limited housing supply, limited availability of building materials such as lumber and a shortage in skilled labor. Supply side constraints are creating a shortage of new homes on the market. In the Midwest, HMI decreased by 1.2 percent, from 82.0 to 81.0 in December.

REVENUES

January demonstrated another positive tax revenue outcome relative to expectations. The month produced an $81.3 million positive variation from estimated tax revenues; this represents a 3.6 percent overage, which is a rate close to the 3.7 percent year-to-date positive variation. Unlike prior months, the personal income tax provided the largest positive variation mostly due to lower-than-expected refund payments. Once again, non-auto sales tax and auto sales tax revenues performed above expectations. The tax source with the poorest performance was the financial institutions tax, a result entirely due to the unpredictable timing of that source. The commercial activity tax displayed the next lowest performance, mostly traced to larger than expected tax credits.

January total GRF receipts totaled $3.4 billion and were $77.2 million (2.3%) above estimate. Tax revenues were $81.3 million (3.6%) above estimate. Non-tax receipts were $4.2 million (-0.4%) below estimate. For the year to date, tax revenues are above estimate, non-tax receipts are below estimate, and transfers are over estimate as shown in the table below.

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$539.1	3.7%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($626.5)	-7.4%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$7.1	9.1%
TOTAL REVENUE VARIANCE:		**($80.3)**	**-0.3%**
Non-federal revenue variance		**$577.0**	**3.9%**
Federal grants variance		**($657.4)**	**-7.9%**

For January, revenues and transfers were $165.5 million (5.1%) above the previous year. Tax receipts increased by $23.2 million (1.0%) while non-tax receipts grew by $142.4 million (14.7%). For the year-to-date, tax receipts are $1.1 billion (7.6%) above last year and non-tax receipts are $1.3 billion (20.2%) over the prior year. Transfers are $9.4 million (12.5%) above last year on a year-to-date basis.

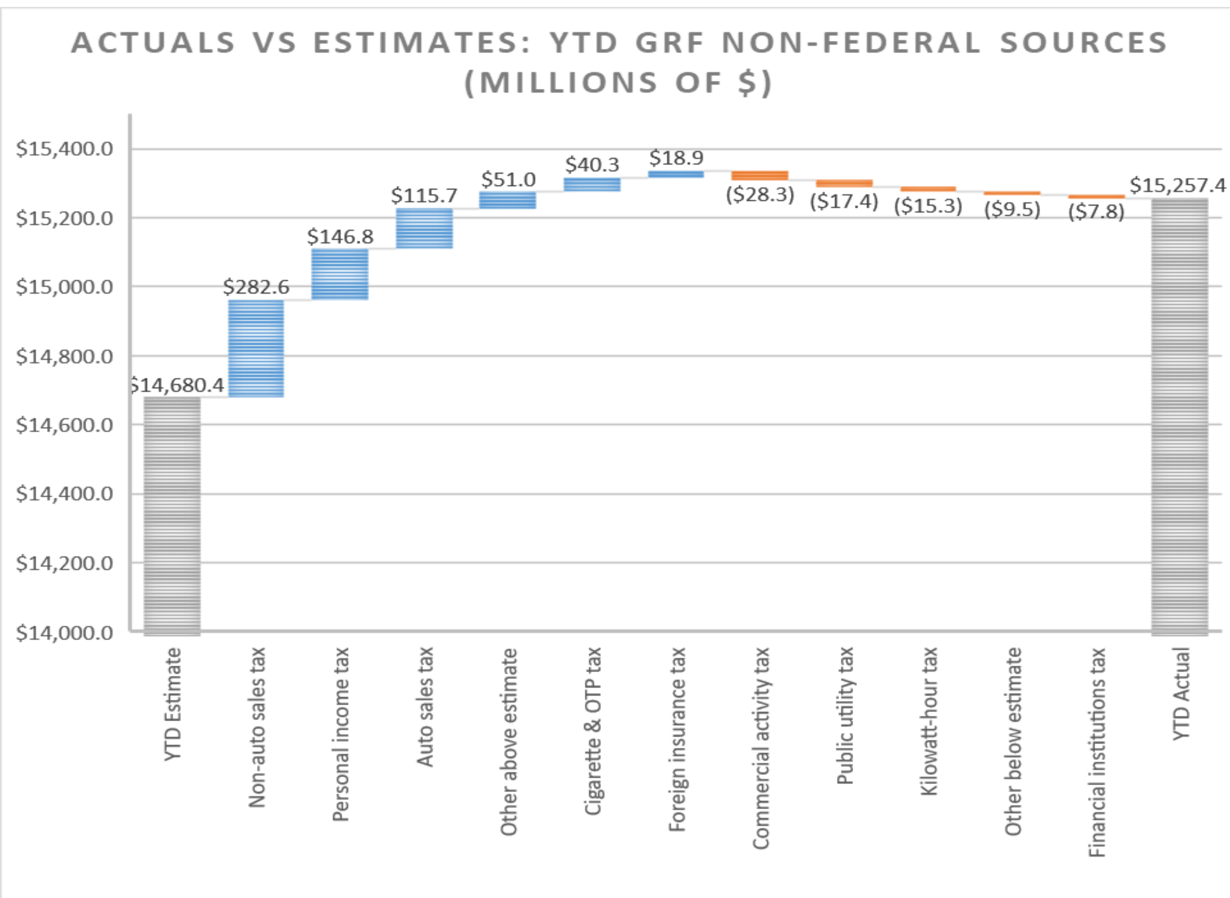
During January, the source with the largest year-over-year increase was personal income tax, at $78.5 million (8.0%) above last year. The next-largest increases were other income at $7.5 million (290.2%), non-auto sales tax at $5.3 million (0.6%) and auto sales tax at $4.6 million (3.6%). The largest decline was experienced by the financial institutions tax at $34.5 (-46.2%). The next-largest decline was attributable to commercial activity tax at $23.7 million (-28.2%), followed by earnings on investments at $20.5 million (-57.7%).

The table below shows that sources above estimate (a positive variance of $137.1 million) in January outweighed the size of sources below estimate (a negative variance of $59.9 million), resulting in a $77.2 million net positive variance from estimate.

GRF Revenue Sources Relative to Monthly Estimates – January 2021
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Personal income tax	$71.5	Federal grants	($21.3)
Non-auto sales tax	$31.5	Financial institutions tax	($18.3)
Auto sales tax	$10.3	Commercial activity tax	($13.3)
Earnings on investments	$10.0	Other sources below estimate	($7.1)
Other income	$7.4		
Other sources above estimate	$6.4		
Total above	**$137.1**	**Total below**	**($59.9)**

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



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues for fiscal year 2021 to date, with the net difference amounting to $577.0 million. The chart shows that non-auto sales tax accounts for just under one-half of the current non-federal revenue overage.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in January totaled $922.1 million and were $31.5 million (3.5%) above the estimate. Across the first seven months of the fiscal year, revenues are now $282.6 million (4.9%) above estimate; actual revenue has exceeded estimate in six of these months.

January non-auto sales tax revenue was $5.3 million (0.6%) above the prior year, while year-to-date revenue is $310.8 million (5.4%) above fiscal year 2020. Although January's year-over-year growth was modest, because January concludes the three-month holiday retail season used for sales tax revenue analysis purposes (a large share of month sales tax comes from tax on sales that occurred in the previous month thus necessitating the inclusion of January revenue), a better comparison comes from examining relative tax revenues during the holiday season time frame. Accordingly, fiscal year 2021 revenue during the month of November through January exceeded the prior year by $111 million, or 4.3 percent. In comparison, the National Retail Federation reports that retail sales during the 2020 holiday grew by 8.3 percent, considerably higher than the 3.6 percent to 5.2 percent growth the organization expected. The milder growth in non-auto sales tax relative to national retail sales does not imply that Ohio retail sales were weaker than that of the nation: the non-auto sales tax base is broader than retail sales, so the performance of non-retail sectors (namely, taxable services which have generally weakened during the pandemic as well as taxable business-to-business purchases) also contribute to the overall intake of the non-auto sales tax. In fact, fiscal year 2021 holiday season auto sales tax revenue growth was consistent with that of the prior year, wherein fiscal year 2020 growth in the November-January period was $115 million (4.7%).

The year-to-date fiscal year 2021 non-auto sales tax increase above the prior year is partly due to increased collections from marketplace facilitators (MPFs). Ohio first subjected MPFs to the mandatory sales tax collection requirement in October 2019. Not only were there fewer months of revenue from these sellers during fiscal year 2020 (i.e., no collections during the first quarter of the fiscal year), but there has also been a year-to-year increase in revenue from the MPFs in the October-January period of fiscal year 2021. Accordingly, about $120 million of the total year-over-year increase in non-auto sales tax revenue is attributable to higher revenue received from the MPFs (total MPF revenue during the fiscal year-to-date is about $230 million). Conversely, the long-standing federal "grandfather" provision under the Internet Tax Freedom Act – which allowed Ohio and six other states to continue to impose sales tax on internet access services – expired in fiscal year 2021. This change has reduced year-to-date non-auto sales tax revenue by an estimated $94 million. The loss from this new tax policy change mostly offsets the growth in MPF collections.

Non-auto sales tax performance has shown stronger outcomes than typically expected from an economy still in recovery. OBM continues to observe a shift in consumption from services (which are mostly excluded from sales tax) to taxable goods, fostering increased revenue intake. High-frequency data indicate that consumption for major service industries has substantially declined from levels observed in the immediate pre-pandemic period, while certain retail categories have grown at a strong pace. The current “Monthly Event Study of Spending” table issued by the U.S. Department of Commerce’s Bureau of Economic Analysis, which uses credit card spending data, continues to indicate significant declines in industries generally not subject to sales tax. The Recreation, Accommodations, Food Services, and Gas Stations categories show declines ranging from -20.0 percent to -52.0 percent in January relative to the levels existing prior to the pandemic. In contrast, retailer segments such as Furniture, Building Materials & Garden Equipment, Automotive Parts, Sporting Goods & Hobby, and General Merchandise stores had median monthly growth rates ranging from 20.0 percent to 42.0 percent in January: the great majority of sales by these retailers are subject to Ohio sales tax.

Auto Sales Tax

January auto sales tax revenues were $130.1 million. This January’s numbers come in at $4.6 million (3.6%) above last January; fiscal year-to-date revenue is $90.6 million (9.8%) above fiscal year 2020. Auto sales tax revenue in January was $10.3 million (8.6%) above estimate. This makes eight successive months in which auto sales tax has exceeded estimate.

Based on a seasonally adjusted annual rate (the amount of sales that occurred during the month after being adjusted for seasonal fluctuations and expressed as an annualized total), U.S. new light vehicle unit sales in January reached an estimated 16.6 million units. This represents a 2.5 percent increase from December, and a 1.5 percent decrease from the prior year. TrueCar, Inc. estimates that used vehicle unit sales increased by 1.0 percent in January from the prior year, and by 10.0 percent from December.

The primary cause of the current auto sales tax growth comes from price growth. TrueCar, Inc. estimates that the average transaction value of new vehicle purchases grew by nearly 5.0 percent in January on a year-over-year basis. Moody’s Analytics reports that its wholesale price index for used vehicles increased by 15.0 percent in January from the prior year. A price-led increase in auto revenue is consistent with the outcome observed from the Bureau of Motor Vehicles’ data from the fourth quarter of calendar year 2020. In that quarter, total taxable sales on titled combined new and used vehicle transactions grew by 7.4 percent from the previous year, while the average transaction value on those transactions increased by 10.1 percent. As long as used vehicle prices remain elevated, auto sales tax revenue growth could continue at its current strong levels.

Personal Income Tax

January GRF personal income tax receipts totaled $1.1 billion and were $71.5 million (7.2%) above the estimate. On a year-over-year basis, January income tax collections were $78.5 million (8.0%) above January 2020 collections.

In January, withholding collections were $28.9 million (3.3%) below estimate. For the year, withholding payments are $14.1 million (-0.3%) below estimate. Withholding declined by $50.9 million (-5.7%) in January compared to last year. However, the year-over-year comparison is limited in usefulness without an adjustment for the fact that there were two extra business days last January. After applying an adjustment for the difference in the number of payment days, it is estimated that employer withholding payments in January would have been essentially the same as last January. Year-to-date withholding collections in fiscal year 2021 are $12.2 million (-0.2%) below fiscal year 2020. However, the comparison should take into account the reduction in employer withholding tax rates that took effect in calendar year 2020. Fiscal year-to-date collections would have grown by 2.5 percent without the rate reduction.

Quarterly estimated payments are a significant source of collections in January since it constitutes the due date month for the calendar year's final quarterly estimated payment. Estimated payments were $35.8 million (15.5%) above estimate in January and are $90.6 million (13.9%) above estimate for the fiscal year-to-date. January estimated payments were $18.2 million (7.4%) above last year. Combined with December, which also reflects calendar year 2020 fourth-quarter collections, the total estimated payments for the quarter were $46.9 million (17.9%) greater than the previous year.

Total collections across all other tax payment components – annual return payments, trust tax payments, and other types of tax payments – were $3.1 million (12.8%) above estimate. For the year to date, these other tax payment components are $5.4 million (0.6%) above estimate.

Refunds did not reach estimate in January, at $62.2 million (-61.7%) below the mark. Refunds are now $79.7 million (-11.0%) below estimate for the year-to-date. Because the IRS does not open its filing season until February 12 (considerably later than normal), many Ohio taxpayers normally expected to file Ohio income tax returns in January did not do so this year. February should see a marked catch-up in refunds.

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

	Actual January	Estimate January	$ Var	Actual January-2021	Actual January-2020	$ Var Y-0ver-Y
Withholding	$839.8	$868.7	($28.9)	$839.8	$890.7	($50.9)
Quarterly Est.	$266.2	$230.4	$35.8	$266.2	$248.0	$18.2
Annual Returns & 40 P	$10.7	$6.8	$3.9	$10.7	$7.0	$3.7
Trust Payments	$12.8	$10.5	$2.3	$12.8	$13.6	($0.7)
Other	$3.7	$6.9	($3.2)	$3.7	$6.9	($3.2)
Less: Refunds	($38.6)	($100.8)	$62.2	($38.6)	($151.8)	$113.2
Local Distr.	($35.7)	($35.0)	($0.7)	($35.7)	($34.0)	($1.8)
Net to GRF	$1,059.0	$987.5	$71.5	$1,059.0	$980.5	$78.5

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

Financial Institutions Tax (FIT)

The first estimated payment of the current FIT tax year is due in January and it is therefore a significant collections month for this tax source. Normally the due date is January 31. But because January 31 fell on a weekend, the first estimated FIT payment for tax year 2021 was February 1. Although the estimate anticipated a considerable share of the total estimated payment to be posted in February rather than January, it is difficult to predict the monthly flow of these payments. FIT revenue was $18.3 million (-31.3%) below estimate in January, however revenue information from early February indicates that combined January and February revenue should exceed the estimates for the two months.

Commercial Activity Tax (CAT)

January revenues were $13.3 million (-18.1%) below estimate. For the year to date, the source is $28.3 million (-3.3%) below estimate. In addition, CAT revenue in January was $23.7 million (-28.2%) under last year. Following a quarter in which CAT revenue performed above estimate, January shows potential evidence of a weaker third quarter of fiscal year 2021. Although February revenue will be far greater in absolute magnitude than January and therefore is a more significant month for the quarter (February is the month in which quarterly payments are due), payments in the month preceding the due date can serve as a good bellwether for quarterly performance (During each of the last six quarters, underperformance or overperformance in the first month of the quarter was accompanied by a commensurate outcome – in direction, not magnitude – for that quarter.). Tax refunds (largely due to refundable tax credits) were $9 million higher in January 2021 than the previous year, a higher level of credits than anticipated in the estimate. Therefore, most of the negative variation in January was not due to weakened performance of the underlying tax base (taxable gross receipts). Furthermore, it is possible that some of the credit overage in January could be offset in February. Even if January provides potential signs of a lower than anticipated revenue performance for February and the quarter, that outcome will not be nearly as negative in percentage terms as suggested by the January outcome.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1.1 billion and were $4.2 million (-0.4%) below estimate for the month of January. This negative variance was driven by the Federal Grants category, which was $21.3 million (-1.9%) below estimate. This variance coincides with lower than projected Medicaid disbursements for the month, discussed in the disbursement section of this report.

Partially offsetting the negative Federal Grants variance was the Earnings on Investments category, which was $10.0 million (199.7%) above estimate, and the Other Income category, which was $7.4 million (281.4%) above estimate. While Earnings on Investments fell $20.5 million (-57.7%) compared to fiscal year 2020, the reduction was not as much as anticipated in our near zero interest rate environment. The positive Other Income variance was caused by delayed racetrack relocation payments, which are usually received in the fall.

2/8/2021

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2021 VS ESTIMATE FY 2021
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL JANUARY	MONTH ESTIMATE JANUARY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	922,126	890,600	31,526	3.5%	6,018,089	5,735,500	282,589	4.9%
Auto Sales & Use	130,058	119,800	10,258	8.6%	1,016,997	901,300	115,697	12.8%
Subtotal Sales & Use	1,052,184	1,010,400	41,784	4.1%	7,035,086	6,636,800	398,286	6.0%
Personal Income	1,059,028	987,500	71,528	7.2%	6,129,730	5,982,900	146,830	2.5%
Corporate Franchise	(1,024)	0	(1,024)	N/A	5,802	0	5,802	N/A
Financial Institutions Tax	40,094	58,400	(18,306)	-31.3%	20,147	27,900	(7,753)	-27.8%
Commercial Activity Tax	60,145	73,400	(13,255)	-18.1%	835,420	863,700	(28,280)	-3.3%
Petroleum Activity Tax	0	0	0	N/A	2,062	4,400	(2,338)	-53.1%
Public Utility	240	700	(460)	-65.7%	51,019	68,400	(17,381)	-25.4%
Kilowatt Hour	26,607	27,900	(1,293)	-4.6%	179,137	194,400	(15,263)	-7.9%
Natural Gas Distribution	170	2,600	(2,430)	-93.5%	19,387	25,300	(5,913)	-23.4%
Foreign Insurance	278	(2,800)	3,078	109.9%	176,775	157,900	18,875	12.0%
Domestic Insurance	16	100	(84)	-84.1%	840	2,100	(1,260)	-60.0%
Other Business & Property	0	0	0	N/A	59	0	59	N/A
Cigarette and Other Tobacco	72,067	70,300	1,767	2.5%	502,185	461,900	40,285	8.7%
Alcoholic Beverage	4,406	4,900	(494)	-10.1%	35,726	32,600	3,126	9.6%
Liquor Gallonage	5,631	5,100	531	10.4%	34,402	30,400	4,002	13.2%
Estate	0	0	0	N/A	12	0	12	N/A
Total Tax Receipts	2,319,843	2,238,500	81,343	3.6%	15,027,791	14,488,700	539,091	3.7%
NON-TAX RECEIPTS								
Federal Grants	1,086,155	1,107,438	(21,283)	-1.9%	7,658,343	8,315,700	(657,357)	-7.9%
Earnings on Investments	14,984	5,000	9,984	199.7%	32,559	18,750	13,809	73.6%
License & Fees	2,462	3,777	(1,315)	-34.8%	18,000	13,223	4,777	36.1%
Other Income	10,093	2,647	7,447	281.4%	92,958	81,772	11,186	13.7%
ISTV'S	1,000	0	1,000	N/A	1,090	0	1,090	N/A
Total Non-Tax Receipts	1,114,695	1,118,861	(4,166)	-0.4%	7,802,949	8,429,445	(626,496)	-7.4%
TOTAL REVENUES	**3,434,537**	**3,357,361**	**77,176**	**2.3%**	**22,830,740**	**22,918,145**	**(87,405)**	**-0.4%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	85,026	77,932	7,094	9.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	0	0	N/A	85,026	77,932	7,094	9.1%
TOTAL SOURCES	**3,434,537**	**3,357,361**	**77,176**	**2.3%**	**22,915,767**	**22,996,077**	**(80,310)**	**-0.3%**

2/8/2021

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2021 VS ACTUAL FY 2020
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**JANUARY FY 2021**	**JANUARY FY 2020**	**$ VAR**	**% VAR**	**ACTUAL FY 2021**	**ACTUAL FY 2020**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	922,126	916,866	5,260	0.6%	6,018,089	5,707,281	310,807	5.4%
Auto Sales & Use	130,058	125,490	4,568	3.6%	1,016,997	926,354	90,643	9.8%
Subtotal Sales & Use	1,052,184	1,042,356	9,828	0.9%	7,035,086	6,633,635	401,450	6.1%
Personal Income	1,059,028	980,483	78,545	8.0%	6,129,730	5,411,725	718,006	13.3%
Corporate Franchise	(1,024)	32	(1,056)	-3252.7%	5,802	85	5,717	6763.2%
Financial Institutions Tax	40,094	74,577	(34,482)	-46.2%	20,147	35,618	(15,471)	-43.4%
Commercial Activity Tax	60,145	83,823	(23,677)	-28.2%	835,420	891,845	(56,424)	-6.3%
Petroleum Activity Tax	0	0	0	N/A	2,062	4,041	(1,979)	-49.0%
Public Utility	240	1,387	(1,147)	-82.7%	51,019	65,832	(14,813)	-22.5%
Kilowatt Hour	26,607	27,906	(1,299)	-4.7%	179,137	193,340	(14,203)	-7.3%
Natural Gas Distribution	170	2,159	(1,989)	-92.1%	19,387	20,453	(1,066)	-5.2%
Foreign Insurance	278	82	196	238.9%	176,775	172,046	4,730	2.7%
Domestic Insurance	16	145	(129)	-89.1%	840	3,971	(3,131)	-78.9%
Other Business & Property	0	0	0	N/A	59	0	59	N/A
Cigarette and Other Tobacco	72,067	74,328	(2,262)	-3.0%	502,185	476,830	25,356	5.3%
Alcoholic Beverage	4,406	4,077	329	8.1%	35,726	31,490	4,236	13.5%
Liquor Gallonage	5,631	5,263	368	7.0%	34,402	31,316	3,086	9.9%
Estate	0	0	0	N/A	12	38	(25)	-67.1%
Total Tax Receipts	2,319,843	2,296,618	23,225	1.0%	15,027,791	13,972,264	1,055,527	7.6%
NON-TAX RECEIPTS								
Federal Grants	1,086,155	930,121	156,034	16.8%	7,658,343	6,318,467	1,339,876	21.2%
Earnings on Investments	14,984	35,435	(20,451)	-57.7%	32,559	76,731	(44,172)	-57.6%
License & Fee	2,462	4,194	(1,732)	-41.3%	18,000	15,498	2,501	16.1%
Other Income	10,093	2,587	7,506	290.2%	92,958	79,929	13,029	16.3%
ISTV'S	1,000	(79)	1,079	1369.1%	1,090	176	914	518.6%
Total Non-Tax Receipts	1,114,695	972,258	142,436	14.7%	7,802,949	6,490,801	1,312,148	20.2%
TOTAL REVENUES	**3,434,537**	**3,268,876**	**165,661**	**5.1%**	**22,830,740**	**20,463,065**	**2,367,675**	**11.6%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	50	(50)	N/A	85,026	75,598	9,429	12.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	50	(50)	N/A	85,026	75,598	9,429	12.5%
TOTAL SOURCES	**3,434,537**	**3,268,926**	**165,611**	**5.1%**	**22,915,767**	**20,538,663**	**2,377,104**	**11.6%**

DISBURSEMENTS

January GRF disbursements, across all uses, totaled $2.7 billion and were $499.2 million (-15.8%) below estimate. This variance was primarily attributable to below estimate disbursements in Medicaid. On a year-over-year basis, January's total uses were $306.1 million (-10.3%) lower than those of the same month in the previous fiscal year, with a decrease in Medicaid largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	**Description**	**Year-Over-Year Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($314.9)	-10.6%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$8.8	10.7%
TOTAL DISBURSEMENTS VARIANCE:		**($306.1)**	**-10.3%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. January disbursements for this category totaled $761.0 million and were $7.2 million (-0.9%) below estimate. This variance was primarily attributable to below-estimated spending in the EdChoice Expansion, Early Childhood Education, and Pupil Transportation line items. Disbursements for the Early Childhood Education line item were below estimate as payments were shifted to a non-GRF funding source in January. Disbursements for the EdChoice Expansion line item were below estimate due to the timing of payments which may be offset in future months. Disbursements for the Pupil Transportation line item were below estimate to offset prior month overspending. The below-estimated spending was partially offset by the above-estimated disbursements for the Foundation Funding line item as the College Credit Plus payment to colleges for the summer and fall 2020 terms was above estimate.

