10 a.m. (EST)
1-866-362-9768
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Tax Committee
February 19, 2020

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

Wednesday, June 10
Wednesday, November 18

OMA Meeting Sponsor:

Tax Policy Committee Agenda

February 19, 2020

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State Financial Update	Rob Brundrett, OMA Staff
Connections Presentation	John Nave and Craig Larsen Huntington National Bank
Job Retention Tax Credit Report	Member Discussion
House Bill 440 Report	Member Discussion
Guest Speaker	Peter Voderberg, Assistant Policy Director, Office of Governor Mike DeWine
OMA Public Policy Report	Rob Brundrett, OMA Staff
OMA Counsel's Report	Justin Cook, Bricker & Eckler LLP
Lunch	

Our Meeting Sponsor:

Ohio | Office of Budget and Management

2020 MONTHLY FINANCIAL REPORT

February 10, 2020

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

KAM

Report Overview:

From December 2018 to December 2019, Ohio non-farm employment increased by 27,300.

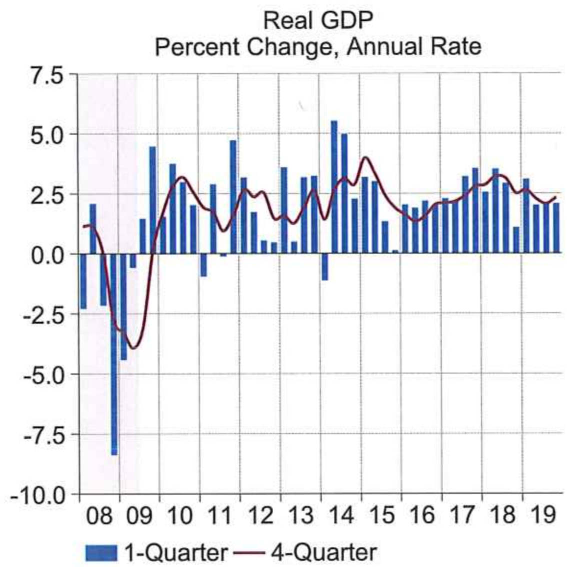
Non-farm payrolls across the county increased by 225,000 jobs in January, up from 147,000 in December.

In January, total GRF tax revenues exceeded estimates by $44.7 million (2.0%). Year-to-date, GRF tax revenues are $138.0 million (1.0%) above estimate.

The consensus among forecasters is that real GDP growth is continuing in the first quarter at a 1.6 percent-2.9 percent pace, approximately the same as in the fourth quarter.

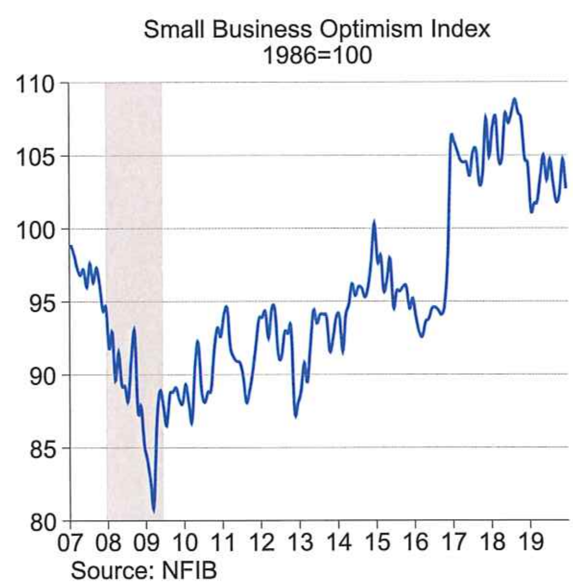
Economic Growth

The economy expanded by 2.1 percent in the fourth quarter, about the same as in the second and third quarters. The economy was 2.3 percent larger than a year earlier. On a year-over-year basis growth peaked at 3.2 percent in the second quarter of 2018. The U.S. economy has now expanded for a record 42 straight quarters at a compound annual rate of 2.3 percent.



The increase in real GDP in the fourth quarter reflected positive contributions from Personal Consumption Expenditures (1.20 percentage points), Government (0.5%), and Investment in Residential Structures (0.2%). Consumer spending slowed across durable and non-durable goods, while growth in spending on services was relatively steady. Federal and State and Local Government spending made positive contributions, with defense expenditures making the largest contribution. The increase in Investment in Residential Structures was the second quarterly increase in a row, following six consecutive quarterly decreases.

The largest factor subtracting from growth was the change in inventories (-1.1%), which remained positive but was lower by about $60 billion at a seasonally adjusted annual rate. This pullback in inventory investment offset about 80 percent of the positive effect of the large decrease in imports, which fell 8.7 percent at an annual rate and added 1.3% to overall GDP growth. The change in inventories and imports were likely related and both effects of tariffs and other trade friction. Exports increased 1.4 percent and added 0.2% to growth.



Sentiment among small businesses edged down in December, according to the Index of Small Business Optimism from the **National Federation of Independent Business (NFIB)**. The index is below the high reached in August 2018, but is at an historically high level that indicates a positive environment for small companies. Six of the ten components in the index decreased, two improved, and two were unchanged. Uncertainty increased but reports of expected higher sales in the next three months and better business conditions improved. Job creation matched the previous month's reading, as small businesses continued to create jobs.

Ohio economic activity continued to pull out of its late summer lull, according to the **Ohio coincident economic index** from the Philadelphia Federal Reserve. The index increased 0.2 percent in December and the November increase was revised up from 0.1 percent to 0.2 percent. The smoothed rate of change was little changed from the month before at 1.9 percent, down from a recent high of 2.8 percent in June. Compared with a year ago, the index was higher by 2.2 percent, up from a recent low of 1.6 percent in January. The index is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.

The diffusion of **state-level coincident economic indexes** remained somewhat worrisome in December. The level was lower than the month before for nine states, the same as in November and down from ten states in October. Both the October and November tallies were revised higher by one state. Compared with three months earlier, the index was lower for eight states, up from an upwardly revised six states in the month before. While indicating weakness, the latest readings remain better than those observed shortly before recessions in the past.

The **Ohio leading index**, which is designed to predict growth in the coincident index six months ahead, increased to 1.3 percent in December, up slightly from 1.2 percent in November. Even so, the index remains among the lowest on a 3-month moving average basis since shortly after the end of the 2007-09 recession.

The diffusion of changes in the individual **state-level composite leading indexes** compiled by the Philadelphia Federal Reserve improved. The index was lower for six states in December, down from eight states the month before, which was revised lower by one state. Importantly, the current number of states with negative values is below historical thresholds – an average of eleven states three months before past recessions and an average of fifteen in the initial month of recession.

The Conference Board's composite **Leading Economic Index** (LEI) decreased 0.3 percent in December after a 0.1 percent increase the month before. The index has declined in four of the most recent five months and the smoothed rate of change fell to -0.7 percent. Manufacturing indicators have led the recent weakness, with financial conditions and consumers' outlook for the economy remaining positive. Despite the weakness, the pattern of the index is consistent with continued economic growth at about the recent pace of approximately 2 percent.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is continuing in the first quarter at a 1.6 percent-2.9 percent pace, approximately the same as in the fourth quarter.

Source	**Date**	**2020-Q1 GDP Forecast**
Atlanta FRB (GDPNow)	2/5/20	2.9%
New York FRB (Nowcast)	1/31/20	1.6%
Blue Chip	2/3/20	1.5% (1.0%-2.1%)
IHS	2/5/20	2.0%

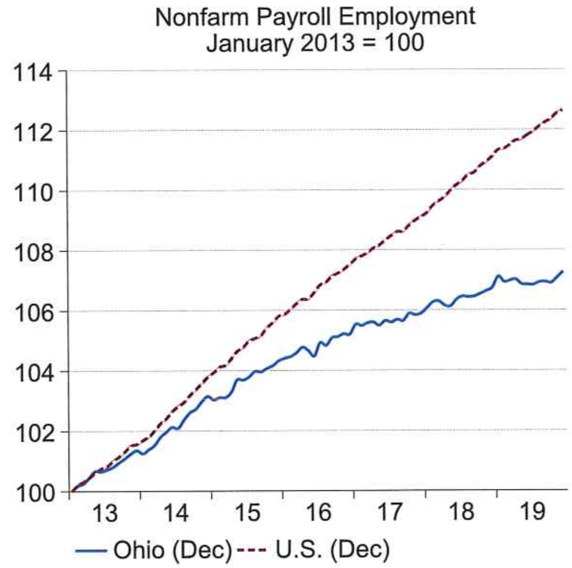
Employment

Nonfarm payrolls across the country increased by 225,000 jobs in January, up from 147,000 in December. The three-month average was 211,000 jobs, which was higher but in line with the 200,000 three-month average recorded during the previous three-month period. The number of nonfarm payroll jobs increased by 2.052 million during the twelve months ending in January, very high for this stage of an economic expansion but down from 2.462 million during the twelve months ending in January 2019. It is worth noting that both of these job gain numbers were lowered as a result of benchmark revisions to U.S. employment that have been calculated by the Bureau of Labor Statistics.

Changes in January were largely positive across sectors and industries. Hiring in Education and Health Services (72,000) led the way, reflecting hiring in Health Care (35,500). Construction (44,000) was the second-largest job gainer, likely as the result of milder-than-normal weather during the month. Leisure and Hospitality (36,000) employment was boosted by net hiring at bars and restaurants (24,400). Employment in Trade, Transportation and Utilities was boosted by hiring in Transportation and Warehousing (28,300), which reflected additions to payrolls in the couriers and messengers category (14,300), but was held back by a post-holiday decline in Retail (-8,300). The rise in Government employment (19,000) occurred at the federal (12,000) and local (20,000) levels and was partly offset by cutbacks at the state level (-13,000), mainly in education.

The **national unemployment rate** edged up to 3.6 percent in January after two months at the 50-year low of 3.5 percent. The rate has been 3.5 percent or 3.6 percent for the past five months. While the low level of unemployment is not a guarantee of future growth, the fact that the rate is generally flat to down over various recent intervals is a reliable indication that a business cycle downturn is not in the offing. The rate has typically increased at least 0.4 percentage points above its low during the previous twelve months just before or as the economy has transitioned into recession in the past. Worker pay continued to rise as **average hourly earnings** increased 0.2 percent to 3.1 percent year-over-year, down from a high of 3.3 percent in November.

Ohio nonfarm payroll employment increased by 9,800 jobs in December and the November increase was revised up from 6,700 jobs to 9,500 jobs. Employment increased by 27,300 jobs in 2019. It is worth noting that in March there will be a benchmark revision to state and local job growth numbers by the Bureau of Labor Statistics, and the national revision for CY 2019 as well as the previous state revision both lowered job growth figures and may do the same to the state's numbers for December and for all of CY 2019. Employment growth picked up from 2018 to 2019 in the Leisure and Hospitality sector, the Financial Activities sector, and the Information sector and flipped from negative to positive in the Government sector.



The **Ohio unemployment rate** was steady at 4.2 percent for a fourth month in December, up from the expansion-low of 4.0 percent in June and July. Household survey total employment increased by 105,700 workers during 2019 and the number of unemployed people decreased by 24,500, reflecting an increase in the labor force. Across the country in December, the unemployment rate was not statistically different from the month before in thirty-five states. Nevada and Oregon posted the largest decreases (-0.2% each), while Louisiana and Pennsylvania had the largest increases (0.2% each).

Among the **contiguous states**, employment increased from December 2018 to December 2019 in Kentucky (0.7%), Ohio and Pennsylvania (0.5%), Michigan (0.4%), and Indiana (0.1%) and decreased in West Virginia (-0.4%). Manufacturing employment increased year-over-year by in Kentucky (0.7%) but decreased in Ohio (-0.2%), West Virginia (-0.6%), Michigan (-0.8%), Pennsylvania (-1.0%), and Indiana (-1.5%).

Consumer Income and Consumption

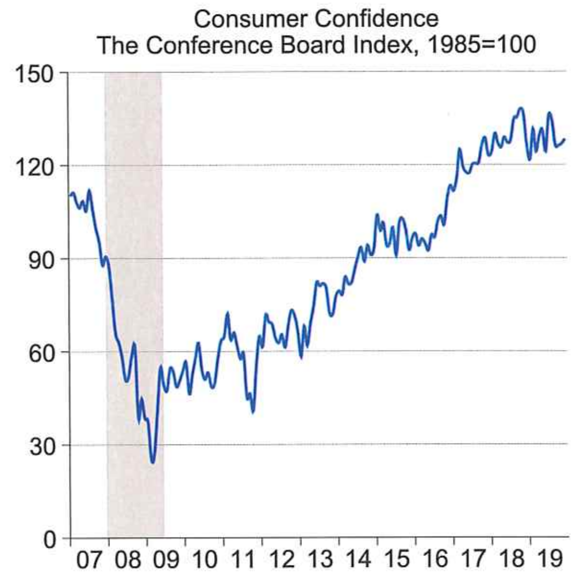
The household sector remained an important source of overall economic growth in December, fueled by a 0.2 percent increase in **personal income**. **Wage and salary disbursements** increased 0.3 percent. Personal income was held back by a reversal in farm proprietors' income reflecting the latest swing in subsidy payments to farmers impacted by Chinese tariffs on agricultural products, which since have been lifted. Compared with a year earlier, personal income was higher by 3.9 percent and wage and salary disbursements were up by 5.2 percent.

