10 a.m. (EST)
Via Zoom

Tax & Finance Committee
June 2, 2021

Table of Contents

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

Wednesday, October 13

OMA Meeting Sponsor:

Tax & Finance Policy Committee Agenda

June 2, 2021

Welcome & Self-Introductions	Meredith Mullet, Chairman The J.M. Smucker Company
RSM Presentation	Justin Stallard, Partner, RSM
Guest Speaker	Chris Netram, VP of Tax and Domestic Economic Policy National Association of Manufacturers
Ohio COVID-19 Withholding Temporary Law Discussion	Rachael Carl, OMA Staff
OMA Counsel's Report	Justin Cook, Bricker & Eckler, LLP
OMA Public Policy Report	Rachael Carl, OMA Staff

Our Meeting Sponsor:

RSM

OMA Tax and Finance Committee - June 2021

Name	Company	Location
Ann K. Aquillo	Scotts Miracle-Gro Company	Marysville, OH United States
Alice A. Armstrong	Thompson Hine LLP	Cleveland, OH United States
S. Franklin Arner, CPA	Hall, Kistler & Company LLP	Canton, OH United States
Markus Baumgartner	Miba Sinter USA, LLC	McConnelsville, OH United States
Clint Blume	Haviland Drainage Products Co.	Haviland, OH United States
Tom Bollinger	Sugar Creek Packing Company	Washington Court House, OH United States
Terry Boose	Norwalk Concrete Industries	Norwalk, OH United States
Alex Brown	Cenovus	Dublin, OH United States
Don J. Brown	Cargill, Inc.	Minneapolis, MN United States
Rob Brundrett	The Ohio Manufacturers' Association	Columbus, OH United States
Rachael Carl	The Ohio Manufacturers' Association	Columbus, OH United States
Ray Clark	MCM CPAs & Adivsors	Cincinnati, OH United States
David Cook	Eaton	Cleveland, OH United States
Justin Cook	Bricker & Eckler LLP	Columbus, OH United States
Nicholas D'Angelo	Eaton	Cleveland, OH United States
Robin Dennis, CPA	Clark Schaefer Hackett	Miamisburg, OH United States
Barbara Doverspike	Eaton	Cleveland, OH United States
Scott Evans	H-P Products, Inc.	Louisville, OH United States
Keith Faber	The Procter & Gamble Company	Cincinnati, OH United States
Chris Flaig	MCM CPAs & Adivsors	Cincinnati, OH United States
Dave Froling	Vorys, Sater, Seymour & Pease LLP	Columbus, OH United States
Scott Gedris	O-I	Washington, DC United States
Tina M. Goodridge	Hamrick Manufacturing & Services, Inc.	Mogadore, OH United States
Luke M. Harms	Whirlpool Corporation	Washington, DC United States
Jeremy Hase	Emerge Manufacturing, LLC	Blue Ash, OH United States
Charlie Heid, CPA	Gilmore Jasion Mahler, LTD	Maumee, OH United States
Thomas M. Herrick, Jr	The M. K. Morse Company	Canton, OH United States
Brian Huprich	Ariel Corporation	Mount Vernon, OH United States
Pamela Johnson	The Sherwin-Williams Company	Cleveland, OH United States
Jamie Karl	The Ohio Manufacturers' Association	Columbus, OH United States
Rebecca Lasky	Eaton	Cleveland, OH United States
Greg Liening	Scotts Miracle-Gro Company	Marysville, OH United States
Jill Lifer	Johnson Bros. - Greenwich, Inc.	West Salem, OH United States
Jill Lifer	Johnson Bros.-West Salem, Inc.	West Salem, OH United States
Patti Luers	LR Design+Build	Columbus, OH United States
Vira Maruli	Cast Metals Technology Inc	Delaware, OH United States
Dustin McMillan	McMillanCo LLC	Columbus, OH United States
Diane Merk, CPA	Clark Schaefer Hackett	Cincinnati, OH United States
Theresa Mullen	CliftonLarsonAllen, LLP	Canton, OH United States
Meredith Mullet, CPA	The J.M. Smucker Company	Orrville, OH United States
Evan Ogrodnik	Schneider Downs & Co., Inc.	Columbus, OH United States
Jake Osterberg	General Mills, Inc.	Wellston, OH United States
Stephen M. Palmer, CPA	Plante & Moran, PLLC	Columbus, OH United States
David Petrill	RSM US LLP	Columbus, OH United States
Chris S. Pfaff	Cooper Tire & Rubber Company	Findlay, OH United States
Jodi Poeppelman	Cenovus	Dublin, OH United States
Jeffrey W. Reed	American Honda Motor Company	Marysville, OH United States
Shea Reese	Cooper Tire & Rubber Company	Findlay, OH United States
David J. Rehfeldt	Charter Next Generation	Lexington, OH United States
Melinda Reynolds	Eaton	Cleveland, OH United States
Brian Schneider	RSM US LLP	Dayton, OH United States
Christine Schwartz	American Honda Motor Company	Marysville, OH United States
Brian M. Sernulka	O-I Glass, Inc.	Perrysburg, OH United States
Matthew P. Shaw	RSM US LLP	Cleveland, OH United States
Angela Shick	F C Brengman & Assoc. LLC	Carroll, OH United States
Gretchen Spear	International Paper	Bloomington, MN United States
Justin Stallard	RSM US LLP	Dayton, OH United States

OMA Tax and Finance Committee - June 2021

Name	Company	Location
Reuben Stoller	Haviland Drainage Products Co.	Haviland, OH United States
Matt Tober	Scotts Miracle-Gro Company	Marysville, OH United States
Craig Tornow	Ferriot Inc.	Akron, OH United States
Ann Tumolo	PPG	Pittsburgh, PA United States
Bill Vohsing	RSM US LLP	Columbus, OH United States
Chad Wilson	Nationwide	Columbus, OH United States

Total Participants 63

Christopher Netram

VP, Tax and Domestic Economic Policy

Christopher Netram is vice president of tax and domestic economic policy at the National Association of Manufacturers (NAM). In this capacity, he leads the policy and advocacy work on tax, corporate governance, shareholder activism, executive compensation, pensions and employee benefits. In addition, he works to ensure the manufacturing voice is brought to these legislative and regulatory issues before Congress and the administration.

Prior to his work at the NAM, Mr. Netram served as the deputy chief of staff and tax counsel to a senior member of the House Ways and Means Committee. In that role, Mr. Netram drove the legislative strategy for tax, financial services, budget and small business issues. He drafted legislation regarding the taxation of pass-through entities, principles of which were incorporated into the House Republican tax reform blueprint. Prior to his service in the House, Mr. Netram served as tax counsel and budget adviser to a senior member of the U.S. Senate, during which he authored bipartisan bills on tax and retirement issues.

Mr. Netram was previously a manager in the national tax department of a Big Four accounting firm, where his practice focused primarily on tax planning for mergers and acquisitions. He has also covered international tax and corporate governance issues for Tax Analysts, publishers of Tax Notes, a leading source of news and commentary on tax policy.

A native of New York, Mr. Netram received his B.A. in liberal studies from the University of Central Florida, his J.D. from The Catholic University of America and his LL.M. in taxation from Georgetown University. In addition, Mr. Netram serves as a lecturer at Catholic University's law school.

THE POWER OF BEING UNDERSTOOD

TAX UPDATE

June 2, 2021

Outline

- Paycheck Protection Program updates
- Employee Retention Credit
- “Greenbook” Proposals

Paycheck Protection Program Update

- Timing / processing of forgiveness applications
- “Need” questionnaire
  - Impact of 24 week covered period
  - Affiliated entities
- “Audits” of applications
- Tax implications
  - Timing of inclusion of tax exempt income
  - Basis / transaction implications
- Interplay with Employee Retention Tax Credit

Employee Retention Tax Credit - Refresher

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

- The credit is claimed on qualified wages paid between March 13, 2020 thru December 31, 2021 for the period of time over which you met one of the two criteria above
  - 50% of qualified wages for 2020 up to a maximum of $5,000 per employee
  - 70% of qualified wages for 2021 up to a maximum of $7,000 per employee for Q1-Q4
  - Note federal income tax addback

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

Employee Retention Tax Credit Update

- IRS Notice 2021-20
  - Issued March 1, 2021
  - Guidance regarding general rules and 2020 credits
  - Interplay with Paycheck Protection Program
  - Guidance regarding “more than a nominal impact”
  - Documentation requirements
- IRS Notice 2021-23
  - Issued April 2, 2021
  - Discusses 2021 credit
  - Notice 2021-20 applies unless otherwise stated
- American Rescue Plan Act – extends credit through Dec. 31, 2021

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Employee Retention Tax Credit Update

- Interplay with PPP
  - Wages used for PPP forgiveness cannot be used for ERTC
    - Impact of 24 week covered period
    - FFCRA, WOTC, other credit-eligible payments
    - Impact of annualized compensation > $100,000
  - Preferential ordering rule for non-payroll costs
    - These costs are applied first
    - Inability to amend/update PPP forgiveness application
    - New categories of non-payroll costs can be substantial

Employee Retention Tax Credit Update

- Interplay with PPP, cont.
  - Example
    - Facts
      - PPP loan of $180,000
      - Payroll costs of $140,000
      - Non-payroll costs of $100,000
    - Impact on ERTC
      - Non-payroll costs of $100,000 applied first
      - Only $80,000 of payroll costs needed to achieve forgiveness
      - Leaves $60,000 for ERTC
  - How does the FTE ratio impact this?

Employee Retention Tax Credit Update

- Areas of uncertainty (disagreement?)
  - Definition of "supply chain"
    - Suppliers clearly included
    - Customers – end consumer vs. next step in supply chain
  - Employees paid "while not working" vs. "reduction in productivity"
    - Accounting firm example
    - Sales force / service technicians
  - More than nominal impact
    - Business segment > 10% fully shut down is clear
    - Two business segments > 10% of business 70% shut down?
    - One business segment = 25% of business 60% shut down?
  - Timing of taxable income inclusion for 2020 claims

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Greenbook Proposals – Initial Observations

- Individual / pass-through provisions
  - 39.6% ordinary income rate
    - Tax years beginning after December 31, 2021
    - Lower income threshold (628k for MFJ under current law vs. proposed 509k)
    - No mention of 199A repeal – although it expires in 2025
  - Application of NIIT / SE tax to material participants
    - Additional 3.8% on earnings > $400,000
    - Raises top rate to 43.4%
  - Long-term capital gains rates
    - Ordinary income rates would apply for taxpayers with AGI > $1m
    - Appears that only the portion > $1m would be subject to higher rate
    - Effective date is "after date of announcement" – April 2021

Greenbook Proposals – Initial Observations

- Corporate provisions
  - 28% flat rate
    - Effective for tax years beginning after December 31, 2021
    - For tax year beginning in 2021, pro-rated based on months
  - Global minimum tax
    - 15% on book earnings
    - Applies to “large corporations”
    - Effective for tax years beginning after December 31, 2021
  - GILTI regime
    - Elimination of the 10% return on asset exemption
    - Effective rate moves to 21%
    - Effectively eliminates the “territorial” regime enacted as part of TCJA

QUESTIONS AND ANSWERS

THANK YOU FOR YOUR TIME AND ATTENTION

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

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

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

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

Jul 09, 2020

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

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

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

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

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

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

Feb 09, 2021

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

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

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

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

# # #

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

Updated Feb 09, 2021; Posted Feb 09, 2021

By Rich Exner, cleveland.com

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Updated Jan 21, 2021; Posted Jan 21, 2021

Form 10A

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

RITA
REGIONAL INCOME TAX AGENCY

800.860.7482
TDD 440.526.5332
ritaohio.com

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

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

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

Reason for Claim

Check the Box below that applies.

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

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

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

By [Rich Exner, cleveland.com]

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

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

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

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

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

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

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

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

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

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

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

The Buckeye Institute Appeals Columbus Municipal Income Tax Case

May 27, 2021

Columbus, OH – On Wednesday, The Buckeye Institute filed its **appeal** with Ohio's Tenth District Court of Appeals in ***Buckeye v. Kilgore***—the case challenging the constitutionality of localities taxing the income of nonresidents who did not work within the city of Columbus due to the pandemic.

"The Buckeye Institute asked the Ohio Court of Appeals to reaffirm what the Ohio Supreme Court has already **recognized** time and again: that the Due Process Clause requires local taxation of nonresidents to be based upon where any work was *actually* performed," said Jay R. Carson, senior litigator at The Buckeye Institute. "The Buckeye Institute's employees—along with thousands of others across Ohio—had municipal income taxes unlawfully taken from them during Ohio's stay-at-home order and throughout the pandemic. Although it is certainly understandable that the legislature wanted to preserve the status quo during an emergency, constitutional protections must still apply."

Buckeye v. Kilgore was **filed** by The Buckeye Institute on July 2, 2020, in Franklin County Common Pleas Court against the city of Columbus and the state of Ohio on behalf of itself and three of its employees: Rea S. Hederman, Jr. of Powell, Greg R. Lawson of Westerville, and Joe Nichols of Newark Township. The case was **dismissed** on April 27, 2021, and Buckeye's **notice of appeal** was filed April 28, 2021.

The Buckeye Institute has filed four other cases similarly challenging House Bill 197's unconstitutional overreach.

- ***Denison v. Kilgore*** was filed in Franklin County Court of Common Pleas in February 2021 and settled in favor of Buckeye's client Mr. Denison in April 2021.
- ***Schaad v. Alder*** was filed in Hamilton County Court of Common Pleas in February 2021.
- ***Curcio v. Hufford*** was filed in Lucas County Court of Common Pleas in March 2021.
- ***Morsy v. Dumas*** was filed in Cuyahoga County Court of Common Pleas in April 2021.

The Buckeye Institute also filed an **amicus brief** in *New Hampshire v. Massachusetts* with the U.S. Supreme Court to protect Granite Staters from unconstitutional taxation by Massachusetts.

###

BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
REPRESENTATIVE DEREK MERRIN, CHAIRMAN

TESTIMONY
OF
RACHAEL CARL
THE OHIO MANUFACTURERS' ASSOCIATION

MARCH 16, 2021

Mr. Chairman and members of the House Ways and Means Committee, my name is Rachael Carl, and I am the director of public policy services for The Ohio Manufacturers' Association (OMA). I appreciate the opportunity to provide testimony on House Bill 157.

The OMA was created in 1910 to advocate for Ohio's manufacturers; today, it has nearly 1,300 members. Its mission is to protect and grow Ohio manufacturing.

Prior to the temporary provisions passed in House Bill 197 of the 133rd General Assembly, employers withheld an employee's municipal income tax in the municipality where the employee was performing services, with an exception for "occasional entrants." The occasional entrant rule states that employers do not have to withhold municipal income tax for employees performing services in a city or village for fewer than 20 total days.

Very early in the COVID-19 pandemic, Ohio manufacturers reached out to the OMA regarding local income tax withholding compliance, citing the administrative impacts if they had to withhold municipal income tax locally for workers who were sent home to work remotely. Many businesses at the request of the state – at least temporarily – sent home employees whose jobs could be performed remotely. Consequently, working from home would trigger the occasional entrant rule.

Recognizing that businesses would face a substantial burden in terms of expense and administrative compliance, to revamp their tax systems in the midst of the pandemic, the OMA engaged with the General Assembly to support language in House Bill 197 that would temporarily allow employers to continue to withhold employees' municipal income tax from their principal place of work. This provision is set to remain in effect during the governor's state of emergency Executive Order plus thirty additional days. At the time, no one considered that we would be here a year later debating the issue.

House Bill 157 proposes an immediate repeal of this temporary provision in law. However, the issue is not as simple as a straight repeal. There are a number of issues to resolve: 1) where should the withholding take place and under what circumstances, and 2) should employees be allowed to claim refunds while working remotely in 2020? The OMA has consistently advocated – for the sake of streamlined compliance – to allow companies to continue to withhold from the original place of work. We have not weighed in on the question of refunds, but certainly sympathize with employees as they file their returns and refund requests.

Significant consideration should be given before returning to the previous law. Companies are concerned that their payroll staff and systems will not be able to handle required withholding and income tax changes without ample lead time, and they are concerned about making substantial changes in the middle of any tax year. Further, employers need time to account for ongoing variables, such as vaccine availability for their workforces and hybrid work arrangements (i.e. working some days in the office and others working remotely).

We would ask this committee and the sponsors to thoughtfully review all the options to ensure a smooth transition on this issue in a post-pandemic workplace.

Thank you. I would be happy to answer any questions.

May 18, 2021

The Honorable Derek Merrin
Chairman
House Ways and Means Committee
Vern Riffe Center
77 South High Street, 13th floor
Columbus, OH 43215

RE: House Bill 157 – Written Proponent Testimony

Dear Chairman Merrin:

The Ohio Manufacturers' Association (OMA) appreciates the opportunity to provide written proponent testimony on the recently accepted substitute version of House Bill 157.

As noted in testimony previously provided to this committee, very early in the COVID-19 pandemic, the OMA engaged with the General Assembly to support Section 29 of House Bill 197 from the 133rd General Assembly that would temporarily allow employers to continue withholding employees' municipal income tax from their principal place of work for the duration of the governor's state of emergency Executive Order plus thirty additional days. Absent the enactment of this temporary provision, companies would have faced a substantial burden in terms of expense and administrative compliance to revamp their tax systems in the midst of the pandemic.

Substitute House Bill 157 would provide a date certain for ending Section 29 of House Bill 197. By placing that date at the end of this tax year, it gives employers the necessary certainty to prepare for a return-to-work. This runway will allow them to make required changes to their payroll systems in order to comply with the withholding income tax changes and to account for ongoing variables, such as vaccine availability for their workforces and hybrid work arrangements (i.e. working some days in the office and others working remotely). Further, the substitute bill simplifies the documentation that an employer can be asked to provide when an employee files a refund application. Under this provision, a municipality may only require that an employer verify which days an employee was working at their principal place of work. This change would reduce the administrative burden of an employer having to verify from where the employee was working during the pandemic.

The OMA appreciates the committee's thoughtful review of this legislation as we work to ensure a smooth transition on this issue in a post-pandemic workplace. We ask for your support of this bill.

Sincerely,

Rob Brundrett
Managing Director, Public Policy Services

Bricker&Eckler
ATTORNEYS AT LAW

Ohio Manufacturers' Association

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

<u>Selected Proposed Legislation</u>:

H.B. 157. As of the time of this writing, H.B. 157 has passed a committee vote, and it is expected to be voted upon by the House of Representatives in the very near future. H.B. 157 addresses municipal income tax withholding during the pandemic.