Expenditures for the school foundation program totaled $715.1 million and were $8.0 million (1.1%) above estimate. Year-to-date disbursements were $4.8 billion, which was $19.2 million (0.4%) above estimate. On a year-over-year basis, disbursements in this category were $50.0 million (-6.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $209.1 million (-4.2%) lower than the same point in fiscal year 2020.

Higher Education

January disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $175.9 million and were $7.2 million (-3.9%) below the estimate for the month. This variance was primarily attributable to spending in the Ohio College Opportunity Grant, Choose Ohio First Scholarship, and National Guard Scholarship Programs that were below monthly estimates by a total of $7.9 million because of lower-than-expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1.3 billion, which was $15.5 million (-1.2%) below the estimate. On a year-over-year basis, disbursements in this category were $23.0 million (-11.5%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $12.5 million (-0.9%) lower than at the same point in fiscal year 2020.

Other Education

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

January disbursements in this category totaled $7.8 million and were $49,000 (-0.6%) below estimate. Year-to-date disbursements were $49.2 million and were $2.1 million (-4.0%) below estimate. On a year-over-year basis, disbursements in this category were $3.6 million (83.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $5.9 million (-10.7%) lower than at the same point in fiscal year 2020.

Medicaid

Note: Medicaid enrollment and spending estimates included in this report are based on projections made in July at the start of fiscal year 2021. Enrollment has continued below this report's estimate throughout the fiscal year driving significant negative variances. Additionally, these projections assume the receipt of additional federal reimbursement associated with the federal pandemic response only for the July-December period, whereas the additional federal reimbursement has now been authorized for the January-June period. In keeping with prior practice, no adjustment will be made to this report's enrollment or spending estimates.

The development of the State's two-year operating budget utilizes updated data and therefore variances reflected in this report are accounted for in the Governor's budget recommendations.

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

Expenditures

January GRF disbursements for the Medicaid Program totaled $1.2 billion and were $459.8 million (-27.7%) below estimate and $242.2 million (-16.8%) below disbursements for the same month in the previous fiscal year.

The January GRF variance was primarily attributable to below estimate enrollment in both the managed care and fee-for-service programs. Additionally, the variance was driven by lower than projected managed care rates, which took effect in January - this will continue to have effects on spending moving forward. The variance from the previous fiscal year was primarily attributable to the timing of the use of non-GRF funding sources.

Year-to-date GRF disbursements totaled $10.9 billion and were $999.0 million (-8.4%) below estimate and $990.3 million (10.0%) above disbursements for the same point in the previous fiscal year. The year-to-date and year-over-year variances were both primarily attributable to enrollment. The program has underspent GRF year-to-date as managed care enrollment in all major eligibility categories remains below the updated post-pandemic enrollment estimate; CFC, Group 8, and ABD/Dual are currently below the updated estimate by 4.6%, 9.4%, and 2.8%, respectively (on a monthly average basis). Additionally, the fee-for-service program's enrollment is 12.2% below estimate. However, despite the variance from the updated monthly estimates, enrollment is increasing month-to-month, and therefore spending is well above last fiscal year.

January all-funds disbursements for the Medicaid Program totaled $2.4 billion and were $399.8 million (-14.4%) below estimate and $68.2 million (-2.8%) below disbursements for the same month in the previous fiscal year. The January all-funds variance was primarily attributable to below estimate enrollment and lower than projected manage care rates as mentioned above. Additionally, there was generally underspending in some administration related categories due primarily to timing. The negative year-over-year variance is attributable to a retrospective managed care rate adjustment payment made during January in fiscal year 2020. Despite fiscal year 2021 spending generally being higher due to the increases in caseload, this payment made in the prior fiscal year was enough to skew the monthly year-over-year variance.

Year-to-date all-funds disbursements totaled $18.3 billion and were $989.0 million (-5.1%) below estimate and $1.8 billion (11.2%) above disbursements for the same point in the previous fiscal year. Again, the year-to-date all funds variance was primarily attributable to below estimate enrollment in both the managed care and fee-for-service programs as well as the lower managed care rates that took effect in January. Additionally, the variance was partially attributable to below estimate spending in administration-related expenses, notably in information technology where some payments have been delayed. The year-over-year variance is primarily attributable to higher costs associated with significant increases in enrollment due to the pandemic; enrollment has increased by approximately 348,100 individuals since January 2019.

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

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

	Jan. Actual	Jan. Projection	Variance	Variance %
GRF	$1,198.9	$1,658.5	-$459.6	-27.7%
Non-GRF	$1,185.0	$1,125.0	$60.0	5.3%
All Funds	$2,383.9	$2,783.5	-$399.6	-14.4%

Enrollment

Total January enrollment was 3.14 million, which was 398,200 (-11.3%) below the updated post-pandemic estimate and 348,100 (12.5%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.06 million and was 170,600 (-5.3%) below estimate.

January enrollment by major eligibility category was: Covered Families and Children, 1.75 million; Group VIII Expansion, 757,500; and Aged, Blind and Disabled (ABD), 491,700.

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

Health and Human Services

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

January disbursements in this category totaled $108.8 million and were $41.0 million (-27.4%) below estimate. Year-to-date disbursements were $840.5 million and were $89.9 million (-9.7%) below estimate. On a year-over-year basis, disbursements in this category were $7.9 million (-6.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $18.7 million (-2.2%) lower than at the same point in fiscal year 2020.

Department of Developmental Disabilities

January disbursements for the Department of Developmental Disabilities totaled $3.7 million and were $1.1 million (-23.0%) below estimate. This variance was primarily attributable to below estimate spending in the Early Intervention line item due to timing and normally occurring program fluctuations.

Department of Job and Family Services

January disbursements for the Department of Job and Family Services totaled $43.5 million and were $35.7 million (-45.06%) below estimate. This variance was primarily attributable to the Family and Children Services line item, which was $27.7 million below estimate due to counties receiving their funding for the Child Protective Services allocation in December. This is a quarterly allocation and usually made in the month of each quarter. The third quarter allocation was sent out in December instead of January. The Early Care and Education line item was $3.4 million below estimate because the weekly childcare provider payments have been lower than expected due to the pandemic, which has impacted daycare enrollment and/or attendance. The Program Operations line item was $2.3 million below estimate because invoices from various vendors were not received as anticipated.

Department of Health

January disbursements for the Department of Health totaled $8.0 million and were $132,204 (1.7%) above estimate. This variance was primarily attributed to the Medically Handicapped Children line which was $1.6 million above zero spending due to delayed subsidy payments for December being made in January.

Department of Mental Health and Addiction Services

January disbursements for the Department of Mental Health and Addiction Services totaled $46.7 million and were $3.4 million (-6.8%) below estimate. This variance was primarily attributed to the Criminal Justice Services line which was $2.1 million below estimate due to delay in subsidy payments for the Addiction Treatment Program which will be processed in February, and the Addiction Services Partnership with Corrections line which was $1.1 million below estimate due to timing of subsidy distribution. The variance was partially offset by the Continuum of Care Services line which was $1.8 million above estimate due mostly to an underestimation of third-quarter disbursements.

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.

January disbursements in this category totaled $232.0 million and were $1.8 million (-0.8%) below estimate. Year-to-date disbursements were $1.5 billion and were $62.1 million (-3.9%) below estimate. On a year-over-year basis, disbursements in this category were $3.8 million (-1.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $14.8 million (1.0%) higher than at the same point in fiscal year 2020.

Office of the Attorney General

January disbursements for the Office of the Attorney General totaled $6.9 million and were $1.4 million (-17.0%) below estimate. This variance was primarily attributable to lower than estimated disbursements in the School Safety Training Grants and the Rape Crisis Centers line items.

Department of Youth Services
January disbursements for the Department of Youth Services totaled $20.0 million and were $3.2 million (-14%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item which was $3.1 million lower than the estimate due primarily to the timing of payment for the community correctional facilities and lower facility costs for hospitalizations, supplies, and maintenance.

Department of Rehabilitation and Correction
January disbursements for the Department of Rehabilitation and Correction totaled $176.8 million and were $485,000 (-0.3%) below estimate. This variance was primarily attributable to a variance in the Institutional Operations line item, which was $2.8 million above estimate. This variance was offset by the Institutional Medical Services line item, which was $2.6 million below estimate, and the Halfway House line item which was $1.5 million below estimate which is due to the timing of payments.

Public Defender Commission
January disbursements for the Public Defender Commission totaled $9.9 million and were $5.9 million (146.3%) above estimate. This variance was attributable to disbursements in the County Reimbursement line item which was $5.8 million above estimate due to the timing of county reimbursement payments for the previous month.

General Government

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

January disbursements in this category totaled $46.9 million and were $6.0 million (14.7%) above estimate. Year-to-date disbursements were $264.7 million and were $29.0 million (-9.9%) below estimate. On a year-over-year basis, disbursements in this category were $5.5 million (13.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $1.4 million (0.5%) higher than at the same point in fiscal year 2020.

Department of Administrative Services
January disbursements for the Department of Administrative Services totaled $5.6 million and were $3.4 million (153.1%) above estimate. This variance was attributable to the State Agency Support Services line item, which was $3.6 million above estimate because rent for certain GRF agencies and vacant space in state office buildings was billed later than projected for earlier months in the fiscal year.

Development Services Agency
January disbursements for the Development Services Agency totaled $6.4 million and were $2.8 million (76.4%) above estimate. This variance was primarily attributable to the timing of payments in the Appalachia Assistance line item. Grant payments to the Foundation for Appalachian Ohio were disbursed in January but were originally planned for December.

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. January reimbursements totaled -$4,000 though none were estimated. Year-to-date reimbursements totaled $904.3 million were $29.2 million (-3.1%) below estimate. The negative disbursement in January was the result of a voided warrant, while the year-to-date negative variance is caused by reimbursement requests being lower than originally estimated.

Debt Service

January payments for debt service totaled $124.2 million and were $2.2 million (1.8%) above estimate. Year-to-date expenses in this category total $650.1 million and were $0.1 million (0.0%) below estimate. The monthly variance was primarily caused by a debt service payment for the Bureau of Criminal Investigation Records System occurring in January, rather than February as planned.

Transfers Out

January transfers out totaled $9.6 million though none were estimated. Year-to-date transfers out totaled $444.9 million and were $1.0 million (-0.2%) below estimate. The monthly variance was caused by a transfer to the OAKS Support Organization Fund which was originally planned for later in the fiscal year.

2/8/2021

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2021 VS ESTIMATE FY 2021
($ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL JANUARY	ESTIMATED JANUARY	$ VAR	% VAR	YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	761,004	768,217	(7,213)	-0.9%	4,777,494	4,758,277	19,217	0.4%
Higher Education	175,897	183,090	(7,193)	-3.9%	1,318,670	1,334,211	(15,541)	-1.2%
Other Education	7,836	7,885	(49)	-0.6%	49,175	51,244	(2,069)	-4.0%
Medicaid	1,198,892	1,658,667	(459,775)	-27.7%	10,856,316	11,855,308	(998,992)	-8.4%
Health and Human Services	108,765	149,809	(41,044)	-27.4%	840,504	930,428	(89,923)	-9.7%
Justice and Public Protection	232,038	233,806	(1,768)	-0.8%	1,515,067	1,577,185	(62,118)	-3.9%
General Government	46,930	40,909	6,020	14.7%	264,655	293,637	(28,982)	-9.9%
Property Tax Reimbursements	(4)	0	(4)	N/A	904,345	933,578	(29,233)	-3.1%
Debt Service	124,176	121,968	2,209	1.8%	650,140	650,238	(98)	0.0%
Total Expenditures & ISTV's	**2,655,535**	**3,164,352**	**(508,817)**	**-16.1%**	**21,176,366**	**22,384,107**	**(1,207,740)**	**-5.4%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	9,645	0	9,645	N/A	444,870	445,900	(1,030)	-0.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**9,645**	**0**	**9,645**	**N/A**	**444,870**	**445,900**	**(1,030)**	**-0.2%**
Total Fund Uses	**2,665,180**	**3,164,352**	**(499,172)**	**-15.8%**	**21,621,236**	**22,830,007**	**(1,208,771)**	**-5.3%**

2/8/2021

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2021 VS ACTUAL FY 2020
($ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JANUARY FY 2021	JANUARY FY 2020	$ VAR	% VAR	ACTUAL FY 2021	ACTUAL FY 2020	$ VAR	% VAR
Primary and Secondary Education	761,004	810,985	(49,981)	-6.2%	4,777,494	4,986,544	(209,050)	-4.2%
Higher Education	175,897	198,849	(22,952)	-11.5%	1,318,670	1,331,136	(12,467)	-0.9%
Other Education	7,836	4,276	3,560	83.3%	49,175	55,045	(5,870)	-10.7%
Medicaid	1,198,892	1,441,110	(242,217)	-16.8%	10,856,316	9,865,975	990,341	10.0%
Health and Human Services	108,765	116,664	(7,898)	-6.8%	840,504	859,186	(18,682)	-2.2%
Justice and Public Protection	232,038	235,789	(3,751)	-1.6%	1,515,067	1,500,226	14,842	1.0%
General Government	46,930	41,434	5,495	13.3%	264,655	263,210	1,445	0.5%
Property Tax Reimbursements	(4)	0	(4)	N/A	904,345	905,289	(945)	-0.1%
Debt Service	124,176	121,322	2,854	2.4%	650,140	1,024,647	(374,507)	-36.5%
Total Expenditures & ISTV's	**2,655,535**	**2,970,430**	**(314,895)**	**-10.6%**	**21,176,366**	**20,791,258**	**385,108**	**1.9%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	9,645	821	8,824	1,074.8%	444,870	663,620	(218,750)	-33.0%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**9,645**	**821**	**8,824**	**1,074.8%**	**444,870**	**663,620**	**(218,750)**	**-33.0%**
Total Fund Uses	**2,665,180**	**2,971,251**	**(306,071)**	**-10.3%**	**21,621,236**	**21,454,878**	**166,358**	**0.8%**

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for fiscal year 2021. Based on the estimated revenue sources for fiscal year 2021 and the estimated fiscal year 2021 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for fiscal year 2021 is estimated to be $296.0 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in fiscal year 2021, nor should it be considered as equivalent to the fiscal year 2021 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 2021
($ in thousands)
Updated 2/1/21*

July 1, 2020 Beginning Cash Balance**	**1,270,176.7**
Plus FY 2021 Estimated Revenues	24,482,026.0
Plus FY 2021 Estimated Federal Revenues	11,449,300.0
Plus FY 2021 Estimated Transfers to GRF	278,185.0
Total Sources Available for Expenditures & Transfers	**37,479,687.7**
Less FY 2021 Estimated Disbursements***	34,349,421.3
Less FY 2021 Estimated Total Encumbrances as of June 30, 2021	433,671.4
Less FY 2021 Estimated Transfers Out	2,400,571.8
Total Estimated Uses	**37,183,664.6**
FY 2021 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**296,023.1**

*This fund balance projection reflects revenue and disbursement estimates at the time of the introduction of the fiscal year 2022 and 2023 Executive Budget.

**Includes reservations of $485.3 million for prior year encumbrances and obligations. After accounting for this adjustment, the unencumbered beginning fund balance for fiscal year 2021 is $784.8 million.

***Disbursements include estimated spending against current year appropriations and prior year encumbrances.

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THE POWER OF BEING UNDERSTOOD

EMPLOYEE RETENTION TAX CREDIT

February 17, 2020

RSM

With you today

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Justin has over 25 years of broad tax advisory experience. His primary focus includes serving middle-market clients in the manufacturing and distribution industries, including a number of clients with international operations. His professional experience is comprised of entity and owner-level tax planning, including federal, state and local and international tax minimization strategies.

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COVID-19 Relief – How Did We Get Here?

- Legislation for a mix of credit programs and loans
- Families First Coronavirus Response Act (FFCRA) passed 3/18/20:
  - Paid sick leave credit
  - Paid family leave credit
- Coronavirus Aid, Relief, and Economic Security (CARES) Act passed 3/27/20:
  - Employee Retention Tax Credit 2020
  - Payroll tax deferral
  - Payroll Protection Program Round 1
- The Consolidated Appropriations Act (CAA) passed 12/27/2020 (extended and modified certain of the above).
  - Employee Retention Tax Credit 2021
  - Payroll Protection Program Round 2

Why the renewed interest in ERTC?

- CAA allows PPP borrowers to also claim the ERTC
- The extension of the program to 2021
  - 2020 credit was a maximum of $5,000 per employee
  - $14,000 per employee max for 2021 for a total $19,000 credit between 2020 and 2021
- Expanded definition of small employer
  - CARES Act – 100 or fewer employees
  - CAA – 500 or fewer employees for 2021 credit
- **Evolving understanding of eligibility and qualifying wages**

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ERTC Overview

- Refundable payroll tax credit is generally available to employers (and self-employed) that:
  - Experienced a significant drop in gross receipts, or
  - Were fully or partially suspended during any 2020 quarter by any government authority that limited commerce, travel, or group meetings

- The credit is claimed on qualified wages paid between March 13, 2020 thru June 30, 2021 for the period of time over which you met one of the two criteria above
  - 50% of qualified wages for 2020 up to a maximum of $5,000 per employee
  - 70% of qualified wages for 2021 up to a maximum of $7,000 per employee for Q1 and Q2
  - Note federal income tax addback

- Definition of qualified wages varies based on the number of employees
  - For 2020, if 100 or fewer employees, ALL wages are qualified during affected period
  - For 2021, if 500 or fewer employees, ALL wages are qualified during affected period
  - For “large” employers, only wages paid while “not working” are qualified

Common Misconceptions

- Our business is considered essential so we don’t qualify
- We had a good year, so we don’t qualify
- We don’t pay people not to work
- Our payroll provider already calculated this credit
- 50% of wages? This is easy!

Significant Decline in Gross Receipts

- 2020
  - Begins: When gross receipts in a calendar quarter in 2020 are less than 50% of gross receipts in the same quarter in 2019.
  - Ends: When gross receipts in a calendar quarter in 2020 are greater than 80% of gross receipts in the same quarter in 2019, the decline ends on the first day of the next calendar quarter in 2020.
- 2021
  - When gross receipts in a calendar quarter in 2021 are less than 80% of gross receipts in the same quarter in 2019.
  - Can use the immediately preceding quarter as compared to the same quarter in 2019.

Full or Partial Suspension of Operations

- The employer’s trade or business operations are fully or partially suspended by government order limiting commerce, travel or group meetings due to the COVID-19 pandemic
  - Essential business status is not determinative
  - Partial suspension:
    - May include direct or indirect effect on business operations
    - Supply chain disruption
    - Operational impacts
    - Hospital example
  - Partial suspension must have more than nominal effect of business operations
  - Does not include having less revenue due to behavioral changes

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Qualified Wages

- Small businesses (100 / 500 or fewer employees for 2020 / 2021)
    - All employee wages - defined as FICA wages plus health plan expenses
- “Large” businesses (>100 / >500 employees for 2020 / 2021)
    - Employee wages “while not working”
    - Furloughs
    - Other fact patterns that may create opportunities
        - Facilities / operations
        - Travel restrictions
        - “Trickle down” impact

Aggregation Rules

- ERTC uses the aggregated group to determine gross receipts and the number of full-time employees which affects the determination of qualified wages

- Entities under common control or management will need to evaluate
  - Consolidated federal income tax return
  - Brother / sister operating entities

- Especially complex in private equity setting
  - Must test for ownership control
  - Management control can also be a factor
  - Determination as to whether owner is a trade or business

Exclusions from Qualified Wages

- Exclusions include
  - Paid sick leave and paid family leave wages (FFCRA)
  - Wages for section 45S paid family/medical leave credit
  - Wages for which WOTC was claimed
  - For 2020, limited to what the employee would have been paid for working an equivalent duration during the 30 days immediately before the economic hardship
    - The CAA eliminated this for 2021
    - Only applicable if have over 100 employees in 2019
  - Owner wages or family members
  - **Wages that were utilized for PPP forgiveness**

Process for Claiming the ERTC

- 2020
  - Amended Form 941
- 2021
  - Employer holds back credit amount from federal employment tax deposits
    - Employee federal income, social security and Medicare taxes
    - Employer social security and Medicare taxes
  - If credit amount exceeds federal employment taxes due, Form 7200, for an advance refund of credits, can be filed
  - Employer reconciles credit amount, deposits and advanced refunds on quarterly Form 941

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ERTC Examples

- Example 1:
  - Credit calculated = $5,000
  - Taxes due = $8,000
  - Employer withholds $5,000 credit from the $8,000 of taxes due and deposits $3,000

- Example 2:
  - Credit calculated = $10,000
  - Taxes due = $8,000.
  - Employer withholds $8,000 credit from the $8,000 of taxes due and deposits $0
  - Employer has the option to file Form 7200 now for an advance refund of the remaining $2,000

QUESTIONS AND ANSWERS

THANK YOU FOR YOUR TIME AND ATTENTION

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Municipal income tax: temporarily relocated employees (From HB197 LSC Final Analysis)

The act specifies that, for municipal income tax purposes, employees who must, as the result of the COVID-19 emergency, report to a temporary worksite, including their home, are temporarily considered to be working at their otherwise principal place of work, i.e., the location where the employee reports for work on "a regular and ordinary basis." This treatment affects which municipal corporation the employer must withhold income taxes for, which municipal corporation may tax the employee's pay, and whether and how much of the employer's own income is subject to a municipality's income tax. In effect, considering this income to be earned in the location of the employee's principal place of work potentially allows the employer to avoid withholding taxes for that employee in the municipality where the employee's temporary worksite is located and prevents the employer from becoming subject to that municipality's income tax. It also potentially prevents the employee from being taxed on that income by that municipality, unless the employee is a resident of that municipality. (Resident municipalities may tax individual taxpayers on their entire income, regardless of where the income is earned.)