Personal consumption expenditures (PCE) increased 0.3 percent in December. Increases in spending on services (0.3%) and non-durable goods (0.9%) more than offset the 0.8 percent decrease in durable goods spending, which in part reflected a 2.0 percent decrease in unit sales of **light motor vehicles**. Vehicle sales totaled 16.9 million units last year, down 1.9 percent from the year before, the first time below 17.0 million units and the lowest since 16.5 million units in 2014. Still, vehicles have been on an historically high plateau since 2013, averaging 16.9 million units per year.

Compared with a year earlier, total consumer spending was up 5.0 percent, led by a 6.3 percent rise in non-durable goods and followed by a 6.0 percent increase in durable goods and a 4.5 percent rise in services. Despite the halving of the rate of growth in consumer spending from the middle two quarters to the fourth quarter, the consumer sector remains a key driver of overall economic growth, supported by strong demand for labor and rising incomes.

A contributing factor to the strength in the consumer sector is the low and stable rate of **consumer price inflation**. The Consumer Price Index (CPI) increased 0.2 percent in December to 2.3 percent above the year earlier level – the highest in just over a year but still relatively low. The recent bump in inflation largely reflects what is likely a transitory jump in energy prices. The Federal Reserve's preferred measure of inflation increased 0.2 percent in December to just 1.6 percent above the year earlier level.

Consumer attitudes generally improved in January, as expectations and assessments of current conditions improved. The positive attitudes reflect strong labor markets and incomes, low inflation and interest rates, wide availability of credit, and the very strong performance of financial markets well into the month. The gap between current and expected conditions remained among the widest in the history of the Conference Board survey, as current conditions have improved since late 2016 and expectations have been little changed. The University of Michigan survey found consumer confidence to be resilient thus far despite recent news about the coronavirus. Increases in household income and wealth were reported by the largest net percentage of households in the history of the index, similar to the extremes reached in 1966 and 2000.



Industrial Activity

Total **industrial production** decreased 0.3 percent in December for the third decline in four months and the November increase was revised down from 1.1 percent to 0.8 percent. A large weather-related decrease in utility output offset increases in manufacturing and mining. Industrial production was down 1.0 percent from a year earlier.

Utility output decreased 5.6 percent due to a shift from unseasonably cool weather in November to unseasonably mild weather in December. **Mining output** increased 1.3 percent in December, reflecting a 9.8 percent increase in oil and gas extraction that was partly offset by a 16.8 percent drop in coal production. **Manufacturing production** increased 0.2 percent after a 1.0 percent increase the month before. Factory output continues to march gradually higher following the effects of an economy-wide slowdown in inventory building, a strengthening in the dollar, the global growth slowdown, tariffs, and uncertainty about trade policy.

The **Purchasing Managers Index** (PMI) increased to just above the neutral level after five consecutive months of reports consistent with contraction in the sector, suggesting that the trend in manufacturing activity might be turning up. The overall index increased from 47.8 to 50.9, led by strong increases in New Orders from 47.6 to 52.0 and Production from 44.8 to 54.3. The 9.5-point increase in the Production index is the largest since just before the end of the last recession and one of the largest in the 70-year history of the index, perhaps heralding the end of the manufacturing lull.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, eight reported growth in the latest month, up from three the month before. Almost all eighteen industries reported growth just a few months ago. Among industries with a major effect on Ohio manufacturing employment, only Fabricated Metal Products reported expansion. Transportation Equipment, Primary Metals, and Machinery all reported contraction, in order from largest to smallest decline.

Construction

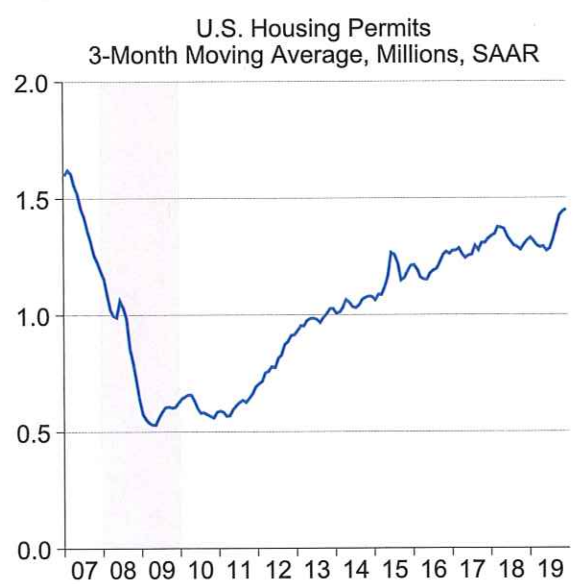
Construction put-in-place decreased 0.2 percent in December as a decrease in nonresidential outweighed another healthy increase in residential. Total construction activity in the two previous months was revised higher, suggesting an upward adjustment to fourth-quarter real GDP.

Compared with a year earlier, total construction was up by 5.0 percent. Residential was up 5.8 percent year-over-year and nonresidential increased 4.4 percent. Nonresidential strength countered residential weakness in the first half of the year, and the roles reversed in the second half, with residential increasing by 8.3 percent from June to December and nonresidential staying flat. During the first half, residential fell 2.3 percent while nonresidential increaed 4.4 percent. The strength in residential in the second half was in single-family (9.5%) and improvements (12.3%), while multi-family construction fell (-8.2%).

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) remained strong in January after fully recovering last year from the steep drop during 2018. Nationally, the HMI edged down one point to 75, still above the previous high of 74 in December 2017. The HMI for the Midwest retreated from an extraordinarily high 73 to 66, but still the second-highest reading since May 2018. The resurgence in single-family building activity is a very positive development, considering its record as a leading business cycle indicator.

Housing starts and sales generally were strong in December on a 3-month moving average basis. Starts jumped 8.6 percent, as a 15.5 percent surge in multi-family starts boosted a 5.5 percent gain in single-family starts. The more-forward-looking permits were also positive but not as strong, rising 0.6 percent on a 3-month moving average basis as a 1.3 percent rise in single-family outweighed a 0.6 percent decline in multi-family. Activity was even stronger across the Midwest, with starts rising 18.4 percent and permits up 6.1 percent.

Sales of existing homes rose 1.1 percent in December, recouping the November decline, on a three-month moving average basis, while sales of newly built homes fell 1.5 percent for the third decline in four months. Sales were positive across the Midwest, where existing home sales rose 0.8 percent and sales of newly built homes increased 4.4 percent. A key factor restraining existing home sales is the steep drop of 27.1 percent in the number of homes listed for sale in the second half of the year.



REVENUES

January GRF receipts totaled $3,268.9 million and were $138.9 million (4.4%) above estimate, largely due to greater-than-estimated Federal grant revenues. For the month, GRF tax revenues were $44.7 million (2.0%) above estimate. Non-tax receipts and transfers, excluding Federal grants, were $10.2 million (31.9%) above estimate. Federal grants were above estimate by $84.0 million (9.9%).

For the year, GRF revenues are $284.0 million (1.4%) above estimate. Tax revenues are $138.0 million (1.0%) above estimate. More broadly, total non-federal revenues through January are $189.7 million (1.4%) above estimate. Federal grants are $94.3 million (1.5%) above estimate.

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$138.0	1.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$139.0	2.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$7.0	10.2%
TOTAL REVENUE VARIANCE:		**$284.0**	**1.4%**
Non-federal revenue variance		**$189.7**	**1.4%**
Federal grants variance		**$94.3**	**1.5%**

Federal grants had the largest overage for the month, at $84.0 million (9.9%). The next largest positive variance was for non-auto sales tax at $34.4 million (3.9%), followed by financial institutions tax at $14.5 million (24.1%), commercial activity tax at $11.0 million (15.1%), and earnings on investments at $7.9 million (28.9%). Categories below estimate for the month were headed by personal income tax at $16.4 million below estimate (-1.6%), followed by auto sales tax at $3.2 million below estimate (-2.5%), and four other sources each having a variance of less than $1 million.

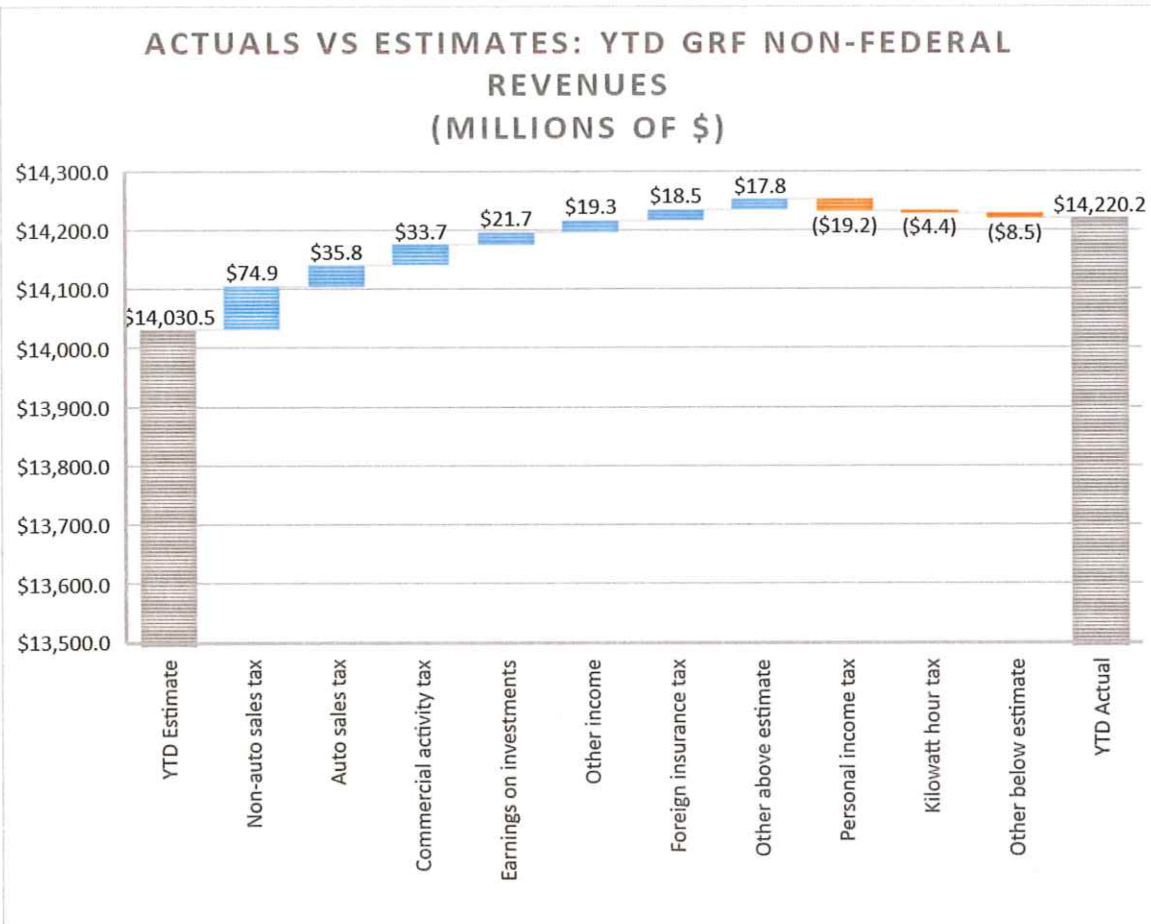
The table below shows that sources exceeding estimate (an excess totaling $159.7 million) in January outweighed the size of revenue underperformers (a shortfall of $20.8 million), resulting in a $138.9 million net positive variance from estimate. The majority of the positive variance is attributable to Federal grants.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Federal grants	$84.0	Personal income tax	($16.4)
Non-auto sales tax	$34.4	Auto sales tax	($3.2)
Financial institutions tax	$14.5	Other sources below estimate	($1.1)
Commercial activity tax	$11.0		
Earnings on investments	$7.9		
Foreign insurance tax	$2.6		
Other sources above estimate	$5.3		
Total above	**$159.7**	**Total below**	**($20.7)**

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

The following chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues through January. Both the auto and non-auto sales taxes have exceeded estimate year-to-date. The personal income tax is the source with the largest year-to-date negative variance from estimate.



Safeguarding Payments and Company Financial Assets

International Banking

Safe Guarding Customer Payments and Company Financial Assets
A Practical Guide

"Here's my situation, I have a Buyer, that wants us to do "something" but, I have no idea how to start and what they are even asking for!

Table of Contents

Section 1.

Table of Contents (con't)

Part One
Securing Your Buyer's Payment

"We just received an order from a company we have never heard of and this is a very large order for us. How can we make sure that we get paid?"

Part 1. Securing Payment
Large Single Sale / One-Time transaction

Domestic Sale

Best Method: Commercial Letter of Credit (Appendix 2)

This is a payment settlement instrument issued by the Buyer's Bank in favor of the Seller through the Seller's Bank. It is used in "buy-sell" situations. It is the most common form of payment settlement.

2nd Best Method: Standby Letter of Credit for Unpaid Invoices (Appendix 2)

This is a type of "bond" issued by the Buyer's Bank in favor of the Seller through the Seller's Bank that guarantees payment of unpaid invoice(s).

3rd Best Method: Single Buyer Credit Insurance Policy (Appendix 5)

"Credit Insurance" insures against the risk of Buyer Default.

Part 1. Securing Payment (con't)
Large Single Sale / One-Time transaction

Foreign Sale

Best Method: Commercial Letter of Credit (Appendix 1)

This is a payment settlement instrument issued by the Buyer's Bank in favor of the Seller through the Seller's Bank. It is used in "buy-sell" situations. It is the most common form of payment settlement.