As many will recall, Ohio enacted H.B. 197 in March of 2020. Section 29 of the act temporarily modified the municipal income withholding rules. It provided that employees working from home during the pandemic would be deemed to be performing services at their principal place of work, meaning employers would continue withholding in the municipality where employees would typically report for work under normal circumstances. On its face, however, the rule in Section 29 is only triggered if the employee "is required to report for employment duties because of the [Governor's Declaration of Emergency]" at an alternate location.

Because the pandemic has lasted much longer than anyone anticipated, several issues have arisen with respect to H.B. 197. The most controversial relates to whether employees working from home (outside of a city) may claim a refund for taxes withheld by their employer. Other issues include whether Section 29 even applies where employers permit (but do not require) employees to work from home.

H.B. 157, if adopted, would do the following on these issues and more:

- Under the bill, employees are deemed to be working at their principal place of work if they are working at an alternate location "in response to the COVID-19 pandemic." Employees must no longer be "required" to work from an alternate location in order for the temporary withholding rule to apply.

- For tax periods beginning on or after January 1, 2021, the rule deeming an employee to be performing services at his or her principal place of work would only apply for purposes of withholding and net profit tax calculation. Thus, this would allow employees working from a home outside of a city to seek refunds in 2021, but likely not 2020.

- Employers under H.B. 157 could only be required to verify the number of days a particular employee worked at his or her principal place of work. Nothing else may be required of the employer to process an employee refund claim.

- H.B. 157 also adds a safe harbor for employers that applied Section 29 of H.B. 197 potentially too broadly (e.g., to cover withholding for employees permitted, but not required, to work from home). The bill provides that if an employer withheld and remitted municipal income tax from an employee's qualifying wages earned between March 9, 2020, and December 31, 2021, to the municipal corporation in which the employee's principal place of work is located, the employer shall not be assessed any tax, penalty, or interest by any other municipal corporation for failure to situs or apportion those wages to the other municipal corporation for municipal net profit tax purposes or for failure to withhold municipal income tax from such wages to the other municipal corporation.

Please note that these temporary withholding measures are subject to ongoing legal challenges.

H.B. 110. Ohio's budget bill for FY 2022-2023 includes a number of proposed changes to the tax laws. The most significant are set forth below.

- The bill would slightly reduce individual tax rates applicable to non-business income. Current non-business income rates range from 2.850% to 4.797%. Under the bill, rates would range between 2.793% and 4.701%.

- The bill would amend R.C. 5751.03 to require the minimum CAT be calculated based on the prior year's gross receipts.

- The bill would extend Ohio's Qualified Energy Project abatement program by two years.

H.B. 234. H.B. 234, introduced on March 25, 2021, is currently before the House of Representatives' Ways and Means Committee. The bill would gradually phase-out the commercial activity tax ("CAT") over tax years 2022 through 2025. In 2022, 80% of otherwise taxable gross receipts would be subject to CAT. This would be reduced by 20% each year, ending with no CAT imposed for year 2026.

<u>Selected Legislation:</u>

S.B. 18. S.B. 18, effective March 31, 2021, made a number of changes to Ohio's tax laws. These changes include:

- Incorporation of federal tax code changes effective after March 27, 2020.

- Adoption of several CAT carve outs from taxable gross receipts—loan forgiveness for the second tranche of PPP loans and BWC dividends paid to employers in 2020 and 2021.

- Reduction of the pass-through entity tax withholding rate to be consistent with the business tax rate.

Judicial Actions:

Court of Common Pleas

The Buckeye Institute, et al. v. Columbus City Auditor, et al., Franklin C.P. No. 20 CV 004301 (Apr. 27, 2021). The Buckeye Institute (the "Institute") and several employees filed a lawsuit challenging the constitutionality of Section 29 of H.B. 197, the temporary municipal income tax withholding provision discussed above. The Court of Common Pleas, in April, ruled in favor of the City of Columbus to uphold H.B. 197. In its analysis, the court noted that even though employees may be working from a location outside of the city, the Institute still received the benefit of those services at its headquarters in Columbus. The court also found the legislature has wide-reaching authority in this area, noting the "General Assembly enjoys the authority to establish municipal income allocation rules among Ohio taxing authorities." The court further noted that similar rules have long-existed; for example, under the 20-day occasional entrant rules, withholding does not always coincide with the location where personal services are performed. Therefore, the court upheld H.B. 197.

The case, however, remains active. The Institute filed an immediate notice of appeal.

Ohio Board of Tax Appeals

Nascar Holdings, Inc. v. McClain, BTA No. 2015-263, 2021 WL 1406067 (Apr. 5, 2021). The BTA rejected Nascar's proposed method of sourcing gross receipts for purposes of the CAT. The gross receipts at issue dealt with revenue from broadcast rights and licensing of other intangible property rights.

Ohio Supreme Court

N.A.T. Transportation, Inc. v. McClain, 2021-Ohio-1374, --- N.E.3d --- (2021). The Court held that hauling garbage under a contract specifying where the waste must be delivered constitutes hauling property of others. Thus, trucks purchased for this purposes may be exempt from sales tax as used in transportation for hire. On the other hand, hauling residential waste where there is no set delivery location is not transportation for hire under the sales tax code.

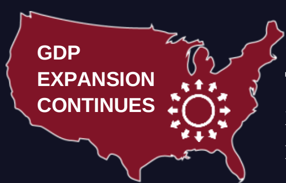
May 10, 2021

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

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

Report Overview:



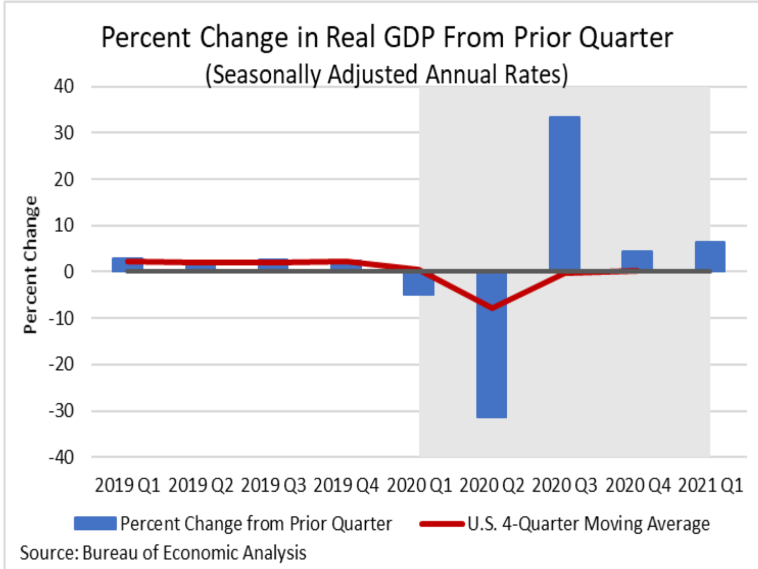
GDP expanded in the first quarter of calendar year 2021 at an annualized rate of 6.4 percent. This expansion reflects the economic recovery spurred on by pandemic mitigation efforts, increased vaccination rates, government assistance, and business activities that continue to move towards pre-pandemic levels.

GRF non-auto sales and use tax collections in April totaled $1.0 billion and were $189.4 million (22.9%) above the estimate. Across the first ten months of the fiscal year, revenues in this category are now $496.0 million (6.3%) above estimate; actual revenue has exceeded estimate in eight of these months.

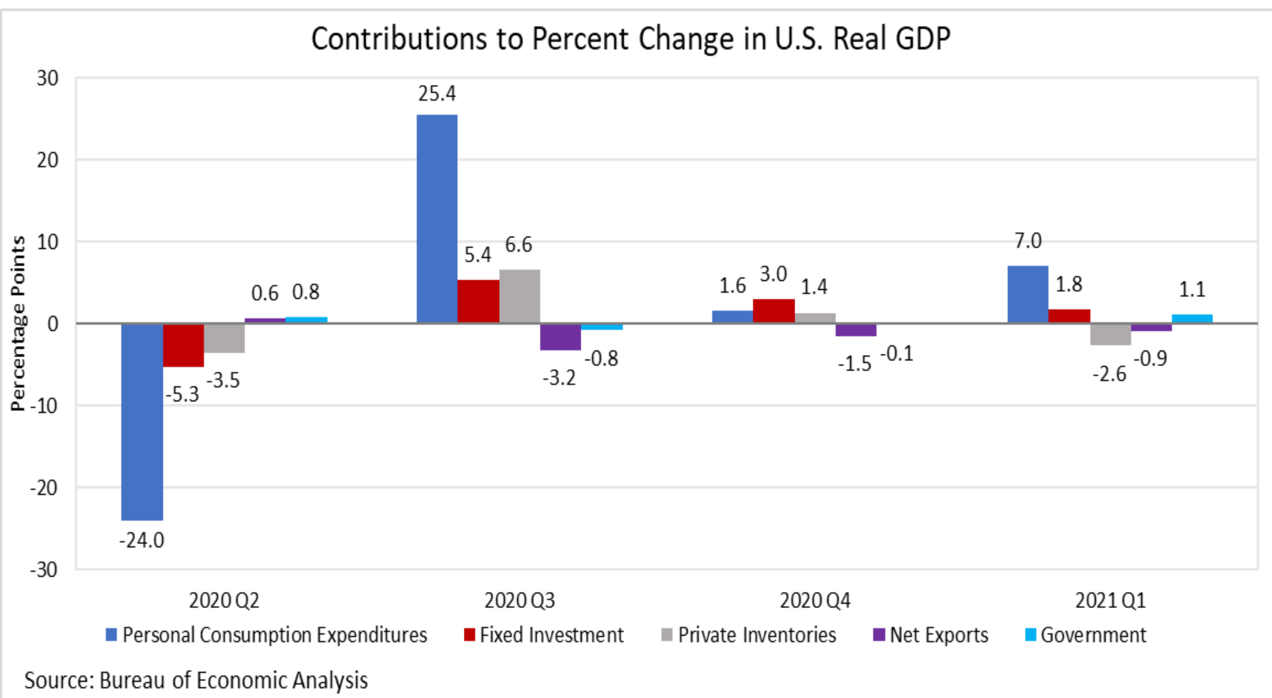
April auto sales tax collections totaled $202.7 million and were $38.6 million (23.5%) above the estimate. Across the first ten months of the fiscal year, revenues in this category are now $209.5 million (16.1%) above estimate. The auto sales tax has now exceeded estimates for eleven consecutive months.

Economic Activity

According to the Bureau of Economic Analysis (BEA)'s advance estimate, **Real Gross Domestic Product (GDP)** expanded in the first quarter of calendar year 2021 at an annualized rate of 6.4 percent. This growth, along with those in the third and fourth quarters of 2020, put GDP just 0.9 percent below its pre-pandemic peak reached in the fourth quarter of 2019. The expansion reflects the economic recovery spurred on by pandemic mitigation efforts, increased vaccination rates, government assistance, and business activities that continue to move towards pre-pandemic levels.



The first quarter increase in real GDP resulted from growth in personal consumption expenditures (7.0 percentage points), nonresidential fixed investment (1.3 percentage points), federal government spending (0.9 percentage points), residential fixed investment (0.5 percentage points), and state and local government spending (0.2 percentage points). These increases were partially offset by decreases in private inventory investment (-2.6 percentage points) and net exports (-0.9 percentage points).

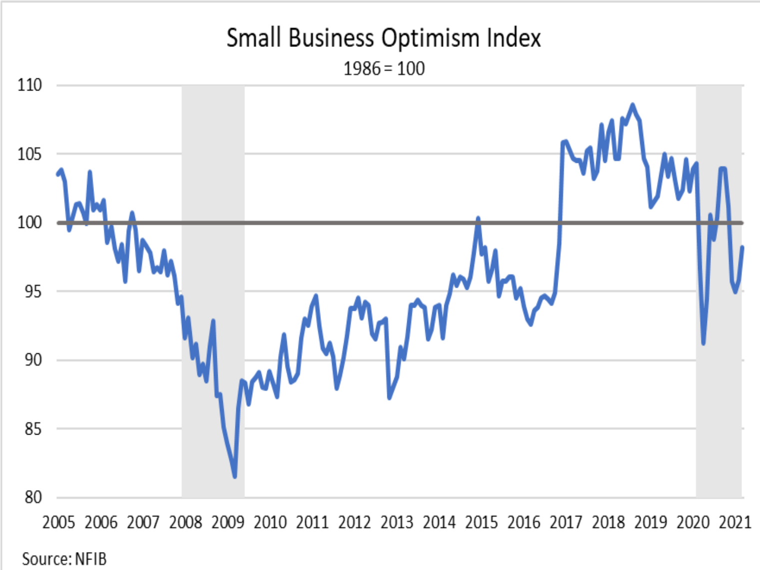


Moody's Analytics and CNN created the **Back-to-Normal Index** to track the economic recovery. The national index combines 37 indicators of economic activity, including the 25 traditional economic indicators used in Moody's High Frequency GDP model, with 12 real-time indicators. Each state index is composed of a weighted average of the national index and six state-level indicators. Both indices range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of May 5, 2021, the national index was at 88.7 percent. Ohio's index was 1.1 percentage point ahead of the national index at 89.8. After several months of slow growth, the Ohio index increased from an average of 85.3 in March 2021 to an average of 88.4 in April 2021. The monthly averages of the national index showed similar increases.

The Federal Reserve's **Beige Book** evaluates current economic conditions across its 12 districts. According to the April 14, 2021 report, the economy in the Fourth District, which includes Ohio, continued to accelerate between February and March. Additional stimulus from the federal government and ongoing progress with vaccine distribution were key factors in both the economic improvements and the more optimistic outlook. More firms reported a willingness to move forward with capital spending plans and readiness to increase staffing as both were put on hold by uncertainty surrounding the pandemic. However, a lack of qualified applicants contributed to supply chain disruptions resulting in longer lead times and project delays. Looking ahead, respondents in the fourth district expect the economy to grow robustly in 2021 as supply chain disruptions are expected to ease later in the year.

The Conference Board's composite **Leading Economic Index** (LEI) is an index designed to reveal patterns in economic data by smoothing the volatility of its ten individual components. In March, the LEI increased 1.3 percent to reach 111.6. This increase more than offset the slight decline in the index in February and puts the index just 0.2 percentage points below pre-pandemic levels from February 2020. In March, all ten components of the index saw gains. The largest contributors to those gains were the reduction of initial unemployment claims and the ISM New Orders Index. The growth in the index suggests that the economy is recovering quickly as more people get vaccinated and additional federal stimulus is received.

The Ohio economy showed signs of an expansion in March. The **state-level coincident economic index** produced by the Federal Reserve Bank of Philadelphia is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. The Ohio index increased 0.8 percent between February and March, and 1.4 percent over the last three months. For comparison, the U.S. coincident index increased 0.6 percent between February and March, and 1.6 percent over the last three months. Between February and March, the indexes increased in 49 states and decreased in one. This resulted in a one-month diffusion index of 96. The three-month diffusion index was the same.



Produced by the National Federation of Independent Business (NFIB), the **Small Business Optimism Index** surveys a sample of small-business owners to determine the health of small businesses each month. The national index improved 2.4 points to 98.2 in March, slightly above the 47-year historic average of 98.0.

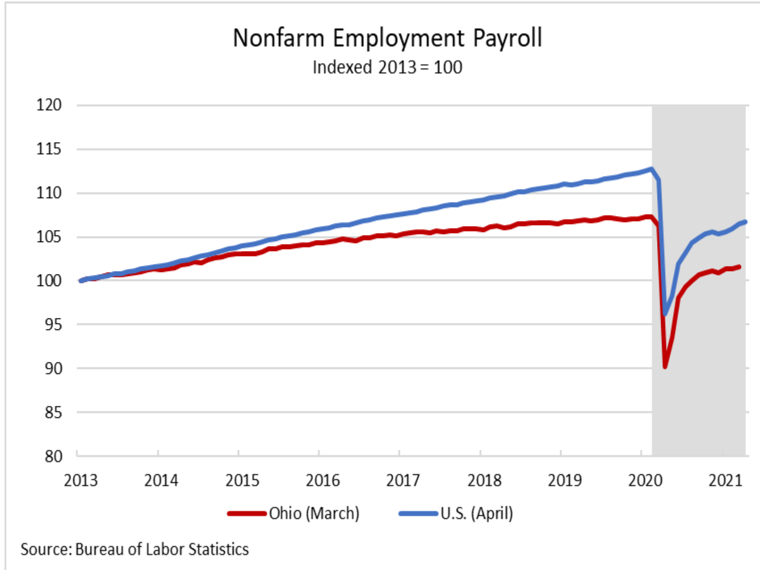
While earnings trends over the past three months declined 4.0 points, to a net negative 15.0 percent, sales expectations over the next three months improved 8.0 points, to a net zero. As small business owners wonder whether it is a good time to expand their businesses or not, the uncertainty index rose 6.0 points to 81.0. Overall, main street businesses are doing better as COVID-19 related restrictions are lifted but finding qualified labor has become a key issue nationwide.

As aid from the $1.9 trillion American Rescue Plan begins to flow through the economy it is not surprising that the economists agree that the second quarter of 2021 will bring strong growth and the economy will grow steadily for the rest of the year. While the expansion is expected to be robust, it may be hampered by supply constraints (e.g., shortages of raw materials and delays in transportation) as the supply chain recalibrates. Additionally, as more people are vaccinated and the warmer weather allows for more outside activity, demand for services will likely increase and the demand for goods may wane.

Source	**Date**	**2nd Quarter 2021 Annualized GDP Forecast**
Federal Reserve Bank of Atlanta (GDPNow)	4/30/21	10.4%
Federal Reserve Bank of New York (NowCast)	4/30/21	5.3%
IHS Markit GDP Tracker	4/30/21	9.5%
Moody's Analytics High Frequency GDP Model	4/30/21	6.4%
Wells Fargo	4/23/21	8.9%
Conference Board	4/14/21	8.6%

Employment

The U.S. Bureau of Labor Statistics reported that **total nonfarm payroll employment** increased 266,000 jobs in April. This was the fourth month of increases in total nonfarm payroll employment. Even with these gains, nonfarm employment remained below February 2020's pre-pandemic levels by 5.4 percent (8.2 million jobs). Notable gains were made in leisure and hospitality, other service industries, and local government education.