Under continuing law, a nonresident employee may work in a municipality for up to 20 days per year without the employer becoming subject to that municipality's tax withholding requirements and the employee becoming subject to that municipality's income tax. And, if an employee does not exceed the 20-day threshold, that employee's pay is not counted toward the business's payroll factor, one of three factors – along with property and sales – that determines whether, and the extent to which, an employer's own income is subject to the municipality's tax on net profits.

The Buckeye Institute Files Suit Against City of Columbus and State of Ohio

Jul 09, 2020

Columbus, OH – The Buckeye Institute, along with three of its individual employees, **filed a lawsuit** calling for the court to declare unconstitutional a state law allowing the City of Columbus to tax income from workers who do not live in, and were prohibited from working within, the city's jurisdiction during Ohio's Stay-at-Home order.

"The law in this case is straight out of a dystopic novel: the state first prohibited workers from going into their offices during the Stay-At-Home order, then passed an emergency law absurdly 'deeming' all work that was actually performed at home to have been performed in the higher-taxed office location instead. It is a legal fiction, and it is unconstitutional," said Robert Alt, president and chief executive officer of The Buckeye Institute.

Alt continued, "Not only have our employees—along with thousands of others like them across Ohio—had municipal income taxes unlawfully taken from them during the Stay-at-Home order, but The Buckeye Institute also has been forced to participate in perpetrating this constitutional violation, betraying the very principle of limited government that is an essential component of our organization's mission."

The lawsuit—filed on July 2 in Franklin County Common Pleas Court against the City of Columbus and the State of Ohio on behalf of The Buckeye Institute, Rea S. Hederman, Jr. of Powell, Greg R. Lawson of Westerville, and Joe Nichols of Newark Township—states that as a result of the COVID-19 pandemic and to comply with Ohio's emergency orders requiring nonessential businesses to close, The Buckeye Institute required its employees to work from home. Subsequently, House Bill 197 "deemed" all work performed at private homes during the health emergency to have been performed at the employees' principal place of work for the purposes of taxation, and the City of Columbus then continued to unlawfully take taxes from Hederman, Lawson, and Nichols despite the fact that these employees were no longer working within and did not live in the city's jurisdiction.

This unlawful taxation is a clear violation of due process rights under the Fifth and Fourteenth Amendments to the U.S. Constitution and violates Article I, Section 1 of the Ohio Constitution.

The Buckeye Institute Files Two New Tax Lawsuits Against Columbus and Cincinnati

Feb 09, 2021

Columbus, OH – On Tuesday, The Buckeye Institute filed two new lawsuits on behalf of two more Ohioans—**Eric Denison** of Westerville and **Josh Schaad** of Blue Ash—which call for the courts to declare unconstitutional an Ohio law that allows the cities of Columbus and Cincinnati to tax the income of workers who do not live in, and have not been working within, the respective municipalities.

"Ohio's dystopic novel keeps getting more convoluted. Not only has Ohio absurdly deemed work that was actually performed at home or elsewhere to have been performed in higher-taxed office locations, but many folks are now being forced to pay *more* in municipal income taxes for 2020 than they did in 2019, even though they spent *less* time working in Columbus and Cincinnati respectively," said Robert Alt, president and chief executive officer of The Buckeye Institute and one of the lawyers representing Messrs. Denison and Schaad.

Eric Denison and Josh Schaad work offsite for their respective employers. In years past, both have requested and received proportional refunds for work performed outside the city limits of Columbus and Cincinnati. When the Ohio General Assembly passed House Bill 197—which absurdly deemed all work performed elsewhere because of the health emergency to have been performed at the employees' principal place of work for the purposes of levying income taxes—Messrs. Denison's and Schaad's municipal income taxes increased even though they had spent less time at their main office locations in those municipalities.

These two new lawsuits were filed by The Buckeye Institute in Franklin County Court of Common Pleas and Hamilton County Court of Common Pleas respectively. The Buckeye Institute previously filed another similar case, ***Buckeye v. Kilgore***, in July 2020, and an **amicus brief** in *New Hampshire v. Massachusetts* calling on the U.S. Supreme Court to protect Granite Staters from unconstitutional taxation by Massachusetts.

# # #

2 new lawsuits challenge Ohio's pandemic law covering remote-work rules for municipal income taxes

Updated Feb 09, 2021; Posted Feb 09, 2021

By Rich Exner, cleveland.com

CLEVELAND, Ohio - Ohio's pandemic law that reclassified municipal income tax rules to tax people based on their principal work location - not where they may be working remotely during coronavirus - is now the subject of two more lawsuits.

The Columbus-based conservative think tank Buckeye Institute said it filed suits Tuesday against the cities of Columbus and Cincinnati, and Ohio Attorney General Dave Yost, on behalf of suburban residents working remotely - an Ohio Department of Health employee from Westerville and a Blue Ash resident in the financial field.

These suits are in addition to a pending suit filed against Columbus and Yost in July - all making the general argument that it is illegal to tax people where they neither work nor live.
The new suits take on an additional argument.

In both cases, according the the Buckeye Institute, the plaintiffs (Eric Denison of Westerville and Josh Schaad of Blue Ash) often worked remotely ahead of the pandemic and in the past had received refunds on taxes collected by Columbus and Cincinnati for work performed outside those cities.

Now, however, they are not able to get those refunds, said Robert Alt, president and chief executive officer of the Buckeye Institute.

"It clearly raises this additional question: 'Why are you working where you are working,' " Alt said. "Before, it was where is the work being performed."

The law approved in March as part of wide-ranging pandemic legislation said that during Ohio's emergency declaration and until 30 days after it ends "any day in which an employee performs personal services at a location, including the employee's home ... because of the declaration shall be deemed to be a day performing personal services at the employee's principal place of work."
In Denison's case, he has been working in Groveport, not at home or in Columbus since March, but has been taxed in Columbus, the suit said.

A spokeswoman for the Columbus mayor's office said the city could not comment on pending litigation. Messages were left seeking comment from the Cincinnati's mayor's office and the Ohio attorney general's office.

Lingering questions have muddied the tax issues statewide, including for dozens of communities in Northeast Ohio.

The Regional Income Tax Agency (RITA), which administers taxes for most cities and villages in Greater Cleveland and others elsewhere, has amended its current refund form to allow people to submit claims for refunds if they have been working at home during the coronavirus pandemic.

But RITA is making no promises to pay those refunds, instead cautioning on the form: "A refund of the tax withheld for your pre-COVID-19 work municipality, while you worked from home or another location, may not be available until litigation over this issue is completed. ... RITA will hold your request for refund in a suspended status until this litigation is concluded.

"Should the conclusion of this litigation determine that a refund is allowed, your request for refund will be processed at that time. Should the conclusion of the litigation determine that a refund is not allowed, you will receive a notice that a refund is not available to you."

The Cleveland-run Central Collection Agency (CCA), which administers taxes for Cleveland and other communities, has a downloadable refund form on its website but there are no changes this year specifically to address COVID work situations.
The amount of money that is at stake depends on individual circumstances.

For example, someone making $50,000 who lives in a township without an income tax but works in city where the income tax rate is 2%, would pay $1,000 over a full year in local income taxes. That potentially could be refunded.

But some people receiving such a refund would then have to turn around and pay taxes to their residency city, if they are working there. The gains for these people would range from a full refund to perhaps nothing at all, depending on the tax rates and normal credits for their home city.

The Cincinnati suit quotes from the city's published policy: "Therefore, there is no refund opportunity when filing a tax return for 2020 if you are working at home due to COVID-19."
Cities across Ohio are bracing for big hits to their budgets if the refunds are ordered.

The Ohio Mayors Alliance expressed concern for additional changes, advocating in a Monday news release that state priorities should include "preserving stability for local governments by maintaining previously passed COVID-related provisions. This includes avoiding tax policy changes or funding cuts that would create further financial instability in the middle of a pandemic."

RITA income tax filers can claim a refund for working at home during coronavirus, but might not get the money

Updated Jan 21, 2021; Posted Jan 21, 2021

Form 10A
Regional Income Tax Agency
Application for Municipal Income Tax Refund
PO Box 470638
Broadview Heights, OH 44147-0638

RITA
REGIONAL INCOME TAX AGENCY
800.860.7482
TDD 440.526.5332
ritaohio.com

Your first name and middle initial | Last name
Current home address (number and street) | Apt #
City, state, and ZIP code

Your social security number | Tax year of claim
Daytime phone number | Evening phone number

Check here if you worked outside of your normal place of work in 2020 due to COVID-19. See Checkbox No. 2 below.

Reason for Claim

Check the Box below that applies.

- A separate 10a is required if you have multiple W-2 forms, or for each municipality from which a refund is requested.
- No refunds will be issued without the proper documentation indicated by reason for claim.

1. **Age Exemption.** Date of Birth ______ (MMDDYYYY) Attach a copy of your W-2 form and proof of birthdate (birth certificate, driver's license, etc.). If you were under 18 for only part of the year, you must either: (1) have your employer sign the completed Employer Certification on page 2; or (2) attach a copy of your pay stub for the pay period in which your birthday fell. Exceptions to the 18 years of age or older exemption exist. For more information, visit ritaohio.com, select the RITA municipality in which you worked and review the Special Notes section that relates to the appropriate tax year.
2. **Due to COVID-19, days worked outside of municipality** for which the employer withheld tax. Attach a copy of your W-2 Form, a completed Log of Days Out Worksheet on page 3, and a completed Calculation for Days Worked Out of RITA on page 3. Your employer must complete and sign the Employer Certification Parts 1 and 2 on page 2. **The availability of a refund is dependent upon the outcome of pending litigation. Requests will be held until this litigation is resolved.**
3. **Days worked outside of municipality** for which the employer withheld tax. Attach a copy of your W-2 Form, a completed Log of Days Out Worksheet on page 3, and a completed Calculation for Days Worked Out of RITA on page 3. In addition, your employer must complete and sign the Employer Certification Parts 1 and 2 on page 2. **Do Not Use for COVID-19.**
4. **Employer withheld at a rate higher than the municipality's tax rate.** Attach a copy of your W-2 Form. Your employer must complete and sign the Employer Certification Parts 1 and 2 on page 2. **Do Not Use for COVID-19.**
5. **Employer withheld too much (over-withheld) resident municipality tax.** Attach a copy of your W-2 Form. Your

RITA has published a form allowing workers to claim refunds for municipal taxes withheld while working at a different location during the coronavirus pandemic. But the refund may never be issued.RITA

By [Rich Exner, cleveland.com]

CLEVELAND, Ohio - If you've been working at home during the coronavirus pandemic, away from your normal work city, the Regional Income Tax Agency (RITA) is giving you a chance to request a refund on taxes that were withheld from your regular, pre-pandemic work city.

But here's the catch; you may never see the money.

The RITA refund form cautions:
"A refund of the tax withheld for your pre-COVID-19 work municipality, while you worked from home or another location, may not be available until litigation over this issue is completed. ... RITA will hold your request for refund in a suspended status until this litigation is concluded.

“Should the conclusion of this litigation determine that a refund is allowed, your request for refund will be processed at that time. Should the conclusion of the litigation determine that a refund is not allowed, you will receive a notice that a refund is not available to you.”

The litigation in question is a lawsuit filed by the the Buckeye Institute against the city of Columbus and Ohio Attorney General Dave Yost, asking to invalidate a state law that permitted taxes for the normal work to be collected during the pandemic when work shifted to home or elsewhere.
Essentially, the Buckeye Institute argues that it is not legal to tax people where they neither work nor live. Permission for this tax during the pandemic was part of a larger emergency coronavirus-relief bill state lawmakers approved in March.
However, it could be months, if not years, before the case is complete. The case has not gone to trial yet, and the outcome ultimately could be appealed by either side up to the Ohio Supreme Court.

What’s at stake could be hundreds, or even thousands of dollars, for some people. It depends where one works and where one lives (and is currently working).

For example, someone making $50,000 who lives in a township without an income tax but works in city where the income tax rate is 2%, would pay $1,000 over a full year in local income taxes. That potentially could be refunded.

But some people receiving such a refund would then have to turn around and pay taxes to their residency city, if they are working there. The gains for these people would range from a full refund to perhaps nothing at all, depending on the tax rates and normal credits for their home city.

The refund paperwork is on form 10A posted on the RITA website. The form, not new, routinely offers a variety of special circumstances for which a person may be eligible for refunds.
The special COVID-19 work circumstance was just added. Filers must pick a reason for their refund request. The one tied to COVID-19 reads:

“Due to COVID-19, days worked outside of municipality for which the employer withheld tax. Attach a copy of your W-2 Form, a completed Log of Days Out Worksheet on page 3, and a completed Calculation for Days Worked Out of RITA on page 3. Your employer must complete and sign the Employer Certification Parts 1 and 2 on page 2. The availability of a refund is dependent upon the outcome of pending litigation. Requests will be held until this litigation is resolved.”

A similar option has not been posted on the CCA website - the Cleveland taxing division that processes taxes for several communities that are not part of RITA.

TO: OMA Tax and Finance Committee
FROM: Rachael Carl
SUBJECT: Tax Public Policy Report
DATE: February 17, 2021

Overview

It is no surprise that the effects of COVID-19 will influence the state's upcoming biennium budget bill. For the next few months, the legislature will be almost entirely devoted to the budget process that is supposed to be wrapped up by June 30th.

Governor DeWine kicked off the budget deliberations on February 1st with an outline of his budget recommendations. His team from the Office of Budget and Management noted that Ohio's January revenues exceeded forecasts by $81.3 million or 3.6%. And, while the CAT was $13.3 million (-18.1%) below estimates, they are continuing to see a trend that started during the pandemic: a jump in sales tax and a shift away from spending on untaxed services to goods. Revenue from sales tax (excluding motor vehicles sales tax) has been 5.2% higher over the previous six months than estimates.

Higher than estimated collections, in conjunction with cuts to state spending (to the tune of $775 million last May) and a large influx of federal funds, lead his introduced budget to forgo spending from the Rainy Day Fund. The only notable change in his tax policy was the expansion of the job retention tax credit to allow smaller companies to qualify.

In addition to budget discussion, the legislature will continue to consider the withholding tax issue. There is no strong consensus on the issue of refunds, but there is general agreement to repeal the temporary language. A few business groups asked for the end date to coincide with the end of a quarter. The OMA continues to advocate for a date no sooner than the start of the 2022 tax year.

Tax Legislation

Senate Bill 18 – Internal Revenue Code Conformity

Senate Bill 18 would bring Ohio's tax laws into conformity with changes made to the Internal Revenue Code. The senate bill did receive an amendment that would clarify the application of the CAT. The language would ensure that both BWC rebates and federal PPP Loan proceeds are not considered gross receipts for purposes of the CAT.

Since this legislation is on the fast-track to getting enacted in time to apply for the 2020 tax year, a companion bill has been introduced in the House (House Bill 48). (Although the house bill does not currently contain the clarifying CAT language.) Senate Bill 18 unanimously passed the Senate and is currently pending in the House Ways & Means Committee. It is the likely vehicle to pass the legislature.

Senate Bill 19 – Tax Exemption for Wetland Mitigation

Senator Tim Schaffer (R-Lancaster) introduced a bill to exempt certain privately owned wetlands from property tax. A qualifying property would have to be under a wetland mitigation project and be owned by a 501(c)(3) organized for the purpose of natural resources protection, preservation, restoration, or enhancement of water quality. The bill is scheduled for its third hearing in the Senate this week.

Senate Bill 45 – State and Local Tax Inducements

Senators Bob Peterson (R-Washington Court House) and Stephanie Kunze (R-Hilliard) re-introduced legislation from the last General Assembly. Senate Bill 45 would enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers. The bill would provide a CAT credit for the integrated supply chain to a qualifying project.

This week, the bill is having a second hearing in the Senate. The OMA is submitting a letter with like-minded allies regarding protecting the integrity of the CAT.

House Bill 45 – Tax Amnesty Program

This bill would establish a tax amnesty period from April 1, 2021, to May 31, 2021. During this period, the Tax Commissioner must waive any interest and penalties if a taxpayer pays the full amount of their delinquent taxes or fees. House Bill 45 has not received a hearing yet.

House Bill 47 – Electric Vehicle Charging Station Grant

Newcomer Representative Mike Loychik (R-Cortland) introduced his first bill recently, House Bill 47. The bill would require the Ohio Department of Transportation to establish a rebate grant program for the installation of certain electric vehicle charging stations. It would also appropriate $10 million to the program for both fiscal year 2022 and fiscal year 2023. The bill has yet to receive any hearings.

House Bill 48 – Internal Revenue Code Conformity

As a companion to Senate Bill 18, Representatives Bill Roemer (R-Richfield) and Gail Pavliga (R-Atwater) introduced House Bill 48. Like Senate Bill 18, House Bill 48 would bring Ohio’s tax laws into conformity with changes made to the Internal Revenue Code. Unlike the senate bill, this bill does not include language that would clarify the application of the CAT.

House Bill 48 has received one hearing in the House, but Senate Bill 18 is the likely vehicle to pass the legislature.

House Bill 74 – State Transportation Budget

Just like the state’s operating budget bill, the transportation bill did not include many policy changes. The Governor did include his proposal to crack down on distracted driving by making it a primary offense.

The bill has had three hearings in the House so far and is expected to be on the Governor’s desk for his signature by the end of March.

Municipal Income Tax Withholding
Conversations continue in the legislature on the income tax withholding issue. Last General Assembly, Senate Bill 352 and House Bill 754 were introduced to repeal Sec. 29 from House Bill 197. However, both bills failed to pass in Lame Duck.

As a refresher, Sec. 29 from House Bill 197 has allowed manufacturers and other Ohio businesses to continue withholding employees' income tax from the business' principal location and not employees' homes.

With many Ohioans working remotely due to COVID-19, the General Assembly acted wisely to save businesses the burden, expense, and compliance nightmare of revamping their tax systems in the midst of the pandemic.

Last summer, legislators and interested parties began discussing a repeal of the provision in House Bill 197 so that withholdings would be redirected to the local governments of an employee's home address if he/she is working remotely. Recently, Representative Derek Merrin, Chairman of the House Ways & Means Committee, held a meeting to re-engage the business community and municipalities on the subject.

While there is still debate on the refund discussion, the legislature continues to press on the appropriate date to end the provision in House Bill 197. A few business groups asked for the end date to coincide with the end of a quarter. The OMA continues to advocate for a date no sooner than the start of the 2022 tax year.

The OMA will continue to engage our small working group on this issue since it will likely be a topic of discussion for the state's biennial budget.

Tax News

Legal Challenge Posed to Ohio's Local Income Tax
A conservative think tank in Ohio has filed two new lawsuits challenging a state law intended to protect local income tax revenue during a time when many employees are working from a different municipality than their employer's workplace.

At the start of the pandemic, the OMA and numerous other business interests supported House Bill 197, bipartisan legislation that contained numerous COVID-19 relief measures. HB 197 won unanimous approval in the General Assembly last March and contained a provision to extend Ohio's "20-day rule" for municipal tax withholding for employees who are now working from home.

The Buckeye Institute argues that allowing cities to continue collecting taxes from employees who are now working in other municipalities is an unconstitutional expansion of their taxing authority. Two lawsuits are pending in the Franklin County Common Pleas Court while the other is pending in the Hamilton County Court of Common Pleas.

Increasing Minimum Wage to $15 per Hour
Effective January 1st, Ohio increased its minimum wage to $8.80, but it may not be enough – a bill was introduced in Ohio to increase it to $15 per hour by 2027. Democrats

in Congress also introduced legislation to increase the federal minimum wage from $7.50 per hour to $15 per hour over the next five years. The Congressional Budget Office estimates that the federal wage increase could cost roughly 1.4 million workers their jobs and increase the federal deficit by $54 billion over a decade.

Tax Relief in Federal Law

On Dec. 27, President Donald Trump signed the Consolidated Appropriations Act. Within its 5,593 pages are several credits and other tax relief provisions for taxpayers affected by the pandemic, including:

- a deferral of employees' share of payroll taxes;
- an extension of refundable credits for paid sick and family leave; and
- tax benefits arising from PPP loans and a second-draw program.

Ohio's State-Local Sales Tax Burden is 20th Highest – or is it?

The Tax Foundation unveiled a comparison study showing Ohio's average combined state and local sales tax rate of 7.23% is the 20th highest in the nation. But JobsOhio fired back, saying that despite the Buckeye State's strong showings in several comparisons by business publications, Ohio is near the bottom of the Tax Foundation's 2021 State Business Tax Climate ranking. Echoing the longtime sentiments of the OMA, JobsOhio says the foundation uses a flawed methodology that does not reflect the tax reality that most Ohio businesses face.

"Ohio is a business-friendly state," the blog post says. "In fact, Ohio is one of only a handful of states in the U.S. with no state-level corporate income tax and no personal property tax."

Biden Plan to Raise Taxes on Corporations

President Biden has proposed raising taxes on U.S. corporations — something that's a stronger possibility now that Democrats have won control of the Senate. The Biden plan would increase the statutory federal corporate income tax rate from 21% to 28%, while taxing long-term capital gains and qualified dividends at the ordinary income tax rate of 39.6% on income above $1 million, thereby exacerbating the double taxation of corporate income.

Last month, the Tax Foundation published an analysis that says if both proposals become reality, the top integrated tax rate on distributed dividends would increase from 47.47% to 62.73%, which would be the highest among the OECD countries and "undercut American economic competitiveness."

INVESTING in Ohio's FUTURE

BUDGET OF THE STATE OF OHIO | FISCAL YEARS 2022-2023

Budget **Highlights**

The State of Ohio Executive Budget
FISCAL YEARS **2022-2023**

MIKE DEWINE
GOVERNOR OF OHIO

Office of Budget and Management

Director Kimberly Murnieks

INVESTING in Ohio's FUTURE

BUDGET OF THE STATE OF OHIO | FISCAL YEARS 2022-2023

Budget Highlights

Contents

Mike DeWine
Governor
State of Ohio

February 1, 2021

Fellow Ohioans and Members of the General Assembly:

The past year has been a challenging time in Ohio and across the nation and the world. The coronavirus pandemic has made clear that the strength of our economy depends on the health and well-being of our citizens.

With our Executive Budget for Fiscal Years 2022 and 2023, we have an opportunity to make needed investments to help our great state recover. Our budget is built upon the knowledge that a thriving economy -- and ultimately the future of our state -- depends on healthy citizens and revitalized communities. By investing in our future, our proposed budget will help all Ohioans move forward together as we emerge stronger than ever.