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"Credit Insurance" insures against the risk of Buyer Default..

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Protecting Revenue

Annual Sales that Depend on just a few Customers

"Over 25% of our annual sales depend on a few customers and we cannot afford it if they don't pay us…."

Annual Sales that Depend on just a Few Customers

Foreign or Domestic Sale

Best Method: Credit Insurance (Appendix 3)

Credit Insurance is a specialized type of insurance that will pay up to 95% of unpaid accounts receivable in the event that a customer is insolvent and cannot pay.

Credit Insurance policies are normally constructed to cover multiple Buyers in order to keep the cost of the premium lower.

A company that relies on a customer base for 25% or more of annual sales is at substantial risk if any of their larger customers fail to pay for goods or services rendered… especially if all sales are financed via bank (working capital) financing.

✓ ***NOTE: Most commercial banks will limit how much they lend to a customer with a customer base that is concentrated by 25% or more. Credit Insurance may help to increase the cap placed on accounts receivable "concentrations."***

Part Two
Financing Large Single Sale or Annual Sales: Export Working Capital Finance

"Our company just received a rather large order, I can't wait until I get paid and we don't have enough credit or cash to start production, any suggestions?"

Part Two
Financing Large Single Sale and/or Annual Sales
Export Working Capital Finance
(con't.)

Key Terms: PRE-SHIPMENT FINANCE or POST SHIPMENT FINANCE

Financing necessary to fund inventory and production is called "PRE-SHIPMENT" financing. Conversely, financing necessary to provide extended terms is called POST-Shipment financing. ***Note! Both are achieved via the working capital credit line***.

Export Finance

- ✓ Financing an Export Sale or sales differs from financing a sale to a Domestic Buyer because the collateral for an Export sale will leave US jurisdiction.
- ✓ Banks will establish a separate line of credit and require a Credit Guarantee in order to provide financing for export sales. The only credit guarantees for export finance offered in the United States are from the Export Import Bank or Small Business Administration or in some circumstances the USDA.
- ✓ The credit line can be utilized to acquire inventory, fund production and finance the Buyer or Issue Advanced Payment or Performance Guarantees. The line can be constructed to support Single Contracts or Multiple export sales.

Advance Payment and Performance Guarantees

"Our Buyer told us that they are willing to give us a down payment, but they are asking for a 'Bank Guarantee' in return. What are they talking about?!"

Part Two (con't.)
Financing Large Single or Annual Sales: Export Working Capital Finance (con't.)

Advance Payment and Performance Guarantees (see Appendix 2 & 4)

Advance Payment and Performance Guarantees are issued in the form of Standby Letters of Credit in the United States. An Advance Payment or Performance Standby Letter of Credit is considered a loan by banks and must have cash or the Working Capital line as collateral.

Note: Foreign Buyers often refer to these instruments as "Bank or Demand Guarantees." Bank or Demand Guarantees are not Issued or Honored by US banks by law.

The Standby Letter of Credit is the only alternative in the United States. Foreign Buyers **tend not to understand this concept.**

It's important that the Foreign Buyer understand this due to the idea that providing an actual Bank Guarantee from a US bank can be done, **but it's complicated and expensive!**

Banker's Acceptance Finance (a/k/a "discounted" Letter of Credit)

"My Buyer is paying me with a Letter of Credit, but wants terms. I have suppliers to pay and I cannot afford to give him terms, what should I do?"

Part Three

Providing Longer Payment Terms to Customers (con't.)

Banker's Acceptance Finance

Foreign or Domestic Sale

Banker's Acceptance Finance a/k/a Letter of Credit Discounting (See Appendix 4)

Banker's Acceptance Finance can be used to provide short term finance to Buyers who pay via a Commercial Letter of Credit. Typical terms are up to 180 days, but in some case, they can be as long as 12 months.

Briefly:

Step 1. Letter of Credit is received by Seller's Bank

Step 2. Product is shipped

Step 3. Documents under the Letter of Credit are presented to Buyer's Bank and if they are approved at the Buyer's Bank….

Step 4. Seller's Bank will then cash Seller out of transaction

Providing Longer Payment Terms to Customers (con't.)

"My customer keeps asking for extended terms of 60 to 120 days. I keep asking for a Letter of Credit, but they won't give me one, now what?"

Providing Longer Payment Terms to Customers (con't.)

Foreign or Domestic Sale

Credit Insurance (Appendix 3)

"Credit Insurance" insures against the risk of Buyer Default.

Terms of up to 120 days can be offered. The longer the term, the higher the premium will be. **Note!** A quote should be obtained first and the insurance premium should be priced into the entire sale.

Foreign Sale

Direct Buyer Finance

Medium Term Finance (See Appendix 4)

This type of finance is an effective sales tool for companies that ship equipment to developing foreign markets. It represents a way to offer foreign buyer's US interest rates that are generally well below those commercial rates found in developing economies such as Latin America or Asia.

Part 4
Avoiding Non-Payment from existing or new Customer Base

"I keep getting excuses from my customers that they can't pay the invoice on time. I don't want to lose those customers, but I also don't want to lose money if they can't pay me.."

Part 4

Avoiding Non-Payment from existing or new Customer Base (con't.)

Domestic or Foreign Sale

New Customer: Obtaining a "Trade Reference"

This is a practice whereby the Seller will contact other entities who have sold to the prospective Buyer. The Seller will inquire as to what the payment experience has been with the prospective Buyer and at what size sale and what terms. When dealing with a Foreign Buyer, make sure that all Trade References are from the US or Canada and the terms are identical what your company is offering.

Existing Buyer is turning into a slow paying customer.

If a Buyer is 90 days past due STOP any additional shipments! This is especially true if you have Credit Insurance to cover that Buyer.

IMMEDIATELY SEND WRITTEN DEMAND FOR PAYMENT! Then….

- ✓ Change Payment Settlement method from Open Account Payment to:
- ✓ Cash in Advance … if this is not possible…
- ✓ Letter of Credit (See Appendix 2) … if this is not possible…

Part 4
Avoiding Non-Payment from existing or new Customer Base (con't.)

Documentary Collections (see Appendix 5)

Payment settlement by Documentary Collection is simply a means of providing transaction documents to the Buyer's Bank. If Buyer doesn't approve payment then….

Domestic Sale

Shipment will not be made –OR-

Foreign Sale

Buyer will not receive transaction documents to clear customs and receive product.

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MEMORANDUM

TO: Robert A. Brundrett, Esq.
The Ohio Manufacturers' Association

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

DATE: June 3, 2019

RE: Job Retention Tax Credit – Summary of S.B. 153

Ohio's Job Retention Tax Credit ("JRTC") is codified under R.C. 122.171. As the name implies, its purpose is to foster job retention through increased capital investment in the State of Ohio. Over the years, very few manufacturers have taken advantage of the JRTC. The enormous minimum workforce size and capital investment thresholds are a significant impediment.

Currently, R.C. 122.171 provides that "eligible businesses" may apply for a JRTC. An eligible business must employ at least 500 full-time equivalent employees or have an annual Ohio employee payroll of at least $35,000,000. Further, if the taxpayer is a manufacturer, it must make a capital investment of at least $50 million (in the aggregate) over a three-year period to qualify.

On May 21, 2019, with the support of the Ohio Manufacturers' Association (the "OMA"), Senator Dolan introduced S.B. 153, which would expand the number of manufacturers and projects eligible to apply for the JRTC. These amendments to the JRTC would incentivize Ohio's employers to make additional capital investments that preserve existing jobs. S.B. 153's proposed adjustments to the JRTC are summarized below:

- The minimum payroll size and number of employees required to apply for the JRTC would be eliminated for manufacturers. For businesses engaged in significant corporate administrative functions (as opposed to manufacturing), the minimum payroll size and number of employees requirement is also eliminated, but only if the business is located in a foreign trade zone.

- The minimum capital investment required for manufacturers to apply for the JRTC would be adjusted to the lesser of $50,000,000 or an amount equal to five percent of the net book value of all tangible personal property used by the manufacturer at the project site as of the end of the three-year investment period.

- Manufacturers would have to maintain a minimum number of full-time employees specified in the tax credit agreement during the entire term of the credit (as opposed to maintaining at least 500 employees or an annual Ohio payroll of $35,000,000).

While S.B. 153 would expand the number of manufacturers and projects eligible to apply for a JRTC, it would not alter the existing cap on the amount of credits that may be awarded annually by the tax credit authority. In 2019, the JRTC is capped at $130MM. Each year the cap increases by $13MM until 2024. For 2024 and each year thereafter, the maximum credits that may be awarded annually will remain $195MM.

Job Retention Tax Credit (R.C. 121.171)

The act modifies the employment and investment requirements that businesses must meet to receive a Job Retention Tax Credit (JRTC).

Continuing law authorizes the JRTC for businesses that agree to make a minimum capital investment in Ohio and to retain a specified number of employees in connection with that capital project. The business must be engaged in either manufacturing or corporate administrative functions. To receive the tax credit, the business applies to the Tax Credit Authority, which reviews the application and offers a tax credit agreement. The credit will equal an agreed-upon percentage of the business' payroll, and can be allowed for up to 15 years.

Previously, to receive the credit, a business was required to employ at least 500 employees or have an annual payroll in Ohio of at least $35 million. In addition, for manufacturing projects, the business had to make a capital investment in Ohio of at least $50 million over three years. For corporate administrative projects, the investment must equal at least $20 million.

The act makes several changes to these requirements. First, the act provides that, if a corporate administrative project is located in a foreign trade zone, the business does not have to meet the 500 employee or $35 million payroll requirement. The project must still involve an investment of at least $20 million over three years.

For manufacturing projects, the act entirely removes the requirement that a business have at least 500 employees or $35 million payroll. In addition, the act modifies the $50 million capital investment requirement, such that a manufacturer's investment may equal either (a) $50 million or (b) 5% of the net book value of the tangible personal property located at the project site on the last day of the three-year investment period.

The Ohio Manufacturers' Association

House Bill 166

Ohio's Job Retention Tax Credit

1

Job Retention Tax Credit

Job Retention Tax Credit History

- Established in 2001
- Originally a credit against the CFT and income tax
- Due to 2005 tax reform starting in 2008 the credits are applied to CAT liability
- The credit is administered by DSA and The Ohio Tax Credit Authority

Ohio Development Services Agency

The Ohio Manufacturers' Association

2

Job Retention Tax Credit

- **JRTC Requirements Pre – House Bill 166**
  - Employee requirement: 500

    OR
  - Payroll requirement: $35 million

    AND
  - Investment requirements
    - Manufacturing facility: $50 million over three years minimum
    - Corporate administrative: $20 million minimum

The Ohio Manufacturers' Association

3

Job Retention Tax Credit

- **JRTC Requirements Post – House Bill 166**
- Corporate administrative requirements
  - Employee requirement: 500

    OR
  - Payroll requirement: $35 million

    OR
  - Located in a Foreign Trade Zone

    AND
  - Investment requirement: $20 million minimum

The Ohio Manufacturers' Association

4

Job Retention Tax Credit

- **JRTC Requirements Post – House Bill 166**
- Manufacturing location requirements

  NO
  - Employee requirement
  - Payroll requirement

  ONLY
  - Investment requirement:
    - $50 million

    OR
    - 5% of net book value of all tpp at project site

    AND
    - Maintain same number of full-time employees

The Ohio Manufacturers' Association

5

Job Retention Tax Credit

- **JRTC Requirements Post – House Bill 166**
- Existing JRTC credit caps
  - Would not alter existing caps
  - 2019 JRTC is capped at $130 million
  - Cap increases by $13 million each year until 2024
  - For 2024 and thereafter – maximum cap of $195 million per year

The Ohio Manufacturers' Association

6

OMA Jobs Retention Tax Credit – OMA Tax and Finance Committee

Potential guardrails for the JRTC – per administration request

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

B. Timeframe Criteria
- Can only use the credit once every five years
- Company/facility must have been located in Ohio for at least ten years
- Must show that is imminent possibility the project could take place out of state

C. Upgrade Requirements
- Project must result in modernization or an increase in capacity at the facility
- Project cannot be routine maintenance
- If not a modernization or technology upgrade project must result in new product line
- Project must increase efficiency by X amount
- Prioritize supply chain companies investing in (CASE) Connectivity, Autonomous, Sharing and Electrification
- Reward projects that purchase machinery and equipment from Ohio companies

D. Other Consideration
- If using JRTC other additional incentives are capped
- Determine jobs retained by the manufacturer as a percentage of the communities total manufacturing jobs
- DSA/JobsOhio should review the application in light of how a manufacturer makes their decision in where to invest

H.B. 440
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Miranda and Carruthers

Michael Hinel, Attorney

SUMMARY

- Exempts from sales and use tax the sale of employment services if the contract personnel operate manufacturing equipment used to produce items for sale.
- Exempts from sales and use tax supplies or services used to clean or maintain manufacturing machinery.

DETAILED ANALYSIS

Manufacturing sales and use tax exemptions

Continuing law exempts from sales and use tax machinery, equipment, or other tangible personal property (TPP) used primarily in manufacturing to produce items for sale.[1] The bill authorizes two sales and use tax exemptions for certain services and TPP used in manufacturing but not exempt under current law.

Exemption for manufacturing employment services

Continuing law, with certain exceptions, imposes sales and use taxes on employment services – an arrangement in which contract labor is supplied to work for a third party purchaser on a temporary or long-term basis but where the worker remains the supplier's employee. The bill exempts the sale of employment services if the personnel supplied under the service contract operate machinery, equipment, or other property that is itself exempted under continuing law's manufacturing exemption.[2]

[1] R.C. 5739.02(B)(42)(g), not in the bill.