In April **leisure and hospitality** increased by 331,000 jobs, which was attributed to an easing of pandemic restrictions in certain areas of the country. About half of the increase was within food services and drinking places, which increased by 187,000 jobs. Employment also rose in amusements, gambling, and recreation (73,000) and in accommodation (54,000). Despite these gains in leisure and hospitality employment, this sector remained 16.8 percent or 2.8 million jobs lower than in February 2020.

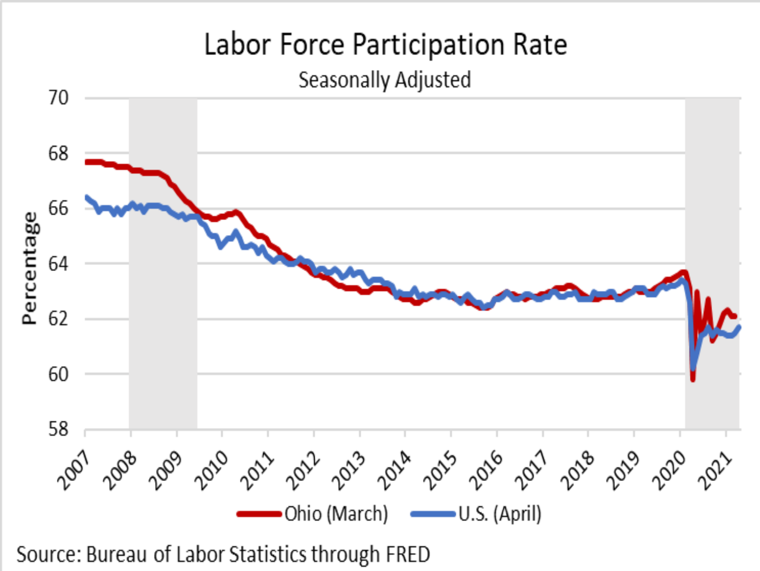
Employment in **other service industries** increased by 44,000 jobs, with more than half of the gains in repair and maintenance (14,000) and personal and laundry services (14,000). Employment in these industries remained 352,000 jobs below its level in February 2020.

With the continued return to in-person learning and resumed school related activities, **local government education** employment increased by 31,000 jobs in April but remained 611,000 jobs lower than in February 2020.

Manufacturing employment decreased in April by 18,000 jobs, following gains in the previous two months. In April, job losses in motor vehicles and parts (-27,000) and wood products (-7,000) more than offset job gains in miscellaneous durable goods (13,000) and chemicals (4,000). There were 515,000 fewer manufacturing jobs in April 2021 compared to February 2020.

Employment in construction, mining, wholesale trade, and information changed little between March and April. Gains in other sectors of employment were partially offset by job losses in **professional business services** (-79,000) and **transportation and warehousing** (-74,100). Within professional and business services, temporary help services declined by 111,000 jobs in April and was 296,000 jobs lower than in February 2020. Within transportation and warehousing, employment in couriers and messengers declined by 77,000 in April but remained 126,000 jobs ahead of February 2020 levels.

The **national labor force participation rate** changed slightly, up 0.2 percentage point to 61.7 percent in April. This rate is 1.6 percentage points lower than February 2020. The **employment-population ratio** increased by 0.1 percentage points in April to 57.9 percent. However, the ratio remained 3.2 percentage points lower than February 2020.



Ohio's nonfarm payroll employment increased 0.2 percent between February and March, essentially staying stable at 5.3 million jobs for the third month in a row. Having reached this plateau, nonfarm employment was 5.3 percent lower than it was in February 2020. Sectors with the greatest job gains between February and March included education and health services (3,600), construction (2,900), manufacturing (2,200), professional and business services (2,200), trade, transportation, and utilities (1,500) and government (1,100). These gains were partially offset by job losses in leisure and hospitality (-1,100). Ohio's seasonally adjusted labor force participation rate in March was 61.2 percent. This rate was the same as in February 2021 and was 1.6 percentage points lower than in February 2020's pre-pandemic levels. However, Ohio's labor force participation rate remained 0.6 percentage points higher than the nation's in March.

The Bureau of Labor Statistics reported that the national **unemployment rate** increased slightly (0.1 percentage points) to 6.1 percent between March and April. The number of **unemployed individuals** increased by 102,000 people to 9.8 million in April. Despite both measures being substantially lower than their April 2020 highs, they remain above their February pre-pandemic levels by 2.6 percentage points and 4.0 million, respectively.

There was little change in unemployment rates by demographic group between March and April. The unemployment rate for those who identify as Asian decreased by 0.3 percentage points to 5.7 percent. The unemployment rate for those who identify as White decreased by 0.1 percentage points to 5.3 percent. Individuals who identify as Black had an unemployment rate increase of 0.1 percentage points to 9.7 percent. Individuals who identify as Hispanic or Latino Ethnicity had a constant unemployment rate of 7.9 percent. While the unemployment rate for adult women decreased by 0.1 percentage points to 5.6, the rate for adult men increased by 0.3 percentage points to 6.1 percent. In April, the unemployment rate for teenagers declined 0.7 percentage points to 12.3 percent.

The number of unemployed who were on **temporary layoff** increased slightly adding 88,000 to the numbers in April, for a total of 2.1 million. This was 1.4 million higher than in February 2020 but substantially reduced from the high of 18.0 million in April 2020. The number of people with **permanent job losses** declined in April to 3.5 million and remained 2.2 million higher than February 2020. The number of unemployed **reentrants**, those who have previously worked but were not in the labor force prior to beginning their job search, decreased by 181,000 to 2.1 million.

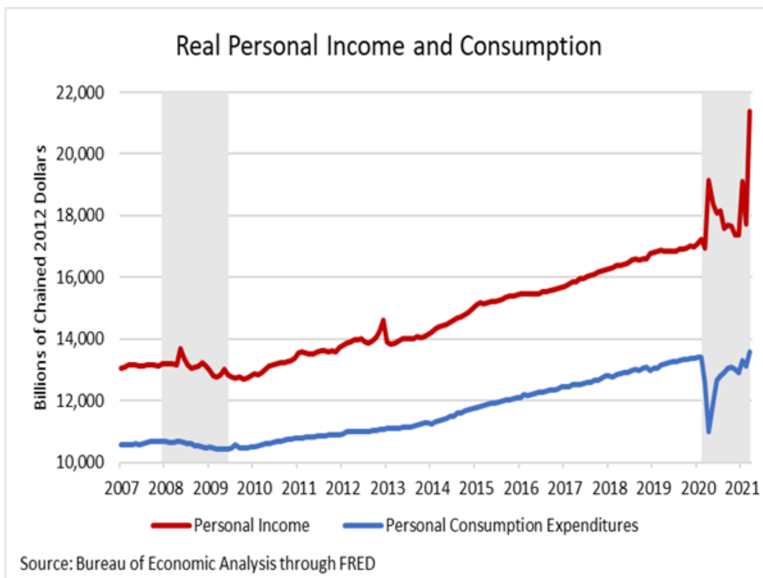
The number of unemployed individuals who were **jobless less than 5 weeks** increased by 237,000 to 2.4 million. Individuals who were **jobless 5 to 14 weeks** essentially stayed the same in April at 1.9 million. Those **jobless 15 to 26 weeks** decreased 188,000 to 1.2 million individuals. Unemployed individuals that were long-term unemployed, **jobless 27 weeks or more**, decreased by 35,000 to 4.2 million. The long-term unemployed make up 43.0 percent of the total unemployed in April.

The number of **people not in the labor force who currently want a job** was 6.6 million people, decreasing 3.0 percent between March and April, and remained up 1.6 million people from February 2020. These are individuals who want a job but are not counted as unemployed because they were not actively looking for work over the last 4 weeks or were unavailable to take a job for a variety of reasons including caring for children or other family members.

The **Ohio unemployment rate** decreased to 4.7 percent in March 2021, a 0.3 percentage point drop compared to the February rate. During the week ending May 1, 2021, 18,642 initial unemployment claims were filed. This was a 93.2 percent decline from the peak week in March 2020 when 274,215 initial claims were filed. Continued claims in Ohio decreased substantially between the peak of 776,302 in April 2020 and the week ending May 1, 2021, in which 114,327 individuals filed continued claims. However, an additional 121,320 people filed for extended benefits during the same week; these individuals were unemployed for 26 or more weeks. As of May 6, 2021, the Ohio Department of Job and Family Services had received Worker Adjustment and Retraining Notification (WARN) Act notices warning 265 employees of potential future layoffs and closures in May and 145 in June.

Consumer Income and Consumption

According to the Bureau of Economic Analysis, **personal income** increased $4.2 trillion (21.1%) in March. This increase was mainly in the government social benefit to persons category, which increased by $4.0 trillion (96.2%) in March. Within this category, other social benefits, increased by $4.0 trillion (507.4%). This increase stemmed from the American Rescue Plan, which provided another round of economic payments to households primarily distributed in March.



Real Personal consumption expenditures, a measure of national consumer spending for goods and services, increased 3.6 percent between February and March. This change resulted from an increase of 7.3 percent on goods. Both nondurable and durable goods contributed to the increase. The 6.5 percent increase in nondurable goods was led by other nondurable goods which includes recreational items such as games, toys, and hobbies. Durable goods increased by 10.3 percent which was led by motor vehicles and parts. Spending for services increased 1.7 percent led by spending for food services and accommodations. The table below provides additional details on personal consumption spending in chained 2012 dollars, which represents real inflation adjusted growth rates.

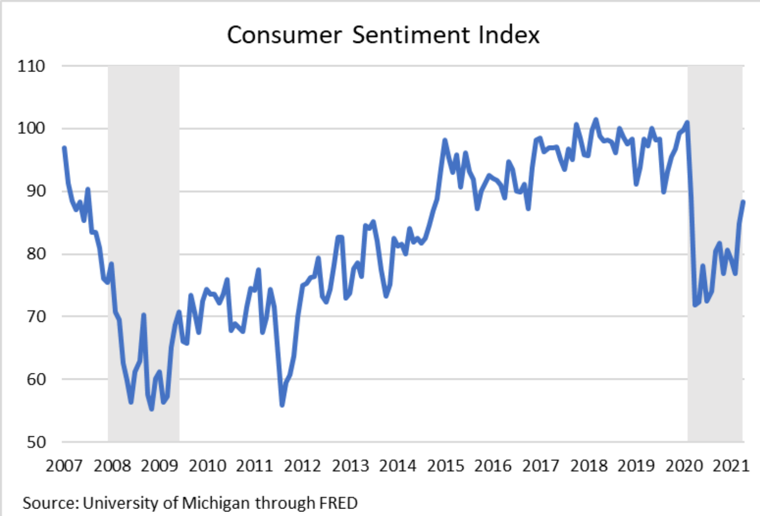
Consumer Spending by Industry, for Select Industries
(In Millions of Chained 2012 dollars)

	February 2021	March 2021	1-Month Percent Change	12-Month Percent Change	24-Month Percent Change
Durable Goods	$2,097,613	$2,314,045	10.3%	44.0%	32.3%
Motor vehicles and parts	$597,096	$678,311	13.6%	60.7%	25.9%
Recreational goods and vehicles	$753,212	$833,121	10.6%	37.3%	47.8%
Other durable goods	$307,352	$324,165	5.5%	47.0%	24.6%
Nondurable goods	$3,163,994	$3,342,440	5.6%	5.5%	12.3%
Clothing and footwear	$414,657	$482,750	16.4%	60.5%	18.0%
Food and beverages purchased for off-premises consumption	$1,066,670	$1,100,546	3.2%	-8.4%	13.3%
Gasoline and other energy goods	$401,577	$412,267	2.7%	8.9%	-7.2%
Other nondurable goods	$1,243,179	$1,309,874	5.4%	6.4%	15.4%
Services	$8,042,925	$8,182,817	1.7%	4.3%	-3.5%
Food services and accommodations	$676,945	$756,341	11.7%	22.8%	-9.5%
Transportation services	$339,235	$371,397	9.5%	10.6%	-15.3%
Recreation services	$351,402	$373,672	6.3%	4.4%	-25.9%

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

Personal saving increased 144.3 percent ($3.6 trillion) in March 2021 compared to February 2021. This was the first month of an increase after a decrease in the prior month. Personal savings remained above the February 2020 level by 334.6 percent ($4.6 trillion). Personal savings as a percentage of disposable personal income, the **personal savings rate**, was 27.6 percent, an increase of 13.7 percentage points between February and March.

The Bureau of Labor Statistics computes the consumer price index to measure the average change overtime in prices paid by consumers for goods and services. The **Consumer Price Index for All Urban Consumers** (CPI) increased 0.6 percent in March, this was the largest rise in this index since August 2012. Over the last 12 months the index increased 2.6 percent. The overall increase in the index was primarily attributed to the 9.1 percent increase in the gasoline index in March. The increase in the gasoline index accounted for over half of the increase in the overall CPI.



Results from the University of Michigan's **Surveys of Consumers** indicated that consumer sentiment continued to increase in April. The Consumer Sentiment Index increased 3.4 points to 88.3. This was a 4.0 percent increase from March and a 23.0 percent increase compared to April 2020. The Current Economic Conditions Index increased 4.2 points to 97.2. This was a 4.5 percent increase from March and a 30.8 percent increase compared to April 2020. The Consumer Expectations Index increased 3.0 points to 82.7. This was a 3.8 percent increase from March and increased 18.0 percent compared to April 2020. The increases in April are attributed to gains in consumer confidence due to a more positive perception of the job market and income potential. The surge in confidence can be attributed to the positive effect of vaccinations and the level of federal stimulus. In addition, consumers anticipate the unemployment rate to decline in the year ahead.

The **Conference Board's Consumer Confidence Index**, which reflects consumer attitudes and buying intentions increased again in April. Consumer confidence increased 12.7 percentage points to 121.7 up from March's revised value of 109.0. After four months of increases, the Consumer Confidence index has reached its highest level since the start of the pandemic in February. The **Conference Board's Present Situation Index**, which measures consumers' current assessment of business and labor market conditions, increased by 29.5 percentage points, from 110.0 in March to 139.6 in April. The **Conference Board's Expectation Index** examines consumers short-term outlook for the economy. In April, the index increased 1.5 percentage points from 108.3 in March to 109.8 in April. Economic growth in the short term increased significantly, which suggests a strong economic recovery. Due to the improving job market consumers are more positive about their potential income prospects.

The travel and hospitality industries continue to face significant challenges due to the pandemic. The **Transportation Security Administration** (TSA) tracks how many travelers go through TSA checkpoints as "throughput". As vaccinations have increased more people are willing to travel which has resulted in an increase in airline travel of 9.9 percent in April 2021 compared to March 2021. Total travel throughput in April 2021 was 1,158.9 percent higher than in April 2020; however, travel was 40.7 percent lower in April 2021 compared to April 2019.

For the week ending April 24, 2021, **STR**, a company that provides analytics and data on the hospitality sector, reported a hotel occupancy rate of 57.3 percent. The average daily rate for a hotel room is $108.1 and revenue per available room is $61.9. Occupancy levels are expected to remain plateaued until the anticipated travel boom this summer. However, occupancy during weekdays began to increase which suggests an increase in business travel.

Commercial vehicle miles traveled on the Ohio turnpike in April 2021 increased 12.4 percent compared to April 2020. However, **passenger vehicle miles traveled** in April 2021 decreased 10.8 percent from April 2019. Revenue on the Ohio turnpike is 7.7 percent higher in April 2021 compared to April 2020.

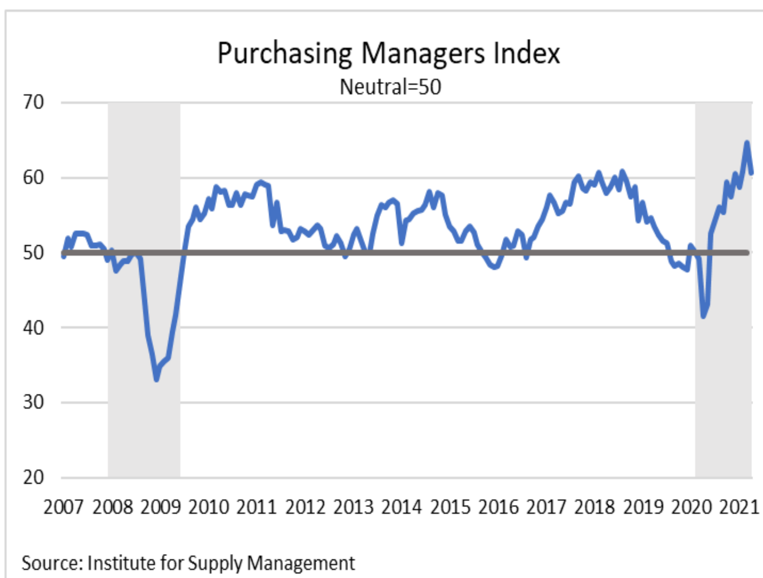
Industrial Activity

The Industrial Production Index, produced by the Board of Governors of the Federal Reserve System, is an indicator that measures real output for manufacturing, mining, and gas and electric utility facilities located in the United States. **Total industrial production** increased 1.4 percent between February and March. The index recovered more than half of its pandemic decline but remained 3.4 percent below February 2020.

The **manufacturing production index** increased by 2.8 percent in March, making up most of the decline that occurred in the previous month. Durable goods production increased 3.0 percent, with all major categories increasing production. Nondurable manufacturing increased 2.6 percent. The output of utilities decreased an historic 11.4 percent after an unseasonably cold February and unseasonably warm March throughout most of the United States.

Most of the manufacturing industries that are relevant to Ohio's economy increased nationally in March compared to February. After a large decrease in February, the output of motor vehicles and parts increased 2.8 percent in March; however, shortages of semi-conductors held down vehicle production in both months. March production levels increased the most in the following industries: petroleum and coal products (5.7%), aerospace and miscellaneous transportation equipment (4.3%), fabricated metals products (4.2%), and chemicals (4.1%). Smaller gains were made in machinery manufacturing (2.9%), primary metals (2.8%), food beverage and tobacco productions (1.7%) and electrical equipment and appliances (0.9%). Production of plastic and rubber products decreased 1.1 percent.