This is our "Year of Recovery!" Our Executive Budget includes a $1 Billion Investing in Ohio Initiative, an aggressive plan to accelerate economic growth and ensure economic vitality. By making targeted investments for businesses that have been hardest hit during the pandemic and for our communities most in need, we can address disparities, build prosperity, and set Ohio on the road to a brighter future.

This budget also represents the core values and mission of my Administration by investing in Ohio families, in the education and well-being of our children, in Ohio's workforce, in our communities, and in our precious natural resources.

Ohio is in a position to make these vital investments because we took immediate action to ensure that our budget remained balanced at the onset of the pandemic. We made the hard choices early on that put us on stable footing as we enter this phase of economic recovery. As Governor, I will do all that I can to protect Ohioans' health and put Ohio's economy on a path to even greater success.

In my first State of the State Address, I quoted Robert Louis Stevenson, who said, "Don't judge each day by the harvest you reap, but [rather] by the seeds that you plant." These words are even more significant today. The budget for the next two years continues to plant the seeds of hope and possibility -- and of courage and recovery -- that will grow into a more vibrant, prosperous, and flourishing Ohio for generations to come.

Very respectfully yours,

Governor of the State of Ohio

Investing in Ohio's Future: Healthy People

The health of Ohioans and the health of our state's economy are unquestionably connected. The COVID-19 pandemic has shown us how physical health, mental health, accessibility to wellness services and healthcare inequities in our communities affect an individual's ability to participate in the marketplace. Healthy people lead to healthy communities and to a thriving economy.

For more information about ongoing efforts to address the pandemic, visit Coronavirus.ohio.gov for information and resources. This site also contains the latest information from the Ohio Public Health Advisory System and the Governor's Responsible RestartOhio initiative.

For more information on Investing in Ohio’s Future: Healthy People, click here.

Investing in Ohio's Future: Renewed Communities

As Ohioans, we know that our communities are the best places to live, work, play, and raise a family. Our cities, counties, small towns, townships, and villages have been challenged by the pandemic but are already on the road to recovery. This Executive Budget will provide the needed boost to speed our renewal and carry our communities forward. Our lives, livelihood and wellness, and Ohio's economic recovery are grounded in our diverse communities. The initiative provides a variety of investments to strengthen our communities and the quality of life in Ohio.

With investments in renewed communities, our economy will rebound stronger.

Local Government Fund and the Public Library Fund

Ensuring stability for local governments and public libraries is critical to sustained communities. The Executive Budget renews its commitment to Ohio's local governments and public libraries by continuing funding for the Local Government Fund and the Public Library Fund at their statutory levels. Based on current revenue estimates:

FY 2022
$425 million
The Local Government Fund

FY 2022
$425 million
The Public Library Fund

$440 million in Fiscal Year 2023 in shared revenue to these critical local partners.

For more information click here**.**

Investing in Ohio's Future: Thriving Economy

Ohio's economy was strong before the onset of the worldwide COVID-19 pandemic, and Ohio remains above the national average and on Moody's Analytics/CNN's Back-to-Normal Index and on the path to recovery. The virus has significantly impacted certain sectors of the economy.

Ohioans are resilient. We are pioneers, and we are innovators. We see opportunity in the challenge, and this Executive Budget plan will assist Ohio small businesses, putting them on the path to recovery. Governor DeWine's Executive Budget includes:

$1 Billion
Investing in Ohio
initiative

An aggressive plan to accelerate economic growth and ensuring economic vitality. By making targeted investments, we can address disparities, build prosperity, and set Ohio on the road to a bright future.

For more information click here**.**

To view all FY 2022-23 Fact Sheets for Investing in Ohio's Future, click here.

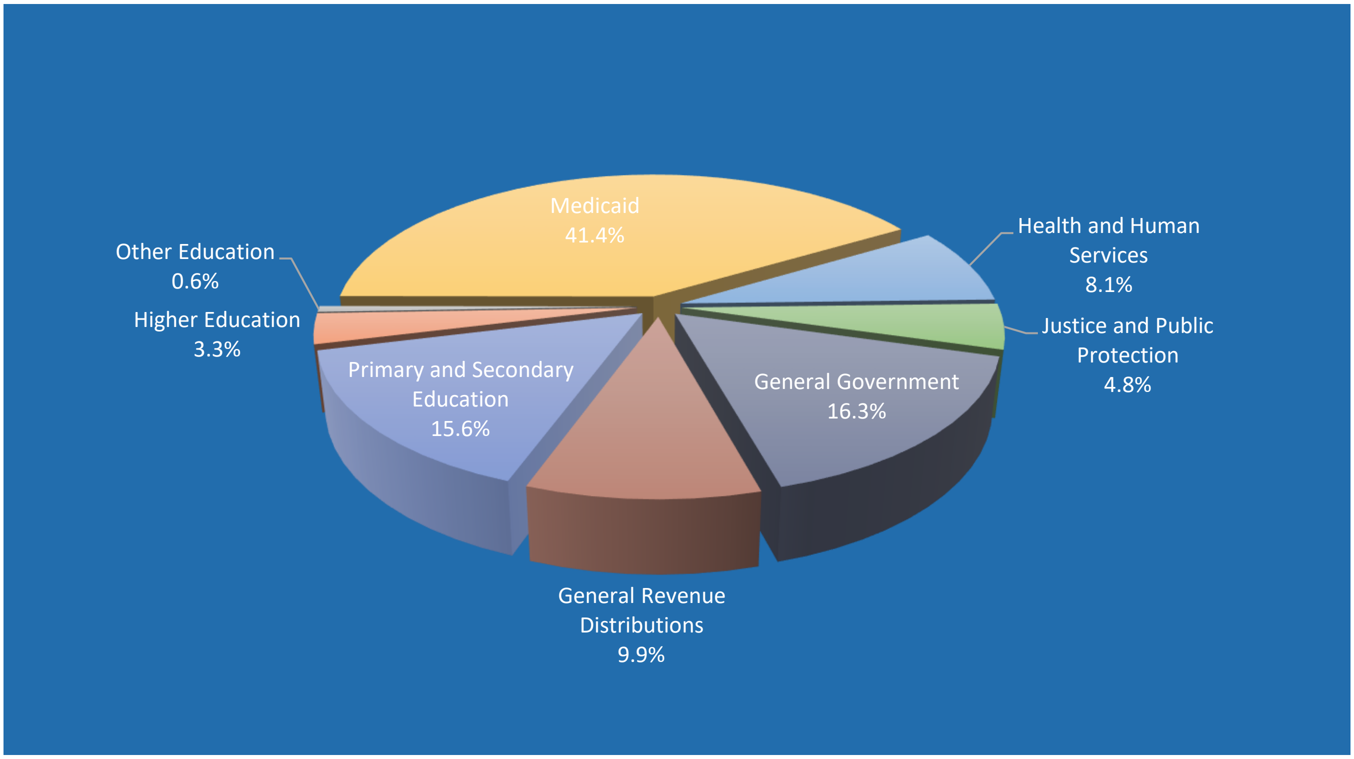
Executive Recommendations by Budget Fund Group
FYs 2021, 2022, 2023

Budget fund groups are categories used to group similar funds for reporting purposes. Ohio's funds are categorized according to their revenue sources and the purposes for which they are used. Budget Fund Group definitions can be found on the Ohio Checkbook (checkbook.ohio.gov).

Budget Fund Group	FY 2021 Estimated	FY 2022 Executive Recommendations	% Change	FY 2023 Executive Recommendations	% Change
General Revenue	$ 34,229,802,094	$ 35,386,039,586	3.4%	$ 39,272,495,431	11.0%
Federal	$ 21,015,787,527	$ 22,885,046,801	8.9%	$ 19,845,136,707	-13.3%
Dedicated Purpose	$ 10,005,724,031	$ 8,384,541,281	-16.2%	$ 7,607,633,447	-9.3%
Fiduciary Funds	$ 8,045,818,746	$ 8,267,906,268	2.8%	$ 8,505,844,177	2.9%
Highway Operating	$ 3,151,652,028	$ 3,394,099,351	7.7%	$ 3,062,973,646	-9.8%
Revenue Distribution Funds	$ 2,176,636,773	$ 2,479,567,236	13.9%	$ 2,520,768,288	1.7%
State Lottery	$ 1,695,394,362	$ 1,622,363,072	-4.3%	$ 1,665,002,345	2.6%
Debt Service	$ 1,346,005,462	$ 1,327,376,697	-1.4%	$ 1,263,689,644	-4.8%
Internal Service Activity	$ 1,046,431,517	$ 1,079,930,028	3.2%	$ 1,096,191,494	1.5%
Highway Safety	$ 548,152,097	$ 595,871,549	8.7%	$ 594,910,348	-0.2%
Facilities Establishment	$ 266,740,419	$ 72,300,000	-72.9%	$ 62,300,000	-13.8%
Capital Funds	$ 205,639,465	$ 122,153,862	-40.6%	$ 172,119,621	40.9%
Bond Research and Development	$ 122,210,250	$ 70,460,000	-42.3%	$ 70,460,000	0.0%
Holding Account	$ 74,914,479	$ 71,015,216	-5.2%	$ 71,015,216	0.0%
Grand Total	**83,930,909,249**	**85,758,670,947**	**2.2%**	**85,810,540,364**	**0.1%**

Source: Ohio Office of Budget and Management, February 2021

FY 2022-2023 Executive Budget
All Funds Appropriations

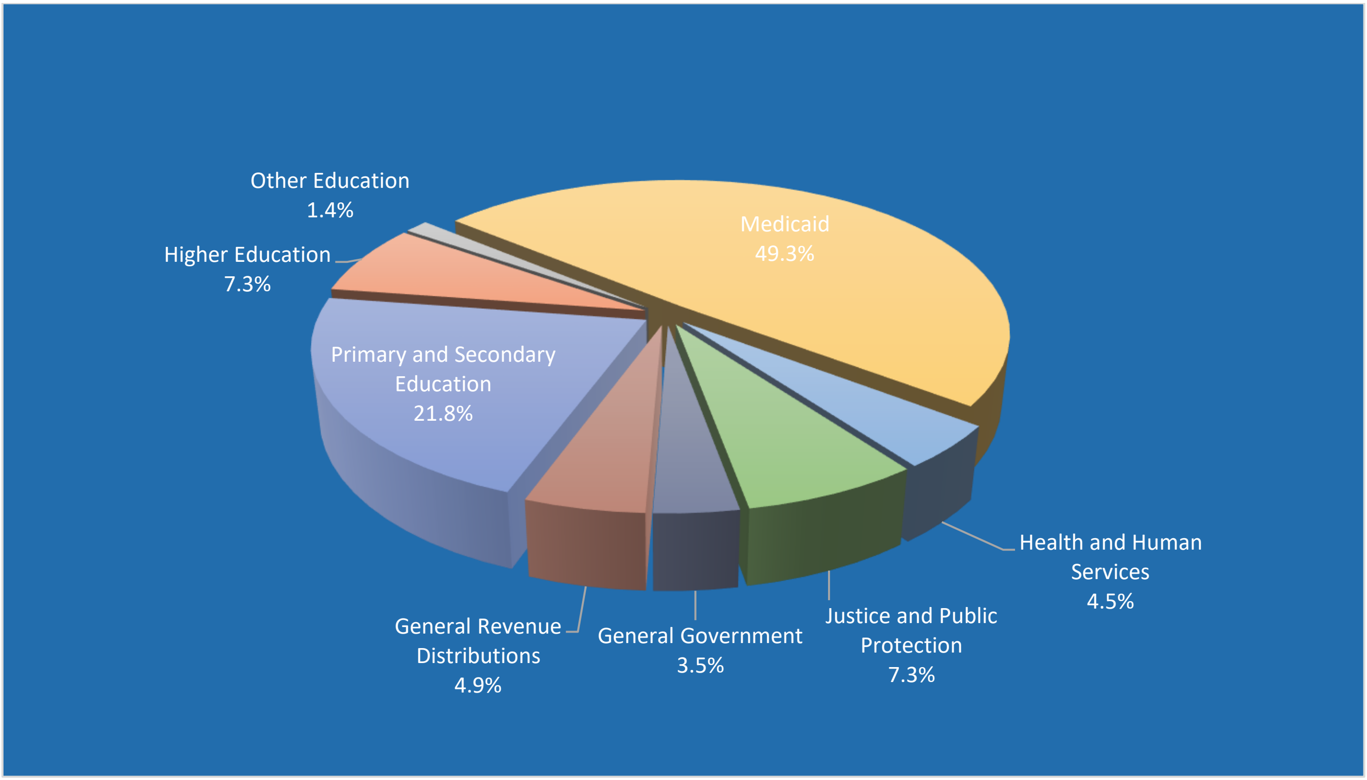


The authority to expend resources for operations of the State of Ohio is spread across four appropriation bills, 14 budget fund groups, and well over 1,000 funds and ALIs (appropriation line items). This pie chart summarizes "all funds" appropriations by major spending category.

All Funds Appropriations (dollars in millions)

Function		FY 2021 Estimate	FY 2022 Executive	% Change		FY 2023 Executive	% Change
Primary and Secondary Education	$	12,389.2	$ 13,396.7	8.1%	$	13,373.2	-0.2%
Higher Education	$	2,949.4	$ 2,799.5	-5.1%	$	2,788.1	-0.4%
Other Education	$	448.9	$ 558.7	24.5%	$	528.8	-5.4%
Medicaid	$	32,730.6	$ 35,128.2	7.3%	$	35,918.9	2.3%
Health and Human Services	$	7,079.6	$ 7,119.3	0.6%	$	6,792.7	-4.6%
Justice and Public Protection	$	4,172.3	$ 4,133.8	-0.9%	$	4,171.4	0.9%
General Government	$	16,302.1	$ 14,285.7	-12.4%	$	13,665.6	-4.3%
State Revenue Distributions	$	7,858.8	$ 8,336.8	6.1%	$	8,571.7	2.8%
Total	**$**	**83,930.9**	**$85,758.7**	**2.2%**	**$**	**85,810.5**	**0.1%**

FY 2022-2023 Executive Budget
Total General Revenue Fund Appropriations

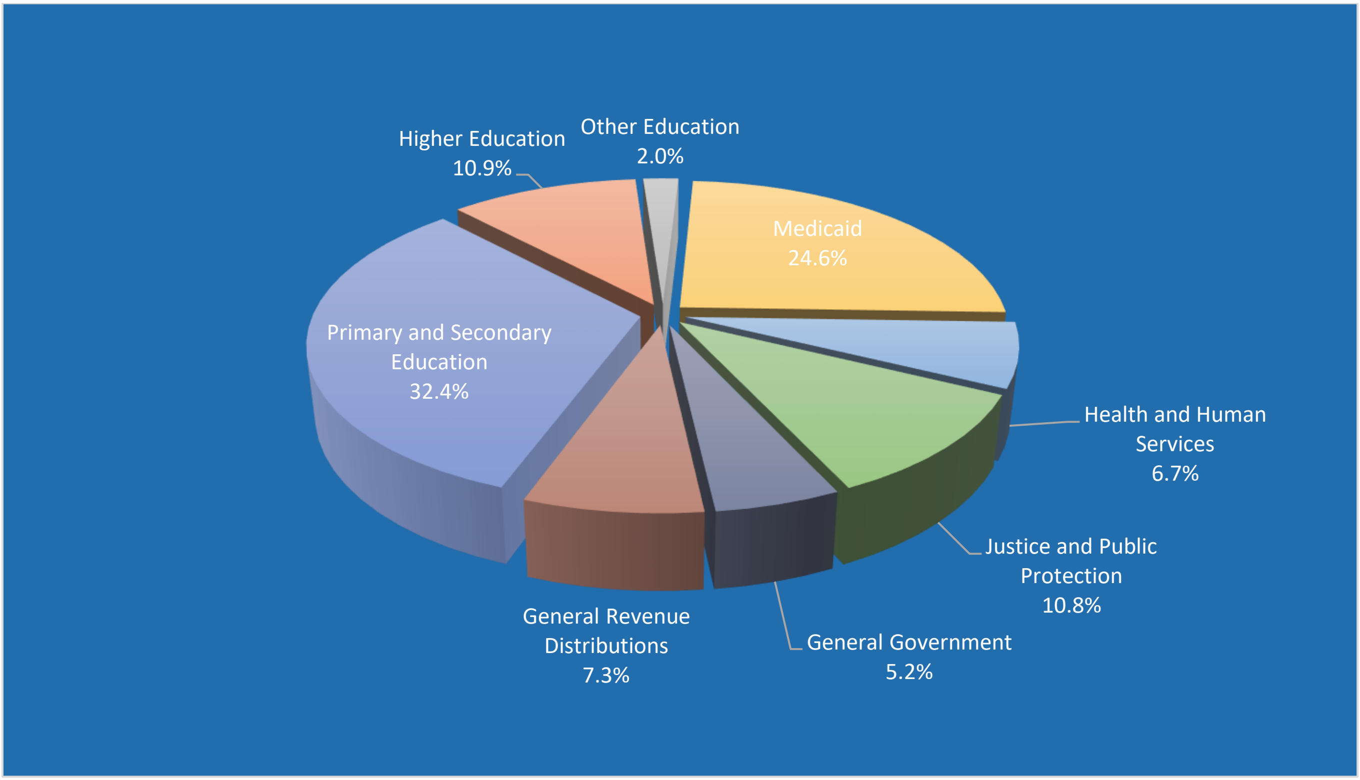


This pie chart illustrates how total General Revenue Fund (GRF) appropriations are split among eight functional categories which span 60 agencies. Total GRF appropriations include expenditures for the Medicaid Program, a portion of which are reimbursed by the federal government.

Total General Revenue Fund Appropriations (dollars in millions)

Function	FY 2021 Estimate	FY 2022 Executive	% Change	FY 2023 Executive	% Change
Primary and Secondary Education	$ 7,898.2	$ 8,151.8	3.2%	$ 8,120.6	-0.4%
Higher Education	$ 2,583.9	$ 2,738.7	6.0%	$ 2,743.5	0.2%
Other Education	$ 395.4	$ 528.6	33.7%	$ 498.4	-5.7%
Medicaid	$ 16,518.0	$ 16,441.3	-0.5%	$ 20,340.8	23.7%
Health and Human Services	$ 1,424.2	$ 1,693.7	18.9%	$ 1,674.9	-1.1%
Justice and Public Protection	$ 2,575.9	$ 2,679.2	4.0%	$ 2,765.5	3.2%
General Government	$ 976.1	$ 1,318.2	35.0%	$ 1,274.7	-3.3%
General Revenue Distributions	$ 1,858.3	$ 1,834.4	-1.3%	$ 1,854.0	1.1%
Total	**$ 34,229.8**	**$ 35,386.0**	**3.4%**	**$ 39,272.5**	**11.0%**

FY 2022-2023 Executive Budget
State Only General Revenue Fund Appropriations

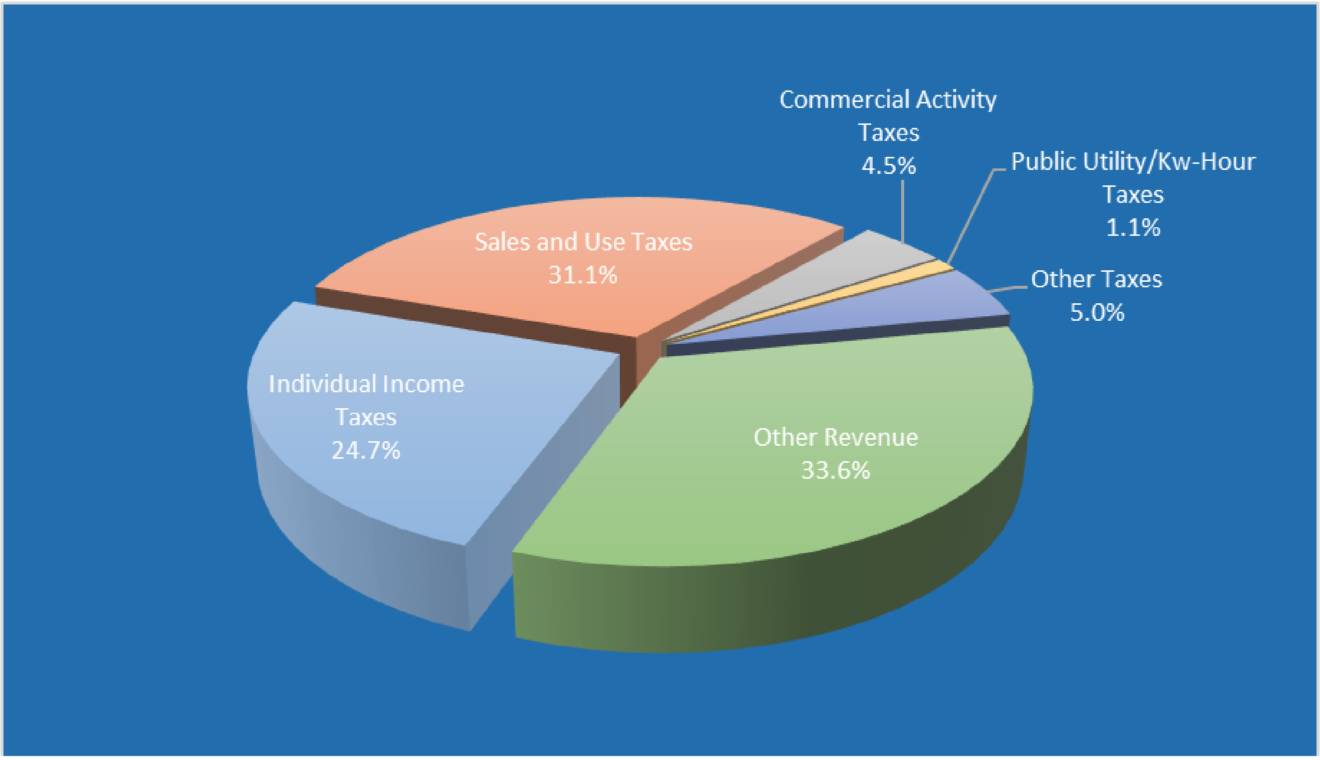


This pie chart illustrates how state only GRF appropriations are split among the eight functional categories after removing those appropriations supported by federal reimbursement.