[2] R.C. 5739.01(JJ).

Exemption for manufacturing cleaning supplies and services

The bill also exempts from sales and use tax any supplies or janitorial services purchased to clean machinery or other property involved in a continuous manufacturing operation, i.e., the process by which raw materials are transformed into a manufactured product. The bill categorizes those supplies and services with other currently exempt purchases used primarily in a manufacturing operation to produce items for sale. These cleaning supplies and services are not currently categorized as tax-exempt manufacturing operation purchases, except for equipment and supplies used to clean human food processing equipment.[3]

Application

The bill's exemptions apply beginning on the first day of the first month that begins at least 30 days after the bill's effective date.[4]

Technical amendment

The bill makes a technical correction to a section of the sales tax law by moving a definition ("peer-to-peer car sharing program") from the end of the section to an unoccupied division elsewhere in that section. The unoccupied division was left vacant of language as a result of a gubernatorial veto of a provision in H.B. 166.[5] The bill does not change the taxable status of peer-to-peer car sharing services.

HISTORY

Action	Date
Introduced	12-09-19

H0440-I-133/ts

[3] R.C. 5739.011(B) and (C).

[4] Section 3 of the bill.

[5] R.C. 5739.01(TT) and (SSS); veto item number 22, H.B. 166.

Ohio Legislative Service Commission

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

H.B. 440
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 440's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Miranda and Carruthers

Local Impact Statement Procedure Required: Yes

Eric Makela, Economist

Highlights

Fund	FY 2021	FY 2022	Future Years
State General Revenue Fund			
Revenues	Loss of up to $112.5 million	Loss of up to $123.5 million	Losses to increase approximately 0.5% per year
Local Government and Public Library funds			
Revenues	Loss of up to $1.9 million each	Loss of up to $2.1 million each	Losses to increase approximately 0.5% per year
Counties and transit authorities			
Revenues	Loss of up to $29.2 million	Loss of up to $32.0 million	Losses to increase approximately 0.5% per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year. The estimates assume the tax becomes effective on July 1, 2020; FY 2021 revenue losses are for 11 months of tax collections. FY 2022 revenue losses can be calculated as the FY 2021 multiplied by (12/11) and 1.005.

- The bill provides a sales and use tax exemption for transactions where personnel are supplied by a third party employment services company; to qualify for the exemption, the personnel must operate tangible property in a manufacturing operation to produce tangible personal property.

- The bill also provides a sales and use tax exemption for purchases of equipment, supplies, and building and janitorial services to be used to clean machinery that is part of a continuous manufacturing operation.
- Revenue from the state sales and use tax is deposited into the GRF. Portions of GRF tax revenue (1.68% and 1.70%, respectively, during the current biennium) are subsequently transferred to the Local Government Fund (LGF) and Public Library Fund (PLF). Revenue to the LGF is distributed to counties, municipalities, and townships statewide, while revenue to the PLF is distributed primarily to public libraries.
- The estimates above assume the bill becomes effective at the beginning of FY 2021.
- Permissive county and regional transit authorities' sales and use taxes share the same tax base as the state sales and use tax. The exemptions would also reduce revenue to those political subdivisions. Due to the difference in fiscal year for counties and transit authorities, there would be a revenue loss during their FY 2020 of roughly half the amount shown for FY 2021.

Detailed Analysis

H.B. 440 exempts the sale of employment services from Ohio's sales and use tax, provided the employment services are purchased to operate machinery, equipment, or other tangible products in the process of manufacturing tangible personal property. In addition, the bill exempts from the sales and use tax purchases of equipment, supplies, or building and janitorial services to be used in the cleaning or maintenance of machinery used in a continuous manufacturing operation. The exemptions apply to all purchases on or after the first day of the first month that begins at least 30 days after the bill's effective date.

Fiscal effect

The fiscal effect estimates stated in this fiscal note were derived by the Ohio Department of Taxation (TAX). According to TAX, if the bill's provisions were to be enacted before March 2020, the bill could reduce GRF revenue by up to $112.5 million starting in FY 2021. State collections of county and local permissive sales taxes are to decrease by up to $29.2 million per year starting in FY 2021. Revenue to the Public Library Fund (PLF) and Local Government Fund (LGF), which receive 1.7% and 1.68% of GRF tax revenue respectively during the current biennium,[1] could be reduced by up to a combined $3.9 million per fiscal year starting in FY 2021. LBO estimates the fiscal impact of the bill will increase by around 0.5% per year; this growth rate is roughly consistent with the TAX analysis, a janitorial supplies market research report,[2] and Bureau of Labor Statistics data on total compensation in the manufacturing industry.[3]

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[1] Under current law, the percentages will revert to the percentage in codified law, 1.66% for each fund, starting July 1, 2021.

[2] https://www.ibisworld.com/united-states/market-research-reports/janitorial-equipment-supply-wholesaling-industry/.

[3] https://www.bls.gov/iag/tgs/iag31-33.htm.

Sales and use tax payments are made monthly based on the preceding month's sales receipts. For this analysis, TAX assumed the bill becomes effective July 1, 2020, and due to time lags the revenue loss during FY 2021 is for only 11 months. The above information outlines the timeline for the revenue taken in by the state on behalf of political subdivisions during each state fiscal year. Transfers from the GRF to the LGF and PLF are made based on the previous month's tax revenue, and are therefore roughly based on the state fiscal year.

HB0440IN/lb

51st House District
Portions of Butler County, including Hamilton and Fairfield, Ross Township and portions of Fairfield, Hanover and St. Clair townships

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Ohio House of Representatives

Sara P. Carruthers
Ohio State Representative

Committees
-Finance-
-Finance Subcommittee on Transportation-
-Health-
-Primary & Secondary Education-

Commissions/Councils/Boards
-Commission on Infant Mortality-
-Early Childhood Advisory Council-
-Ohio Children's Trust Fund-
-Ohio Arts Council-

House Bill 440 Sponsor Testimony
House Ways & Means Committee
January 28, 2020

Chairman Merrin, Vice Chairman LaRe, Ranking Member Rogers and members of the House Ways & Means Committee, thank you for the opportunity to speak on House Bill 440. I would also like to thank my joint sponsor, Representative Miranda. House Bill 440 is a straightforward bill that accomplishes two important and helpful aims of Ohio's manufacturers. First, it qualifies janitorial equipment, supplies, and services used to clean and maintain manufacturing equipment for the manufacturing sales and use tax exemption, and second, the bill repeals the sales tax on manufacturing staffing services.

Ohio is the third largest manufacturing state in the nation trailing only California and Texas. Over 700,000 Ohioans are employed in manufacturing and it is Ohio's largest industry sector measured by economic contribution, which is more than $108 billion annually in GDP.

A sales tax is intended to be a tax on the ultimate consumption of a good; it is not intended to apply to business inputs. Applying sales and use tax to transactions essential to the manufacture of a good – or the investment in manufacturing machinery and equipment – increases the costs of the goods that are produced, negatively impacts economic decisions, and places Ohio at a disadvantage compared to other states when it comes to economic development. Taxing manufacturing inputs is poor tax policy and anticompetitive for Ohio.

House Bill 440 brings clarity and consistency to tow of the more confusing aspects of Ohio's sales tax when it comes to manufacturing. Currently, Ohio taxes industrial janitorial services, supplies, and janitorial and maintenance equipment for the vast majority of manufacturers. Prior to last summer's passage of House Bill 166, only dairy food manufacturers received this exemption. House Bill 166 brought some parity to the law by extending that provision to all food manufacturers. However, the rest of manufacturing still falls outside the exemption. Manufacturers' production facilities and the equipment used in their production processes require continuous maintenance and repair. Without the required cleaning, repairs and maintenance, the machinery breaks down and fails to produce acceptable products for sale to consumers. Cleaning industrial assets is essential to the manufacturing process, regardless of the product produced. It is a necessary business input, and therefore, should fall under the sales tax exemption for personal property and services used to clean and maintain manufacturing equipment. This change will bring clarity and consistency to the way auditors and taxpayers interpret the law. Often manufacturers and auditors fight over what exactly is considered maintenance and what is considered cleaning. A consistent statutory change will alleviate what is often a contentious disagreement. We would argue it's an unnecessary disagreement.

Committees:
Insurance
Higher Education
Transportation and Public Safety
Economic and Workforce Development

Boards and Commissions:
Ohio Latino Affairs
Southern Ohio Agriculture and Community Development

Jessica E. Miranda

State Representative

Chairman Merrin, Vice Chair LaRe, and Ranking Member Rogers

The Second half of HB 440 deals with Ohio's tax on staffing services. Prior to 1993 Ohio did not tax employment services. However, because of a state budget shortfall, the General Assembly at that time made the decision to tax staffing employment. Ever since then, Ohio's businesses have been at a disadvantage compared to the 49 other states. According to the Federation of Tax Administrators' survey, only ten states (and Washington D.C) have some type of tax on staffing labor. Of those ten, five states tax staffing services as a part of a gross receipts or business tax but not a sales tax. The other five states (and Washington DC), including Ohio, tax staffing services under their sales tax. Of these, Ohio is the only state that subjects the fee for the staffing service **and** the temporary employee's compensation to the tax. It is this double taxation that makes Ohio unique among the handful of states that tax staffing services. It should be noted that only two of Ohio's neighboring states, Pennsylvania and West Virginia, tax staffing employment. But none of the states Ohio traditionally competes against for new and retained manufacturing facilities—Michigan, Indiana, Illinois, North Carolina, South Carolina, Texas, Alabama, Georgia—tax staffing employment.

Ohio's manufacturers have been traditionally exempted from the sales and use tax for any tangible inputs that go into the manufacturing process. The purpose of this exemption is that a sales tax should only be applies to a finished good. Virtually every state that imposes a sales tax includes such an exemption in some form. There is no greater input in the manufacturing process than the people that go to work each day to produce the goods that we- and the world – all use. Taxing, and in Ohio's case, double taxing the labor is a detriment to Ohio's business and manufacturing climate. This issue has cost the state and taxpayers untold millions of dollars as each year disagreements and mistakes in contracting language force parties to settle their differences in court.

This bill would eliminate the out-of-date laws that has been riddled by numerous court battles. Ohio needs good tax policy and clarity in its tax laws. This bill brings both. Mr. Chairman thank you for your time. We would be more than happy to try to answer any questions. We will have other parties coming to testify on the bill who may be more appropriate to answer certain questions.

TO: OMA Tax and Finance Committee
FROM: Rob Brundrett
SUBJECT: Tax Public Policy Report
DATE: February 19, 2020

Overview

In 2019 the state budget bill dominated any potential major changes in tax law. The OMA and manufacturers were able to secure some big wins on the tax front working within the confines of the budget debate. Changes to manufacturing tax credits and exemptions were included in the final package.

The OMA continues to push for more tax changes in 2020 setting up for another hopeful state budget debate in 2021. It is expected that the General Assembly will continue to debate the merits of several major tax credits and manufacturers must remain vigilant in defending certain credits, the most important being the manufacturing sales and use exemption.

Tax Legislation

Senate Bill 8 – Ohio Opportunity Zone Tax Credits

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

Senate Bill 26 – Tax Deductions for Teachers and Businesses

The bill became a hodgepodge of tax proposals and used as the vehicle to restore tax provisions which were removed in the budget. The bill authorized a state income tax deduction for teachers' out-of-pocket expenses for professional development and classroom supplies. The bill also restored the business income deduction for lawyers and lobbyists and exempted feminine hygiene products from sales and use tax (the Pink Tax). The bill passed both the House and Senate in October.

Senate Bill 37 – Motion Picture Tax Credit

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

House Bill 60 – Diaper Sales Tax Exemption

The bill exempts from sales and use tax the sale of child and adult diapers. It has had three hearings in the House Ways and Means Committee.

House Bill 62 – Transportation Budget
After much debate and disagreement between the two legislative chambers the final transportation bill included the terrible bifurcated fuel tax. Diesel fuel increased by 19 cents and gasoline by 10.5 cents. Electric vehicles required a registration fee of $200 and hybrids $100.

The heavy haul permit survived, which will make overweight truck hauling less cumbersome in Ohio.

The OMA testified in support of the Governor's original proposals and a reasonable fee on electric vehicles. The OMA was adamantly opposed to any bifurcation of the fuel rates since truck companies simply pass on any fuel tax to business customers. OMA notified the conference committee of these problems along with working with other business groups to amplify the problems of a bifurcated rate.

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

Senate Bill 95 – State and Local Tax Inducements
The bill will enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers. The bill provides a CAT credit the integrated supply chain to a qualifying project. The OMA submitted a letter with likeminded allies regarding protecting the integrity of the CAT. The Senate passed the bill. The House Ways and Means Committee held their first hearing on the bill at the end of October and continue to debate the bill's merits.

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

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

House Bill 162 – Motion Picture Tax Credit
The bill increases the overall cap on the motion picture tax credit from $40 million per fiscal year to $100 million per fiscal biennium. The OMA has successfully fought a lonely battle recently against increasing this tax credit. It appears once again that certain members of the General Assembly will try hard for an increase.

The bill has not had a hearing. Speaker Householder has come out against this credit, most noticeably in the House version of the budget where the credit was eliminated.

House Bill 166 – State Operating Budget
The final passed version made several major changes to the tax code impacting manufacturers.