Produced by the Institute for Supply Management (ISM), the **Purchasing Managers Index** (PMI) measures expansions and contractions of the manufacturing economy. A PMI score reading above 50 percent indicates that the manufacturing economy is generally expanding, while below 50 percent it is generally contracting. In April, the PMI for the United States registered at 60.7 percent, down 4.0 percentage points compared to March. This indicated an overall expansion of the economy for the eleventh month in a row after contraction between March and May 2020.



The new orders index decreased 3.7 percentage points to 64.3 percent and the production index was down 5.6 percentage points to 62.5 percent. The backlog of orders index rose 0.7 percentage points to 68.2 percent. The employment index contracted 4.5 percentage points to 55.1 percent. Overall, these changes provide evidence that the manufacturing economy is continuing to expand; however, respondents reported that they continue to struggle to meet increasing rates of demand because of the supply chain limitations, rising prices for commodities, and challenges transporting products.

Of the 18 industries tracked by the Manufacturing ISM® *Report on Business*, all reported growth between March and April. Each of the ten industries most important to Ohio manufacturing reported growth in the last month, with electrical equipment, appliances and components, and machinery leading the way.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM suggested that many in the manufacturing industry were feeling the effects of supply shortages in April. A source in the primary metals industry reported, "The metals markets remain very challenging at best. Shortages of raw materials have increased, especially in aluminum and carbon steel. Prices continue to rapidly increase. Transportation and trucking [are] also a big challenge." Additionally, a respondent in the machinery industry reported, "Demand continues to be very strong. Supply chain delays hamper our availability and ability to sell more".

Construction

The U.S. Census Bureau estimated **total construction spending** in March to be at a seasonally adjusted annual rate of $1.5 trillion, which was 0.2 percent above the revised February estimate. The Mach 2021 estimate was 5.3 percent above that of March 2020 and 13.1 percent above March 2019.

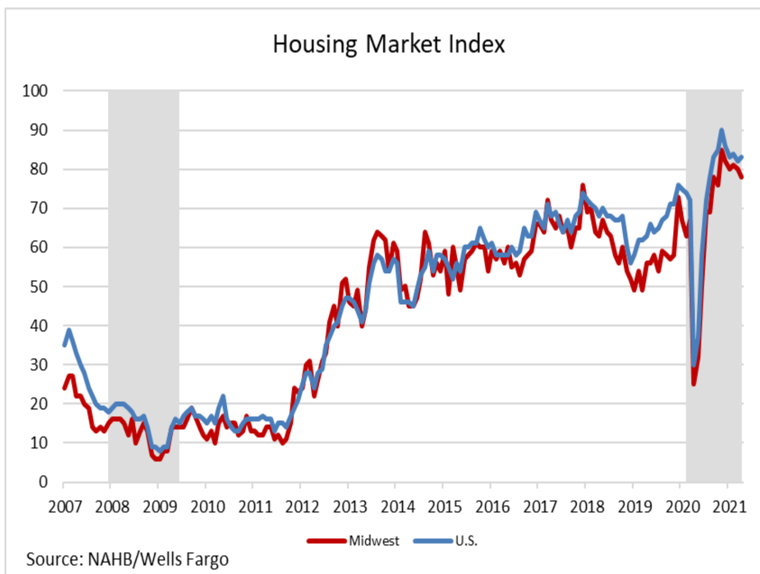
Private sector construction spending in March 2021 was at a seasonally adjusted annual rate of $1.1 trillion. This was 0.7 percent above the revised February estimate and 8.6 percent above the March 2020 rate. Residential construction in March increased 1.7 percent from February and remained 23.3 percent above March 2020. On the other hand, nonresidential construction in March decreased 1.1 percent from the revised Febraury rate and was 7.4 percent below March 2020.

Public sector construction spending in March was at a seasonally adjusted annual rate of $343.9 billion. This was 1.5 percent below the revised February estimate and 4.6 percent below the February 2020 rate. Spending in March on educational construction was 2.0 percent below February's revised value and remained 4.0 percent below March 2020. Highway construction spending in March was 2.2 percent below the revised February value and was 10.9 percent below March 2020.

Nationally, the number of privately-owned housing units approved increased 2.7 percent between February and March and were 30.2 percent above March 2020 levels. In Ohio, building permits for privately owned units increased 9.8 percent between February and March, and 72.1 percent above permits issued in March 2020. Nationally, privately-owned housing starts in March increased 19.4 percent compared to February and were 37.0 percent above the March 2020 level. Midwest privately-owned housing starts increased 122.8 percent from February and is 87.0 percent above the March 2020 level. Nationally, privately-owned housing completions increased 16.6 percent in March and were 23.4 percent above the March 2020 rate. In March privately-owned housing completions in the Midwest increased 17.6 percent compared to February and were 12.4 percent above the March 2020 level.

The United States Census Bureau and the National Association of Home Builders report on newly built single-family home sales. In March, new home sales increased 20.7 percent to 1.0 million. New home sales in the Midwest increased 30.7 percent in March from February and remained 78.4 percent above the March 2020 level. Housing demand in March surged as interest rates remain low and consumers have a strong demand. The median sales price in March 2021 decreased 4.4 percent from the prior month and increased 0.8 percent from March 2020.

Existing home sales, as reported by the National Association of Realtors, decreased in March after two prior months of decreases. Sales decreased 3.7 percent in March, compared to February to a seasonally adjusted rate of 6.0 million housing units. This was an increase of 12.3 percent from a year ago. Available inventory in March rose slightly to 1.1 million units but remains down by 1.5 million units or 28.2 percent from a year ago. Inventory levels continue to show a near historic low causing a rise in home prices. The median sale price of all existing home sales increased 17.2 percent from a year ago. March 2021 was the 109th continuous month of year-over-year increases in existing median home price. Buyers remain active in the housing market despite higher home prices, rising mortgage rates and a decline in affordability. According to the Ohio Realtors, activity in the Ohio housing market increased in March with sales increasing 3.1 percent from March 2020. The average sale price in Ohio was $220,603 in March, a 10.6 percent increase compared to March of last year.



The **Housing Market Index** (HMI) from the National Association of Home Builders (NAHB) and Wells Fargo takes the pulse of the single-family housing market and asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months. Nationally, the HMI increased in April to 83.0 from 82.0 in March, a 1.2 percent increase. In the Midwest, HMI decreased by 2.5 percent, from 80.0 in March to 78.0 in April. Builders are facing serious challenges to expand the housing supply. Despite supply chain issues, a rise in lumber prices and higher home prices, there was still strong demand.

REVENUES

Total April GRF tax revenue was $337.7 million (-12.8%) below estimate. This outcome was entirely due to a change in the timing of personal income tax revenue, with annual tax return payments being pushed from April to May due to the extension of the filing and payment date. If not for this change, total tax revenue would have more clearly reflected the historically strong performance exhibited by Ohio non-auto sales tax and auto sales tax in April. Non-auto sales tax exceeded estimate by 22.9 percent for the month, exceeding the $1.0 billion mark for the first time. Auto sales tax revenues once again substantially exceeded expectations, with a 23.5 percent positive variance. For the first time, auto sales tax revenue exceeded $200 million.

April total GRF receipts totaled $3.1 billion and were $150.1 million (-4.6%) below estimate. As noted above, tax revenues were $337.7 million (-12.8%) below estimate. Non-tax receipts were $187.4 million (29.7%) above estimate, while transfers were $166,000 above estimate. For the year-to-date, tax revenues are above estimate, non-tax receipts are below estimate, and transfers are over estimate as shown in the table below.

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$425.7	2.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($1,041.4)	-9.4%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$19.2	24.7%
TOTAL REVENUE VARIANCE:		**($596.5)**	**-1.9%**
Non-federal revenue variance		**$496.5**	**2.4%**
Federal grants variance		**($1,093.0)**	**-10.0%**

For April, receipts and transfers were $789.6 million (34.0%) above the previous year. Tax receipts increased by $706.4 million (44.5%), non-tax receipts increased by $83.7 million (11.4%), and transfers declined by $0.5 million (-73.0%). For the year-to-date, tax receipts are $2.3 billion (12.3%) above last year and non-tax receipts are $1.5 billion (17.0%) over the prior year. Transfers are $20.1 million (26.1%) above last year on a year-to-date basis.

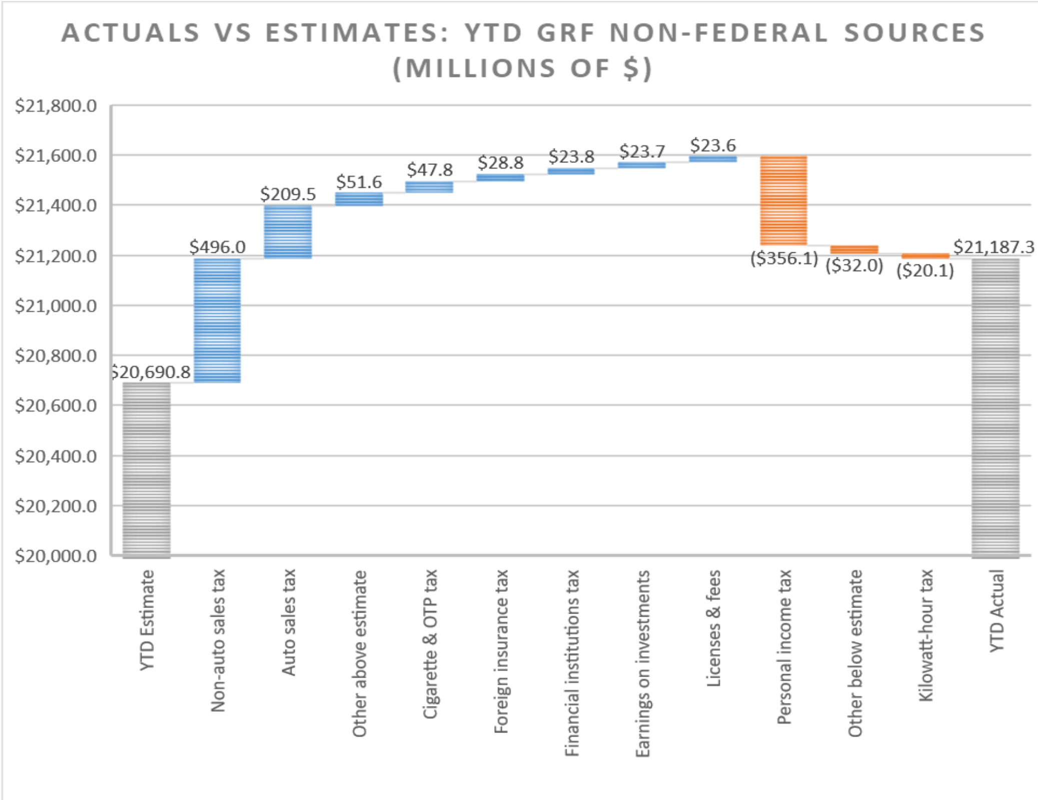
During April, the source with the largest year-over-year increase was non-auto sales tax, at $337.3 million (49.6%) above last year. The next-largest increases were personal income tax at $244.7 million (39.3%), auto sales tax at $135.3 (200.6%), and Federal grants at $102.2 million (15.1%). The largest decline was experienced by earnings on investments at $21.4 million (-62.1%).

The table below shows that sources below estimate (a negative variance of $580.2 million) in April outweighed the size of sources above estimate (a positive variance of $430.1 million), resulting in a $150.1 million net negative variance from estimate.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Non-auto sales tax	$189.4	Personal income tax	($554.9)
Federal grants	$170.4	Financial institutions tax	($11.5)
Auto sales tax	$38.6	ISTVs	($9.0)
Licenses & fees	$15.7	Natural gas distribution tax	($4.5)
Earnings on investments	$9.9	Other sources below estimate	($0.4)
Commercial activity tax	$4.0		
Other sources above estimate	$2.1		
Total above	**$430.1**	**Total below**	**($580.2)**

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



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues for fiscal year 2021 to date, with the net difference amounting to $496.5 million. This month shows the recent effects of the one-month delay in the filing and payment date for personal income tax annual returns.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in April totaled $1.0 billion and were $189.4 million (22.9%) above the estimate. For the fiscal year-to-date, revenues are $496.0 million (6.3%) above estimate; non-auto sales tax revenue has exceeded estimate in nearly every month of the fiscal year, this month's overage far exceeds that of any other month.

Non-auto sales tax revenue for April was $337.3 million (49.6%) above the prior year, while year-to-date revenue is $724.8 million (9.4%) above fiscal year 2020. However, the growth experienced this April occurred from a base amount that was greatly suppressed by the pandemic; for context, April 2020 revenue performed 17.7 percent below estimate and declined by 12.6 percent from April 2019. A more informative year-over-year comparison uses April 2019 revenue: a calculation of the compound annual growth rate from April 2019 to April 2021 yields 14.3 percent annual growth this April. Such a growth rate is still outsized, exceeding any other year-over-year growth rate experienced so far, this fiscal year except in July which reflected the boost that occurred in the aftermath of the initial pandemic health orders and advisories.

The pandemic and its policy responses continue to affect non-auto sales tax. Various elements of the $1.9 trillion American Rescue Plan Act (ARP) enacted in March have provided a boost to household incomes. In particular, the $1,400 per-individual direct economic recovery payments ("stimulus" payments) spurred consumption during March and April, with positive impacts on April tax revenue.

There continues to be a shift in consumption from services (which are mostly excluded from sales tax) to taxable goods, fostering revenue intake. The current "Monthly Event Study of Spending" table issued by BEA – a high-frequency data series which uses credit card spending data from Fiserv (a major card intermediary company) – continues to indicate significant declines in industries generally not subject to sales tax: Recreation, Accommodations, Food Services, and Gas Stations categories show median declines ranging from -0.6 percent to -35.2 percent in March relative to pre-pandemic levels. Most retail segments that are predominantly subject to Ohio sales tax displayed growth: Furniture, Building Materials & Garden Equipment, Automotive Parts, Sporting Goods & Hobby, and General Merchandise stores had median monthly growth rates ranging from 19.6 percent to 38.2 percent in March.

U.S. retail data emanate each month from the U.S. Census, through its Monthly Advance Retail Trade Survey (MARTS) program. During the July 2020-February 2021 period, the MARTS data for retail categories that are predominantly subject to Ohio non-auto sales tax (comprised of companies with NAICS codes 4413, 442, 443, 444, 448, 451, 452, 453, and 454) displayed an average monthly year-over-year growth rate of 10.2 percent. In comparison, Ohio sales tax collections from analogous retail categories experienced average year-over-year growth of 10.1 percent during the July 2020-February 2021 time period (reflecting the most recent available data).

The MARTS data for the month of March 2021 show extraordinary growth: for the retail categories listed above (excluding NAICS 4413 which is not available), year-over-year growth was 29.5 percent. These March figures likely reflect both the suppressed base year and the economic effects of ARP.

Auto Sales Tax

April auto sales tax revenues were $202.7 million, $135.3 million (200.6%) above last April. Fiscal year-to-date revenue is now $285.0 million (23.3%) above fiscal year 2020. Auto sales tax revenue in April was $38.6 million (23.5%) above estimate. This makes eleven successive months in which auto sales tax has exceeded estimate. April was the first month in which auto sales tax revenue has ever exceeded $200 million. For the year, auto sales tax revenue is $209.5 million (16.1%) above estimate.

The outsized year-over-year growth in April reflects both historically low performance in the prior year as well as current forces that are propelling motor vehicle sales. First, April 2020 auto sales tax revenue was lower than any month since February 2011. And because there is some seasonality to motor vehicle sales activity (winter months tend to be much lower than other months), if the comparison is limited to the month of April, last year's auto sales tax revenue was lower than any April since 1997. The reason for the historically low April 2020 performance is traced to the pandemic.

The other dynamic causing the strong revenue outcome in April 2021 is a continuation of forces observed throughout this fiscal year, consisting of strong consumer demand with sustained increases in average vehicle prices. Although Ohio auto sales tax revenue does not move in lockstep with national vehicle sales, the U.S. data provide useful context and insight. Based on a seasonally adjusted annual rate (the amount of sales that occurred during the month after being adjusted for seasonal fluctuations and expressed as an annualized total), U.S. new light vehicle unit sales in April reached an estimated 18.5 million units. This represents the highest number of units ever sold during April. Unit sales during the month represented a 3.1 percent increase from a strong March level, and a 112.2 percent increase from the prior year. TrueCar, Inc. estimates that used vehicle unit sales in April declined by 6.0 percent from March but increased by 58.0 percent from last year.

Strong average vehicle price growth is also evident in the national vehicle sales data, although more recently the growth is attributable to used vehicles. Moody's Analytics reports that its wholesale price index for used vehicles increased by 70.5 percent in April from the prior year, more than twice the growth rate recorded in March which was the highest growth observed since the creation of this indicator in 1995. New vehicle transaction prices have not exhibited much volatility in recent months. TrueCar, Inc. estimates that the April average transaction value on new vehicle purchases was flat relative to last April and fell by 0.2 percent from the prior month.

Ohio-specific data shows that unit sales and price growth have both contributed to increased vehicle revenue during recent months. According to quarterly data from the Bureau of Motor Vehicles for the first quarter of calendar year 2021, taxable sales of titled new and used vehicles grew by 20.6 percent in the first quarter compared to the prior year. Growth in the number of titled motor vehicle transactions accounted for most of the overall growth in taxable motor vehicle sales – increasing by 11.6 percent – while average transaction value grew by 8.1 percent. The data also reveal growth differences between new vehicles and used vehicles. Taxable sales of new vehicles increased by 27.1 percent, while used vehicles experienced 16.5 percent taxable sales growth. Even though new vehicles experienced stronger percentage growth in taxable sales than used vehicles during the first quarter, new vehicles and used vehicles accounted for nearly equal shares of overall motor vehicle taxable sales growth. This is because used vehicles represent a somewhat higher share of total Ohio motor vehicle sales.

Personal Income Tax

April GRF personal income tax receipts totaled $866.9 million and were $554.9 million (-39.0%) below the estimate. For the year-to-date, revenue is $356.1 million (-4.3%) below estimate. On a year-over-year basis, April income tax collections were $244.7 million (39.3%) above April 2020 collections.