State Only General Revenue Fund Appropriations (dollars in millions)

Function	FY 2021 Estimate	FY 2022 Executive	% Change	FY 2023 Executive	% Change
Primary and Secondary Education	$ 7,898.2	$ 8,151.8	3.2%	$ 8,120.6	-0.4%
Higher Education	$ 2,583.9	$ 2,738.7	6.0%	$ 2,743.5	0.2%
Other Education	$ 395.4	$ 528.6	33.7%	$ 498.4	-5.7%
Medicaid	$ 5,000.7	$ 5,364.2	7.3%	$ 6,997.2	30.4%
Health and Human Services	$ 1,424.2	$ 1,693.7	18.9%	$ 1,674.9	-1.1%
Justice and Public Protection	$ 2,575.9	$ 2,679.2	4.0%	$ 2,765.5	3.2%
General Government	$ 976.1	$ 1,318.2	35.0%	$ 1,274.7	-3.3%
General Revenue Distributions	$ 1,858.3	$ 1,834.4	-1.3%	$ 1,854.0	1.1%
Total	**$ 22,712.5**	**$ 24,308.9**	**7.0%**	**$ 25,928.9**	**6.7%**

FY 2022-2023 Executive Budget
Estimated General Revenue Fund Revenues

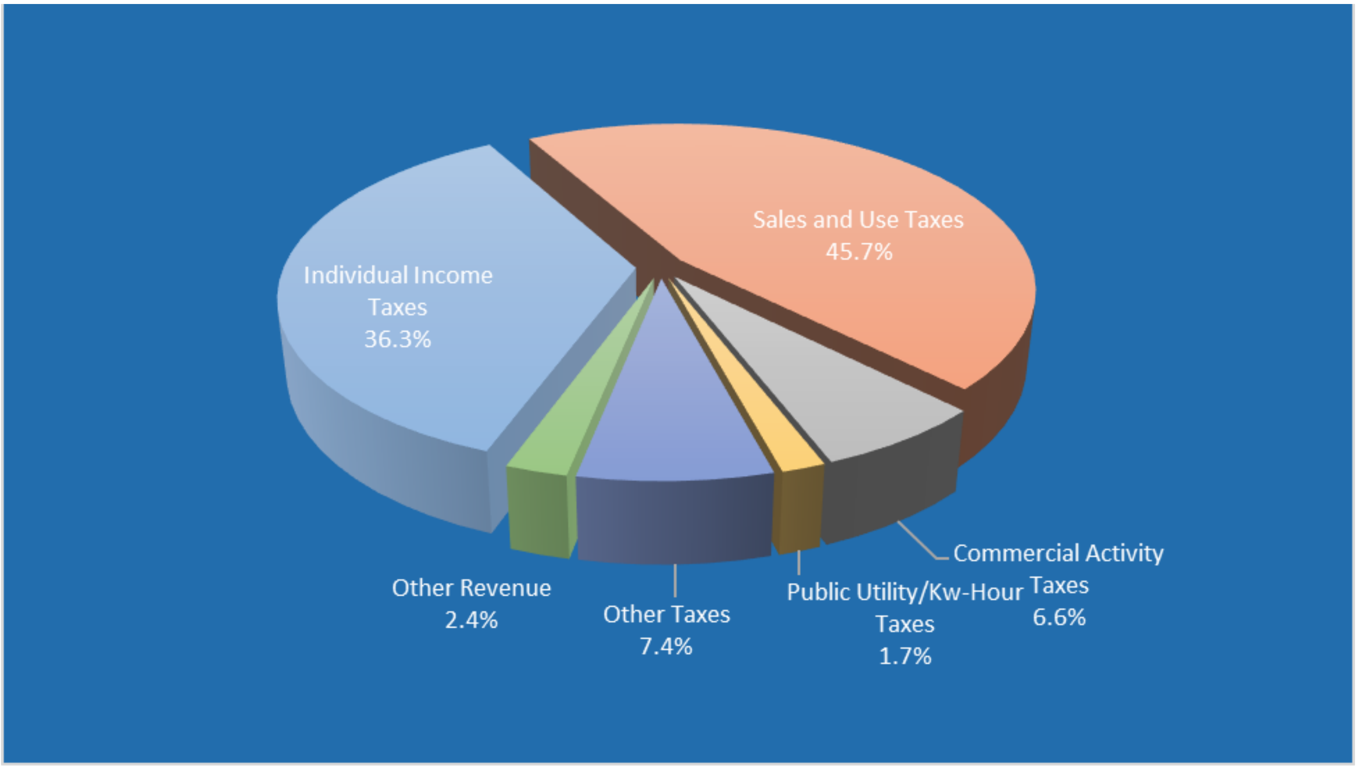


The General Revenue Fund (GRF) is the largest single fund of the state and receives most general purpose tax dollars. The General Assembly and the Governor have the greatest discretion in the allocation of these state resources. Total GRF revenues include revenues received from the federal government as reimbursement for eligible Medicaid expenditures made from the GRF. This pie chart shows total estimated GRF revenue by major revenue source.

Estimated GRF Revenues (dollars in millions)

Revenue Source	FY 2021 Estimate	FY 2022 Forecast	% Change	FY 2023 Forecast	% Change
Individual Income Taxes	$ 9,389.7	$ 9,175.5	-2.3%	$ 9,571.4	4.3%
Sales and Use Taxes	$ 11,039.2	$ 11,603.6	5.1%	$ 11,970.0	3.2%
Commercial Activity Taxes	$ 1,535.3	$ 1,660.3	8.1%	$ 1,746.3	5.2%
Public Utility/Kw-Hour Taxes	$ 416.2	$ 438.7	5.4%	$ 427.8	-2.5%
Other Taxes	$ 1,914.0	$ 1,910.9	-0.2%	$ 1,911.4	0.0%
Other Revenue	$ 11,915.1	$ 11,562.4	-3.0%	$ 13,910.6	20.3%
Total	**$ 36,209.5**	**$ 36,351.4**	**0.4%**	**$ 39,537.5**	**8.8%**

FY 2022-2023 Executive Budget
State Only General Revenue Fund Revenues



Unlike most other states, federal reimbursements for Medicaid expenditures funded from the GRF are deposited into the GRF rather than into a federal fund. In order to depict state only GRF estimated revenues, this pie chart removes estimated federal reimbursement revenue.

State Only Estimated GRF Revenues (dollars in millions)

Revenue Source		FY 2021 Estimate		FY 2022 Forecast	% Change		FY 2023 Forecast	% Change
Individual Income Taxes	$	9,389.7	$	9,175.5	-2.3%	$	9,571.4	4.3%
Sales and Use Taxes	$	11,039.2	$	11,603.6	5.1%	$	11,970.0	3.2%
Commercial Activity Taxes	$	1,535.3	$	1,660.3	8.1%	$	1,746.3	5.2%
Public Utility/Kw-Hour Taxes	$	416.2	$	438.7	5.4%	$	427.8	-2.5%
Other Taxes	$	1,914.0	$	1,910.9	-0.2%	$	1,911.4	0.0%
Other Revenue	$	465.8	$	562.4	20.7%	$	661.1	17.5%
Total	**$**	**24,760.2**	**$**	**25,351.4**	**2.4%**	**$**	**26,288.0**	**3.7%**

Expenditures and Appropriations by Agency
All Funds, FYs 2021, 2022, 2023

State Agency		FY 2021 Estimate		FY2022 Executive Recommendations	% Change		FY 2023 Executive Recommendations	% Change
Primary and Secondary Education								
Education, Department of	$	12,389,206,070	$	13,396,719,605	8.1%	$	13,373,210,685	-0.2%
Total Primary and Secondary Education		**12,389,206,070**		**13,396,719,605**	**8.1%**		**13,373,210,685**	**-0.2%**
Higher Education								
Higher Education, Department of [2]	$	2,949,405,248	$	2,799,484,380	-5.1%	$	2,788,104,205	-0.4%
Total Higher Education		**2,949,405,248**		**2,799,484,380**	**-5.1%**		**2,788,104,205**	**-0.4%**
Other Education								
Arts Council	$	38,748,113	$	18,230,913	-53.0%	$	18,230,913	0.0%
Broadcast Education Media Commission	$	9,070,292	$	9,111,875	0.5%	$	9,141,217	0.3%
Facilities Construction/School Facilities Comm [2]	$	334,298,373	$	465,631,476	39.3%	$	435,278,956	-6.5%
Higher Education Facilities Commission	$	12,500	$	12,500	0.0%	$	12,500	0.0%
Library Board	$	22,429,404	$	21,676,666	-3.4%	$	21,678,666	0.0%
Historical Society	$	15,063,501	$	14,322,501	-4.9%	$	14,322,501	0.0%
State School for The Blind	$	14,264,773	$	14,318,124	0.4%	$	14,519,485	1.4%
State School for The Deaf	$	14,454,856	$	14,900,930	3.1%	$	15,125,162	1.5%
Career Colleges and Schools, Board of	$	540,260	$	513,000	-5.0%	$	513,000	0.0%
Total Other Education		**448,882,072**		**558,717,985**	**24.5%**		**528,822,400**	**-5.4%**
Medicaid								
Aging, Department of [1]	$	10,870,735	$	10,265,290	-5.6%	$	10,354,101	0.9%
Developmental Disabilities, Department of [1]	$	3,282,957,317	$	3,446,600,000	5.0%	$	3,583,600,000	4.0%
Health, Department of [1]	$	32,787,199	$	40,287,199	22.9%	$	40,287,199	0.0%
Education, Department of [1]	$	593,478	$	593,478	0.0%	$	593,478	0.0%
Job and Family Services, Department of [1]	$	268,300,603	$	310,268,535	15.6%	$	310,749,768	0.2%
Medicaid, Department of	$	29,127,730,000	$	31,314,891,795	7.5%	$	31,967,714,483	2.1%
Mental Health and Addiction Services, Department of [1]	$	7,356,713	$	5,298,574	-28.0%	$	5,587,246	5.4%
Total Medicaid		**32,730,596,045**		**35,128,204,871**	**7.3%**		**35,918,886,275**	**2.3%**
Health and Human Services								
Aging, Department of	$	116,309,420	$	106,760,440	-8.2%	$	97,272,275	-8.9%
Workers' Compensation, Bureau of	$	406,957,349	$	353,222,861	-13.2%	$	361,906,643	2.5%
Service and Volunteerism, Commission on	$	9,986,302	$	10,680,864	7.0%	$	10,703,968	0.2%
Developmental Disabilities, Department of [2]	$	97,864,515	$	111,624,066	14.1%	$	112,274,066	0.6%
Health, Department of	$	1,353,958,915	$	1,164,243,903	-14.0%	$	847,508,860	-27.2%
Veterans' Services, Department of [2]	$	108,339,908	$	102,050,761	-5.8%	$	101,741,639	-0.3%
Job and Family Services, Department of	$	3,750,979,901	$	3,998,573,152	6.6%	$	3,981,989,758	-0.4%
Mental Health and Addiction Services, Department of [2]	$	914,339,530	$	931,455,250	1.9%	$	936,504,212	0.5%
Minority Health, Commission on	$	4,660,719	$	4,854,156	4.2%	$	4,854,156	0.0%
Industrial Commission	$	49,586,332	$	54,828,778	10.6%	$	54,828,778	0.0%
Opportunities for Ohioans with Disabilities Agency	$	264,346,911	$	278,423,425	5.3%	$	280,567,791	0.8%
Hispanic-Latino Affairs, Commission on	$	576,564	$	488,605	-15.3%	$	488,605	0.0%
Veterans' Organizations	$	1,684,339	$	2,105,424	25.0%	$	2,105,424	0.0%
Total Health and Human Services		**7,079,590,705**		**7,119,311,685**	**0.6%**		**6,792,746,175**	**-4.6%**
Justice and Public Protection								
Adjutant General	$	66,273,224	$	55,252,297	-16.6%	$	55,613,748	0.7%
Attorney General [2]	$	394,627,483	$	383,333,020	-2.9%	$	386,199,201	0.7%
Tax Appeals, Board of	$	1,727,708	$	1,753,243	1.5%	$	1,803,160	2.8%
Civil Rights Commission	$	8,769,532	$	9,421,897	7.4%	$	9,578,432	1.7%
Court of Claims	$	7,327,657	$	4,108,852	-43.9%	$	4,210,421	2.5%
Public Safety, Department of [2]	$	1,074,423,365	$	1,001,075,328	-6.8%	$	967,809,749	-3.3%
Rehabilitation and Correction, Department of [2]	$	2,038,721,512	$	2,047,278,385	0.4%	$	2,102,643,342	2.7%
Youth Services, Department of [2]	$	229,795,733	$	237,264,883	3.3%	$	242,247,292	2.1%
Ethics Commission	$	2,442,028	$	2,532,054	3.7%	$	2,591,958	2.4%
Judicial Conference	$	1,391,305	$	1,577,935	13.4%	$	1,623,686	2.9%
Judiciary/Supreme Court	$	203,281,730	$	204,201,201	0.5%	$	208,668,062	2.2%
Public Defender Commission	$	143,555,600	$	185,960,472	29.5%	$	188,424,111	1.3%
Total Justice and Public Protection		**4,172,336,877**		**4,133,759,567**	**-0.9%**		**4,171,413,162**	**0.9%**

State Agency	FY 2021 Estimate	FY2022 Executive Recommendations	% Change	FY 2023 Executive Recommendations	% Change
General Government					
Agriculture, Department of	$ 114,113,422	$ 166,796,014	46.2%	$ 159,521,815	-4.4%
Air Quality Development Authority	$ 1,261,395	$ 1,283,811	1.8%	$ 1,294,347	0.8%
Auditor of State	$ 91,791,077	$ 92,579,529	0.9%	$ 94,457,303	2.0%
Deposit, Board of	$ 2,226,000	$ 1,723,400	-22.6%	$ 1,723,400	0.0%
Professional Licensing Boards	$ 61,567,861	$ 64,842,742	5.3%	$ 66,498,001	2.6%
Casino Control Commission	$ 13,330,000	$ 13,651,718	2.4%	$ 13,742,672	0.7%
Controlling Board	$ -	$ 7,500,000	N/A	$ 7,500,000	0.0%
Commerce, Department of	$ 241,391,411	$ 257,370,549	6.6%	$ 254,803,234	-1.0%
Sinking Fund, Commissioners of	$ 1,345,191,900	$ 1,326,580,000	-1.4%	$ 1,263,305,000	-4.8%
Capital Square Review and Advisory Commission	$ 10,524,569	$ 10,524,569	0.0%	$ 10,524,569	0.0%
Administrative Services, Department of [2]	$ 912,086,550	$ 882,899,281	-3.2%	$ 874,003,707	-1.0%
Development Services Agency [2]	$ 2,739,725,270	$ 1,725,195,489	-37.0%	$ 1,407,845,489	-18.4%
Natural Resources, Department of [2]	$ 445,181,896	$ 483,531,196	8.6%	$ 493,331,100	2.0%
Transportation, Department of [2]	$ 3,393,426,317	$ 3,533,377,616	4.1%	$ 3,252,205,778	-8.0%
Environmental Review Appeals Commission	$ 651,000	$ 651,000	0.0%	$ 651,000	0.0%
Elections Commission	$ 604,225	$ 602,225	-0.3%	$ 602,225	0.0%
Environmental Protection Agency	$ 216,396,121	$ 265,924,018	22.9%	$ 257,019,281	-3.3%
State Employment Relations Board	$ 3,856,832	$ 4,183,278	8.5%	$ 4,358,724	4.2%
Expositions Commission	$ 7,416,044	$ 16,066,089	116.6%	$ 16,941,898	5.5%
Governor, Office of the	$ 3,348,910	$ 3,593,022	7.3%	$ 3,593,022	0.0%
Housing Finance Agency	$ 13,190,208	$ 13,258,659	0.5%	$ 13,491,862	1.8%
Inspector General, Office of	$ 2,172,000	$ 2,228,910	2.6%	$ 2,262,000	1.5%
Insurance, Department of	$ 41,710,816	$ 43,464,160	4.2%	$ 43,464,160	0.0%
Joint Committee on Agency Rule Review	$ 570,000	$ 570,000	0.0%	$ 570,000	0.0%
Joint Legislative Ethics Committee	$ 785,000	$ 785,000	0.0%	$ 785,000	0.0%
Joint Committee on Medicaid Oversight	$ 550,000	$ 371,848	-32.4%	$ 575,083	54.7%
Liquor Control Commission	$ 905,914	$ 944,885	4.3%	$ 947,645	0.3%
Lake Erie Commission	$ 833,000	$ 874,000	4.9%	$ 874,000	0.0%
Lottery Commission	$ 367,694,362	$ 388,363,072	5.6%	$ 402,002,345	3.5%
Legislative Service Commission	$ 43,444,449	$ 36,533,290	-15.9%	$ 35,533,290	-2.7%
Budget and Management, Office of	$ 1,447,411,083	$ 45,388,353	-96.9%	$ 28,408,353	-37.4%
Consumers' Counsel, Office of	$ 5,541,043	$ 5,641,043	1.8%	$ 5,641,043	0.0%
Employee Benefits Funds	$ 1,958,725,297	$ 1,980,408,749	1.1%	$ 2,044,231,158	3.2%
Pension Subsidies	$ 35,053,000	$ 35,224,000	0.5%	$ 35,474,000	0.7%
Public Utilities Commission	$ 59,284,395	$ 62,798,864	5.9%	$ 62,777,864	0.0%
Public Works Commission [2]	$ 240,261,806	$ 355,546,036	48.0%	$ 351,061,028	-1.3%
Racing Commission	$ 28,078,945	$ 30,633,043	9.1%	$ 30,633,043	0.0%
House of Representatives	$ 27,400,938	$ 27,400,938	0.0%	$ 27,400,938	0.0%
Senate	$ 16,362,326	$ 16,362,326	0.0%	$ 16,362,326	0.0%
Southern Ohio Agriculture Redevelopment	$ 256,100	$ 98,270	-61.6%	$ -	-100.0%
Secretary of State	$ 67,014,439	$ 37,112,389	-44.6%	$ 36,170,894	-2.5%
Taxation, Department of	$ 2,300,967,869	$ 2,307,900,835	0.3%	$ 2,308,164,778	0.0%
Treasurer of State [2]	$ 38,401,110	$ 33,411,110	-13.0%	$ 33,406,110	0.0%
Petrol. Undergd Storage Tank Release Comp. Bd.	$ 1,419,129	$ 1,470,292	3.6%	$ 1,489,689	1.3%
Total General Government	**16,302,124,029**	**14,285,665,618**	**-12.4%**	**13,665,649,174**	**-4.3%**
State Revenue Distributions					
Fiduciary Collections and Distributions	$ 3,822,240,430	$ 4,061,240,000	6.3%	$ 4,240,540,000	4.4%
General Revenue Distributions	$ 1,858,251,000	$ 1,834,400,000	-1.3%	$ 1,854,000,000	1.1%
State Holding Funds and Internal Distributions	$ 219,200,000	$ 179,200,000	-18.2%	$ 179,200,000	0.0%
State Revenue Subsidy and Distributions	$ 1,959,076,773	$ 2,261,967,236	15.5%	$ 2,297,968,288	1.6%
Total State Revenue Distributions	**7,858,768,203**	**8,336,807,236**	**6.1%**	**8,571,708,288**	**2.8%**
Reissued Warrants	$ -	$ -	N/A	$ -	N/A
Grand Total	**$ 83,930,909,249**	**$ 85,758,670,947**	**2.2%**	**$ 85,810,540,364**	**0.1%**

[1] For these agencies, Medicaid related lines are included in the Medicaid category; non-Medicaid lines are included in the Health and Human Service category.
[2] For these agencies, debt service payments are included in the appropriation totals.

Source: Ohio Office of Budget and Management, February 2021
Note: Does Not Include Capital Spending or Capital Appropriations

Expenditures and Appropriations by Agency
General Revenue Fund, FYs 2021, 2022, 2023

State Agency	FY 2021 Estimate	FY 2022 Executive Recommendations	% Change	FY 2023 Executive Recommendations	% Change
Primary and Secondary Education					
Education, Department of	$ 7,898,198,865	$ 8,151,837,265	3.2%	$ 8,120,640,070	-0.4%
Total Primary and Secondary Education	**7,898,198,865**	**8,151,837,265**	**3.2%**	**8,120,640,070**	**-0.4%**
Higher Education					
Higher Education, Department of [2]	$ 2,583,850,608	$ 2,738,747,345	6.0%	$ 2,743,493,898	0.2%
Total Higher Education	**2,583,850,608**	**2,738,747,345**	**6.0%**	**2,743,493,898**	**0.2%**
Other Education					
Arts Council	$ 16,430,913	$ 16,430,913	0.0%	$ 16,430,913	0.0%
Broadcast Education Media Commission	$ 8,939,292	$ 9,023,975	0.9%	$ 9,051,717	0.3%
Facilities Construction/School Facilities Comm [2]	$ 326,248,373	$ 457,373,976	40.2%	$ 426,732,443	-6.7%
Historical Society	$ 13,703,501	$ 14,162,501	3.3%	$ 14,162,501	0.0%
Library Board	$ 4,830,860	$ 5,078,122	5.1%	$ 5,078,122	0.0%
State School for The Blind	$ 12,110,773	$ 12,599,774	4.0%	$ 12,801,135	1.6%
State School for The Deaf	$ 13,091,356	$ 13,940,430	6.5%	$ 14,164,662	1.6%
Total Other Education	**395,355,068**	**528,609,691**	**33.7%**	**498,421,493**	**-5.7%**
Medicaid					
Aging, Department of [1]	$ 5,073,618	$ 5,154,308	1.6%	$ 5,194,827	0.8%
Developmental Disabilities, Department of [1]	$ 578,177,944	$ 644,000,000	11.4%	$ 714,000,000	10.9%
Education, Department of [1]	$ 297,978	$ 297,978	0.0%	$ 297,978	0.0%
Health, Department of [1]	$ 4,246,250	$ 4,246,250	0.0%	$ 4,246,250	0.0%
Job and Family Services, Department of [1]	$ 88,865,052	$ 94,967,396	6.9%	$ 95,308,394	0.4%
Medicaid, Department of	$ 15,840,091,666	$ 15,691,364,200	-0.9%	$ 19,520,182,755	24.4%
Mental Health and Addiction Services, Department of [1]	$ 1,251,713	$ 1,298,574	3.7%	$ 1,587,246	22.2%
Total Medicaid	**16,518,004,221**	**16,441,328,706**	**-0.5%**	**20,340,817,450**	**23.7%**
Health and Human Services					
Aging, Department of	$ 11,931,962	$ 30,279,003	153.8%	$ 25,238,484	-16.6%
Developmental Disabilities, Department of [2]	$ 46,780,109	$ 58,776,431	25.6%	$ 59,426,431	1.1%
Health, Department of	$ 109,445,860	$ 139,173,168	27.2%	$ 122,423,168	-12.0%
Hispanic-Latino Affairs, Commission on	$ 431,564	$ 464,047	7.5%	$ 464,047	0.0%
Job and Family Services, Department of	$ 733,343,724	$ 886,907,835	20.9%	$ 883,511,995	-0.4%
Mental Health and Addiction Services, Department of [2]	$ 446,254,702	$ 494,779,456	10.9%	$ 500,901,211	1.2%
Minority Health, Commission on	$ 4,635,719	$ 4,819,156	4.0%	$ 4,819,156	0.0%
Opportunities for Ohioans with Disabilities Agency	$ 19,260,210	$ 19,350,210	0.5%	$ 19,350,210	0.0%
Service and Volunteerism, Commission on	$ 284,553	$ 529,252	86.0%	$ 529,252	0.0%
Veterans' Organizations	$ 1,684,339	$ 2,105,424	25.0%	$ 2,105,424	0.0%
Veterans' Services, Department of [2]	$ 50,139,006	$ 56,502,163	12.7%	$ 56,127,163	-0.7%
Total Health and Human Services	**1,424,191,748**	**1,693,686,145**	**18.9%**	**1,674,896,541**	**-1.1%**
Justice and Public Protection					
Adjutant General	$ 10,642,322	$ 11,373,667	6.9%	$ 11,646,600	2.4%
Attorney General [2]	$ 93,904,087	$ 88,800,635	-5.4%	$ 89,666,816	1.0%
Civil Rights Commission	$ 5,452,740	$ 6,118,897	12.2%	$ 6,538,548	6.9%
Court of Claims	$ 6,786,125	$ 3,599,785	-47.0%	$ 3,687,466	2.4%
Ethics Commission	$ 1,821,515	$ 1,946,515	6.9%	$ 1,946,515	0.0%
Judicial Conference	$ 911,305	$ 1,046,464	14.8%	$ 1,083,265	3.5%
Judiciary/Supreme Court	$ 189,269,380	$ 191,255,688	1.0%	$ 195,872,005	2.4%
Public Defender Commission	$ 93,267,854	$ 136,835,846	46.7%	$ 137,086,479	0.2%
Public Safety, Department of [2]	$ 73,388,746	$ 57,350,397	-21.9%	$ 58,158,928	1.4%
Rehabilitation and Correction, Department of [2]	$ 1,884,273,369	$ 1,956,223,385	3.8%	$ 2,029,588,342	3.8%
Tax Appeals, Board of	$ 1,727,708	$ 1,753,243	1.5%	$ 1,803,160	2.8%
Youth Services, Department of [2]	$ 214,413,888	$ 222,930,064	4.0%	$ 228,435,282	2.5%
Total Justice and Public Protection	**2,575,859,039**	**2,679,234,586**	**4.0%**	**2,765,513,406**	**3.2%**