Key tax provisions affecting manufacturers include:

- EXEMPTION FOR FOOD MANUFACTURERS: Expands the sales-and-use tax exemption for cleaning equipment and supplies used to clean equipment that produces or processes food. The exemption, which had applied only to dairy food processors, will now be afforded to the makers of any food for human consumption.
- CREDITS FOR CAPITAL INVESTMENT: Expands eligibility for the state's Job Retention Tax Credit. Aimed at manufacturers, the provision expands eligibility based on new capital investment, as opposed to payroll or employee count. (see below)
- BUSINESS INCOME TAX DEDUCTION: Retains the business income tax deduction at the current level of $250,000 for pass-through entities, as well as the 3% special flat tax rate for income above that threshold. Provides an across-the-board state income tax cut of 4%. The OMA worked with business allies to save the existing deduction, which at times seemed doomed during the process.

Job Retention Tax Credit Manufacturer Eligibility - This budget provision was crafted by the OMA Tax Committee working with Chairman Dolan.

The purpose of Ohio's Job Retention Tax Credit ("JRTC"), as its name implies, is to foster job retention through increased capital investment in Ohio. However, over the years, too few Ohio job creators have taken advantage of the JRTC. The qualifying criteria with respect to applicants' minimum workforce size and capital investment threshold are too high and have been a barrier for most companies to apply for the credit.

In order to ensure we are supporting Ohio companies that are competing globally, the provision was designed to increase the number of manufacturers and eligible Foreign Trade Zone companies to apply for the JRTC, thereby creating an incentive for Ohio employers to make capital investments that preserve existing jobs.

The amendment:

- Allowed companies headquartered in Foreign Trade Zones to be eligible to apply without meeting current payroll and employee count minimums
- Eliminated the minimum payroll size and number of employees required for manufacturers to apply for the JRTC
- Required a minimum capital investment for manufacturers of the lesser of $50,000,000 or an amount equal to five percent of the tangible personal property at the project site
- Required manufacturers to maintain their FTE count during the term of the credit

While the amendment did not expand the number of companies and projects eligible to apply for a JRTC, it did not alter the existing cap on the amount of credits that may be awarded annually by the tax credit authority. In 2019, the JRTC is capped at $130MM. Each year the cap increases by $13MM until 2024. For 2024, and for each year thereafter, the maximum credits that may be awarded annually will be capped at $195MM. Debate continues to rage within government and the economic develop class as to how, when, and if the credit will be or should be utilized. The OMA has been working with manufacturers and others to push hard to this credit to be deployed by the administration and JobsOhio.

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

House Bill 197 – Tax Code Corrections
The bill would enact the Tax Code Streamlining and Correction Act to make technical and corrective changes to the laws governing taxation. The bill was passed out of the House and has had three hearing in the Senate.

House Bill 222 – CDL Training Tax Credit
The bill provides an income tax credit for an employer's expenses to train a commercial vehicle operator. The bill is sitting below the black line in the House.

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

House Bill 440 – Abolish Tax on Manufacturing Temp Labor and Sales Tax on Manufacturing Janitorial Supplies and Equipment
House Bill 440 is an OMA-sponsored bill to eliminate the sales tax on temporary workers, while also eliminating the sales tax on industrial janitorial services purchased to clean machinery in a manufacturing facility.

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

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

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

House Bill 467 – Pass-Through Entity Tax Reduction
The bill reduces the pass-through entity withholding tax rate to four percent. It is expected to clear the House Ways and Means Committee this winter.

Senate Joint Resolution 3 – Require a Supermajority for an Income Tax Increase
Proposing to enact Section 7 of Article XII of the Constitution of the State of Ohio to require that any increase in income tax rates be approved by a supermajority of the membership of each house of the General Assembly.

Tax News

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

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

Study: Ohio's Property Tax Burden on Businesses is Among Lowest in U.S.
An updated comparison by the Tax Foundation finds Ohio imposes the nation's ninth smallest property tax burden on businesses. The think tank cites a study that says nationwide, taxes on real, personal, and utility property account for 38% of all taxes paid by businesses to state and local governments.

Comparison Shows Ohio is Among the Best States for Corporate Taxpayers
A new map by the Tax Foundation illustrates Ohio's competitiveness by comparing the combined federal and state corporate tax rates of all 50 states. Only six states — Ohio, Nevada, South Dakota, Texas, Washington, and Wyoming — have no state corporate income tax. Corporations in these states are liable for only the federal tax rate of 21% (reduced from 35% by the 2017 Tax Cuts and Jobs Act).

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

Ohio's State-Local Sales Tax Slightly Higher than U.S. Average
Forty-five states collect a sales tax — and 38 of them, including Ohio, allow local governments to impose a sales tax of their own.

According to a new map by the Tax Foundation, Ohio's combined state-local average sales tax rate is 7.17%. That's 21st highest nationally and higher than any of Ohio's neighboring states. Ohio's state sales tax rate of 5.75% is around the U.S. average, coming in at 27th highest.

Ohio Supreme Court Grants Jurisdiction to Hear Muni Tax Case
Earlier this month, the Ohio Supreme Court granted jurisdiction to hear the municipalities' appeals to the municipal income tax cases. The Court granted the appeal on the Home Rule amendment issue. The Court will now schedule oral arguments. The OMA is joined a business group coalition and filed an amicus brief.

Filmmakers applaud Ohio movie tax credits, while critics pan them

LOCAL Feb 11, 2020

By Laura A. Bischoff, Columbus Bureau

COLUMBUS —

“American Factory,” the local documentary that won an Academy Award on Sunday night, benefited from an Ohio tax credit program that has both its fans and critics.

The Ohio Motion Picture Tax Credit, started in 2009, delivered a $119,500 tax break to the producers of “American Factory” — a film made by Julia Reichert and Steven Bognar of Yellow Springs. In April, Barack and Michelle Obama’s production company, Higher Ground, and Netflix acquired the film, which follows the creation of a Chinese-owned auto glass factory in the same plant that once housed a General Motors assembly operation in Moraine. Bognar said the tax credit was crucial to the film.

“The story just went past the budget and so at that point, we said, wow, we should apply for the Ohio tax credit. And that made a big difference in that it allowed us to keep following the story until its logical, organic conclusion as opposed to some arbitrary cut off based on running out of money,” said Bognar. The program helped Bognar and Reichert hire more than 15 Wright State University film school alumni, he said.

The tax credit program is undergoing a major remake this year after lawmakers agreed to expand the credit to include live theater productions, the cost of post-production work and promotional expenses and implement competitive criteria. Ohio lawmakers also decided to axe a feature that allowed movie producers to “transfer” or sell the tax credit to someone else. And projects will be evaluated and ranked based on competitive criteria twice a year. Previously credits were assigned according to who applied first and when money was available. Lisa Grigsby, executive director of FilmDayton, said expanding the credit to apply to live theater productions dilutes it but other changes strengthen the program. The credit allows up to $40 million a year in tax breaks. It refunds 30 percent of what is spent in Ohio. Since its inception, $120.7 million has been refunded, though $250 million had been authorized.

A Cleveland State University study found that between 2011 and 2015, Ohio spent $32.6 million on the tax credit, applied to 31 projects that generated $22 million in tax revenues but also helped sustain 1,729 part- or full-time jobs with a labor income impact of $70.6 million. The study was paid for by the Greater Cleveland Film Commission. While the tax credit has helped 119 projects since 2009, including four Dayton-focused films, Ohio is competing against more than 30 other states that offer similar tax breaks. California, New York and Georgia land 75 percent of the projects, according to a study by Pennsylvania’s Independent Fiscal Office. Bognar said “Will we surpass Georgia or California? You know, I don’t even know that that’s the point. The point is to bring films and economic development to Ohio and train our workforce to be competitive on a national level for top-shelf jobs. And that is happening.” Grigsby agreed, saying that local film school graduates are able to quickly gain solid experience on Ohio projects, which helps launch their careers.

Moviemaker magazine recently named Cincinnati and Cleveland as two of the best cities in the country to make movies. “Ohio’s 30% tax credit has cemented its spot as a thriving film destination for the foreseeable future,” the magazine said. Policy Matter Ohio says the motion picture tax credit is an expensive, inefficient subsidy. In Ohio, it’s a refundable tax credit — meaning if the value of the credit exceeds the tax bill, the state writes a check to the awardee. Until this year, Ohio’s tax credit was also transferable — something lawmakers decided to cancel. Wendy Patton, a Policy Matters Ohio researcher, said getting rid of transferability was a good move but overall, the tax credit remains a bad deal for taxpayers because it fails to move the needle on Ohio’s share of the movie production industry. “These tax credits are just gravy for movie production companies going where they’d go anyway,” Patton said. “We would suggest a very close review of the tax credit.” She added that Ohio should give close scrutiny to all 134 tax breaks in state law because they cost almost $10 billion a year in foregone revenue.

By the Numbers: Ohio Motion Picture Tax Credit

2009 — inception of the program

119 — completed projects

$120.7 million — value of the credits awarded

4 — Dayton area projects completed and awarded tax credit

May 21, 2019

The Honorable Lou Terhar
Chairman
Senate Ways and Means Committee
Ohio Senate
1 Capitol Square
Columbus, OH 43215

Dear Chairman Terhar:

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

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

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

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

In its fiscal year 2018 tax expenditure report, the Department of Taxation lists a larger number of exclusions and credits to the CAT. The total cost of those expenditures, without consideration of the credits, is more than $700 million! Thus, since its enactment, CAT credits and exclusions have doubled the amount of the tax expenditure.

The CAT was created to fix an archaic business taxing system in Ohio that was riddled with exemptions and credits. The old system failed to promote sound tax policy by eroding the tax base and piling disproportionate payments on certain industries.

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

Sincerely,

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

S.J.R. 3
133rd General Assembly

Resolution Analysis

Version: As Introduced

Primary Sponsor: Sen. Burke

Sam Benham, Attorney

SUMMARY

- Proposes an amendment to the Ohio Constitution requiring legislation proposing to increase any income tax rate to be approved by two-thirds of the members of the House of Representatives and Senate.

DETAILED ANALYSIS

Supermajority for income tax rate increase

The joint resolution proposes an amendment to the Ohio Constitution requiring legislation proposing to increase any income tax rate to be passed with the affirmative votes of at least two-thirds of the members of the House of Representatives (i.e., 66 out of 99 members) and Senate (i.e., 22 out of 33 members). This two-thirds approval threshold must also be met for either chamber to approve a statute initiated by Ohio electors that proposes to increase any income tax rate.[1]

The Ohio Constitution currently empowers the General Assembly to adopt legislation with majority approval in each chamber.[2] Supermajority votes are required only to pass emergency bills and congressional redistricting bills.[3] A resolution proposing to amend the Ohio Constitution must be approved by three-fifths of the members of each chamber in order to be submitted to voter approval.[4]

[1] Proposed Article XII, Section 7, Ohio Constitution.

[2] Article II, Section 15(A), Ohio Constitution, not in the resolution.

[3] Article II, Section 1d and Article XIX, Section 1, Ohio Constitution, not in the resolution.

[4] Article XVI, Section 1, Ohio Constitution, not in the resolution.

Election and effective date

The resolution provides that the proposed constitutional amendment, if approved by three-fifths of each chamber's members, will be submitted to electors at the general election to be held on November 3, 2020, and will take effect immediately upon its approval by electors. The amendment would apply to any legislation introduced in the General Assembly after that effective date.

HISTORY

Action	Date
Introduced	12-11-19

SJR0003-I-133/ks

Ohio Legislative Service Commission

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

S.J.R. 3
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for S.J.R. 3's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Burke

Local Impact Statement Procedure Required: No

Philip A. Cummins, Senior Economist

Highlights

- The resolution would start the process of changing the state constitution to require supermajority legislative approval for higher state income tax rates. The constitutional change would need to be approved by electors.
- The Secretary of State would incur ballot advertising costs for ensuring that ballot issue language, issue explanations, and proponent and opponent positions for ballot issues are published in print media across the state. The Secretary of State is reimbursed for these costs via cash transfers from the GRF approved by the Controlling Board. The costs could be up to a few hundred thousand dollars.

Detailed Analysis

The joint resolution proposes a change in the state constitution to require that any increase in state income tax rates be approved by two-thirds or more (a supermajority) of the members elected to each of the House of Representatives and the Senate. Approval of the joint resolution to submit the proposed constitutional change to electors requires approval of three-fifths of members of each house. The vote by electors would take place at the general election on November 3, 2020. If electors approve the constitutional change, it would go into immediate effect.

Article XVI, Section 1 of the Ohio Constitution requires that notice of ballot questions be published once a week for three consecutive weeks in a newspaper of general circulation in each Ohio county. These expenses often are in the hundreds of thousands of dollars.

The Secretary of State is responsible for contracting with print media sources to publish ballot language, explanations, and proponent and opponent positions on these items. Once these expenses are incurred, the Secretary of State submits a Controlling Board request for reimbursement from the GRF to the Statewide Ballot Advertising Fund (Fund 5FH0) used by the

Secretary of State. Such cash transfers may also be requested from and approved by the Controlling Board before the advertising is placed. As with all print advertising, the cost largely depends on the length of the proposed amendment, the explanation, and the arguments for and against the ballot issue, so costs vary. As an illustration, the ballot advertising cost incurred for the three statewide issues that appeared on the November 2015 ballot was about $613,000. Ballot advertising costs for the two statewide issues on the November 2017 ballot were about $492,000.