The April negative variance from estimate was due to the postponement of certain income tax filing and payment deadlines. Annual return payments normally required to be made by April 15 are not required until May 17; this postponement of the due date was not anticipated in the estimate. Accordingly, payments accompanying annual income tax returns and return extension vouchers were below estimate by $598.6 million (-68.9%). OBM expects the April negative variance from estimate to be reversed in May. Despite the negative variance from estimate during April, annual return payments for the month were $146.0 million (117.6%) above the preceding year. Annual return payments during last year's filing season were not due until July 15, so perhaps the relatively shorter extension allowed during this filing season played a part in more taxpayers choosing to pay their tax this April as compared to last April.

Withholding collections were $23.7 million (-2.3%) below estimate for the month. However, collections are closer to estimate over the fiscal year-to-date, with these payments being only $5.3 million (-0.1%) below estimate. Withholding increased by $90.3 million (12.3%) in April compared to last year, with last April's performance notably suppressed as the pandemic was unfolding and layoffs were occurring. Year-to-date withholding collections are $167.5 million (2.2%) above fiscal year 2020. The year-to-date comparison should also take into account the reduction in employer withholding tax rates that went into effect during calendar year 2020. Fiscal year-to-date collections would have grown by 3.9 percent without the rate reduction.

Quarterly estimated payments exceeded estimate by $4.2 million (3.3%) in April. The April overage could be a sign that estimated payments for the remainder of calendar year 2021 will track well with the revenue estimates. Such payments are $125.2 million (15.8%) above estimate for the fiscal year. Because the due date for last year's first quarter estimated tax payment was extended to July 15 (a postponement that was not granted this year), this April's estimated payments are much higher than last year, showing a $87.6 million (203.9%) increase.

Trust tax payments were also impacted by the postponement of the annual return filing date, accounting for the $17.6 million (-53.2%) negative variance from estimate in April. Despite this, the trust tax collections are $3.1 million (3.2%) above estimate for the fiscal year to-date. Miscellaneous payments were $1.3 million above estimate in April, while local government distributions were $1.3 million lower than anticipated.

Refunds were below estimate by $78.2 million (-18.1%) in April. For the January-April filing season, refunds are now below estimate by $102.6 million (-7.6%); over the first 10 months of the fiscal year, refunds are $120.0 million (-6.1%) below estimate. In March, refunds almost caught up with anticipated levels for the filing season, but the April shortfall again widened the gap. However, at least some of the lower-than-anticipated April refund performance is likely due to taxpayers choosing to defer the filing of tax returns until the extended May 17 due date. Refunds in April were $83.8 million (30.9%) larger than last year, but it may be worth noting that last April's refunds were likely even more impacted by the due date postponement since last year's postponement was three months.

APRIL PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual April	Estimate April	$ Var	Actual April-2021	Actual April-2020	$ Var Y-over-Y
Withholding	$824.6	$848.3	($23.7)	$824.6	$734.3	$90.3
Quarterly Est.	$130.6	$126.4	$4.2	$130.6	$43.0	$87.6
Annual Returns & 40 P	$270.1	$868.7	($598.6)	$270.1	$124.1	$146.0
Trust Payments	$15.6	$33.2	($17.6)	$15.6	$6.7	$8.9
Other	$10.1	$8.7	$1.3	$10.1	$9.6	$0.4
Less: Refunds	($354.6)	($432.8)	$78.2	($354.6)	($270.8)	($83.8)
Local Distr.	($29.4)	($30.7)	$1.3	($29.4)	($24.7)	($4.7)
Net to GRF	$866.9	$1,421.8	($554.9)	$866.9	$622.3	$244.7

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

Financial Institutions Tax (FIT)

FIT revenue in April was $11.5 million (-45.0%) below estimate. April reflected residual revenue from the second set of tax year 2021 estimated payments that were due on the 31st of March, as well as refunds issued during the month. The April outcome was more than offset by March's positive variance from estimate: accordingly, across the two months FIT revenue was $6.6 million (11.4%) above estimate. For the fiscal year-to-date, FIT revenue is $23.8 million (17.4%) above estimate and is $7.7 million (5.0%) higher than last year.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $819.5 million and were $187.4 million (29.7%) above estimate for the month of April. For the year-to-date, non-tax receipts are $1.0 billion (-9.4%) below estimate. Positive variances of $170.4 million (28.0%) in the Federal Grants category, $15.7 million (149.7%) in the License and Fees category, and $9.9 million (317.2%) in the Earnings on Investments category were partially offset by a negative variance of $9.0 million (-99.5%) in the ISTV's category.

The positive variance in Federal Grants coincides with higher than projected Medicaid disbursements for the month, as discussed in the disbursement section of this report. For the year, Federal Grants revenue is now $1.1 billion (-10.0%) below estimate. The positive variance in the License and Fees category was driven by higher than projected receipts from surplus lines insurance fees. For Earnings on Investments, revenues have not dropped off as sharply as anticipated, though receipts are still $65.6 million (-59.0%) below where they were through this point last year.

The negative variance in the ISTV's category was the result of statewide indirect cost allocation invoices being sent out to state agencies in March, rather than April as originally planned.

5/5/2021

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

REVENUE SOURCE	MONTH ACTUAL APRIL	MONTH ESTIMATE APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	1,017,748	828,300	189,448	22.9%	8,415,974	7,920,000	495,974	6.3%
Auto Sales & Use	202,694	164,100	38,594	23.5%	1,510,591	1,301,100	209,491	16.1%
Subtotal Sales & Use	1,220,442	992,400	228,042	23.0%	9,926,565	9,221,100	705,465	7.7%
Personal Income	866,924	1,421,800	(554,876)	-39.0%	7,901,824	8,257,900	(356,076)	-4.3%
Corporate Franchise	32	0	32	N/A	5,909	0	5,909	N/A
Financial Institutions Tax	14,079	25,600	(11,521)	-45.0%	160,935	137,100	23,835	17.4%
Commercial Activity Tax	74,716	70,700	4,016	5.7%	1,307,489	1,295,700	11,789	0.9%
Petroleum Activity Tax	0	0	0	N/A	3,202	7,400	(4,198)	-56.7%
Public Utility	475	200	275	137.5%	82,581	101,200	(18,619)	-18.4%
Kilowatt Hour	30,911	30,600	311	1.0%	267,055	287,200	(20,145)	-7.0%
Natural Gas Distribution	29	4,500	(4,471)	-99.3%	35,827	44,900	(9,073)	-20.2%
Foreign Insurance	360	300	60	20.0%	351,271	322,500	28,771	8.9%
Domestic Insurance	1	200	(199)	-99.5%	976	1,100	(124)	-11.3%
Other Business & Property	5	0	5	N/A	64	0	64	N/A
Cigarette and Other Tobacco	74,979	74,700	279	0.4%	714,628	666,800	47,828	7.2%
Alcoholic Beverage	4,632	4,800	(168)	-3.5%	49,729	45,000	4,729	10.5%
Liquor Gallonage	4,907	4,400	507	11.5%	47,716	42,200	5,516	13.1%
Estate	5	0	5	N/A	31	0	31	N/A
Total Tax Receipts	2,292,497	2,630,200	(337,703)	-12.8%	20,855,802	20,430,100	425,702	2.1%
NON-TAX RECEIPTS								
Federal Grants	779,628	609,274	170,354	28.0%	9,796,430	10,889,393	(1,092,963)	-10.0%
Earnings on Investments	13,037	3,125	9,912	317.2%	45,596	21,875	23,721	108.4%
License & Fees	26,167	10,481	15,685	149.7%	81,639	58,090	23,550	40.5%
Other Income	621	171	449	262.7%	94,849	93,822	1,027	1.1%
ISTV'S	47	9,000	(8,953)	-99.5%	12,272	9,000	3,272	36.4%
Total Non-Tax Receipts	819,500	632,051	187,448	29.7%	10,030,787	11,072,179	(1,041,392)	-9.4%
TOTAL REVENUES	**3,111,997**	**3,262,251**	**(150,254)**	**-4.6%**	**30,886,589**	**31,502,279**	**(615,690)**	**-2.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	166	0	166	N/A	97,149	77,932	19,217	24.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	166	0	166	N/A	97,149	77,932	19,217	24.7%
TOTAL SOURCES	**3,112,163**	**3,262,251**	**(150,088)**	**-4.6%**	**30,983,739**	**31,580,211**	**(596,472)**	**-1.9%**

5/5/2021

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

REVENUE SOURCE	MONTH APRIL FY 2021	MONTH APRIL FY 2020	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2021	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	1,017,748	680,476	337,273	49.6%	8,415,974	7,691,165	724,809	9.4%
Auto Sales & Use	202,694	67,421	135,272	200.6%	1,510,591	1,225,629	284,962	23.3%
Subtotal Sales & Use	1,220,442	747,897	472,545	63.2%	9,926,565	8,916,794	1,009,771	11.3%
Personal Income	866,924	622,255	244,669	39.3%	7,901,824	6,629,138	1,272,686	19.2%
Corporate Franchise	32	55	(23)	-42.1%	5,909	(310)	6,219	2007.1%
Financial Institutions Tax	14,079	25,173	(11,094)	-44.1%	160,935	153,270	7,664	5.0%
Commercial Activity Tax	74,716	62,315	12,401	19.9%	1,307,489	1,320,734	(13,245)	-1.0%
Petroleum Activity Tax	0	0	0	N/A	3,202	6,614	(3,411)	-51.6%
Public Utility	475	107	368	341.9%	82,581	100,955	(18,374)	-18.2%
Kilowatt Hour	30,911	30,947	(36)	-0.1%	267,055	289,147	(22,092)	-7.6%
Natural Gas Distribution	29	3,523	(3,494)	-99.2%	35,827	32,584	3,243	10.0%
Foreign Insurance	360	487	(127)	-26.0%	351,271	336,417	14,854	4.4%
Domestic Insurance	1	0	1	N/A	976	1,685	(709)	-42.1%
Other Business & Property	5	0	5	N/A	64	0	64	N/A
Cigarette and Other Tobacco	74,979	83,955	(8,976)	-10.7%	714,628	701,042	13,586	1.9%
Alcoholic Beverage	4,632	4,477	155	3.5%	49,729	44,064	5,665	12.9%
Liquor Gallonage	4,907	4,886	21	0.4%	47,716	43,936	3,780	8.6%
Estate	5	21	(15)	-74.8%	31	68	(37)	-54.0%
Total Tax Receipts	2,292,497	1,586,097	706,400	44.5%	20,855,802	18,576,139	2,279,663	12.3%
NON-TAX RECEIPTS								
Federal Grants	779,628	677,386	102,242	15.1%	9,796,430	8,291,853	1,504,577	18.1%
Earnings on Investments	13,037	34,437	(21,399)	-62.1%	45,596	111,168	(65,571)	-59.0%
License & Fee	26,167	12,357	13,810	111.8%	81,639	63,499	18,140	28.6%
Other Income	621	167	453	271.1%	94,849	91,706	3,142	3.4%
ISTV'S	47	11,496	(11,449)	-99.6%	12,272	11,680	592	5.1%
Total Non-Tax Receipts	819,500	735,843	83,657	11.4%	10,030,787	8,569,907	1,460,880	17.0%
TOTAL REVENUES	**3,111,997**	**2,321,940**	**790,057**	**34.0%**	**30,886,589**	**27,146,046**	**3,740,544**	**13.8%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	166	614	(448)	-73.0%	97,149	77,045	20,104	26.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	166	614	(448)	-73.0%	97,149	77,045	20,104	26.1%
TOTAL SOURCES	**3,112,163**	**2,322,554**	**789,609**	**34.0%**	**30,983,739**	**27,223,091**	**3,760,648**	**13.8%**

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $3.1 billion and were $212.0 million (7.3%) above estimate. This variance was primarily attributable to above estimate disbursements for Property Tax Reimbursements. On a year-over-year basis, April total uses were $562.1 million (22.0%) higher than those of the same month in the previous fiscal year, with an increase in Primary and Secondary Education largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	Description	Year-Over-Year Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$561.4	22.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$0.7	1802.4%
TOTAL DISBURSEMENTS VARIANCE:		**$562.1**	**22.0%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. April disbursements for this category totaled $832.7 million and were $4.0 million (0.5%) above estimate. This variance was primarily attributable to above estimated spending in the Foundation Funding and EdChoice Expansion line items. Disbursements for the Foundation Funding line item were above estimate as a result of the Governor's Executive Order on January 22nd to release $160 million of the Department of Education’s General Revenue Fund appropriation that was previously withheld due to the economic effects of the COVID-19 pandemic. Disbursements for the EdChoice Expansion line item were above estimate due to timing of payments, which offset prior months of underspending. This above estimate spending was partially offset by below estimate disbursements for the Early Childhood Education line item as early childhood education providers were unable to fill all slots in the current school year.

Expenditures for the school foundation program totaled $772.1 million and were $3.7 million (0.5%) above estimate. Year-to-date disbursements were $7.1 billion, which was $125.8 million (1.8%) above estimate. On a year-over-year basis, disbursements in this category were $256.0 million (44.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $88.2 million (1.3%) higher than the same point in fiscal year 2020.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $201.4 million and were $18.4 million (10.0%) above the estimate for the month. This variance was primarily attributable to disbursements in the State Share of Instruction line item which was above estimate by a total of $17.8 million, as a result of the Governor's Executive order on January 22nd to release $100 million of the Department of Higher Education's appropriation that was previously held due to the economic effects of the COVID-19 pandemic. This variance was also attributable to disbursements in the Ohio College Opportunity Grant line item which was above estimate by $1.8 million due to higher-than-expected requests for reimbursement from higher education institutions. This variance was partially offset by disbursements in the Choose Ohio First Scholarship and the National Guard Scholarship line items which were below the monthly estimates by a total of $2.0 million due to lower-than-expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $2.0 billion and were $36.3 million (1.9%) above estimate. On a year-over-year basis, disbursements in this category were $32.8 million (-14.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $14.9 million (-0.8%) lower than at the same point in fiscal year 2020.

Other Education

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

April disbursements in this category totaled $7.2 million and were $31,000 (0.4%) above estimate. Year-to-date disbursements were $64.9 million and were $2.6 million (-3.9%) below estimate. On a year-over-year basis, disbursements in this category were $3.7 million (106.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $9.9 million (-13.2%) lower than at the same point in fiscal year 2020.

Medicaid

Note: Medicaid enrollment and spending estimates included in this report are based on updated projections made in July at the start of fiscal year 2021 and after the onset of the COVID-19 pandemic. Enrollment has continued below this report's estimate throughout the fiscal year, driving significant negative spending variances. Additionally, these projections assume the receipt of additional federal reimbursement, associated with the federal pandemic response, only for the July-December period, whereas the additional federal reimbursement has now been authorized for the March-June period. This explains many of the significant month-to-month Medicaid spending variances reflected in this report.

The development of the Executive Budget recommendations for fiscal years 2022-2023 budget utilizes updated data for current fiscal year 2021 and the next two-year period; therefore, variances reflected in this report have been accounted for in the Governor's budget recommendations.

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

Expenditures

April GRF disbursements for the Medicaid Program totaled $1.1 billion and were $75.2 million (7.5%) above estimate and $79.8 million (8.0%) above disbursements for the same month in the previous fiscal year.

The April GRF variance was primarily attributable to the management of available resources for year-end. The timing and the use of non-GRF funding can have significant effects on GRF spending – the Department has worked to utilize both resources appropriately throughout the pandemic. Continued below-estimate enrollment coupled with the receipt of enhanced Federal Medical Assistance Percentage (FMAP) has created some funding flexibility. By balancing the use of both GRF and non-GRF funding resources, the Department can take a proactive approach to year-end while planning for the increased costs of higher enrollment coupled with the elimination of the enhanced FMAP, as well as other uncertainties surrounding projected Medicaid enrollment and spending in fiscal years 2022, 2023, and beyond.

Year-to-date GRF disbursements totaled $14.0 billion and were $1.9 billion (-12.0%) below estimate, and $1.0 billion (7.8%) above disbursements for the same point in the previous fiscal year. The year-to-date and year-over-year variances were both primarily attributable to enrollment. The program has underspent GRF year-to-date as managed care enrollment in all major eligibility categories remains below the updated post-pandemic enrollment estimate; Covered Families and Children (CFC), Group VIII Expansion, and Aged, Blind and Disabled/Dual (ABD) were below the updated estimate by 7.7%, 11.1%, and 3.3%, respectively (on a monthly average basis). Additionally, the fee-for-service program's enrollment was 14.1% below estimate. Lower than estimated managed care rates that took effect in January are also driving down per-member-per-month costs, resulting in less spending. Despite the deviation from the current fiscal year's monthly estimates, enrollment is increasing month-to-month and therefore spending is above last fiscal year.

April all-funds disbursements for the Medicaid Program totaled $2.6 billion and were $166.2 million (-5.9%) below estimate, and $345.4 million (15.1%) above disbursements for the same month in the previous fiscal year. The April all-funds variance was primarily attributable to below estimate enrollment and lower than projected manage care rates as mentioned above. This variance was partially offset by delayed cost report reconciliation payment made in the Department of Developmental Disabilities that were estimated to occur in March but occurred in April instead.

Year-to-date all-funds disbursements totaled $25.8 billion and were $2.2 billion (-7.8%) below estimate, and $2.3 billion (9.7%) above disbursements for the same point in the previous fiscal year. Again, the year-to-date all funds variance was primarily attributable to below estimate enrollment in both the managed care and fee-for-service programs, as well as the lower managed care rates. Additionally, the variance was partially attributable to below estimate spending in administration related expenses, notably in information technology where some payments have been delayed. The year-over-year variance is primarily attributable to higher costs associated with significant increases in enrollment due to the pandemic; enrollment has increased by approximately 324,700 individuals since April 2020.

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

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

	Apr. Actual	Apr. Projection	Variance	Variance %
GRF	$1,077.8	$1,002.5	$75.3	7.5%
Non-GRF	$1,561.0	$1,802.5	-$241.5	-13.4%
All Funds	$2,638.9	$2,805.1	-$166.2	-5.9%

Enrollment

Total April Medicaid enrollment was 3.19 million, which was 358,900 (-10.1%) below the post-pandemic estimate and 324,700 (11.3%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.09 million and was 252,500 (-7.6%) below the post-pandemic estimate.

April enrollment by major eligibility category was: Covered Families and Children, 1.78 million; Group VIII Expansion, 781,500 and Aged, Blind and Disabled (ABD), 495,200.

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

Health and Human Services

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

April disbursements in this category totaled $118.9 million and were $15.3 million (-11.4%) below estimate. Year-to-date disbursements were $1.2 billion and were $71.6 million (-5.6%) below estimate. On a year-over-year basis, disbursements in this category were $40.8 million (52.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $31.7 million (2.7%) higher than at the same point in fiscal year 2020.