State Agency		FY 2021 Estimate		FY 2022 Executive Recommendations	% Change		FY 2023 Executive Recommendations	% Change
General Government								
Administrative Services, Department of [2]	$	150,976,360	$	185,750,171	23.0%	$	164,659,287	-11.4%
Agriculture, Department of	$	48,013,998	$	55,091,049	14.7%	$	47,970,830	-12.9%
Auditor of State	$	29,939,612	$	30,147,114	0.7%	$	30,472,391	1.1%
Budget and Management, Office of	$	4,128,353	$	4,128,353	0.0%	$	4,128,353	0.0%
Capital Square Review and Advisory Commission	$	5,472,663	$	5,472,663	0.0%	$	5,472,663	0.0%
Development Services Agency [2]	$	186,816,656	$	363,429,141	94.5%	$	339,379,141	-6.6%
Elections Commission	$	404,765	$	394,765	-2.5%	$	394,765	0.0%
Embalmers and Funeral Directors, Board of	$	800,000	$	1,000,000	25.0%	$	1,000,000	0.0%
Environmental Protection Agency	$	11,639,525	$	9,125,482	-21.6%	$	9,125,482	0.0%
Environmental Review Appeals Commission	$	651,000	$	651,000	0.0%	$	651,000	0.0%
Expositions Commission	$	100,000	$	261,900	161.9%	$	363,750	38.9%
Governor, Office of the	$	2,728,922	$	2,973,034	8.9%	$	2,973,034	0.0%
House of Representatives	$	25,917,274	$	25,917,274	0.0%	$	25,917,274	0.0%
Inspector General, Office of	$	1,375,000	$	1,403,910	2.1%	$	1,437,000	2.4%
Joint Committee on Agency Rule Review	$	570,000	$	570,000	0.0%	$	570,000	0.0%
Joint Committee on Medicaid Oversight	$	550,000	$	371,848	-32.4%	$	575,083	54.7%
Joint Legislative Ethics Committee	$	625,000	$	625,000	0.0%	$	625,000	0.0%
Legislative Service Commission	$	43,434,449	$	36,523,290	-15.9%	$	35,523,290	-2.7%
Natural Resources, Department of [2]	$	123,505,535	$	145,141,945	17.5%	$	160,141,945	10.3%
Pension Subsidies	$	35,053,000	$	35,224,000	0.5%	$	35,474,000	0.7%
Public Works Commission [2]	$	175,801,109	$	297,000,000	68.9%	$	290,500,000	-2.2%
Secretary of State	$	11,252,927	$	13,624,196	21.1%	$	13,624,196	0.0%
Senate	$	15,902,029	$	15,902,029	0.0%	$	15,902,029	0.0%
State Employment Relations Board	$	3,685,671	$	4,011,118	8.8%	$	4,116,551	2.6%
Taxation, Department of	$	55,345,555	$	56,391,613	1.9%	$	56,655,556	0.5%
Transportation, Department of [2]	$	30,129,653	$	15,782,465	-47.6%	$	15,782,465	0.0%
Treasurer of State [2]	$	11,272,488	$	11,282,488	0.1%	$	11,277,488	0.0%
Total General Government		**976,091,544**		**1,318,195,848**	**35.0%**		**1,274,712,573**	**-3.3%**
State Revenue Distributions								
General Revenue Distributions	$	1,858,251,000	$	1,834,400,000	-1.3%	$	1,854,000,000	1.1%
Total State Revenue Distributions		**1,858,251,000**		**1,834,400,000**	**-1.3%**		**1,854,000,000**	**1.1%**
Reissued Warrants	$	-	$	-	N/A	$	-	N/A
Grand Total	**$**	**34,229,802,094**	**$**	**35,386,039,586**	**3.4%**	**$**	**39,272,495,431**	**11.0%**

[1] For these agencies, Medicaid related lines are included in the Medicaid category; non-Medicaid lines are included in each agency's respective category.
[2] For these agencies, debt service payments are included in the appropriation totals.

Source: Ohio Office of Budget and Management, February 2021
Note: Does Not Include Capital Spending or Capital Appropriations

Actual and Estimated Revenues for the General Revenue Fund
Fiscal Years 2018 to 2023

(dollars in millions)

	Actuals					Estimates					
Revenue Source	**FY 2018**	**FY 2019**	**% Chg**	**FY 2020**	**% Chg**	**FY 2021**	**% Chg**	**FY 2022**	**% Chg**	**FY 2023**	**% Chg**
Tax Revenue											
Auto Sales and Use	1,440.5	1,501.7	4.2%	1,502.7	0.1%	1,616.7	7.6%	1,652.1	2.2%	1,680.5	1.7%
Non-Auto Sales and Use	8,707.6	9,071.7	4.2%	9,183.0	1.2%	9,422.6	2.6%	9,951.5	5.6%	10,289.5	3.4%
Subtotal Sales and Use	10,148.2	10,573.4	4.2%	10,685.8	1.1%	11,039.2	3.3%	11,603.6	5.1%	11,970.0	3.2%
Personal Income	8,411.0	8,910.2	5.9%	7,881.3	-11.5%	9,389.7	19.1%	9,175.5	-2.3%	9,571.4	4.3%
Corporate Franchise	2.2	2.1	-5.1%	0.0	-100.0%	6.0	0.0%	0.0	-100.0%	0.0	0.0%
Financial Institutions Tax	201.1	202.4	0.7%	214.9	6.2%	189.7	-11.7%	190.0	0.2%	190.0	0.0%
Commercial Activity Tax	1,522.8	1,629.5	7.0%	1,671.7	2.6%	1,535.3	-8.2%	1,660.3	8.1%	1,746.3	5.2%
Petroleum Activity Tax	7.8	11.6	48.0%	8.7	-24.7%	6.0	-31.3%	8.0	33.3%	9.0	12.5%
Public Utility	119.2	143.2	20.1%	141.0	-1.5%	120.0	-14.9%	131.6	9.7%	133.0	1.1%
Kilowatt Hour Tax	342.4	343.6	0.4%	331.8	-3.4%	296.2	-10.7%	307.1	3.7%	294.8	-4.0%
Natural Gas Consumption	69.6	75.9	9.1%	59.7	-21.3%	65.0	8.8%	68.0	4.6%	69.0	1.5%
Foreign Insurance	276.5	296.3	7.2%	305.1	2.9%	308.1	1.0%	311.2	1.0%	314.3	1.0%
Domestic Insurance	278.4	276.0	-0.9%	303.0	9.8%	304.4	0.4%	315.3	3.6%	321.6	2.0%
Business and Property	0.2	0.3	42.3%	0.0	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Cigarette	939.8	918.2	-2.3%	913.0	-0.6%	927.8	1.6%	910.4	-1.9%	898.5	-1.3%
Alcoholic Beverage	55.7	56.3	1.0%	53.6	-4.6%	56.0	4.4%	56.0	0.0%	56.0	0.0%
Liquor Gallonage	48.1	50.3	4.6%	53.4	6.0%	51.0	-4.5%	52.0	2.0%	53.0	1.9%
Estate	0.2	0.2	-27.6%	0.0	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total of Tax Revenue	22,423.2	23,489.6	4.8%	22,623.2	-3.7%	24,294.4	7.4%	24,789.0	2.0%	25,626.9	3.4%
Non-Tax Revenue											
Earnings on Investments	64.2	114.4	78.1%	131.4	14.9%	25.0	-81.0%	10.0	-60.0%	10.0	0.0%
Licenses and Fees	59.2	64.2	8.4%	66.6	3.8%	58.8	-11.8%	65.0	10.5%	65.0	0.0%
Other Income	250.4	71.2	-71.6%	92.7	30.2%	94.8	2.3%	105.4	11.2%	109.2	3.6%
Interagency Transfers	15.7	16.4	4.8%	28.7	74.9%	9.0	-68.7%	9.0	0.0%	9.0	0.0%
Total of Non-Tax Revenue	389.5	266.2	-31.7%	319.4	20.0%	187.6	-41.3%	189.4	1.0%	193.2	2.0%
Transfers											
BSF Transfer	0.0	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Transfers In - Other	188.6	247.9	31.5%	81.0	-67.3%	278.2	243.4%	359.0	29.0%	388.9	8.3%
Transfers In - Temporary	0.0	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total Transfers	188.6	247.9	31.5%	81.0	-67.3%	278.2	243.4%	373.0	34.1%	467.9	25.4%
Total Sources Excl. Federal Grants	23,001.3	24,003.7	4.4%	23,023.6	-4.1%	24,760.2	7.5%	25,351.4	2.4%	26,288.0	3.7%
Federal Grants	9,469.9	9,763.9	3.1%	10,482.0	7.4%	11,449.3	9.2%	11,000.0	-3.9%	13,249.5	20.5%
Total Sources	32,471.2	33,767.6	4.0%	33,505.6	-0.8%	36,209.5	8.1%	36,351.4	0.4%	39,537.5	8.8%

Estimated General Revenue Fund Balances
For Fiscal Years 2022 and 2023

(dollars in millions)

FY 2022	
FY 2022 Beginning Unencumbered Balance	**263.3**
Plus FY 2022 Revenues and Transfers into the GRF	36,351.4
Total Sources Available for Expenditure and Transfer	36,614.7
Less Recommended FY 2022 Appropriations	35,386.0
Less GRF Transfers Out	645.7
Total Uses	36,031.7
Estimated FY 2022 Ending Balance	**583.0**

FY 2023	
Estimated FY 2023 Beginning Balance	**583.0**
Plus Estimated FY 2023 Revenues and Transfers into the GRF	39,537.5
Total Sources Available for Expenditure and Transfer	40,120.6
Less Recommended FY 2023 Appropriations	39,272.5
Less GRF Transfers Out	649.1
Total Uses	39,921.6
Estimated FY 2023 Ending Balance	**199.0**

Source: Ohio Office of Budget and Management, February 2021

For Immediate Release:

February 8, 2021

Office of Budget and Management Releases Preliminary January Revenue Data

(COLUMBUS, Ohio) -- The Office of Budget and Management (OBM) released January 2021 preliminary revenue data. Total General Revenue Fund tax receipts finished the month $81.3 million (3.6%) above the budgeted estimate.

- Non-Auto Sales Tax collections were $31.5 million (3.5%) above estimate in January.
- Auto Sales Tax collections were $10.3 million (8.6%) above estimate in January, the eighth straight month in which that revenue category has exceeded estimate.
- Personal Income Tax collections were $71.5 million (7.2%) above estimate for the month. This result was driven by lower than anticipated tax refunds, likely due to delayed start of the federal income tax filing season, which typically begins in January, but this year was delayed to mid-February.
- The Commercial Activity Tax was below the monthly estimate by $13.3 million (-18.1%) and remains below estimate fiscal year-to-date. January is not a significant month for collections from this tax, but OBM will monitor this source with interest through February which is a far more important collections month.

"Last week, Governor Mike DeWine presented his Executive Budget, for fiscal years 2022 and 2023 to the General Assembly. The Governor's budget is conservatively forecast, balanced, and does not raise taxes. The January revenues continue our path towards stable growth tied to beating the global pandemic – a solid start to our year of recovery," said OBM Director Kimberly Murnieks.

A more detailed explanation of this data will be included in the Monthly Financial Report, which will be posted on the OBM website on Wednesday, February 10.

S.B. 18*

134th General Assembly

Bill Analysis

Click here for S.B. 18's Fiscal Note

Version: As Reported by Senate Ways and Means

Primary Sponsor: Sens. Roegner and Schaffer

Mackenzie Damon, Attorney

SUMMARY

- Incorporates into Ohio income tax law changes to federal tax law taking effect since March 27, 2020.
- Exempts "second draw" paycheck protection program (PPP) loan amounts forgiven under the Consolidated Appropriations Act, 2021 from the commercial activity tax (CAT).
- Authorizes a CAT exemption for Bureau of Workers' Compensation (BWC) dividends paid to employers, beginning with dividends paid in 2020.
- Declares an emergency.

DETAILED ANALYSIS

Incorporation of Internal Revenue Code changes

The bill incorporates into Ohio tax law recent changes to the Internal Revenue Code (IRC) or other federal law taking effect after March 27, 2020.[1]

Several changes to federal law are incorporated, including several changes made by the "Consolidated Appropriations Act, 2021," H.R. 133 of the 116th Congress, in December of 2020 (referred to in this analysis as "CAA 2021"). Several of these changes directly affect the tax base of many Ohio income tax taxpayers by increasing or decreasing federal adjusted gross income

* This analysis was prepared before the report of the Senate Ways and Means Committee appeared in the Senate Journal. Note that the legislative history may be incomplete.

[1] R.C. 5701.11(A).

(FAGI), the starting number for determining a taxpayer's Ohio taxable income.[2] The incorporated changes also affect the tax base of school districts levying an income tax on the basis of FAGI.[3]

The following is a list of some of the most significant of the federal law changes affecting Ohio law:

Changes affecting individuals

- A temporary look-back rule for determination of earned income for purposes for the earned income tax credit (EITC). (Ohio allows a piggy-back credit based on a taxpayer's federal EITC.)
- The extension of an exclusion from gross income for the discharge of indebtedness of a qualified principal residence.
- An extension of the temporary allowance of a deduction for charitable contributions by nonitemizers.
- A clarification that the educator expense tax deduction includes expenses for personal protective equipment and other supplies related to the prevention of the spread of COVID-19.
- An exclusion for emergency financial aid grants.
- The transition from a deduction for qualified tuition and related expenses to an increased phase-out threshold of the Lifetime Learning Credit.
- Temporary special rules for health and dependent care flexible spending arrangements.

Changes affecting businesses

- The allowance of a 30-year depreciation period for certain residential rental property.
- The temporary allowance of a full deduction for business meals (generally, business meals are only 50% deductible).
- A clarification of the tax treatment of Paycheck Protection Program loan forgiveness, including a clarification that expenses paid with covered loans can be deductible.
- An extension of the payment deadline for certain deferred payroll taxes (including certain self-employment taxes).
- The extension of the work opportunity tax credit. (Ohio allows a deduction for employee wages that could not be deducted from the business owners' FAGI due to the work opportunity credit.)

[2] R.C. 5747.01(A), not in the bill.

[3] R.C. 5748.01(E), not in the bill.

- The extension of an exclusion for certain employer payments of student loans.

Reason for incorporation

Ohio tax law incorporates by reference parts of the IRC and other federal laws. Periodic amendments to federal law do not become part of Ohio law unless they are incorporated by an act of the General Assembly.[4] The incorporation applies to only general, undated references to the IRC or other federal laws, and does not apply to references that specify a date.

If federal tax law amendments are not incorporated, an affected taxpayer would have to adjust the taxpayer's federal adjusted gross income or taxable income, either by adding or subtracting the relevant amounts, in order to compute the taxpayer's Ohio tax liability.

Alternative tax law election

The bill also revises Ohio tax law with respect to an election available to taxpayers whenever federal amendments become incorporated. Current law authorizes a taxpayer whose taxable year ended after March 30, 2018, and before March 27, 2020, to irrevocably elect to apply to the taxpayer's state tax calculation the federal tax laws that applied to that taxable year. (The two March dates are the dates of the two most recent incorporations.) The election was available to taxpayers who were subject to the personal income tax and to electric and telephone companies that are subject to municipal income taxes.

The bill allows this election to be made for a taxpayer's taxable year ending after March 27, 2020, but before the incorporation provision's effective date. The bill retains a provision specifying that similar elections made under prior versions of the law remain effective for the taxable years to which the previous elections applied.[5]

Commercial activity tax (CAT) exclusions

Exemption for forgiven PPP loan amounts

The bill exempts "second draw" paycheck protection program (PPP) loan amounts forgiven under the CAA 2021 from the commercial activity tax (CAT). A similar exemption already exists for "first draw" PPP loan amounts forgiven under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[6] Under continuing law, similar to federal income tax law, forgiven debt is generally considered to be taxable gross receipts for purposes of the CAT.

The CARES Act allowed businesses affected by the coronavirus pandemic to apply for PPP loans. In December of 2020, the CAA 2021 expanded the program to allow some businesses that received a PPP loan under the CARES Act to apply for a "second draw" loan. For both types of loans, the debt will be forgiven if the loan is used for payroll costs or mortgage, rent, or utility payments during an 8- or 24-week period beginning with the loan's origination. Such

[4] *See State of Ohio v. Gill*, 63 Ohio St.3d 53 (1992).

[5] R.C. 5701.11(B).

[6] Section 36 of H.B. 481 of the 133rd General Assembly.

canceled debt is not taxable for federal income tax purposes, whereas most forgiven debt is considered taxable income.[7]

Exemption for BWC dividends

The bill authorizes a CAT exemption for Bureau of Workers' Compensation (BWC) dividends paid to employers, beginning with dividends paid in 2020.[8]

Under continuing law, the BWC is required to develop a procedure for the return of excess workers' compensation premiums to employers if the board of directors determines that the surplus of earned premiums over losses is larger than needed to maintain solvency. Currently, such payments, referred to as "dividends," are considered to be taxable gross receipts for purposes of the CAT.[9]

HISTORY

Action	Date
Introduced	01-26-21
Reported, S. Ways & Means	---

S0018-RS-134/ts

[7] Section 276 of the CAA 2021 and Section 1106(i) of the CARES Act.

[8] R.C. 5751.01(F)(2)(nn) and Section 5.

[9] R.C. 4123.321, not in the bill.

S.B. 45
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Peterson and Kunze

Mackenzie Damon, Attorney

SUMMARY

- Authorizes the following tax incentives for the operators and certain suppliers of a "megaproject," i.e., a development project that includes $1 billion in investment or creates at least $75 million in Ohio payroll:
  - Lengthening the maximum term of the refundable Job Creation Tax Credit (JCTC) from the current 15 years to 30 years.
  - Assignment of all or a portion of a megaproject supplier's JCTC to the megaproject's operator.
  - A commercial activity tax (CAT) exclusion for gross receipts of a megaproject supplier from sales to a megaproject operator.
  - Lengthening the maximum term of local community reinvestment area or enterprise zone property tax exemptions to 30 years.

DETAILED ANALYSIS

Megaproject tax incentives

The bill authorizes several special tax incentives for operators and certain suppliers of a "megaproject," i.e., a large-scale development that meets certain investment or payroll thresholds. Specifically, the bill (1) increases the maximum number of years, from 15 to 30, over which the operator or supplier may receive a Job Creation Tax Credit (JCTC), (2) authorizes a megaproject supplier's JCTC to be wholly or partially allocated to the megaproject's operator, (3) authorizes a megaproject supplier, in calculating its commercial activity tax, to exclude its gross receipts from sales to a megaproject operator, and (4) authorizes local governments to grant a 30-year community reinvestment area or enterprise zone property tax exemption to a megaproject or property owned by a megaproject supplier.

Qualifying projects and suppliers

Before a business may qualify for any of these enhanced incentives, it must either operate a "megaproject" or sell tangible personal property to one. A megaproject is a development project that satisfies all of the following conditions:

1. The operator must compensate the project's employees at 300% of the federal minimum wage or more. (The federal minimum wage is currently $7.25 per hour for nonexempt employees, so this income threshold would equal $21.75 per hour.) This wage threshold is calculated exclusive of employee benefits and must be met at the time the project is approved for a JCTC (see below).
2. The operator must either make at least $1 billion in fixed-asset investments in the project or create at the project at least $75 million in annual Ohio employee payroll, i.e., payroll subject to Ohio income tax.
3. If the project qualifies on the basis of Ohio employee payroll, the operator must maintain at least $75 million in annual payroll at the project throughout the term of the JCTC (see below).
4. The project requires "unique sites, extremely robust utility service, and a technically skilled workforce."[1]

In addition to the megaproject's operator, certain suppliers of a megaproject are eligible for the bill's incentives (referred to in this analysis as a "qualifying megaproject supplier"). Specifically, any business that sells tangible personal property may qualify for the incentives if it satisfies both of the following requirements:

1. The business makes at least $100 million in fixed-asset investments in Ohio;
2. The business creates at least $10 million in annual Ohio employee payroll and maintains that level of payroll throughout the term of the JCTC (see below).[2]

Job Creation Tax Credit

A megaproject operator or qualifying megaproject supplier must be approved by the Ohio Tax Credit Authority (OTCA) to receive a JCTC before the operator or supplier may qualify for the bill's other incentives. A JCTC is a refundable tax credit that may be taken against the state's income tax, commercial activity tax, or financial institutions tax. The credit equals a percentage of additional annual Ohio employee payroll that a business generates at an Ohio-based project above a baseline amount of payroll generated at the site in the 12 months before the site was approved for the credit. Currently, the credit may be awarded for up to 15 years.

To obtain a JCTC, a business is required to apply to and enter into an agreement with OTCA, a five-member board that includes the Director of Development Services. The agreement

[1] R.C. 122.17(A)(10) and (11).

[2] R.C. 122.17(A)(12).

sets out specific terms and conditions a project is required to meet as a condition of receiving the credit. The Director annually evaluates a project's compliance with the agreement and, if compliant, issues a certificate with the credit amount the business may claim for the year (referred to in this analysis as an "annual compliance certificate").