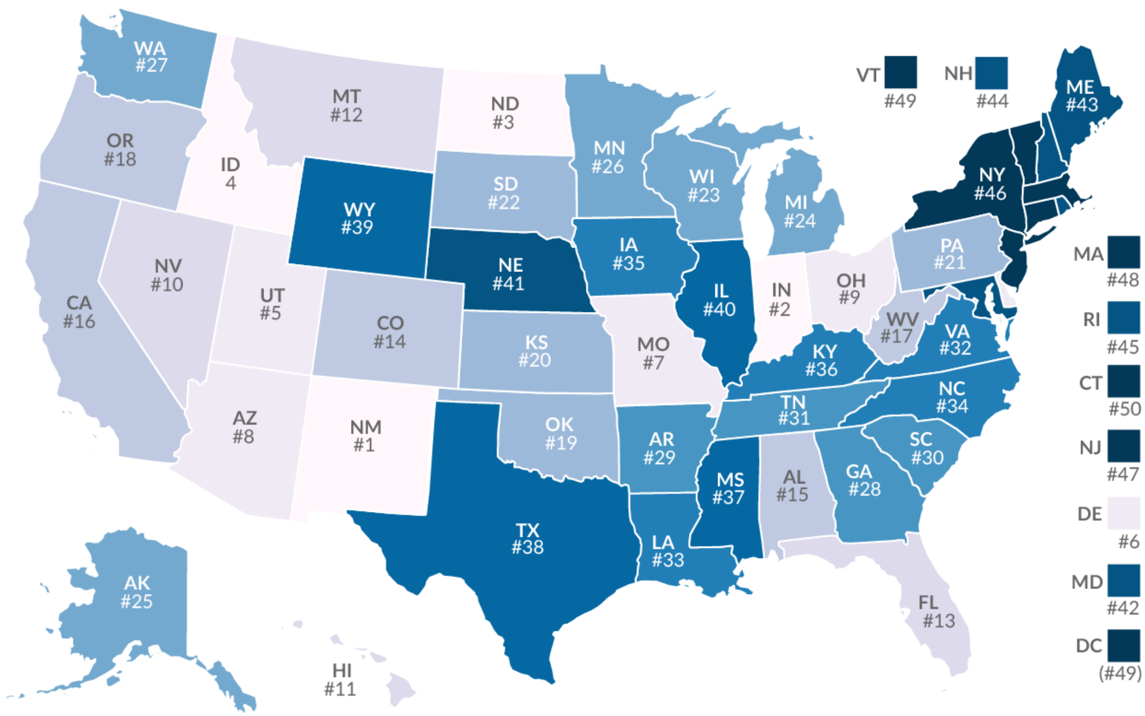
If the resolution is approved by the legislature, and if the constitutional change is approved by voters, the impairment of legislative ability to enact increases in state funding from this source of revenue could be a factor in a reduction in the state's bond rating. A lower bond rating for the state would likely be associated with higher borrowing costs. Documentation from Standard & Poor's of that organization's state ratings methodology scores favorably state autonomy to raise taxes with no constitutional constraint or extraordinary legislative threshold (more than a majority) for approval. Constraints on the state's ability to increase revenue are scored unfavorably.[1]

SJR0003IN/zg

[1] S&P Global, U.S. State Ratings Methodology, October 17, 2016, page 7.

How Does Your State Rank on Property Taxes?

Property Tax Component Rankings, 2020 State Business Tax Climate Index

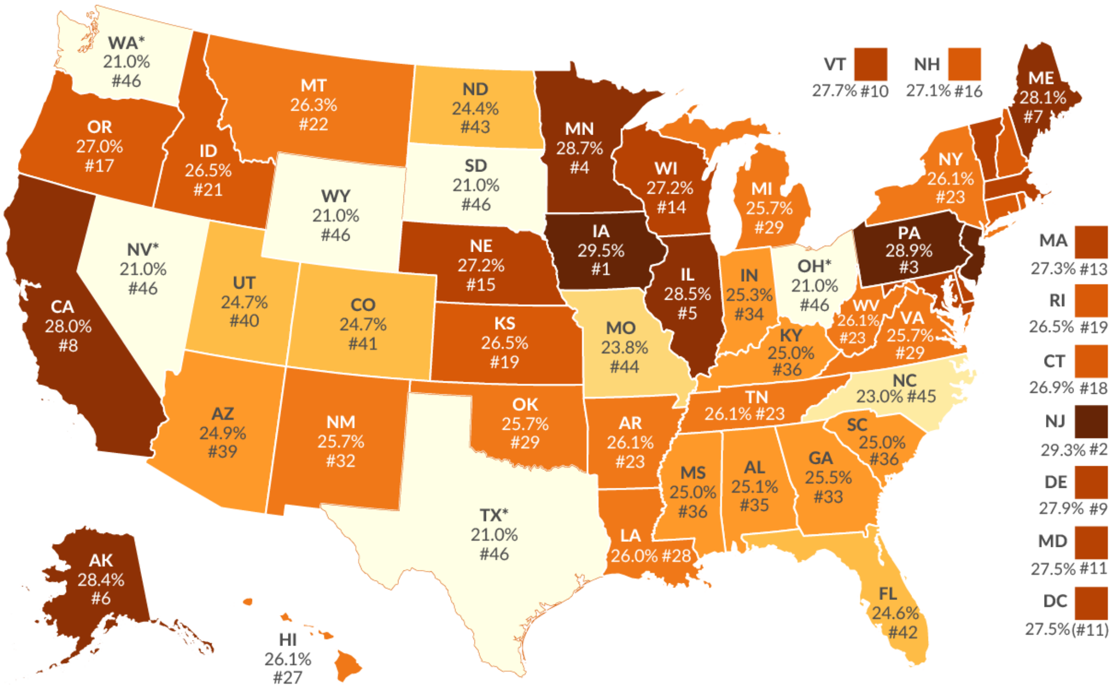


Note: A rank of 1 is best, 50 is worst. D.C's score and rank do not affect other states.
The report shows tax systems as of July 1, 2019 (the beginning of Fiscal Year 2020).
Source: Tax Foundation, 2020 *State Business Tax Climate Index*

TAX FOUNDATION @TaxFoundation

How High are Combined Corporate Tax Rates in Your State?

Combined Federal and State Corporate Tax Rates as of January 1, 2020



Note: Combined rates include the ability for corporations to deduct state income taxes against federal taxable income. Combined rates also include state deductibility of federal corporate income tax paid (Alabama and Louisiana) or half of federal corporate income tax paid (Iowa and Missouri). *Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware and Oregon have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia.

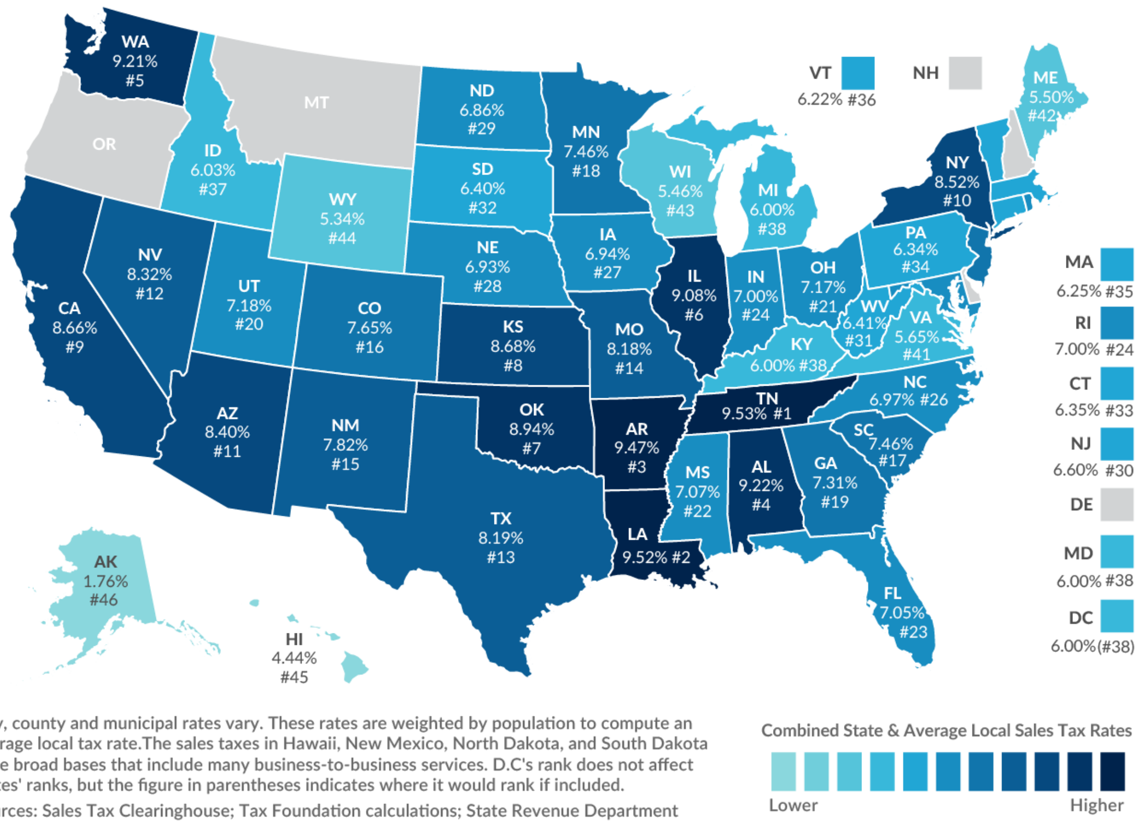
Combined Federal and State Corporate Tax Rates

Sources: State statutes, state tax forms and instructions, Tax Foundation calculations.

TAX FOUNDATION @TaxFoundation

How High are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 1 2020



City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate.The sales taxes in Hawaii, New Mexico, North Dakota, and South Dakota have broad bases that include many business-to-business services. D.C's rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites

TAX FOUNDATION @TaxFoundation

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Ohio Manufacturers' Association

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

Administrative Actions:

Information Release ST 1999-01. The Department of Taxation (the "Department") revised Information Release ST 1999-01, attached, relating to the sales tax treatment of computer cabling. The Board of Tax Appeals recently held that CAT-5 and CAT-6 data cabling installed in a building are not "business fixtures." As such, a contract for the sale and installation of this cabling in a commercial building was held to be a "construction contract" and exempt from Ohio sales and use tax. See *Nationwide Mut. Ins. Co. v. McClain*, BTA No. 2018-313, 2019 WL 5682231 (Oct. 22, 2019). The attached information release indicates the Department will abide by the BTA's decision and apply it retroactively in many instances.

O.A.C. § 5703-29-02. The Department recently proposed changes to O.A.C. § 5703-29-02, attached, relating to Ohio's commercial activities tax ("CAT"). While the CAT imposes a tax on gross receipts, companies under common control may file a consolidated election to exclude intercompany transactions from the calculation of taxable gross receipts. The current version of O.A.C. § 5703-29-02 provides that the Tax Commissioner may grant a consolidated election retroactively upon request. The regulations are silent, however, as to the requirements and circumstances a taxpayer must satisfy to obtain retroactive relief.

The proposed changes to O.A.C. § 5703-29-02 would require a taxpayer to request retroactive relief prior to being contacted for a CAT audit. The proposed changes would also limit relief to two instances. A taxpayer may seek relief by demonstrating its failure to file a timely election was due to clerical error. Alternatively, a taxpayer may also seek relief through a voluntary disclosure program.

Note, the Department's proposal is a reaction to the BTA's recent decision in *Nissan North America, Inc. v. McClain*, BTA No. 2016-1076 (October 9, 2019). In *Nissan*, the BTA held under the current regulations that 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, the BTA also found that the Tax Commissioner abused his discretion in denying the taxpayer's request for retroactive relief.

Proposed Legislation:

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

Judicial Actions:

Ohio Supreme Court

***Columbus City Schools Bd. of Edn. v. Franklin County Bd. of Revision*, Slip Opinion No. 2020-Ohio-353**. Palmer House Borrower, L.L.C. (the "LLC") owned a 264-unit apartment complex located in New Albany (the "Apartment Complex") and its related personal property. For property tax purposes, the Apartment Complex was initially valued at $16,000,000 for tax year 2015. That same year, the LLC's membership interests were sold for $35,250,000. The local school board sought an increase in the Apartment Complex's assessed value based on the LLC's sale price. In its analysis, the Court noted the purchase and sale agreement was drafted as the sale of commercial real estate, and the transaction only took the form of an entity transfer due to an explicit provision in the agreement allowing seller to elect the "drop down LLC" form after execution of the agreement. As a result, the Court held that it was reasonable to treat the sale price of the LLC as the sale price of the Apartment Complex. Accordingly, it affirmed the BTA's substantial increase in taxable value.

***Karvo Paving Co. v. Testa*, 2020-Ohio-371**. The Ninth District Court of Appeals recently issued a decision in *Karvo Paving Co. v. Testa*, 9th Dist. Summit No. 28930, 2019-Ohio-3974 dealing with three separate claims for sales and use tax exemption (i.e., purchase for resale exemption, affiliated entity exception to employment services, and casual sale exemption). This decision is now on review to the Ohio Supreme Court for a jurisdictional issue. The Department argues the case should have been heard in the Tenth District Court of Appeals (as opposed to the Ninth).

***Rockies Express Pipeline, L.L.C. v. McClain*, Slip Opinion No. 2020-Ohio-410.** The Ohio Supreme Court held that taxpayer's gross receipts from transporting natural gas that entered taxpayer's pipeline in Ohio and exited the pipeline in Ohio were taxable. Such receipts were not derived wholly from interstate activity.