Department of Health
April disbursements for the Department of Health totaled $9.1 million and were $1.4 million (17.4%) above estimate. This variance was primarily attributable to the Medically Handicapped Children line item, which was $1.2 million (100.0%) above estimate due to the timing of payments.

Department of Job and Family Services
April disbursements for the Department of Job and Family Services totaled $58.5 million and were $13.8 million (-19.1%) below estimate. This variance was primarily attributable to the Family and Children Services line item, which was $23.8 million below estimate due to counties receiving funding for the State Child Protective Allocation (SCPA) in March rather than April. This variance was partially offset by the Early Care and Education line item, which was $17.0 million above estimate due to spending to meet TANF Maintenance of Effort requirements and childcare provider payments being lower than expected. Therefore, higher than estimated payments will continue for the remainder of the year for this line item. This variance was also partially offset by the Program Operations line item, which was $1.9 million below estimate due to the timing of payments.

Department of Mental Health and Addiction Services
April disbursements for the Department of Mental Health and Addiction Services totaled $41.4 million and were $3.2 million (-7.1%) below estimate. This variance was primarily attributable to the Continuum of Care Services line item, which was $1.8 million (-11.1%) below estimate due to a delay in planned disbursements for April. The Hospital Services line item was $1.2 million (-6.5%) below estimate due to delay in food services payments. The Addiction Services Partnership with Corrections line item was $1.5 million (-38.4%) below estimate due to timing of subsidy payments. This variance was partially offset by the Criminal Justice Services line item, which was $1.5 million (49.3%) above estimate due to prior month payments for the Addiction Treatment Program that were made in April.

Department of Veterans Services
April disbursements for the Department of Veterans Services totaled $4.2 million and were $0.9 million (28.3%) above estimate. This variance was primarily attributable to disbursements in the Veterans' Homes line item, which was $1.0 million above estimate due to software maintenance and cleaning and maintenance equipment purchases.

Justice and Public Protection

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

April disbursements in this category totaled $223.0 million and were $1.0 million (0.4%) above estimate. Year-to-date disbursements were $2.1 billion and were $88.0 million (-4.1%) below estimate. On a year-over-year basis, disbursements in this category were $13.2 million (6.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $0.9 million (0.0%) lower than at the same point in fiscal year 2020.

Office of the Attorney General
April disbursements for the Office of the Attorney General totaled $7.5 million and were $1.5 million (25.1%) above estimate. This variance was primarily attributable to disbursements in the School Safety Training Grants line item, which was $1.6 million above estimate due to the timing of payments.

Department of Public Safety
April disbursements for the Department of Public Safety totaled $2.3 million and were $1.7 million (-43.5%) below estimate. This variance was primarily attributable to disbursements in the Security Grants and Security Grants - Personnel line items, which were $0.7 million and $0.3 million below estimate, respectively, due to the timing of subsidy payments. The Recovery Ohio Law Enforcement, Justice Program Services, and Local Disaster Assistance line items were also below estimate by a total of $0.5 million due primarily to the timing of payments.

Department of Rehabilitation and Correction
April disbursements for the Department of Rehabilitation and Correction totaled $174.4 million and were $2.9 million (-1.7%) below estimate. This variance was primarily attributable to disbursements in the Institutional Operations line item, which was $4.3 million below estimate due to reduced costs for hazard pay which resulted from the receipt of federal stimulus funds. This variance was partially offset by disbursements in the Institutional Medical Services line item, which was $2.0 million above estimate due to the timing of payments. The Halfway House line item was $1.5 million below estimate, also due to the timing of payments.

Public Defender Commission
April disbursements for the Public Defender Commission totaled $9.6 million and were $5.6 million (139.2%) above estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item which was $5.6 million above estimate due to the timing of county reimbursement payments for the month. This variance partially offsets prior months' below estimate variances.

General Government

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

April disbursements in this category totaled $42.4 million and were $7.3 million (-14.7%) below estimate. Year-to-date disbursements were $364.3 million and were $39.2 million (-9.7%) below estimate. On a year-over-year basis, disbursements in this category were $10.3 million (-19.5%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $21.7 million (-5.6%) lower than at the same point in fiscal year 2020.

Department of Agriculture
April disbursements for the Department of Agriculture totaled $6.0 million and were $2.0 million above estimate (49.7%). This variance was primarily attributable to the Soil and Water District Support line item, which was $1.9 million above estimate due to the timing of payments in support of the H2Ohio program.

Department of Natural Resources

April disbursements for the Department of Natural Resources totaled $3.5 million and were $1.0 million below estimate (-22.5%). This variance was primarily attributable to the Parks and Recreation line item, which was $1.5 million below estimate due to slower-than-expected seasonal hiring and using other funds in lieu of GRF.

Department of Transportation

April disbursements for the Department of Transportation totaled $1.9 million and were $6.5 million (-76.9%) below estimate. This variance was primarily attributable to disbursements in the Public Transportation – State line item, which was $6.3 million below estimate due to the timing of subsidy payments for rural and urban transit operators.

Development Services Agency

April disbursements for the Development Services Agency totaled $3.6 million and were $1.5 million (-41.6%) below estimate. This variance was primarily attributable to the timing of payments in the BSD Federal Programs Match line item. Grant payments for Development's Business Services Division were originally planned for April but will be disbursed in future months instead.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. April reimbursements totaled $508.1 million and were $145.0 million (39.9%) above estimate. Year-to-date reimbursements totaled $1.6 billion were $148.3 million (10.4%) above estimate. The monthly variance was caused by the timing of reimbursement requests. Total disbursements in this category are expected to end the fiscal year below initial estimates.

Debt Service

April payments for debt service totaled $103.5 million and were $9.7 million (-8.6%) below estimate. Year-to-date expenses in this category total $999.8 million and were $18.1 million (-1.8%) below estimate. The variance is primarily attributable to the estimated timing of some disbursements shifting into April from June. Disbursements during the remainder of the fiscal year should offset this variance, reducing it on a year-to-date basis.

Transfers Out

Transfers out totaled $780,000 in April, though none were estimated. Year-to-date transfers out totaled $459.2 million and were $12.8 million (2.9%) above estimate. The monthly variance was primarily caused by a $500,000 transfer to the Persian Gulf, Afghanistan, Iraq Compensation Fund. This transfer was originally expected to occur earlier in the fiscal year.

5/5/2021

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL APRIL	MONTH ESTIMATED APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	832,667	828,666	4,001	0.5%	7,056,009	6,930,254	125,755	1.8%
Higher Education	201,437	183,058	18,379	10.0%	1,962,605	1,926,332	36,273	1.9%
Other Education	7,226	7,196	31	0.4%	64,884	67,532	(2,648)	-3.9%
Medicaid	1,077,837	1,002,677	75,160	7.5%	14,010,201	15,918,314	(1,908,113)	-12.0%
Health and Human Services	118,935	134,243	(15,307)	-11.4%	1,216,376	1,287,961	(71,585)	-5.6%
Justice and Public Protection	222,955	222,003	951	0.4%	2,051,562	2,139,563	(88,000)	-4.1%
General Government	42,407	49,691	(7,283)	-14.7%	364,284	403,454	(39,170)	-9.7%
Property Tax Reimbursements	508,096	363,099	144,997	39.9%	1,571,566	1,423,312	148,254	10.4%
Debt Service	103,540	113,245	(9,704)	-8.6%	999,774	1,017,891	(18,117)	-1.8%
Total Expenditures & ISTV's	**3,115,100**	**2,903,878**	**211,222**	**7.3%**	**29,297,260**	**31,114,612**	**(1,817,352)**	**-5.8%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	780	0	780	N/A	459,195	446,400	12,795	2.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**780**	**0**	**780**	**N/A**	**459,195**	**446,400**	**12,795**	**2.9%**
Total Fund Uses	**3,115,880**	**2,903,878**	**212,002**	**7.3%**	**29,756,455**	**31,561,012**	**(1,804,557)**	**-5.7%**

5/5/2021

Table 4

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

Functional Reporting Categories Description	MONTH APRIL FY 2021	MONTH APRIL FY 2020	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2021	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	832,667	576,621	256,046	44.4%	7,056,009	6,967,795	88,214	1.3%
Higher Education	201,437	234,190	(32,754)	-14.0%	1,962,605	1,977,477	(14,872)	-0.8%
Other Education	7,226	3,505	3,721	106.2%	64,884	74,746	(9,863)	-13.2%
Medicaid	1,077,837	997,998	79,839	8.0%	14,010,201	12,991,582	1,018,618	7.8%
Health and Human Services	118,935	78,129	40,807	52.2%	1,216,376	1,184,683	31,693	2.7%
Justice and Public Protection	222,955	209,772	13,183	6.3%	2,051,562	2,052,511	(949)	0.0%
General Government	42,407	52,693	(10,285)	-19.5%	364,284	385,960	(21,676)	-5.6%
Property Tax Reimbursements	508,096	304,570	203,525	66.8%	1,571,566	1,307,922	263,644	20.2%
Debt Service	103,540	96,242	7,299	7.6%	999,774	1,358,044	(358,270)	-26.4%
Total Expenditures & ISTV's	**3,115,100**	**2,553,719**	**561,380**	**22.0%**	**29,297,260**	**28,300,721**	**996,539**	**3.5%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	780	41	739	1,802.4%	459,195	668,161	(208,966)	-31.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**780**	**41**	**739**	**1,802.4%**	**459,195**	**668,161**	**(208,966)**	**-31.3%**
Total Fund Uses	**3,115,880**	**2,553,760**	**562,119**	**22.0%**	**29,756,455**	**28,968,882**	**787,573**	**2.7%**

FUND BALANCE

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

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in fiscal year 2021, nor should it be considered as equivalent to the fiscal year 2021 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

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

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2021
($ in thousands)
Updated 2/1/21*

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

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

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

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

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INVESTING in Ohio's FUTURE
BUDGET OF THE STATE OF OHIO | FISCAL YEARS 2022-2023

Testimony Of
Kimberly Murnieks
Director, Ohio Office of Budget & Management

Senate General Government Budget Committee
Office of Budget & Management's Executive Budget Proposal
Fiscal Years 2022 and 2023

April 21, 2021

Good Morning, Chairman Schaffer, Vice Chair Wilson, Ranking Member Craig, and members of the Senate General Government Budget Committee. I am happy to be with you today to discuss the Office of Budget and Management's budget request for the upcoming biennium.

OBM operates our state financial systems consistently with state and federal government laws and policies, and in accordance with government accounting standards. As the state's chief financial officer, I am focused on ensuring that state government works effectively and efficiently on behalf of the citizens of Ohio. OBM is a strategic and innovative fiscal and management partner to all agencies, boards, and commissions.

We provide policy analysis, fiscal research, and financial management services to the Governor and state agencies, safeguarding the proper and responsible use of our resources. The agency facilitates the budget request process, implements and monitors the state operating and capital budgets following enactment by the Ohio General Assembly, creates annual financial reports, administers the state's debt management and internal audit programs, and supports all agencies with shared services, reengineered business processes, and increased financial literacy.

This budget, as requested, will allow OBM to support the Governor's investments in Ohio's future by:

- Improving financial integrity and fiscal discipline throughout the state by assuring that resources are spent and monitored appropriately and legally;
- Creating innovative solutions to increase state government efficiency by processing similar services across agencies;
- Compiling, analyzing, and reporting the financial transactions of the state, including publishing the Comprehensive Annual Financial Report (referred to as the CAFR) and the Schedule of Federal Awards, in accordance with Generally Accepted Accounting Principles (GAAP);
- Conducting internal audits to mitigate risk and identify opportunities for improvement; and
- Promoting transparency and understanding of state revenue and spending through continued support and development of the Ohio Checkbook website.

Office of Budget and Management Divisions

Our conservative biennial budget request, including no requested increase from the state's General Revenue Fund for fiscal years 2022 and 2023, is sufficient for OBM to continue all current functions:

- Budget Planning and Development, the OBM division that you may be most familiar with, develops and implements the state's operating and capital budgets, provides economic and revenue forecasting, and works with agencies to manage the state's financial resources and obligations. This division also serves as appointees to Financial Planning and Supervision Commissions, working in coordination with the Auditor of State and, in some cases the Department of Education, to assist municipalities and school districts in fiscal watch or emergency as they overcome financial difficulties.
- Controlling Board coordinates oversight of certain operating and capital expenditures of state agencies and has authority over other various state fiscal activities. OBM provides staff and support for the Controlling Board to allow the legislature to address requested changes to agency appropriations after the biennial budget process, to provide specific oversight for purchases of $50,000 or more, and approvals to release capital funding to state agencies and institutions for building and infrastructure projects across the state.
- Debt Management oversees existing state debt, coordinates the issuance and sales of bonds, tracks debt service payments, projects future debt service needs, and informs bond rating agencies of the state's overall financial condition. OBM works closely with the Treasurer of State on the issuance and management of debt obligations to ensure that Ohio meets all federal and state requirements and that our taxpayer dollars are utilized as economically as possible. In addition, OBM provides staff and support to the Ohio Public Facilities Commission and the Buckeye Tobacco Settlement Financing Authority in furtherance of debt financings to support various capital projects across the state.
- Accounting & Financial Reporting administers all accounting activities of the state using the OAKS (Ohio Administrative Knowledge System) Financial module and processes related fiscal transactions on behalf of state agencies. This program also manages the state's payment card program, electronic data interchange, OAKS application support, and transaction monitoring. OBM Financial Reporting publishes the CAFR and related reports and coordinates the annual statewide GAAP audit conducted by the Auditor of State. The CAFR officially documents the state's financial activity and financial position for the State Single Audit as required by federal law along with the State Schedule of Expenditures of Federal Awards (the SEFA).
- Ohio Shared Services capitalizes on economies of scale by centralizing the processing of common financial transactions. Ohio Shared Services currently assists in the review and processing of vouchers and travel-related expenses. Shared Services also provides support to suppliers inquiring about the set-up of their accounts in OAKS and manages a contact center that serves as the front-line call routing for various OAKS-related questions. These services allow agencies to focus on core programmatic missions rather than on the repetitive tasks not unique to their organization.

- Internal Audit conducts financial and information technology audits and consulting engagements for 27 cabinet level agencies based on risk factors and provides internal controls, risk management, process efficiencies, system access controls, and data security recommendations. The OBM Internal Audit Division also provides these services to entities not within its purview when requested.

- The Ohio Grants Partnership is a new division within OBM that provides consistent, enterprise support for the grants management community. Since the onset of the pandemic, this division has assisted state agencies and local governments as a centralized resource for disbursement and management of COVID-19 financial relief from the federal government.

OBM's Executive Budget Recommendation

OBM is committed to providing each of these services with efficiency and transparency. OBM's budget consists of four operating budget line items, one in the General Revenue Fund, two in the Interagency Fund Group, and one in the Dedicated Purpose Fund Group. Additionally, over the past year, OBM has managed several budget line items related to federal coronavirus relief.

Our ***General Revenue Fund*** budget request totals $4.1 million in each fiscal year of the upcoming biennium.

Fund	ALI	ALI Name	Estimated 2021	Requested FY 2022	Percent Change	Requested FY 2023	Percent Change
GRF	042321	Operating Expenses	$3,328,628	$4,128,353	24.0%	$4,128,353	0.0%
GRF	042425	Shared Services Development	$799,725	Merged into line above			
Total General Revenue			**$4,128,353**	**$4,128,353**	**0.0%**	**$4,128,353**	**0.0%**

GRF expenditures comprise 15.1 percent of the OBM budget, excluding federal coronavirus relief funds, because the primary functions of OBM are in service to the other state agencies and are recovered through a charge-back. The GRF line provides funding for activities that cannot be charged to federal funds based on federal cost allocation rules and guidelines. These rules prohibit using federal funds for preparing and submitting OBM's portion of the budget, facilitating the processing and payment of OBM's expenses, and developing applications to facilitate shared services offerings.

Interagency Funds provide for 84.8 percent of OBM's operating budget. The interagency line items provide for the review, analysis, and reporting of the state's financial activities, internal audit functions, and for the centralized operations at Ohio Shared Services.

Fund	ALI	ALI Name	Estimated 2021	Requested FY 2022	Percent Change	Requested FY 2023	Percent Change
1050	042603	Financial Management	$16,995,903	$16,500,000	-2.9%	$17,200,000	4.2%
1050	042620	Shared Services Operating	$6,543,051	$6,730,000	2.9%	$7,050,000	4.8%
Total Internal Service Activity			**$23,538,954**	**$23,230,000**	**-1.3%**	**$24,250,000**	**4.4%**

OBM's budget also includes a small $30,000 per fiscal year ***Fiduciary Fund*** line item for Forgery Recovery that is used to reissue state warrants that were fraudulently redeemed and certified to be forgeries by the Office of the Attorney General's Bureau of Criminal Investigation (BCI) and the Treasurer of State.

In sum, OBM's ***All Funds*** budget request for agency operations, which excludes coronavirus relief funding, totals $27.4 million in fiscal year 2022 and $28.4 million in fiscal year 2023.

All Funds	Estimated 2021	Requested FY 2022	Percent Change	Requested FY 2023	Percent Change
Grand Total Office of Budget and Management	$27,697,307	$27,388,353	-1.1%	$28,408,353	3.7%

Since the onset of the COVID-19 pandemic, OBM has worked with state and local government partners to manage and disburse federal funds made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent federal COVID relief packages. Congress provided Ohio $4.5 billion in Coronavirus Relief Funds (CRF) to support unbudgeted state and local needs brought on by the pandemic, of which $3.75 billion was deposited to the State Treasury. Over the past year, the General Assembly and Administration worked together and allocated $1.2 billion to local governments; over $530 million in provider relief to nursing homes, long term care facilities, rural and critical care hospitals, adult day care centers, and senior centers; $150 million for K-12 school districts to support virtual and hybrid learning; $300 million to colleges and universities so students could safely return to our campuses; funding to support COVID relief and response by state agencies, libraries, veterans posts, and other organizations; and relief to Ohio businesses most impacted by the pandemic. Of the 47 Coronavirus Relief Fund (5CV1) line items, eleven are directly administered by OBM and appear in our agency budget. ALI 042621, COVID Response Costs – Multiple Agencies, serves as a central reimbursement line for unbudgeted state agency costs related to COVID response measures. OBM expects to utilize $33 million in the current fiscal year and has requested $18 million in fiscal year 2022 as agencies continue to prioritize safety measures. Examples of reimbursement costs funded through this line include cleaning and sanitization of ODOT and Ohio Turnpike Commission rest areas, laptops, cameras, and other equipment necessary for agency telework, and PPE, cleaning, and social distancing measures for agencies operating in congregate or public settings. This budget continues to use federal resources for our state agencies responding to the pandemic while protecting our state's general revenue fund from these costs.