Maximum term

The bill increases the maximum number of years that a JCTC may be awarded from 15 to 30 years for a business that is a megaproject operator or qualifying megaproject supplier.[3] As a condition of continuing to receive annual compliance certificates during the term of the JCTC, the bill specifically requires the operator or supplier to continue to meet the megaproject qualifications described above.[4] If those qualifications are not met, the Director of Development Services is required to notify the Tax Commissioner, presumably to assist the Commissioner in determining whether a megaproject supplier is eligible for the bill's commercial activity tax exclusion (see below).[5] As with other noncompliant JCTC projects, OTCA may reduce the term or amount of a noncompliant megaproject operator's or supplier's JCTC or may require the operator or supplier to repay credits already claimed.[6]

Allocation of supplier's JCTC

If a megaproject supplier is awarded a JCTC, the bill authorizes the JCTC agreement to allocate all or a portion of the supplier's credit to the operator of the megaproject to which the supplier sells tangible personal property. The Director of Development Services is required to issue annual compliance certificates to any operator allocated a portion of a supplier's credit in this manner.[7]

Commercial activity tax exclusion

Continuing law imposes the commercial activity tax (CAT) based on a business's taxable gross receipts from sales in Ohio. The bill authorizes a qualifying megaproject supplier to exclude, in calculating the supplier's taxable gross receipts, any gross receipts from the sale of tangible personal property to a megaproject operator.[8] Before claiming the exclusion, the supplier must have been awarded a JCTC.

Property tax exemptions

The bill authorizes counties and municipal corporations to grant up to a 30-year enterprise zone (EZ) or community reinvestment area (CRA) property tax exemption to the site of a megaproject or a site owned and operated by a qualifying megaproject supplier

[3] R.C. 122.17(D)(2)(c).

[4] R.C. 122.17(D)(11).

[5] R.C. 122.17(T).

[6] R.C. 122.17(E) and (K).

[7] R.C. 122.17(D)(7) and (10).

[8] R.C. 5751.01(F)(2)(nn).

("qualifying site"), provided the megaproject operator or supplier, respectively, has been awarded a JCTC.[9] Under current law, EZ and CRA exemptions are generally limited to no more than a 15-year term. If either exemption is granted to a qualifying site, the property owner is required to annually certify to the county or municipal corporation that the megaproject operator or supplier holds a JCTC annual compliance certificate. If the operator or supplier does not hold such a certificate, the county or municipal corporation may terminate the exemption beginning with the tax year in which the termination decision is made.[10] The bill's property tax exemptions would be subject to the approval of the school board of the affected school district if and to the extent such approval is required for other EZ or CRA projects, as described in the summaries of those exemption statutes, below.

Summary of enterprise zone law

Under continuing law, counties and municipal corporations may designate areas within the county or municipal corporation as "enterprise zones." After the EZ designation is approved by the Director of Development Services, the county or municipal corporation may then enter into enterprise zone agreements with businesses for the purpose of fostering economic development in the zone. Under an enterprise zone agreement, the business agrees to establish or expand within the enterprise zone or to relocate its operations to the zone in exchange for tax exemptions for the development's increased property value and other incentives. In general, a school board of the district in which an EZ is located is required to approve any exemption in excess of 75% of the property's increased value or an exemption for a period of years in excess of ten.

Summary of community reinvestment area law

Ohio's CRA law authorizes counties and municipal corporations to designate certain areas as "community reinvestment areas" to encourage new construction or the remodeling of existing structures. Similar to an EZ, after a CRA is approved by the Director of Development Services, the county or municipal corporation may enter into an agreement with a business exempting the increased value of new construction or remodeling of a commercial or industrial structure in the CRA in exchange for the creation or retention of jobs at the structure. (Unlike an EZ, residential construction and remodeling may also qualify for a CRA exemption, but no agreement is required for residential exemptions.) Before commercial or industrial property may receive a CRA exemption, the exemption must be approved by the school board of the district in which the property is located, unless the exemption is for less than 50% of the property's increased value.

[9] R.C. 3735.67(D)(2), 5709.61, 5709.62(C)(4), 5709.63(B)(3), and 5709.632(C).

[10] R.C. 3735.671(C)(11) and 5709.631(B)(13).

HISTORY

Action	Date
Introduced	02-02-21

S0045-I-134/ks

Ohio House Finance Committee

Transportation Budget for FY22-23

Jack Marchbanks, Ph.D.
Ohio Department of Transportation

February 09, 2021

Chairman Oelslager, Vice Chair Plummer, Ranking Minority Member Crawley, and members of the Ohio House Finance Committee:

I am Dr. Jack Marchbanks, Director of the Ohio Department of Transportation. Thank you for the opportunity to address you today, and to provide you with some information about the State Fiscal Year 2022 – 2023 Transportation Budget.

The top priorities for the DeWine administration and ODOT for the next two years continue to be safety and improving Ohioans quality of life.

The men and women of ODOT understand our vast transportation system impacts the lives of every Ohioan, every day. ODOT's mission is critical to the safe travel, welfare, and prosperity of our citizens and our cities, counties, villages, and townships. It's essential that we move people and products quickly, safely, and efficiently, to maintain and expand the state's economic development opportunities. ODOT directly contributes to the well-being of all Ohioans by maintaining and building a robust transportation system.

As you may know, Ohio's transportation projects are funded through two primary revenue sources: Federal Highway Funding and the state motor vehicle fuel tax.

Many of you will remember my testimony before this chamber two years ago. I noted that transportation funding in Ohio was standing on the edge of a fiscal cliff. Inflation, flat revenues due to more fuel-efficient vehicles, and recent increases in state borrowing left our system of state and local roadways in jeopardy of falling into a dangerous state of disrepair.

Thanks to the leadership of you and your colleagues, and Governor DeWine, a responsible revenue package was included in the previous transportation budget. As a result, ODOT and our local partners can now invest billions of additional dollars into transportation infrastructure projects over the next few years. These are projects that will improve safety and save lives. These same projects would not have been possible without the additional revenue provided by that budget.

Pandemic-Induced Revenue Drop
Of course we did not foresee it at the time, but the wisdom of approving the revenue package in HB62, without question, helped the state avoid an even MORE severe highway funding crisis when we were hit by the economic downturn brought on by the COVID-19 pandemic.

ODOT'ers leaned into their role as essential workers for the state of Ohio. Despite the pandemic, we still kept our roads and bridges in good repair, cleared snow and ice, repaired infrastructure damaged by flooding and windstorms. And on top of all that, the ODOT team delivered a $1.8 billion construction program that helped keep Ohio's economy running.

That said, the COVID-19 outbreak caused a significant drop in traffic volumes in the state as people stayed home to slow the spread of the virus. At one point in the spring, traffic volume had declined nearly 50 percent compared to 2019. Traffic numbers began inching back up in May with the re-opening of businesses and the re-start of other activities. With a few exceptions, mostly around the holidays, traffic numbers have essentially plateaued since late summer.

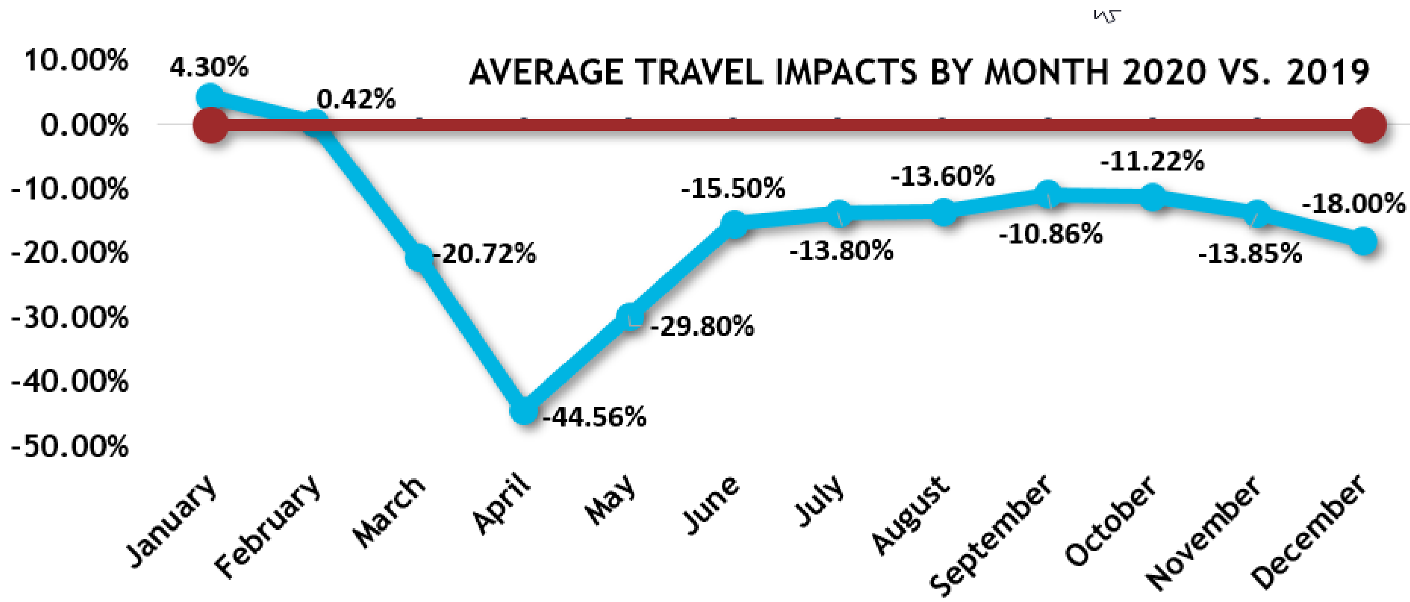


Table 1: Reduction in Statewide Traffic Volumes from 2019 Levels by Month

As a result, motor vehicle fuel consumption in Ohio also dropped significantly, leading to revenue that is lower than initial projections. At their lowest point, in April, receipts were nearly 33 percent below our original projections. The loss of projected funding from March (through November) has been nearly $200 million.

REDUCTION IN MOTOR VEHICLE FUEL TAX RECEIPTS FROM ORIGINAL ESTIMATES

MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
$13m	$14m	$62m	$42m	$7m	$14m	$30m	$4m	$12m

Table 2: Reduction in 2020 Motor Vehicle Fuel Tax Receipts from Original Estimates by Month (dollars in millions)

FY 2022-2023 Revenue Estimates

For this FY22-23 budget proposal, ODOT is anticipating a revenue reduction of 9 percent ($174 million) from previous estimates for FY22 and a reduction of 8 percent ($159 million) for FY23.

	Federal Revenue*	State Revenue*	Bond Revenue	Carry-forward	Debt Service**	TOTAL
FY 2022	$1.437 billion	$1.592 billion	$120 million	$129 million	$333 million	$2.945 billion
FY 2023	$1.437 billion	$1.607 billion	$170 million	$127 million	$360 million	$2.981 billion

Table 3: FY22-23 Budget At-A-Glance

**All numbers are estimates of anticipated revenues*

***Includes debt service from Federal GARVEE bonds issued, State Highway Capital Improvement bonds issued, State Capital Facility bonds issued, and Availability Payments on the Public-Private Partnership for Portsmouth*

This proposal will allow ODOT to continue to take care of all planned highway maintenance and preservation work. We will also continue to fund our highway safety and local programs at pre-pandemic levels.

	PAVEMENT	BRIDGES	SAFETY PROGRAMS	LOCAL PROGRAMS	MAJOR NEW	TRANSIT	OPERATING EXPENSES
FY 22	$970m	$260m	$159m	$357m	$100m	$49m	$904m
FY 23	$994m	$260m	$159m	$357m	$100m	$50m	$917m

Table 4: Anticipated FY 22-23 ODOT budget expenditures

The additional revenue provided by the last transportation budget allowed Ohio to expand our highway safety program to become the fourth-largest in the county. The additional funding is being used to address problems at 150 problematic intersections throughout the state as well as providing funding to local governments to address pedestrian safety concerns.

We have also worked hard to identify innovative ways to deliver our safety projects, cutting months and years off the time it would typically take to identify a problem area and then design and construct a solution to address the problem. Better data, electronic resources, and creative thinking are all helping the agency be better able to quickly address safety concerns on our roadways.

Despite the drop in expected revenue, this budget also provides for a modest amount of funding for additional improvements of the existing highway network. This is funding assigned to our Transportation Review Advisory Committee (also known as TRAC). These are large projects that typically reconfigure the existing highway system to meet modern-day engineering standards. They are designed to address congestion and safety issues that are typically caused by population and traffic growth that occurred after the original configuration was built.

This budget provides for about $100 million each year for TRAC projects. While this is less than original estimates, it will still allow us to move some projects forward over the next two years. Due to the drop in revenue projections, the TRAC decided to pause the consideration of new project applications last summer.

However, we are pleased to share that this budget also includes an allocation of $333 million dollars that was provided to Ohio by the December federal stimulus bill for roadway construction. $126 million of this funding will be provided to local governments to help cover the revenue they lost through the pandemic travel restrictions.

The $206 million that will be allocated to ODOT will allow us to work with the TRAC members to restart the application process for moving some of those much-needed projects forward.

As we take a step back to look at our financial situation at this time, I believe one thing should be immensely clear: it could have been so much worse. The Ohio General Assembly and Governor DeWine should be applauded. Your foresight to modernize Ohio's transportation revenue formulas two years ago will allow us to continue our work to maintain and improve roads and bridges in the state.

In fact, our estimates indicate if that modernization had not taken place, ODOT and local partners would have received roughly $870 million less in state motor vehicle fuel tax in fiscal year 2020 and through the first quarter of fiscal year 2021.

The infusion of revenue provided by the previous General Assembly proved to be timelier than we could have imagined. As a result, we go into the next biennium confident we will be able to continue our work to improve the safety of Ohio's transportation network despite revenue losses caused by the pandemic.

2020 Traffic Safety Trends

As I mentioned earlier, the top transportation priority for the DeWine administration continues to be safety. I just described how the pandemic had a huge impact on our budget. It has also had a devastating impact on the safety of our roadways.

Overall, travel in Ohio was down about 15 percent last year compared to 2019 volumes. Unfortunately, traffic deaths did not decline with traffic volumes, they actually rose 7 percent. Ohio ended the year with approximately 1,238 traffic deaths - 83 more deaths than the 1,155 reported last year. Traffic deaths in Ohio have risen six of the past seven years despite safer vehicle technology.

However, serious injuries declined for the fourth straight year. There are currently 7,154 reported serious injuries in 2020 compared to 7,487 last year. We will confirm these numbers as crash reports are finalized.

We suspect serious injuries in Ohio have been trending down because more people are driving newer, safer vehicles that reduce the severity of injuries in a crash. We suspect fatalities have gotten worse because these safety features are less effective when drivers engage in the most dangerous activities such as extreme speeds, not wearing a seat belt, distracted driving or are severely impaired by drugs and alcohol.

These behaviors are likely contributing to some other disturbing trends over the last year. Traffic deaths involving pedestrians were up 29 percent. Fatalities at intersections were up 33 percent. Fatalities involving motorcycles were up 23 percent. However, deaths involving older adults (age 65+) and Commercial Motor Vehicles were down. Interestingly, commercial vehicle deaths were down even as commercial traffic increased substantially over the last year.

So far this year – traffic deaths appear to be up again. These numbers are preliminary, but it appears that in January there were about 28 more deaths than the same time last year. There are many factors that go into a month-to-month spike in fatalities, including weather conditions, but this is certainly a trend we do not want to see continued further into this new year.

Driving at extreme speeds, not wearing a seat belt, using an electronic device while driving or driving while severely impaired by drugs and alcohol are choices drivers make. That means crashes and fatalities caused by these decisions are **absolutely preventable**.

Hands-Free Ohio

I fully support Governor DeWine's proposal to incorporate the last General Assembly's Hands-Free Ohio legislation into this bill. This proposal would change laws in Ohio to make driving while handling any electronic wireless device a primary traffic offense. The bill will also increase fines for drivers who habitually use devices while driving, similar to our treatment for intoxicated drivers.

At ODOT we take distracted driving seriously. More than 50 percent of our workforce perform many of their job duties near live traffic. Drivers who are distracted by a device while driving through one of our work zones pose a real and present danger to the lives of the dedicated men and women who work for our agency. Last year, despite the significant reduction in traffic volumes, we had eleven ODOT workers seriously injured in a work zone. That is almost twice as many as the previous two years COMBINED.

Mobile devices are more dangerous than traditional distractions. They take your eyes off the road and mind off driving for longer periods of time, which slows a driver's reaction to hazards. But the key is the complexity of their use. The more complex the mobile distraction, the slower the reaction time and the longer it takes your brain to refocus on driving.

People continue to use the technology because it's addictive. Technology today is designed to hook and maintain people's attention through push notifications and app design. Notifications, whether it's breaking news, emails, texts or a "like" on Facebook, trigger the release of a brain chemical called dopamine that makes people feel good, so they keep checking their phones.

Drivers keep using their phones while driving because they underestimate the danger. Yet we have more than a decade worth of research that says cell phone use significantly increases your risk of causing a crash.

Among the growing body of evidence is a study by the Virginia Tech Transportation Institute. It found that engaging in visual-manual tasks, such as reaching for a phone, dialing and texting with a hand-held or portable device, **<u>tripled</u>** the risk of a crash.

That's why many states are modernizing their distracted driving laws and adopting hands-free requirements with primary enforcement. According to the National Conference of State Legislatures, Montana is the only state without any law limiting cell phone use while driving.

DISTRACTED DRIVING & HANDS-FREE LAWS IN US

PRIMARY ENFORCEMENT	PRIMARY ENFORCEMENT	SECONDARY ENFORCEMENT	PRIMARY ENFORCEMENT	NO LAW LIMITING CELL PHONE USE
ALL HANDHELD DEVICES, ALL DRIVERS	NO TEXTING, ALL DRIVERS	NO TEXTING, ALL DRIVERS	NO TEXTING, YOUNG DRIVERS	
AZ, CA, CT, DE, GA, HI, ID, IL, IN, ME, MD, MA, MI, NH, NJ, NY, NV, OR, RI, SD, TN, VT, VA, WA, WV	AL, AK, AR, CO, FL, IA, KS, KY, LA, MI, MS, NM, NC, ND, OK, PA, SC, TX, UT, WI, WY	NE, OH	MO	MT
DC, Guam, PR, USVI				

Table 5: Distracted driving state laws per National Conference of State Legislatures

Most drivers support laws against distracted driving, with almost 76% supporting laws against holding and talking on a cellphone while driving, according to a national survey released in June 2020 by the AAA Foundation for Traffic Safety. People recognize no one should be using a smart phone while operating a vehicle, at highway speeds or on local neighborhood roads where their children play.

Surveys conducted in states like Arizona, Georgia, North Carolina, Michigan and Tennessee have also shown that most citizens support passing hands-free laws to deter distracted driving behavior.

This is a timely piece of legislation because, even with all of the safety enhancements in our vehicles these days, and better engineered and constructed roads – traffic crashes and deaths continue to grow.

As Ohioans emerge from the pandemic and take to the roads again for work and travel, enacting this common-sense restriction on drivers will be an invaluable tool to make sure we never see another year as deadly on our roadways as 2020 was.

Cost Savings Policy Initiatives

When I stood before this chamber two years ago asking for a funding increase, I made a pledge to all of you that additional revenue would not deter us from our culture of squeezing the most out of every taxpayer dollar. In fact, I told you we would find an additional $100 million in cost savings and efficiencies over Governor DeWine's first term. That commitment is even more important now, due to the reduction in transportation funding we are facing because of COVID.

We engaged our resourceful workforce to help us identify opportunities to save money. To date, more than 1,300 ideas have been generated totaling nearly $45 million dollars in savings thus far. This effort isn't just about cutting costs when budgets are tight. It is also about providing a better service to our constituents while saving taxpayer dollars and reinvesting them back into projects to improve Ohio's transportation network.

The department is also seeking changes to several state regulations that will help us reallocate dollars to be better invested in highway maintenance activities.

Bridge Inspections
Currently, federal bridge inspection standards mandate a 24-month inspection cycle, and most states reflect that federal standard (including Ohio's surrounding neighbors). However, Ohio law mandates a 12-month inspection cycle, even if a bridge is rated as excellent. This treats good bridges and more deficient bridges the same, which is not an efficient way to allocate limited resources. Ohio is also the only state that inspects all bridges on a 12-month cycle. The department is proposing a change that would allow a limited number of our highest-rated bridges, those currently rated seven or above (on a 0-9 scale), to be inspected no later than every 24 months instead of every 12 months. Inspecting our highest-rated bridges every year is not a prudent use of taxpayer resources. This will free up resources to dedicate them toward other assets. This change could save the department roughly $500,000 a year and would also result in significant savings for county and municipal governments in the state. No one wants safe bridges more than the men and women at ODOT – especially our bridge inspection engineers. This is a responsible cost-savings and government efficiency proposal that would put is in line with our national peers.

Permitting Emergency Vehicles
The federal FAST ACT made a three-axle, 86,000 lb. fire truck legal on all interstates and within one mile of an interstate on or off ramp. This vehicle was not in the metrics used to load rate bridges in Ohio. While we have only identified seven of these vehicles in the state, we have no way of knowing if a fire department were to purchase one in the future. This means that ODOT would have to spend roughly $5.6 million dollars to re-load rate every bridge on our system to ensure this vehicle can safely cross. So we are asking for permission to require a local fire department to go through a free but mandatory permitting process with ODOT if they are going to use one of these oversize vehicles so we can work with local entities in that area to ensure bridges are safe to cross. This is not meant to be extra red tape, this is a government efficiency proposal.

Force Account Limits – LoDril Scope of Work
The southern and eastern parts of the state, along the Ohio River and Appalachian region are particularly prone to landslides. Over the past several years, due to the number of landslides experienced, ODOT invested in drilling equipment (known as a LoDril) and has trained its workforce to perform drilled shaft retaining wall installation. This investment has allowed ODOT the ability to quickly respond to smaller landslide repairs. Oftentimes, this quick response allows roadways to be reopened quickly and can also save taxpayers millions of dollars by addressing early what could eventually end up as a larger landslide repair.

However, under current constraints, before such work can begin, a significant amount of time is invested on estimating costs for the repair at each of these project locations. You may recall that, in most cases, ODOT is limited to work it can perform on in-house projects to a cost of less than $63,250 (As of January 2021- this number is indexed for inflation). This proposal would allow our teams to determine if a job can be done in-house based on pre-defined "scope of work" metrics. This revision is similar to the process currently allowed for culvert replacements and bridge deck replacements that also have scope-defined limits. These scope-defined limits for the landslide repairs will allow ODOT to reduce the amount of time needed to prepare detailed estimates at each repair location. This is a government efficiency proposal.

DriveOhio

Last but certainly not least, this proposal also includes funding for DriveOhio. We are keenly aware there is a paradigm shift underway in the transportation industry. Legacy companies are pivoting to new ways of doing business and startups are entering the market. DriveOhio is their one-stop connection to the various regulatory entities in Ohio and they have several recent announcements under their belt to show for it.