Ohio Court of Appeals

***Stingray Pressure Pumping LLC v. McClain*, 10th Dist. Franklin No. 18AP-110, Slip Opinion No. 2019-Ohio-5198.** The Court of Appeals applied the amended exemptions in R.C. 5739.02(B)(42)(a) retroactively to exempt equipment in taxpayer's hydraulic fracturing operation from sales and use tax.

Ohio Board of Tax Appeals

***Oglethorpe of Cambridge, LLC v. McClain*, BTA No. 2018-1304, 2020 WL 122755 (Jan. 8, 2020).** The BTA upheld CAT assessments against taxpayer. In doing so, the BTA held management fees received from a related entity (in the absence of a consolidated election) were taxable gross receipts.

5703-29-02 **Application of common owners and joint ventures.**

(A) Consolidated elected and combined taxpayer groups under sections 5751.011 and 5751.012 of the Revised Code are required to file as one taxpayer if persons in the group meet certain requirements. One of those requirements is that the persons have a specified portion of the value of their ownership interest owned and controlled by "common owners" included in the group. In addition to an ownership interest, the higher-tiered entity must have the ability through its voting rights to control the operations of the lower-tiered entities at each level of the vertical chain. There is a different "control test" for combined groups than for consolidated elected groups. For combined groups, the "control test" is that the higher-tiered entity must own more than fifty per cent of the lower-tiered entity at each level of the vertical chain and effectively, through its ownership, possess the voting rights to be able to control the lower-tiered entity. For consolidated elected groups, the "control test" is that the higher-tiered entity must own at least fifty per cent or at least eighty per cent of the lower-tiered entity at each level of the vertical chain and effectively, through its ownership, possess the voting rights to be able to control the lower-tiered entity. For purposes of this paragraph, "effectively" means that the entity has the ability to actually control the operations of the lower-tiered entity and is not required to be part of another combined or consolidated group.

(B)

(1) Subject to paragraphs (B)(2), (C), and (D) of this rule, if a person owns and controls, directly or constructively through related interests, more than fifty per cent of the value of the ownership interest of another person, the first person is a common owner of the second person, and those persons must be members of a combined taxpayer group unless they elect to be members of a consolidated elected taxpayer group. Consolidated elected taxpayers may choose to consolidate based on a ~~the~~ fifty percent or more ownership test or ~~the~~an eighty percent or more ownership test, and choose to either include or exclude all foreign entities. Common owners are not limited to business organizations but also include individuals, trusts, and estates. Further, "common owner" includes an entity that is not a "person" as that termed is defined in division (A) of section 5751.01 of the Revised Code. Not being a "person" will not prevent such an entity from making an election to be in a consolidated elected group~~, allowing the entity to exclude receipts between members~~. If a person ~~has~~is a common ~~ownership~~owner of persons who report as a consolidated elected taxpayer group as well as persons who are in a combined taxpayer group, the common owner is to register as part of both groups but must report its taxable gross receipts as part of the consolidated elected taxpayer group.

(2) A de minimis test applies in determining whether an individual, a trust, or an estate must be included as a common owner in a combined or consolidated

elected taxpayer group. If the individual, trust, or estate has less than four thousand five hundred dollars in taxable gross receipts for the calendar year, the individual, trust, or estate will not be required to be registered as part of a combined or consolidated elected taxpayer group for that year. However, the individual, trust, or estate is still a common owner for all purposes of the commercial activity tax.

(C) There are general rules that are to be applied when determining the common ownership of any person. These are applicable to all persons defined in division (A) of section 5751.01 of the Revised Code.

(1) The determination of whether a person owns and controls another person constructively through related interests shall be made using a vertical ownership test, based on voting rights, pursuant to paragraph (D) of this rule. Attribution rules under the Internal Revenue Code, such as attribution between a husband and wife, do not apply. The vertical chain shall continue as long as the ownership test is satisfied, separately or in the aggregate, by any one or more members of the group.

(2) In the event a person or a group of persons believes that the uniqueness of its organizational structure justifies that "common ownership" exists despite the strict application of this rule, the person may file in writing with the tax commissioner a request for a finding that common ownership exists. Such request must be made prior to the end of the reporting period for which the request is to become effective. The person making this request has the burden of proof to show that common ownership exists and must provide the commissioner with detailed probative evidence in support of its position.

(3) If the ownership test is met for any part of the calendar quarter or calendar year, as applicable, the group must include the taxable gross receipts of that person for the portion of the tax period in which the ownership test was met. A person who no longer meets the ownership test of the group shall report taxable gross receipts only through the date it qualifies as a member of that group. The person shall report all taxable gross receipts during the remaining portion of the tax period either as a separate taxpayer, as a member of a combined taxpayer, or as a member of another consolidated elected group if it satisfies the requirements with respect to such group.

(4)

(a) When an election under section 5751.011 of the Revised Code is made, the election remains in place for at least eight calendar quarters. During that time the composition of the consolidated elected taxpayer group is only changed when a person falls within or without the elected ownership threshold. At the end of the eight calendar quarters, the consolidated elected group must notify the commissioner in writing if it does not wish to renew its election. In the absence of such notification, the election to consolidate automatically renews for another eight calendar quarters.

(b) A separate taxpayer or a combined taxpayer may make an election under section 5751.011 of the Revised Code at any time after it has registered. However, once the election is made, it remains in place for at least eight calendar quarters. Such election is effective prospectively unless a retroactive application has been requested in writing by the taxpayer and approved by the tax commissioner in accordance with paragraph (C)(5) of this rule.

(5) The tax commissioner may only approve a request for a retroactive election to file as a consolidated elected taxpayer group under section 5751.011 of the Revised Code if, at the time the written request is made, the taxpayer has not been contacted by the Department regarding a commercial activity tax audit, criminal investigation action, or compliance program, and the taxpayer made a clerical error or made the request through the voluntary disclosure program, as follows:

(a) Clerical Error. The taxpayer's original commercial activity tax returns reflect that the taxpayer filed as a consolidated elected taxpayer and reported the taxable gross receipts of all members required to be included in the group in accordance with section 5751.011 of the Revised Code, but the taxpayer failed to make a proper election on a form prescribed by the commissioner for the purpose of making the election. The taxpayer's commercial activity tax returns as originally-filed, from the date the taxpayer requests the election be effective up to and including the most recent tax period for which a return is due, must demonstrate that the taxpayer intended to file as a consolidated elected taxpayer such that the application of a retroactive election will have no impact on the taxpayer's tax liability as shown on its originally-filed returns.

(b) Voluntary Disclosure Program. The taxpayer requests retroactive consolidation through the voluntary disclosure program, qualifies for the program, and meets either of the following:

(i) No person included in the consolidated elected taxpayer group was registered for the commercial activity tax at any time prior to coming forward under the program, or

(ii) The taxpayer previously registered for the commercial activity tax and, at the time of registration or sometime thereafter but before the application for the subject voluntary disclosure agreement, elected to be a consolidated elected taxpayer group but erroneously failed to include a member or members of the group. As a condition of the department's acceptance of the voluntary disclosure agreement and approval of retroactive consolidation, the taxpayer must amend returns to include the member or members and their taxable gross receipts. Under this subparagraph, amended returns may be filed without penalty to correct the taxpayer's account and to ensure all required members' receipts are included on the return. The election to file as a consolidated elected taxpayer group may not be applied retroactively to a date prior to the taxpayer's initial election.

(D)

(1) In the case of a corporation, the valuation is calculated with respect to only those classes of stock having voting rights. Interests held in a corporation are attributable to any shareholder in the corporation based on the percentage of total value of the voting equity interests in the corporation owned and controlled by that shareholder.

(2) In the cases of partnerships and entities with membership interests (e.g., a limited liability company) or beneficial interests (e.g., business trusts, or other unincorporated business interests), the value is calculated with respect to the fair market value of the voting interest in those entities.

(3) In the case of a limited partnership, only the value of general partnership interests will be considered.

(4)

(a) In the case of a trust to which section 677 of the Internal Revenue Code applies, commonly referred to as a "grantor trust," the grantor is the common owner of the trust described in that section.

(b) In the case of a trust to which section 678 of the Internal Revenue Code applies, the person, other than the trust, described in section 678 of the Internal Revenue Code is the common owner of the trust.

(c) In the case of a trust treated as a corporation for federal income tax purposes, including but not limited to real estate investment trusts and business trusts, the beneficiaries are treated as shareholders and the common ownership rules for corporations apply.

(d) In the case of any other trust, there is no common owner unless paragraph (C)(2) of this rule applies.

(5) In the case of two or more persons having an interest in an unincorporated business, including but not limited to rental property, where there is no formal partnership agreement between the persons, an implied partnership is deemed to exist. One implied partnership exists for all such commonly owned and controlled interests of the unincorporated business. The implied partnership is a separate entity for purposes of the commercial activity tax and the ownership interests are determined as follows:

(a) In the case where the owners file a federal income tax form 1065, paragraphs (D)(5)(b) and (D)(5)(c) do not apply and the ownership and control is based on the capital account contribution as reported at the end of the tax filing occurring in the previous calendar year.

(b) If, for some reason, the owners are not required to file a federal income tax form 1065, in the case of rental property, the common ownership is based on the deed to the property. If two persons are listed on the deed, the property is considered to be owned and controlled fifty per cent by each of those persons. The burden is on those persons to prove an alternate ownership structure.

(c) If paragraph (D)(5)(b) of this rule does not apply, the common ownership of the implied partnership is based on the number of persons in the group. The burden is on those persons to prove an alternate ownership structure.

(E) If, pursuant to paragraph (A) of this rule, a person elects to consolidate with all others in which it has at least ~~a~~ fifty per cent common ownership and control ~~interest~~, that person must include all taxable gross receipts of a joint venture so owned and controlled unless there is another fifty per cent owner of the joint venture that makes the fifty per cent election to consolidate. ~~In other words~~For example, if ~~one~~a fifty per cent owner, A, of a joint venture makes an eighty per cent election to consolidate with others or decides to be part of a combined taxpayer group or be a single taxpayer, and the other fifty per cent owner, B, makes the fifty per cent election, ~~that other owner~~B is required to include all the taxable gross receipts of the joint venture except for any receipts the joint venture has from ~~that other owner~~B. If both ~~fifty per cent owners~~A and B make the fifty per cent election, the taxable gross receipts of the joint venture, after subtracting any receipts ~~between~~the joint venture received from its ~~the~~ owners ~~and the joint venture~~, are split evenly between the two consolidated elected taxpayer groups. However, ~~Each~~each of the joint venture owners making ~~the~~a fifty per cent election are only ~~allowed~~able to exclude those receipts each received from the joint venture entity ~~has from that owner~~ and should refrain from dividing or apportioning such receipts from the joint venture with the other owner. In addition, each owner cannot exclude receipts the joint venture has from the other owner since the other owner is not in the same consolidated elected taxpayer group.

(F) For purposes of a combined taxpayer ~~groups~~group, ~~persons~~a person who does not have nexus with the state of Ohio may nevertheless be a "common ~~owners~~owner," but ~~are~~is not required to ~~register~~include its taxable gross receipts on the group's return for purposes of calculating the group's commercial activity tax. Such combined taxpayer groups only need to include persons with substantial nexus with the state of Ohio, as defined in divisions (H) and (I) of section 5751.01 of the Revised Code and those persons' taxable gross receipts.

(G) The commissioner ~~shall~~may publish and make available on the department of taxation's website, examples of the application of this rule.

ST 1999-01 - Sale and Installation of Computer Cabling - March, 1999; Revised December, 2019

This Information Release is updated to announce a change in the Department of Taxation's application of sales and use tax to the sale and installation of computer cabling. This change is made in response to a recent decision of the Ohio Board of Tax Appeals (Board) in the case *Nationwide Mutual Insurance Company v. McClain* (October 22, 2019), BTA Case No(s) 2018-313, 2018, 315 – 318 which overturned the Board's previous decision in *Newcome Corporation v. Tracy* (December 11, 1998), BTA Case No. 97-M-320.

In the *Newcome* case, the Board determined that computer cabling was not a type of communication line that was "common to buildings." The Board also found that computer cabling primarily benefits the business conducted by the occupant of the building rather than the building, itself. Therefore, the Board ruled that installed computer cabling is a business fixture, within the meaning of section 5701.03(B) of the Revised Code, and is to be treated as tangible personal property, not realty.

Conversely, in the *Nationwide* case, the Board concluded that computer cabling *does not* constitute a "business fixture" within the meaning of section 5701.03(B) of the Revised Code, and is to be treated as real property. The communication lines at issue are now "as common to a commercial property as telephone lines and coaxial cables were in the past." It is now clear that computer cabling for VoIP and internet communications are industry standards and incorporated into real property.

This decision changes the Department's position on the application of sales and use tax effective October 22, 2019. Since computer cabling is incorporated into realty, it constitutes a construction contract under R.C. 5739.01(B)(5), and the sale and installation of such cabling is not subject to the sales tax. Persons who sell and install computer cabling should incur use tax on the cost of the cabling unless the customer desires specialized networks to meet a technical requirement. It is under the latter circumstances that the computer cabling would retain its status as tangible personal property as a business fixture after it is installed into realty.

For audit purposes, this interpretation will be applied to all future transactions involving the installation of computer cabling. It will also be applied to any past transactions if, at the time of the transaction, the construction contractor neither collected tax as a vendor nor paid tax as a construction contractor. If a construction contractor who acted as a seller and installer of computer cabling or its customer seeks a refund of the tax paid on a past transaction, that seller and installer will be expected to accrue use tax as a construction contractor.