Fund	ALI	ALI Name	FY 2020	Estimated 2021	Requested FY 2022	Percent Change	Requested FY 2023	Percent Change
5CV1	042621	COVID Response Costs – Multiple Agencies	$34,919,945	$33,000,000	$18,000,000	-45.5%	$0	
	042501	Coronavirus Relief – Local Government	$350,000,000	$175,000,000	$0		$0	
	042623	Coronavirus Relief – Local Govt Distribution	$0	$650,000,000	$0		$0	
	042502	Provider Relief – Skilled Nursing Facilities	$0	$182,169,262	$0		$0	
	042503	Provider Relief – NF Infection Control	$0	$25,000,000	$0		$0	
	042504	Provider Relief – Long Term Care	$0	$157,044,514	$0		$0	
	042505	Provider Relief – Rural and Critical Hospitals	$0	$124,000,000	$0		$0	
	042506	Provider Relief – Behavioral Health	$0	$45,000,000	$0		$0	
	042507	COVID Safety – Public Libraries	$0	$18,300,000	$0		$0	
	042508	COVID Safety – Veterans Posts	$0	$3,000,000	$0		$0	
	042515	Provider Relief – Adult Day Care & Senior Centers	$0	$15,200,000	$0		$0	
Total Dedicated Purpose			**$384,919,945**	**$1,427,713,776**	**$18,000,000**	**-98.7%**	**$0**	**-100%**

Agency Initiatives

I would like to conclude my testimony this afternoon by highlighting a few examples of efficiencies gained over the past year.

Ohio Checkbook

You may recall in June 2020, Lt. Governor Jon Husted and Ohio Treasurer Robert Sprague unveiled OhioCheckbook.gov, the new transparency website combining OhioCheckbook.com, previously administered by the Treasurer's office, and Ohio's Interactive Budget, previously operated by OBM, to create a single, one-stop state and local government fiscal data dashboard for Ohio taxpayers. By streamlining website administration and eliminating duplication, the partnership maintains the features of both sites while delivering a projected **savings of $900,000 per year**. We are very proud of this initiative and have even expanded the tool by adding a dashboard detailing the federal funds awarded and spent in Ohio to combat the COVID-19 pandemic. Our state continues to lead the nation in providing our citizens with transparent, detailed revenue and spending data and we will continue to improve the site.

Recovering Duplicate Payments

InnovateOhio and OBM have partnered to utilize data analytics to review state agency spending and identify mistaken, repeat payments. To date, we have **identified $1.53 million in duplicate payments**, the majority of which have been recovered. These are actual taxpayer dollars recovered, not just potential savings identified. We continue to review the state's payment processes for additional enhancements or expansions of this analytics tool.

Ohio Grants Partnership

Federal grants in Ohio are administered by 36 different state agencies, utilizing 58 different systems and tools, with more than 800 state employees dedicated to grant management and compliance. Even prior to the pandemic, I heard from local governments that found it difficult to navigate the various grant applications and websites.

In recognition of these difficulties, OBM launched the Ohio Grants Partnership in early 2020 to serve as a "front door" for local governments and others seeking state grants. This initiative was in-process prior to the pandemic, but the launch was sped up to manage federal COVID-19 monetary relief. The team was created by reorganizing existing OBM staff, which did not add a single additional person to our agency headcount. We also launched the *Ohio Connect$* email newsletter, which already has over 5,000 local government subscribers, to share up-to-date guidance, trainings, and resources. The initial focus of the Ohio Grants Partnership has been management of federal grants related to COVID-19 response and recovery that I discussed earlier in my testimony. This initiative has been a great success and we are now expanding beyond COVID-19 grants.

Bond Refinancing

OBM, and its support role to the Ohio Public Facilities Commission (OPFC) and the Buckeye Tobacco Settlement Financing Authority (BTSFA), watches the financial markets closely to take advantage of favorable conditions to sell or refinance state bonds or certificates of participation as authorized by the Constitution or General Assembly.

In February 2020, at the very onset of the pandemic, OBM, on behalf of the BTSFA and in coordination with the Treasurer, closed a $5.3 billion refinancing of Tobacco Settlement Asset-Backed Bonds. This transaction refinanced bonds originally issued in 2007 that securitized the State of Ohio's annual payments received under the 1998 Tobacco Master Settlement Agreement with tobacco companies. This refinancing substantially decreased interest costs over the remaining life of these bonds, created the opportunity for the State to receive future tobacco settlement payments that otherwise would have been forgone, and prevented an anticipated default of the 2007 bonds. The state did not contribute funds or provide credit support for this refinancing, leaving no risk for state taxpayers.

Then in June 2020, during the height of the state revenue shortfall, the OPFC, with OBM's support, closed the largest General Obligation bond financing in Ohio history, refunding and restructuring $780 million of state debt. This sale was also the largest conducted with a minority-owned underwriting firm and with a women's business enterprise as financial advisor. This historic collaboration of public and private sector partners **produced $363.6 million in cash flow savings** at an extremely advantageous interest rate of 1.54 percent.

Even more recently, our team refinanced $82.6 million in debt, **saving taxpayers $8.6 million**. The December refinancing achieved a 1.27% yield in the 20-year maturity, the lowest 20-year tax-exempt borrowing yield the OPFC has transacted since 2005. To add to these highlights, OBM launched a new investor outreach platform, buyohiobonds.com, which will provide staff and investors with more insight and analytics for the sale and purchase of Ohio bonds. Our team continues to look for opportunities to save valuable taxpayer dollars.

Secondary Location Closure

As discussed earlier, Ohio Shared Services is the division of OBM that processes back-office administrative transactions for state agencies, lowering transaction costs and generating efficiencies across state government. After a decade in operation, the value and lessons learned through the implementation of shared services continue to be used to identify more creative and cost-effective solutions in partnership with InnovateOhio and the Ohio Department of Administrative Services to increase operational efficiencies throughout state government.

Following the successful implementation of remote work policies, OBM identified an opportunity to switch the OSS staff to a permanent remote/hybrid work setup. These sections include our call center, accounts payable processing, supplier operations, and travel and expense who all previously worked from leased a location just outside of downtown Columbus. OBM leadership's decision to close this location will **save almost $1 million per biennium** and has led to greater employee satisfaction and decreased unplanned absenteeism.

Conclusion

As evidenced by this budget request, I am committed to keeping agency expenses low, living within our means, and leading by example. OBM will continuously evaluate ways to ensure staffing levels remain appropriate. We will identify efficiencies both within OBM and across state government. In short, OBM is focused on helping agencies achieve Governor DeWine's priorities, balancing the state's operating and capital budgets, improving management efficiencies within state government, and ensuring long-term economic growth for future generations.

I appreciate the opportunity to appear before you today, and I would be happy to answer any questions that you have.

Attachment: OBM Fiscal Year 2020 Annual Report

Annual Report

Fiscal Year 2020

Ohio | Office of Budget and Management

From the Desk of the Director

Ohio's Office of Budget and Management (OBM) is strong and resolute, staffed by forward-thinking professionals who are safeguarding and maximizing Ohio taxpayer dollars.

The efforts of #TeamOBM to find more ways to deliver services, reduce redundancies, secure low interest rates, and refinance debt not only saved Ohio taxpayers millions of dollars this fiscal year but also put us in a position to react quickly to the economic and business impacts of COVID-19 in the fourth quarter.

Due to COVID-19, OBM began teleworking without interruption to any services provided. #TeamOBM is 100% teleworking and the financial operations of the state government enterprise continues to operate smoothly.

This Annual Report attests that OBM and our financial colleagues across state government are expert stewards of your tax dollars and Ohio's treasured assets.

Very respectfully yours,

Kimberly A. Murnieks

Director Kimberly Murnieks
Ohio Office of Budget and Management

OH_OBM_Director

OBM & COVID-19

#TeamOBM senior staff members are managing several of Governor DeWine's COVID-19 Strike Forces related to local governments, state personnel, and the economy.

OBM's Ohio Grants Partnership is managing $3.7 billion in Coronavirus Relief Funds and $104.9 million in the Governor's Emergency Education Relief Funds.

Ohio Grants Partnership also distributed $350 million in Coronavirus Relief Funds to all 88 Ohio counties.

Ohio Fiscal Academy

Twenty-three state employees graduated from OFA's intensive nine-month certification program, equipping these fiscal professionals to lead the great State of Ohio.

Now in its seventh year, OFA has over 205 graduates with operational, theoretical, and hands-on experiences.

Twenty-five students enrolled in Cohort 10 who have all graduated in late calendar year 2021.

Highlighting Agency Partners and People

Outreach to Ohio's Public Finance Officials and the General Public

During fiscal year 2020, the OBM Communications staff focused on increasing outreach in several key areas and strengthening their support of state and local partners in the following:

- Enhanced OBM's outreach and communications to local governments with the development of the *Ohio Connects* newsletter and advisory board.
- Went live with the *Ohio Checkbook* interactive budget website, a joint initiative with Lieutenant Governor Jon Husted and Treasurer of State Robert Sprague, delivering $900,000 in taxpayer savings.
- Created and delivered the *CFO Newsflash* newsletter as well as continued the management of contributions submitted by the editorial board.

The staff continued the long-standing professional partnership with the Department of Administrative Services (DAS) as the two lead agencies of state government in collaboration of MyOhio, Ohio Administrative Knowledge System (OAKS), and general public services on behalf of the Office of the Governor and the taxpayers across Ohio.

Budget Development and Implementation

OBM's Budget Development and Implementation Section provides operating budget preparation guidance to state agencies, boards, and commissions and is responsible for forecasting and monitoring revenue estimates.

Throughout the first nine months of fiscal year 2020, the Budget Section worked with state agencies to implement the first year of Governor DeWine's inaugural budget, to develop the fiscal year 2021 and 2022 capital budgets and to ensure that unspent prior year capital appropriations were re-appropriated. Then the COVID-19 pandemic hit, and the Budget Section began to work with the Governor's Office and state agencies to ensure a balanced budget for fiscal year 2020. The budget analysts identified upwards of $750 million in potential reductions that were approved by the Governor's Office and ensured the state met its constitutional obligations.

The Budget Section frequently represents OBM to other state agencies and the public. During the past fiscal year, several of our analysts conducted webinars, demonstrations, and trainings on how to use software applications accessed by nearly all state agencies.

In the coming fiscal year, the Budget Section will work with state agencies during the operating budget development process and provide services to state agencies and the public as we continue to implement the fiscal year 2021 operating budget.

Controlling Board

'OBM chairs the Ohio Controlling Board, which provides the Governor and General Assembly a mechanism for handling limited day-to-day adjustments needed in the state budget.

To quickly react to the COVID-19 pandemic, the Board seamlessly moved from in-person to virtual livestream meetings to continue supporting the state during the months of March, April, May, and June. The Board also added one previously unscheduled meeting in April in response to the ever-changing operating environment.

In fiscal year 2020, the Controlling Board allocated a total of $17,841,253.00 from the Controlling Board's Emergency Purposes Contingency.

In fiscal year 2020, the Controlling Board transferred a total of $12,959,897 from the Controlling Board's Disaster Services Fund to the State Disaster Relief Fund.

Ohio Checkbook

Delivered

$900,000

in savings by merging two interactive state websites into one.

Checkbook.Ohio.gov

Identified

$750M

in potential reductions during Q4 to ensure the state met its constitutional obligations after the COVID-19 pandemic hit.

Graduated

23

state employees from OFA's certification program, equipping fiscal professionals to lead the great State of Ohio.

Received

$1.38M

in rebates through OBM Payment Card processing.

Debt Management

OBM's Debt Management Section is responsible for the issuance and ongoing management of debt backed by the state of Ohio and for ensuring that financial resources are available to meet the state's capital project needs and debt-service requirements.

In fiscal year 2020, the Debt Section oversaw the issuance of fifteen series of bonds aggregating $1.16 billion for purposes such as local infrastructure projects, K-12 education, highways and bridges, projects at our institutions of higher education, and natural resource conservation. In addition, the Section issued two Certificates of Participation projects to support state information technology systems, aggregating just over $31 million. All told, fiscal year 2020 debt issuances reached nearly $1.2 billion.

In September 2020, the Debt Section achieved the lowest interest rate on record (2.35%) to finance the costs of elementary and secondary school construction. Strategic planning on the issuance saved hard-earned taxpayer dollars and freed up resources for future projects that may have otherwise gone to paying for borrowed money.

In February 2020, the Debt Section completed a $25 million direct private placement with the State Treasurer's Office, which refinanced outstanding debt related to the Veterans Compensation Bonds, and to saving Ohio taxpayers $2 million. The transaction lowered the cost of borrowing 4.59% to 1.83%.

Following in March, the team serving in its function as staff to the Buckeye Tobacco Settlement Financing Authority closed a $5.3 billion refinancing of Tobacco Settlement Asset-Backed Bonds. The transaction was enthusiastically received by the Market and prompted more than 150 investors to submit orders in excess of $50 billion.

In May 2020, the Debt Section closed the first of two negotiated sales of state debt. Since 2012, the Office of Budget and Management had sold transactions only as competitive bid.

Wrapping up the fiscal year, the Debt Section in collaboration with its communications staff partners launched the BuyOHBonds.com website, a new investor outreach platform aimed at attracting more investors to its municipal bond offerings.

The new BuyOHBonds platform was rolled out in coordination with and support of the Ohio Public Facilities Commission's $780 million refinancing of infrastructure, common schools, and higher education projects. The sale is notable in a number of ways; including but not limited to:

- Largest issuance of general obligation debt by the State of Ohio;
- Largest deal in Ohio history underwritten by a minority business enterprise;
- Largest deal in Ohio history supported by a certified women's business as financial advisor;
- And achieved $363.6 million in cash flow savings for fiscal year 2021 – roughly 17% of the State's $2.1 billion budget shortfall expected during the period due from the Coronavirus pandemic;
- Blended all-in-interest cost of 1.54% is amongst the lowest rates ever achieved on OPFC debt.

Fiscal year 2020 debt issuances reached nearly

$1.2 billion

Secured

lowest interest rate

on record for school construction.

Saved Ohio taxpayers

$2 million

Refinancing outstanding debt related to Veterans Compensation Bonds.

Achieved cash flow savings

$363.6 million

Equal to 17% of states $2.1 billion budget shortfall due to COVID-19.

Highlighting Agency Ingenuity

Information Technology

In fiscal year 2020, the OBM Information Technology Section deployed an enterprise application Payment Card Reconciliation Portal. This portal provides significant efficiencies for the payment card program, including the elimination of paper for approvals, online workflow, intuitive processing, and full integration to OAKS Financials.

Due to the COVID-19 pandemic, this section quickly and effectively transitioned OBM staff to teleworking in a very short time. This enabled OBM staff to work remotely without any disruptions while maintaining high productivity.

During fiscal year-end close, the Reports and Configuration Management (RACM) team in collaboration with the Department of Administrative Services Transactional, Requirements, Architecture, Configuration, and Support (TRACS) partner, completed running all the normal daily, weekly, and monthly jobs first before turning their focus on closing out FY 2020, allowing them to close the year in less than 3 hours – virtually!

Financial Planning and Supervision Commissions

OBM is responsible for convening and chairing financial planning and supervision commissions when the Auditor of State declares a unit of local government to be in a state of fiscal emergency.

OBM chaired financial planning and supervision commissions for eight local governments in fiscal emergency at some point during the period April 1, 2019 through March 31, 2020 under divisions (A) through (K) of section 118.05 of the Revised Code.

The Ohio Department of Education is responsible for convening and chairing financial planning and supervision commissions when the Auditor of State declares a school district to be in a state of fiscal emergency and OBM is responsible for providing one commission member.

During fiscal year 2020, there were two school districts in fiscal emergency: Coventry of Summit County and Niles of Trumbull County.

Financial Reporting

During fiscal year 2020, State Accounting's accomplishments included:

- The State of Ohio received an unqualified opinion (in auditor terms, "clean") on its fiscal year 2019 financial statements. The State CAFR (Comprehensive Annual Financial Report) was released by OBM on December 23, 2019, the earliest website release on record.
- The state has been awarded 27 Certificates of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association since 1990. The state expects to receive the Certificate for the fiscal year 2019 CAFR in August 2020.
- In a collaborative effort between the Auditor of State and agency management, the 2019 State Single Audit was released on April 14, 2020, and was consistent with the timeframe for the past 10 years.

Internal Audit

OBM's Internal Audit Section conducts periodic audits of major systems and controls at state cabinet agencies and at other agencies upon request.

During fiscal year 2020, the Office of Internal Audit completed 40 assurance reports, which resulted in 56 high or moderate risk observations. Of these, 10 were remediated by the client and validated by Internal Audit. Forty-six of the remaining observations will be scheduled for remediation in fiscal year 2021.

Internal Audit also completed 87% of its assurance audit engagements (73 of 84), this was more than the stated goal of 86%. Many of the eleven not completed were delayed due to COVID-19 and the incompletes have been carried forward to fiscal year 2021.

In fiscal year 2020, Internal Audit performed consulting services for major systems, processes, and security. Consulting services consisted of approximately 43% of overall Internal Audit effort in fiscal year 2020.

Received
"Clean"
opinion on OBM's fiscal year 2019 financial statements.

Awarded
27th consecutive
Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association.

Surpassed goal with
87%
completed Assurance Audits, independent assessments to ensure state agencies work efficiently.

Virtually closed out FY2020 in less than
3 hours
due to the efforts of IT with RACM and DAS TRACS.

Ohio Grants Partnership

The Ohio Grants Partnership was created by OBM in February 2020 to provide support to Ohio's grant management community. The partnership's vision is to be the leading resource for the Ohio grants community to help build the capacity of its partners to successfully apply for and manage grant programs; and in doing so ensure Ohio maximizes the amount of federal funds awarded while optimizing the use of funds received and prioritizing to achieve the greatest result.