DriveOhio is working to revolutionize how we move people and good in Ohio by utilizing smart mobility technology solutions ***on the ground AND in the air***. Working with the federal regulators, universities, the private sector, state partners like InnovateOhio, and local communities-- we are developing technology solutions to solve transportation challenges. Looking to the future, as automated and connected vehicle technology matures for cars, trucks, and aircraft, the ecosystem that DriveOhio has developed in coordination with institutions like the Transportation Research Center, Inc. (TRC) in East Liberty and the Air Force Research Laboratory (AFRL) at Wright Patterson Air Force Base in Dayton will provide Ohioans an advantage as they compete in an ever changing economy. Their work is extremely important. DriveOhio Executive Director Howard Wood will be available to provide testimony before this committee at a later time.

Conclusion

In conclusion, as we weather the COVID-19 pandemic, ODOT is committed to utilizing data, technology, and international best practices to maximize every dollar we receive. This budget proposal includes the funding necessary to address critical maintenance needs on the state highway system and to make needed safety updates. It includes language that, if approved by this legislative body, will allow us to maximize those dollars even further. And it improves some changes to our traffic laws that could greatly reduce the number of Ohioans who lose their lives on our roadways every year.

By doing so, we will emerge from these challenging times ready to advance the invaluable infrastructure upon which our mobility and economy depends. I appreciate the opportunity to testify and respectfully ask for your approval of this legislation.

Ohio Manufacturers' Association

Tax Counsel Report to Tax Committee – February of 2021
By Justin D. Cook, Bricker & Eckler LLP

Selected Legislation:

S.B. 276. S.B. 276 replaces Ohio's Limited Liability Company Act with the Revised Limited Liability Company Act codified as R.C. Chapter 1705. The biggest change to the LLC statutes is that Ohio now permits series limited liability companies. To address potential tax abuses by series LLCs, S.B. 276 amends R.C. 5751.012, the commercial activity tax ("CAT") provisions on combined filing. R.C. 5751.012 now provides that a "limited liability company and ***any series thereof*** shall file as a combined taxpayer for the calendar year ***if it is determined, by a preponderance of the evidence***, that such series of the limited liability company was created, in whole or in part, to ***avoid*** paying [the CAT]." (emphasis added).

An LLC or series of an LLC will be considered formed for the purpose of avoiding tax if "a limited liability company or series thereof that would otherwise be subject to the tax imposed under this chapter, the creation of the series results in either the ***reduction of taxable gross receipts below one hundred fifty thousand dollars*** or ***evasion of the bright-line presence standard*** under division (I) of section 5751.01 of the Revised Code." (emphasis added).

H.B. 150. H.B. 150 enacted changes to the CAT and Ohio's Financial Institutions Tax (the "FIT"). Prior to H.B. 150, mortgage brokers originating a loan could generally assign the loan to a bank that advanced closing funds without paying CAT on the money used to finance the transaction; a broker only paid CAT on the fees and other consideration received for origination. H.B. 150 provides a similar exclusion for mortgage lenders, allowing a mortgage lender to sell a mortgage or mortgage-backed security without paying CAT on the portion of consideration that corresponds to loan principal.

Additionally, separate from the changes to CAT, H.B. 150 reduces the FIT by up to $1,000,000 for what is defined as "de novo" banks, i.e. banks that have operated for less than three years. Under the FIT, de novo banks calculate the amount of FIT otherwise due and subtract the $1,000,000 reduction from their tax liability. If the resulting total is $0 or less, no tax is due.

Selected Proposed Legislation:

Governor's Budget Recommendations. Governor DeWine recently issued his proposed budget for fiscal years 2022 through 2023. Sales and use taxes are projected to remain the largest single source of state general fund revenue, followed by income taxes. CAT revenues account for only 4.5% of general fund revenue. With respect to tax law changes, the Governor proposes an expansion of Ohio's Job Creation Tax Credit ("JCTC"), targeting greater eligibility for small employers with projects that fall below the current employee requirements. Specifically, the Governor wants to allow projects that create less than 10 new jobs to be considered for the JCTC.

S.B. 18. S.B. 18 would amend R.C. 5751.01(F)(2) to exclude BWC "dividends" from the definition of a taxable gross receipt.

Administrative Actions:

O.A.C. § 5703-29-02. The Department of Taxation's (the "Department's") proposed changes to O.A.C. § 5703-29-02 were finalized on January 11th and became effective on January 21st. The final regulation relates to CAT for entities under common ownership. Specifically, the regulation narrows the circumstances when the Tax Commissioner will grant a retroactive election for consolidated (rather than a combined) group status. This important final regulation is ultimately a reaction to a BTA decision from October of 2019.

The CAT is a gross receipts tax imposed without a deduction for the cost of goods sold. As a result, when taxed under the default classification of a combined group, entities under common ownership will realize taxable gross receipts on transactions with other related members of their group.

To avoid what amounts to essentially phantom gross receipts between related parties, the Revised Code allows taxpayers to file an election to be taxed as a *consolidated* group (as opposed to a *combined* group). Electing consolidated status waives a challenge to nexus, but allows exclusion of intercompany transactions from the scope of taxable gross receipts.

The idea that inter-company transactions between related parties could generate taxable gross receipts is not intuitive for many unsuspecting taxpayers. As a result, taxpayers often overlook filing a consolidated election. This can result in significant and unexpected tax liability.

Under the former version of O.A.C. § 5703-29-02, the Tax Commissioner could grant a consolidated election retroactively upon request. Retroactive relief would mitigate the negative tax consequences of simply overlooking the need to file a consolidated election. The regulations, however, were silent on when such relief was appropriate or what standards a taxpayer had to satisfy.

In *Nissan North America, Inc. v. McClain*, BTA No. 2016-1076 (October 9, 2019), the BTA held that under the former regulations a taxpayer could appeal the Tax Commissioner's denial of a retroactive election made ***after*** commencement of a CAT audit. Additionally, based on the circumstances at issue in *Nissan*, the BTA also found that the Tax Commissioner ***abused his discretion*** in denying the taxpayer's request for retroactive relief.

The amended version of O.A.C. § 5703-29-02 attempts to minimize the *Nissan* decision and significantly curtail when retroactive relief may be provided. In fact, relief may only be provided now in two instances. First, relief may be granted if due to clerical error the taxpayer failed to file a timely consolidated election. Clerical error under the regulations means a taxpayer filed otherwise correct returns under the belief that a consolidated election was in place (i.e., all related members were registered for tax and excluded intercompany transactions as if a consolidated election was in place). Second, relief may also be granted if the taxpayer comes forward through participation in a voluntary disclosure program, meaning a request for retroactive relief must be made prior to being contacted by the Department for audit.

Going forward, O.A.C. § 5703-29-02 also appears to keep retroactive relief discretionary; the regulation maintains the Tax Commissioner "may," as opposed to "shall," grant retroactive relief to Taxpayers claiming clerical error or making voluntary disclosure.

Judicial Actions:

Ohio Board of Tax Appeals

Cincinnati Federal Savings & Loan v. McClain, BTA No. 2018-2247 (Dec. 22, 2020), 2020 WL 7711533. Taxpayer in this case was a bank that purchased software from Vendor (Fiserv) to operate its online banking platform, which included a variety of features (e.g., online bill-pay) and many separate software programs. The BTA's decision in *Cincinnati Federal* is important for manufacturers due to the volume of software they purchase, both to support business functions and operate manufacturing processes.

In Ohio, off-the-shelf software is taxable, but sales of "custom software" are considered non-taxable professional services. Taxpayer claimed it purchased non-taxable "custom software" because Vendor worked with Taxpayer to identify the specific mix of software programs necessary to meet Taxpayer's needs and which, collectively, became Taxpayer's unique online banking platform.

The BTA, noting the lack of precedent on this issue, rejected Taxpayer's argument. The BTA explained the following:

> The record in this case indicates software customization is a spectrum. On one end, vendors sell prewritten software with no modifications specific to the purchaser. Such software is taxable…On the other end, a vendor creates an entirely new software system from scratch, which would likely be exempt. The services Fiserv provides are in the middle. While Cincinnati Federal focuses on the system specific to it, the record is clear Fiserv is a major player in banking software and services with a significant number of clients who use Fiserv's software. Fiserv did not start from scratch. But we also recognize Fiserv made some modifications to account for Cincinnati Federal's needs. We need not

> draw the line on that spectrum in this case because that is the responsibility of the General Assembly. Because the exemption is “doubtful” we reject the argument.

Ultimately, taxpayers looking to claim the customer software exemption should consider the holding and language of *Cincinnati Federal* when drafting a description of software deliverables and a project’s scope in developer agreements.

Tax

BWC Dividends, PPP Proceeds Would be Exempt Under New Tax Bill

February 12, 2021

Last week, we **reported** that the $8 billion in BWC dividends issued last year to Ohio employers could be subject to Ohio's Commercial Activity Tax (CAT). But this week, a fast-tracked measure (**Senate Bill 18**) to conform the state's tax code with recent federal changes was amended with language that would **exempt the BWC dividends** from the CAT, beginning with dividends paid in 2020.

SB 18, which has been approved by the full Senate and now awaits House action, would also exempt federal Paycheck Protection Program loan proceeds from the CAT.

This development will be discussed Wednesday, Feb. 17 when the OMA's Tax and Finance Committee will hold (via Zoom) its first meeting of 2021. Also on the agenda will be Ohio Tax Commissioner **Jeff McClain**, who will brief members on the state budget. **Register now.** *2/11/2021*

Using the Employee Retention Tax Credit With the PPP

February 12, 2021

At 1 p.m. on Feb. 23, OMA Connections Partner RSM will host a free webinar to discuss employer opportunities to utilize the recently expanded employee retention tax credit (ERTC) in combination with updated guidance on the Paycheck Protection Program (PPP). **Learn more and register here.**
Also, OMA Connections Partner CliftonLarsonAllen has published **this new insight** to address "very frequently asked questions" about the ERTC. *2/10/2021*

Ohio Revenues Continue to Exceed Estimates

February 12, 2021

The Office of Budget of Management (OBM) **announced** this week that Ohio's January revenues continued to exceed estimates, coming in $81.3 million or 3.6% above forecasted amounts. Exceeding estimates were collections from the non-auto sales tax (3.5%), auto sales tax (8.6%), and the personal income tax (7.2%).

The Commercial Activity Tax (CAT) fell short of estimates by nearly $13.3 million (-18.1%). OBM noted that the CAT remains below estimate fiscal year-to-date, and that it "will monitor this source with interest through February, which is a far more important collections month." *2/9/2021*

Federal Lawmakers Push for Retroactive Tax Increase

February 12, 2021

The National Association of Manufacturers (NAM) **reports** that several members of Congress want to include a significant rollback of net operating loss relief in the next federal COVID-19 relief bill. NAM Senior Director of Tax Policy David Eiselsberg says such a policy change would "result in a retroactive tax increase on a sector that is key to America's success."

Meanwhile, the U.S. Chamber of Commerce has **made its case** for preserving a competitive corporate tax rate, saying there's bipartisan agreement that an economic downturn is not the time to raise taxes. *2/8/2021*

CBO: $15 Minimum Wage Would Cost 1.4M Jobs by 2025

February 12, 2021

The non-partisan Congressional Budget Office (CBO) this week estimated that a proposed $15 federal minimum wage would cost 1.4 million jobs by 2025 while lifting 900,000 people out of poverty. It would also increase the federal deficit by $54 billion over a decade, while driving prices higher for goods and services. **Read the CBO report.** *2/8/2021*

State Tax Officials: BWC Dividends Likely Subject to CAT, Income Taxes — at Least for Now

February 5, 2021

In 2020, the Ohio Bureau of Workers' Compensation (BWC) issued nearly $8 billion in dividends to employers to provide relief from the economic effects of COVID-19. It now appears those dividend payments will be subject to the

Commercial Activity Tax (CAT) and income tax, according to the Ohio Department of Taxation (ODT).

Hannah News Service **reported** that an ODT official told Ohio lawmakers that the agency currently views the dividends as taxable under the CAT. The same official noted that lawmakers could pass legislation exempting the BWC dividends from the CAT — but even if that happened, the dividends are "probably" subject to income taxes under federal law.

The OMA and other business groups are working with the administration to find a workable solution to this drastic policy shift by the state. Meanwhile, employers have begun to receive their 1099-G forms for 2020 BWC payments. *2/3/2021*

PPP Second Draw Loans: How Much Are You Eligible For? It Depends

February 5, 2021

OMA Connections Partner CliftonLarsonAllen has published **this new insight** that examines the basic rules for Paycheck Protection Program (PPP) second draw loans. Generally speaking, the loan amount is determined by average monthly payroll for either 2019 or 2020, multiplied by 2.5, with a maximum loan size of $2 million. Businesses that are part of a single corporate group cannot receive more than $4 million of second draw loans in the aggregate.

Meanwhile, OMA Connections Partner Huntington National Bank offers **this webpage** with PPP information and updates. *2/3/2021*

The Domino Effect of a $15 Minimum Wage

February 5, 2021

In its **analysis** of the Biden administration's proposed hike to the federal minimum wage, OMA Connections Partner Fisher Phillips writes that "employers should start planning now for at least some increase, whether to $15 per hour or some other (hopefully more reasonable) rate."

The firm adds: "Keep in mind that an increase in the minimum wage rate to $15 would also increase the overtime premium rate for hours worked over 40 to a staggering $22.50 per hour (currently $10.875 per hour). Moreover, an increase to the minimum wage rate is likely to put upward pressure on wage rates for other jobs." Finally, at $15 per hour, "an employee who works 40 hours per week would earn $600. This is just $84 less than the current minimum salary threshold for exempt employees, which would likely prompt regulatory increases of that rate as well." *2/2/2021*

At a Glance: Ohio's General Revenue Spending

January 29, 2021

In odd-numbered years — like this year — Ohio lawmakers' top priority is crafting the state budget for the upcoming two fiscal years. During the budget process, the General Assembly largely focuses on the General Revenue Fund (GRF) — the largest funding source for state agencies.

Ohio's major taxes fund the bulk of the GRF, with more than half of that funding coming from sales-and-use taxes and personal income tax.

As lawmakers prepare to receive the governor's new budget plan, **here's a look at state spending from the GRF** during fiscal year 2020. As illustrated by the Legislative Service Commission, spending for Medicaid — at $15.47 billion — was easily the biggest budget item, followed by K-12 education ($7.85 billion). *1/26/2021*

Employee Retention Credit Webinar Available Now

January 29, 2021

The Employee Retention Credit (ERC) — a refundable tax credit against certain employment taxes — was recently extended by Congress. See the **IRS' FAQs page** for updated information on the ERC, as well as **this summary** from OMA Connections Partner Clark Schaefer Hackett.

OMA Connections Partner GBQ Partners is offering an on-demand webinar that discusses the changes to the ERC and what they may mean for your business. **Watch the webinar.** *1/27/2021*

Tax Calendar of 2021 Deadlines
January 29, 2021

To help employers ensure they don't miss any important 2021 tax deadlines, OMA Connections Partner Clark Schaefer Hackett has provided **this summary** of key dates for various tax-related forms, payments and other actions. *1/27/2021*

Experts: Dramatic Hike in Minimum Wage Would Mean Job Losses, Fewer Hires
January 29, 2021

In Congress, Democrats have **introduced legislation** to increase the federal minimum wage to $15 per hour by 2025, more than doubling the current minimum wage of $7.25. In Ohio, a bill **has been introduced** to raise the state's minimum wage from $8.80 to $15 by 2027 — and indexing it to inflation thereafter.

But experts say now is not the time to raise the minimum wage. After studying the effects of recent minimum wage hikes in six different states, researchers at Washington University in St. Louis **found** that increasing the minimum wage would hurt new entrants into the labor market, especially in the manufacturing sector.

A **recent analysis** by the non-partisan Congressional Budget Office found that as many as 3.7 million workers could lose their jobs as a result of a $15 minimum wage. *1/27/2021*

JobsOhio Takes Issue With Tax Foundation Rankings
January 22, 2021

JobsOhio, the statewide economic development corporation, is objecting to a new ranking released by the Tax Foundation, a Washington, D.C.-based think tank.

In its **Jan. 7 blog post**, JobsOhio staff wrote that despite the Buckeye State's strong showings in several comparisons by business publications, Ohio is near the bottom of the Tax Foundation's 2021 State Business Tax Climate ranking. Echoing the longtime sentiments of the OMA, JobsOhio says the foundation uses a flawed methodology that does not reflect the tax reality that most Ohio businesses face.
"Ohio is a business-friendly state," the blog post says. "In fact, Ohio is one of only a handful of states in the U.S. with no state level corporate income tax and no personal property tax." *1/19/2021*

A Closer Look at the Employee Retention Credit Extension
January 22, 2021

OMA Connections Partner Gilmore Jasion Mahler has published **this analysis** of the federal government's extension of the Employee Retention Credit (ERC), designed to support businesses that keep employees on payroll during the pandemic. Under the most recent COVID-19 relief law, the ERC has been extended through June 2021 and is now available to businesses with Paycheck Protection Program (PPP) loans. *1/19/2021*

Guidance for Second Draw PPP Loans
January 22, 2021

This week, the U.S. Small Business Administration (SBA) issued an interim final rule titled "Business PPP Loan Forgiveness Requirements and Loan Procedures," a 62-page document that mostly recaps guidance already issued about the First Draw Paycheck Protection Program (PPP) loans, while updating and incorporating the guidance for the Second Draw PPP loans.

OMA Connections Partner GBQ Partners **has summarized** the key points from the SBA's new PPP guidance. *1/21/2021*

Payroll Tax Relief for Employers Affected by COVID-19
January 15, 2021

In response to the pandemic, Congress last year created four payroll tax relief programs. These programs were expanded in the Consolidated Appropriations Act (CAA), which was enacted last month. Eligible employers may qualify for one or more of the following four programs:

- payroll tax deferral;
- employee retention credit;
- paid sick leave credit; and
- paid family leave credit.

OMA Connections Partner RSM has **published this updated summary** of the four programs. It includes steps that employers can take to utilize the programs. *1/14/2021*

SBA Re-Opens Paycheck Protection Program

January 15, 2021

The SBA is re-opening the Paycheck Protection Program (PPP) to small lenders today (Friday, Jan. 15) and to all lenders Tuesday, Jan. 19. **Read the details**.
The SBA **says** it has already forgiven more than 1.1 million PPP loans totaling more than $100 billion. *1/15/2021*

New Forms Available for Second Round of PPP

January 15, 2021

Late last week, the SBA issued forms for the second round of the PPP. Form 2483 is for first-time PPP borrowers; Form 2483-SD is for second-time borrowers. For details, **read this summary** from OMA Connections Partner GBQ Partners, which has also made available **this on-demand webinar** to discuss the latest version of the PPP. *1/13/2021*

SBA Issues New Guidance Regarding PPP Loans, Forgiveness

January 15, 2021

The SBA and the U.S. Department of the Treasury have published new rules to address the second round of the Paycheck Protection Program (PPP).

This summary from OMA Connections Partner Calfee provides insight on how the rules impact PPP eligibility, forgivable expenses, and loan amounts. *1/14/2021*

Tax Foundation: Plan to Raise Taxes on Corporations, Shareholders Would Harm U.S. Competitiveness

January 15, 2021

President-elect Joe Biden has proposed raising taxes on U.S. corporations — something that's a stronger possibility now that Democrats have won control of the Senate. The Biden plan would increase the statutory federal corporate income tax rate from 21% to 28%, while taxing long-term capital gains and qualified dividends at the ordinary income tax rate of 39.6% on income above $1 million, thereby exacerbating the **double taxation** of corporate income.

This week, the Tax Foundation published **this analysis** that says if both proposals become reality, the top integrated tax rate on distributed dividends would increase from 47.47% to 62.73%, which would be the **highest among the OECD countries** and "undercut American economic competitiveness." *1/14/2021*

Ohio's State-Local Sales Tax Burden is 20th Highest

January 8, 2021

An **updated comparison** by the Tax Foundation shows Ohio's average combined state and local sales tax rate of 7.23% is 20th highest in the nation — and higher than any of its neighboring states. Ohio's state sales tax rate is 5.75%, which is 27th highest. The state's average local sales tax rate is 1.48%. *1/6/2021*

At a Glance: New Tax Relief in Federal Law

January 8, 2021

On Dec. 27, President Donald Trump signed the Consolidated Appropriations Act. Within its 5,593 pages are several credits and other tax relief provisions for taxpayers affected by the pandemic, including:

- a deferral of employees' share of payroll taxes;
- tax benefits arising from PPP loans; and
- an extension of refundable credits for paid sick and family leave.

OMA Connections Partner Roetzel has provided **this brief summary of key tax provisions** directly relating to COVID-19 tax relief. *1/4/2021*

Start Preparing for New Round of PPP

January 8, 2021

The newly passed federal COVID-19 relief law brings new opportunities for businesses to address cash flow, including via another round

of the Paycheck Protection Program (PPP).
In **this guidance**, OMA Connections Partner CliftonLarsonAllen advises that if you believe you may be eligible for the new round of the PPP, contact your banker soon to express your interest. Applications will likely be available in mid-January.

Meanwhile, OMA Connections Partner Schneider Downs has provided **this summary** of the new law's PPP provisions. *1/6/2020*

HB45 **TAX AMNESTY PROGRAM** (WEST T, ROEMER B) To require the Tax Commissioner to administer a temporary amnesty program from April 1, 2021, to May 31, 2021, with respect to delinquent state taxes and fees, to repeal Section 1 of this act on June 1, 2021, and to declare an emergency.

Current Status: 2/4/2021 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-45

HB47 **ELECTRIC CAR CHARGING STATION GRANT REBATE** (LOYCHIK M) To require the Director of Transportation to establish an electric vehicle charging station grant rebate program and to make an appropriation.

Current Status: 2/4/2021 - Referred to Committee House Transportation and Public Safety

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-47

HB48 **INTERNAL REVENUE CODE CHANGES** (ROEMER B, PAVLIGA G) To expressly incorporate changes in the Internal Revenue Code since March 27, 2020, into Ohio law and to declare an emergency.

Current Status: 2/9/2021 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-48

HB74 **ENACT FY22-23 TRANSPORTATION BUDGET** (OELSLAGER S) To make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2021, and ending June 30, 2023, and to provide authorization and conditions for the operation of those programs.

Current Status: 2/18/2021 - House Finance, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-74

HB86 **BONUS DEPRECIATION ADJUSTMENTS FOR CERTAIN TAXPAYERS** (ROEMER B) To temporarily suspend provisions relating to bonus depreciation adjustments for a taxpayer with a federal net operating loss.

Current Status: 2/17/2021 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-86

SB18 **INTERNAL REVENUE CODE** (ROEGNER K, SCHAFFER T) To expressly incorporate changes in the Internal Revenue Code since March 27, 2020, into Ohio law and to declare an emergency.

Current Status: 2/17/2021 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-18

SB19 **WETLAND MITIGATION-PROPERTY TAX** (SCHAFFER T) To establish a property tax exemption for certain property used for wetland mitigation projects.

Current Status: 2/17/2021 - Senate Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-19

SB45 **TAX INDUCEMENTS CERTAIN BUSINESSES** (PETERSON B, KUNZE S) To enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers.

Current Status: 2/17/2021 - Senate Ways and Means, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-45