The provisions of this release do not apply to any conduits and corresponding cabling for public utilities and telecommunications companies that are placed in public rights-of-way or private rights-of-way from the street to a building.

Please call us at 1-888-405-4039 with any questions regarding this release.

OHIO RELAY SERVICES FOR
THE HEARING OR SPEECH IMPAIRED
Phone: 1-800-750-0750

PolicyGoal:

An Efficient, Competitive Ohio Tax System

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

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

Government should instead create incentives for capital investment in Ohio. Productivity gains, which keep Ohio manufacturers competitive, are driven by capital investment in technology and equipment. Such investment is necessary for Ohio manufacturers to remain competitive and tax policies which encourage investment should be a priority.

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

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

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

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

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

ABOUT OHIO'S UNEMPLOYMENT INSURANCE TRUST FUND

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

Tax

Business Tax Limits Have Increased for 2020
February 14, 2020

An array of tax-related limits that affect businesses are annually indexed for inflation — and many have increased for 2020. OMA Connections Partner Clark Schaefer Hackett has compiled **this list** of some of the indexed provisions that may be important to your business. *2/12/2020*

Tackling B2B Payment Fraud
February 14, 2020

Payment fraud in business-to-business financial transactions is a growing problem. So that your business can better understand the risks — and take action to manage and mitigate those risks — OMA Connections Partner Huntington National Bank has published **this guide**. *2/11/2020*

Cyber Insurance: Are You Covered?
February 14, 2020

More than two-thirds of businesses have had at least one cyberattack in the last two years, with half of those attacks targeted at small businesses. OMA Connections Partner Roetzel has posted **this guidance** on how to determine if your business has the correct type and amount of cyber insurance. *2/10/2020*

Guidance on Final Regs for Opportunity Zones
February 14, 2020

Recently, the U.S. Treasury Department issued the last and final set of regulations relating to Opportunity Zones. This brings closure to almost two years of uncertainty with respect to certain provisions. OMA Connections Partner GBQ has shared **this article**, which summarizes the main takeaways from the final regulations, most of which are favorable to taxpayers.
Members may also be interested in this **free webinar** on Feb. 25, hosted by OMA Connections Partner CliftonLarsonAllen to review the final regulations on Opportunity Zones. *2/12/2020*

Comparison Shows Ohio is Among the Best States for Corporate Taxpayers
February 7, 2020

A **new map** by the Tax Foundation illustrates Ohio's competitiveness by comparing the combined federal and state corporate tax rates of all 50 states. Only **six states** — Ohio, Nevada, South Dakota, Texas, Washington, and Wyoming — have no state corporate income tax. Corporations in these states are liable for only the federal tax rate of 21% (reduced from 35% by the 2017 Tax Cuts and Jobs Act). Fifteen years ago, the OMA **helped lead** the repeal of Ohio's antiquated corporate franchise tax and tangible personal property tax. They were replaced with the manufacturing-friendly Commercial Activity Tax (CAT) — a gross receipts tax that imposes a single low rate of 0.26% on in-state sales, while out-of-state sales are exempt. *2/5/2020*

Manufacturers' Tax Relief Bill Gets First Hearing
January 31, 2020

On Tuesday, Jan. 28, Reps. **Sara Carruthers** (R-Hamilton) and **Jessica Miranda** (D-Forest Park) provided **sponsor testimony** to the House Ways and Means Committee during the first hearing for **House Bill 440**. The legislation **would exempt** temporary manufacturing labor from Ohio's sales and use tax. The bill would also expand the manufacturing sales-and-use tax exemption to include janitorial services and supplies used to clean machinery.
The OMA, which worked to get bipartisan leadership to introduce HB 440, has long advocated for both of these changes to the tax code. The OMA Tax Committee has highlighted the issues as major hurdles for manufacturers.

Manufacturers who are interested in this topic or would like to provide support for HB 440 should contact **Rob Brundrett**, as well as attend the **Feb. 19 OMA Tax Committee meeting**. *1/30/2020*

2020 Tax Calendar Deadlines
January 24, 2020

To help you make sure you don't miss any important 2020 deadlines, OMA Connections Partner Clark Schaefer Hackett has provided **this summary** of when various tax-related forms, payments and other actions are due. *1/23/2020*

IRS Issues Guidance on Tax Credit for Fuel Used in Off-Road Equipment
January 24, 2020

OMA Connections Partner Schneider Downs **reports** that the IRS has provided guidance on requesting refunds for the Alternative Fuel Credit (more commonly known as Propane Tax Credit and Compressed Natural Gas Tax Credit) for tax years 2018 and 2019. This credit was retroactively reinstated by the federal spending bill enacted in late 2019.

The credit enables taxpayers who use propane or liquefied petroleum gas for off-highway business use in equipment like forklifts, or compressed natural gas in vehicles, to receive a 50-cent per-gallon credit. There is a limited time to claim this credit for 2018 and 2019. For questions, **contact Schneider Downs**. *1/22/2020*

Ohio's State-Local Sales Tax Slightly Higher than U.S. Average
January 17, 2020

Forty-five **states** collect a sales tax — and 38 of them, including Ohio, allow local governments to impose a sales tax of their own.
According to a **new map** by the Tax Foundation, Ohio's combined state-local average sales tax rate is 7.17%. That's 21st highest nationally and higher than any of Ohio's neighboring states. Ohio's state sales tax rate of 5.75% is around the U.S. average, coming in at 27th highest. *1/15/2020*

Ohio Revenue Slightly Below Estimate for December
January 10, 2020

Preliminary figures from the Ohio Office of Budget and Management (OBM) show December's state revenues came in just under (0.1%) estimates. Overall, the state collected nearly $1.9 billion last month, with $958 million from the combined sales tax and $829 million from personal income tax.

The Commercial Activity Tax's December revenue trailed estimates by $1.2 million (11.7%) — but for the fiscal year, it has collected $22.7 million (2.9%) more than estimated.

For the fiscal year so far, the state has collected $93.2 million (0.8%) above the forecast.
See **more details** regarding Ohio's revenues and expenditures.*1/7/2020*

How Does Your County Spend its State Dollars?
January 10, 2020

In Fiscal Year 2019, Ohio's state government sent $36.45 billion in subsidies and capital funds to Ohio's 88 counties. Thanks to a **report** from the Legislative Service Commission, Ohioans can see how those funds were distributed to their county. **This map** makes it easy to view the breakdown of dollars. *1/7/2020*

Federal Spending Package Extends Tax Provisions for Employers
January 3, 2020

Late last month, Congress reached an agreement on a massive, must-pass federal spending package. OMA Connections Partner Clark Schaefer Hackett has summarized the **key tax-related provisions** in the legislation, which extends certain income tax provisions that had either expired or were due to expire. The new legislation continues the following programs through 2020: Incentives for empowerment zones; the New Markets Tax Credit; employer tax credits for paid family and medical leave; and the Work Opportunity Tax Credit.
Meanwhile, OMA Connections Partner GBQ Partners reports that the funding legislation **repeals** the Affordable Care Act's so-called "Cadillac tax." *1/2/2020*

Ohio Gets High Marks for Unemployment Insurance
January 3, 2020

A new **comparison** by the Tax Foundation finds Ohio's unemployment insurance (UI) program is among the nation's best-structured UI systems. The think tank says: "The least-damaging UI tax

systems are those that adhere closely to the federal taxable wage base, have low minimum and maximum tax rates on each rate schedule, avoid levying surtaxes or creating benefit add-ons, and have straightforward experience formulas and charging methods."
For the past several years, Ohio has been a top 10 state in the Tax Foundation's UI comparison. *1/1/2020*

Study: Ohio's Property Tax Burden on Businesses is Among Lowest in U.S.
December 20, 2019

An updated comparison by the Tax Foundation finds Ohio imposes the nation's ninth smallest property tax burden on businesses. The think tank cites a study that says nationwide, taxes on real, personal, and utility property account for 38% of all taxes paid by businesses to state and local governments. See the foundation's **comparison map**. *12/16/2019*

Business Travelers: Take Note of Updates to Per Diem Rates
December 20, 2019

The federal Tax Cuts and Jobs Act (TCJA) changed the way some businesses must compute per diem allowances. The IRS recently issued guidance for business travelers and their employers to clarify the changes. OMA Connections Partner Clark Schaefer Hackett has provided **a refresher** on what changed under the TCJA and the rules for using per diem rates. *12/17/2019*

OMA Bill to Abolish Tax on Temp Workers Introduced in Ohio Legislature
December 13, 2019

This week, an OMA-sponsored bill to eliminate the sales tax on temporary workers, while also eliminating the sales tax on industrial janitorial services purchased to clean machinery in a manufacturing facility, was introduced at the Statehouse.

Both provisions — longtime priorities of the OMA Tax Committee — are contained **House Bill 440**, bipartisan legislation offered by State Reps. **Sara Carruthers** (R-Hamilton) and **Jessica Miranda** (D-Forest Park). HB 440 was referred to the House Ways and Means Committee; hearings are expected to begin in early 2020.
Ohio remains one of a handful of states that taxes temporary workers, and is the only state that double taxes those workers on both the service fee and wages. Eliminating the sales tax on janitorial services would bring much-needed certainty for manufacturers and this type of service, which is often contested under the manufacturing sales and use tax exemption.

The OMA would like to hear from members who are willing to testify on the importance of this proposed tax change. Please contact **Rob Brundrett** if you or your company is interested in testifying or learning more about the bill. *12/12/2019*

Ohio Tax Collections Outpacing Forecasts
December 13, 2019

Ohio's tax revenues remain slightly ahead of expectations for the current fiscal year, which started July 1. November's jump in sales taxes were offset by a decline in income taxes, according to the **latest monthly report** from the Office of Budget and Management. Auto sales taxes saw the largest proportional jump last month, beating projections by nearly 12% — a sign of economic health.
For the fiscal year-to-date, overall tax collections of $9.78 billion are $95 million, or 1%, ahead of official forecasts. The Commercial Activity Tax exceeds estimates by $23.9 million, or 3.1%, while income taxes are 1.1% under forecasts. *12/9/2019*

Survey: Manufacturers Likely to Cut CapEx in 2020
December 13, 2019

It was **reported** this week that U.S. manufacturing executives plan to spend 2.1% less on capital expenditures in 2020, the first drop since 2009, according to a survey by the Institute for Supply Management. Nearly 40% of executives said the domestic economy was their main reason for cutting back, while just 3% cited tariffs as the cause.
The report indicates a turnaround may begin in the first half of 2020 and pick up later in the year. *12/10/2019*

At a Glance: State Government Finances
December 13, 2019

While U.S. government debt recently surpassed $23 trillion, the financial health of the individual states varies considerably. HowMuch.net has published **this infographic** to provide a snapshot of the financial wellbeing of all 50 states, comparing their total expenditures to their total revenues.
Ohio is among the region's leaders in this comparison, with a surplus of more than 12% and in better financial shape than any neighboring state.*12/10/2019*

Report: Ohio Lags in Transportation Spending
December 6, 2019

A **new report** from the National Association of State Budget Officers shows Ohio saw a 6.8% boost in transportation spending from FY 2018 to FY 2019. That's considerably less than the average increase of 8.9% across all 50 states. When considering all state and federal funds, as well as bonding, it is estimated that transportation accounted for 4.8% of Ohio's overall expenditures in FY 2019. Only four other states (Colorado, Louisiana, Oregon and Wyoming) had smaller percentages dedicated to transportation.

Meanwhile, Medicaid was Ohio's largest state expenditure, accounting for 38.0% of spent dollars (compared to 28.9% nationally), followed by 16.7% for primary and secondary education. *12/3/2019*

Americans Spend $9.4B on Cyber Monday
December 6, 2019

Americans spent a record $9.4 billion on Cyber Monday — nearly 20% more than last year's $7.9 billion. This will boost states' online sales tax collections in the first full year since the U.S. Supreme Court's *South Dakota v. Wayfair Inc.* decision. But according to **The Pew Charitable Trusts**, analysts say state coffers may not get a gigantic boost since many major online retailers had already been collecting and remitting sales taxes before the SCOTUS ruling. *12/4/2019*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HB197 **TAX CODE CORRECTIONS** (POWELL J, MERRIN D) To enact the "Tax Code Streamlining and Correction Act" to make technical and corrective changes to the laws governing taxation.

Current Status: 2/4/2020 - Senate Ways and Means, (Third Hearing)

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

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

Current Status: 12/10/2019 - **REPORTED OUT AS AMENDED**, House Ways and Means, (Fourth Hearing)

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

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

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

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

HB382 **PROHIBIT INCOME TAX-MUNICIPAL NONRESIDENTS** (JORDAN K) To prohibit municipal corporations from levying an income tax on nonresidents' compensation for personal services or on net profits from a sole proprietorship owned by a nonresident.

Current Status: 11/6/2019 - Referred to Committee House Ways and Means

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

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

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

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

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

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

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

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

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

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

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

Current Status: 2/13/2020 - Introduced

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

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

Current Status: 6/12/2019 - House State and Local Government, (First Hearing)

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

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

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

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

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

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

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

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

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

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

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

Current Status: 11/19/2019 - House Ways and Means, (Second Hearing)

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

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

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

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

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

Current Status: 2/11/2020 - **REPORTED OUT**, Senate Ways and Means, (Fifth Hearing)

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

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

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

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

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

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

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

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

Current Status: 2/5/2020 - Referred to Committee Senate Finance

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

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

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

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