The initial focus of the Ohio Grants Partnership has been federal grants related to COVID-19 response and recovery, to include tracking related funding and managing new programs such as $3.7 billion in Coronavirus Relief Funds and $104.9 million in Governor's Emergency Education Relief Funds.

More than $608,053,280 was appropriated to support Ohio in fiscal year 2020 through Federal Coronavirus Relief Funding and $113,906,540 has been appropriated for fiscal year 2021. OBM and House Bill 481 provided management guidance and distributed Federal Coronavirus Relief Funds in the amount of $350 million to all 88 of Ohio's counties and local governments.

#IN THIS TOGETHER Ohio

Shared Services

OBM's Shared Services Section delivered cost-savings opportunities and customer service excellence. Shared Services, in direct partnership with state agencies, improved and modernized various management practices and business activities.

During fiscal year 2020, Shared Services:

- Processed and paid 137,862 Accounts Payable transactions for 30 agencies, averaging 2.2 days per transaction.
- Processed and paid 44,256 Travel and Expense reports for 74 agencies, averaging 1.5 days per transaction.
- Received 21,518 calls to the Contact Center, achieving a 90.0% Service Level (the percentage of calls answered within 30 seconds).
- Processed 17,655 Supplier Operations requests (e.g., Supplier Information Form, banking verification, W9, electronic funds transfer), averaging 1.2 days per transaction.
- Processed 874 Accounts Receivable deposits consisting of 8,428 checks worth a total of $241,005,660.04 for four agencies.
- Processed 28,076 IntraState Transfer Voucher (ISTV) invoices for two agencies and processed 5,997 ISTV coding updates for one agency.

State Accounting

OBM's State Accounting Section monitors and controls both the spending and revenue collection activities of state agencies, providing up-to-date accounting information for the State of Ohio.

2020 FY Highlights:

- Processed 7,615,710 vouchers totaling $72.05 billion dollars. Ninety-Seven-point five percent of these vouchers were processed electronically.
- Processed the addition of 388 new cardholders. Total spend for the program in fiscal year 2020 was $69.4 million, resulting in a rebate of $1.38 million.
- Identified $1,035,032 in potential duplicate payments with funds restored to the State.
- Monitored over $7.7 billion in operating expenditures for compliance with policies, laws, and regulations of the state. During fiscal year 2020, the team reviewed 69,548 vouchers totaling $2,308,388,709.
- Processed 244 cash transfers, 11,257 requisition approvals, 1,714 Controlling Board transactions and 244 director memo transactions.

Turned around
44,256
T&E reports within
1.5 days
on average per transaction.

Contact Center answered
90%
of calls within the first
30 seconds.

Reviewed over
$72.05 billion
in operating expenditures in over 7.6 million vouchers.

Restored
$1,035,032
to the state in duplicate payments.

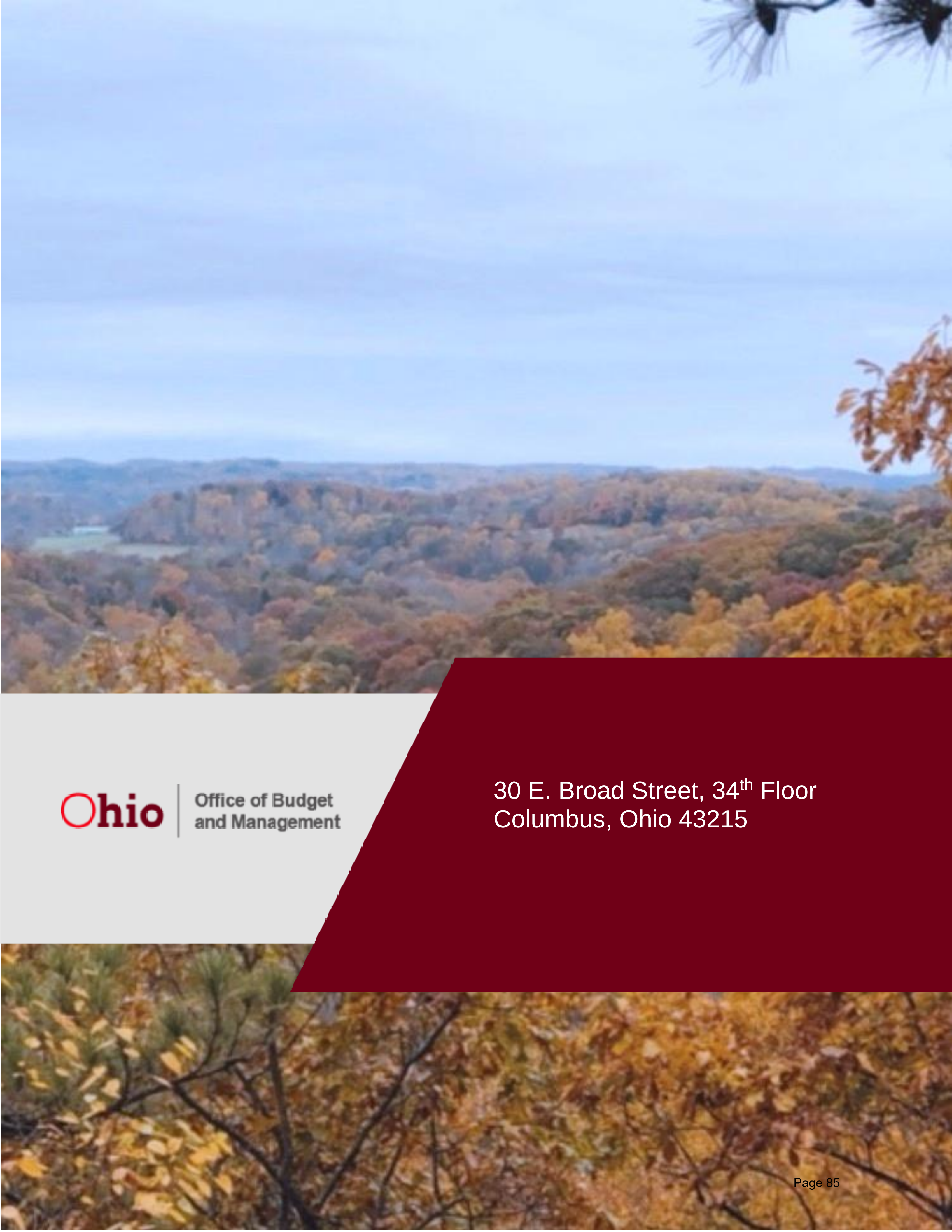
Annual Expenditures – Fiscal Year 2020

Office of Budget and Management
Cash Basis by Appropriation Line Item
July 2019 – June 2020

FUND	ALI	Appropriation Line Item	Expenditures
GRF	042321	Budget Development & Implementation	$ 3,043,100
GRF	042409	Commission Closure	$ --
GRF	042425	Shared Services Development	$ 1,015,524
GRF	042435	Gubernatorial Transition	$ --
		Total GRF	**$ 4,058,624**
GRF	042425	Shared Services Development	$ 1,015,524
1050	042603	Financial Management	$ 14,911,437
1050	042620	Shared Services	$ 5,408,504
5CV1	042501	Coronavirus Relief – Local Government	$ 350,000,000
5CV1	042621	Coronavirus Relief – Agency Reimbursement	$ 34,919,945
5EH0	042604	Forgery Recovery	$ 12,652
7026	C10031	Operations Facilities Improvements	$ --
		Total Non-GRF	$ 405,252,538
		Total All Funds	$409,311,162

Office of Budget and Management
Cash Basis by Account Category
July 2019 – June 2020

Account	Account Description	Expenditures
500	Payroll and Benefits	$ 20,851,689
510	Purchased Personal Services	$ 928,383
520	Maintenance and Supplies	$ 2,603,409
530	Equipment	$ 149,275
550	Subsidy	$ 350,062,605
570	Capital Improvements	-
595	Payment of Forged Warrants/Federal Passthrough Funds	$34,715,801
	Total	**$409,311,162**



Ohio | Office of Budget and Management

30 E. Broad Street, 34th Floor
Columbus, Ohio 43215

Ohio | Office of Budget and Management

Calendar Year 2020 Highlights

January - December

MIKE DEWINE
GOVERNOR
STATE OF OHIO

JON HUSTED
LT. GOVERNOR
STATE OF OHIO

KIMBERLY MURNIEKS
DIRECTOR
OHIO OFFICE OF BUDGET AND MANAGEMENT

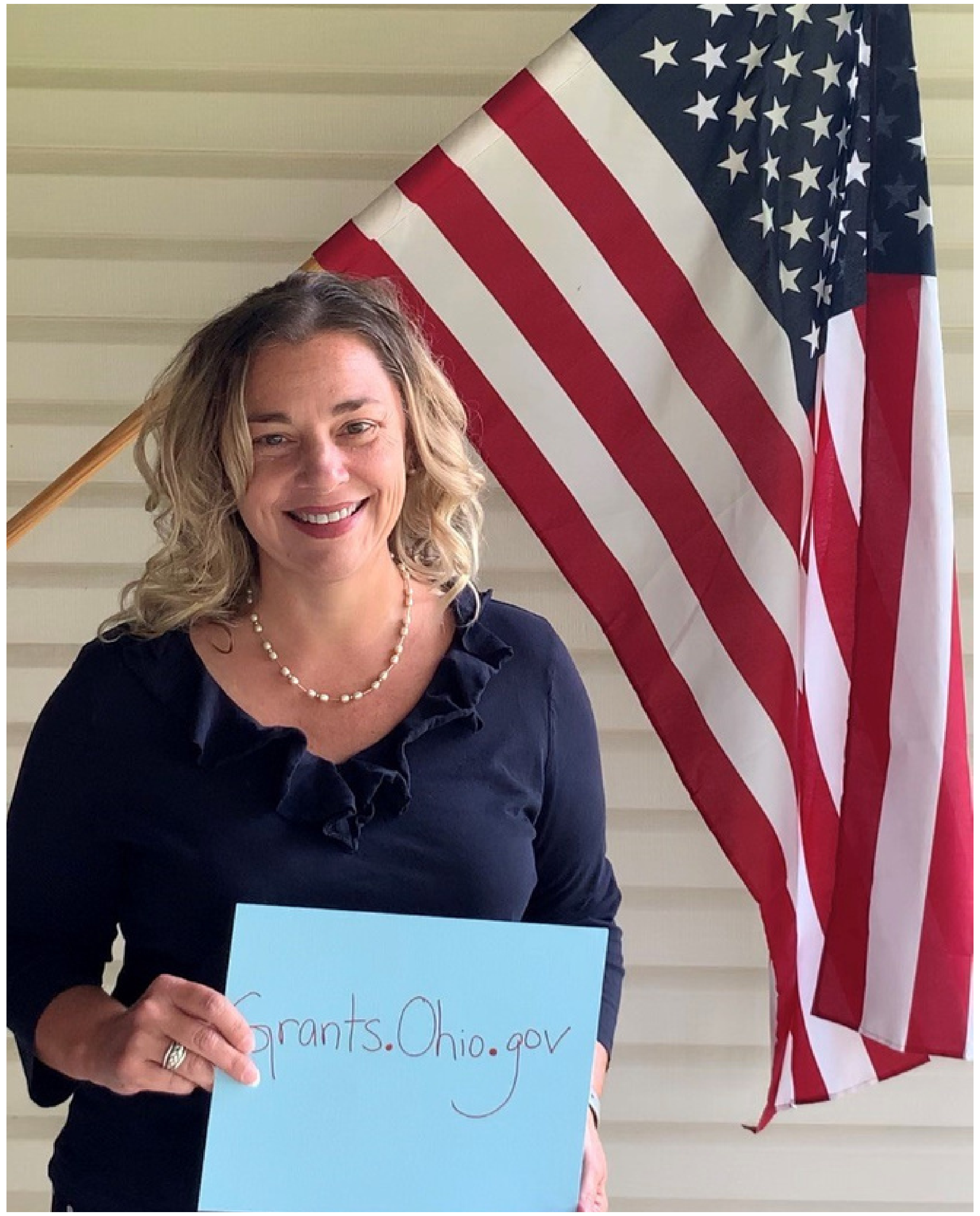
Ohio | Office of Budget and Management

From Director Murnieks

A new year is a time for reflection of the one we left behind. Even though 2020 began like many years before, it soon proved to be anything but normal as the COVID-19 global pandemic disrupted local communities, our jobs, schools, economies at home and across the world, and our daily routines. The year 2021 brings ongoing challenges and new opportunities, and also presents an opportunity to celebrate our successes in supporting Ohioans, to reflect on all that we have overcome, and to look to the future at the Office of Budget and Management.

It has been my pleasure to work with so many talented, driven, and problem-solving professionals that make up all of #TeamOBM.

This document recognizes some of the many contributions that the OBM team made during 2020 to maintain Ohio's strong fiscal position in the face of much turmoil, to find efficiencies during a challenging year, to improve transparency, and to build on the services provided to state agency partners and our local communities to ensure stability and a bright future ahead.



@OH_OBM_DIRECTOR

I.

Budget and Supports

As the COVID-19 health crisis placed considerable headwinds on the global and Ohio economic conditions, the team at OBM maintained a balanced budget while experiencing the worst quarter in U.S. financial history. Later in the year, the Budget team partnered with agencies to propose a capital budget that, as approved by the General Assembly, **provides more than $2.1 billion in appropriations** for projects in communities across the state. Highlights from the 2020 capital budget **include $300 million for K-12 schools across Ohio**, in addition to the $300 million provided in Senate Bill 4 to improve learning centers for K-12 students; and **$400 million for our higher education campuses**. It also **includes $186 million in direct funding for local and regional projects** in Ohio's communities, including: parks, trails, historical and cultural projects of local and state significance, projects at zoos, sports projects, and for construction and renovations for centers providing community services, including mental health and addiction.

II.
Accounting and Stewardship

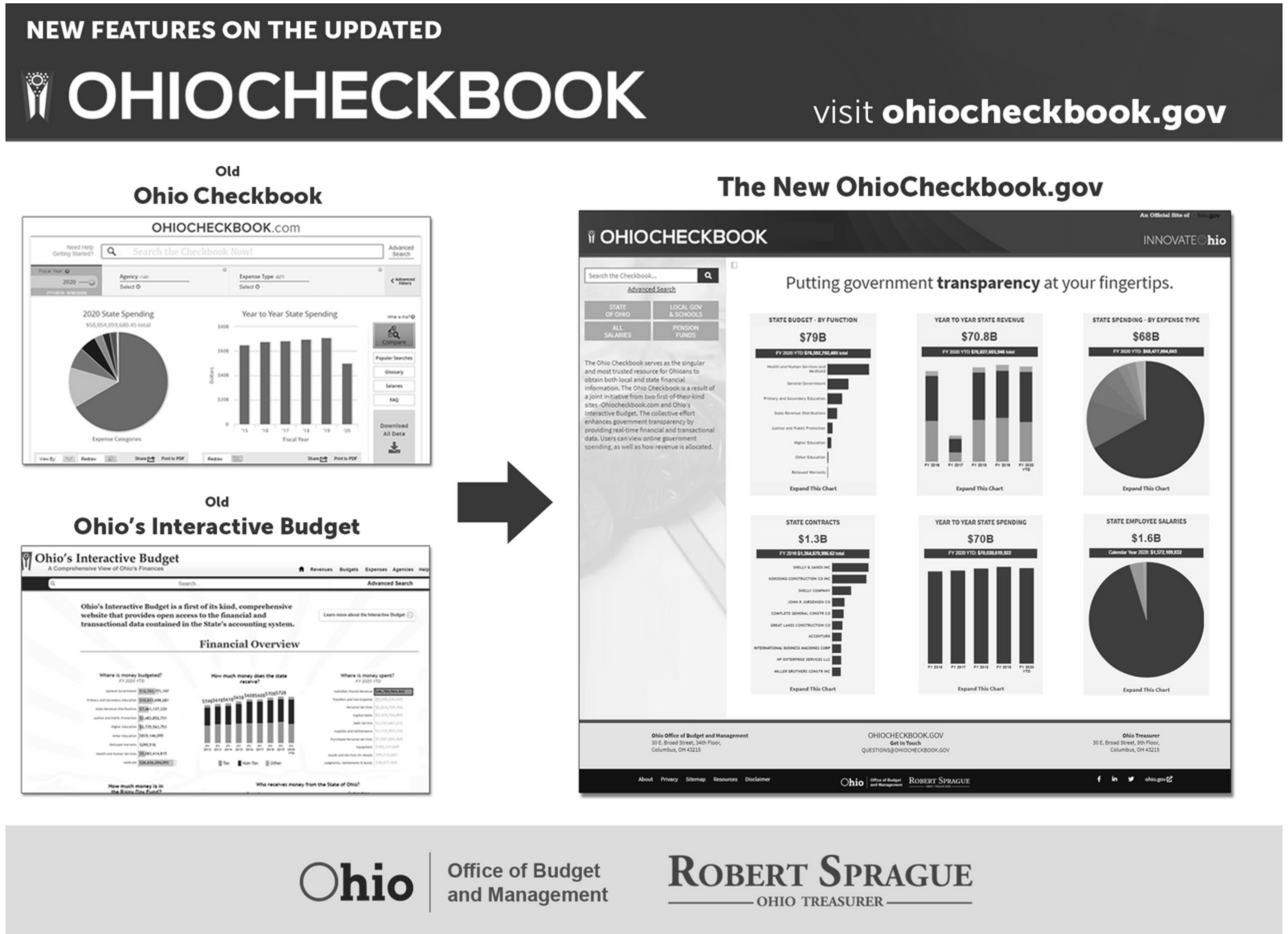
Prior to the pandemic, the OBM team completed the digitization of the payment card reconciliation process for twenty state agencies. The former paper-based, manual process was streamlined with an inhouse developed application titled PCard PREP. This greatly increased efficiency, especially as state government quickly transitioned to a remote work environment.

OBM also assisted local governments with access, training, and support related to grants. In February 2020, **OBM launched the Ohio Grants Partnership** to provide a single "front door" for local communities and other partners seeking grant opportunities from the state, and to increase the amount of federal grant funding drawn into Ohio communities. OBM trained local governments, hosted the inaugural Ohio Grants Summit in September, and began **helping more than 1,700 local governments** monitor the receipt and use of federal Coronavirus Relief Funds. Our team also helped state agencies and sub-recipients of the state to access training, best practice resources, funding opportunities, guidance, and links to other beneficial grants information as well as track applications for grant offerings. OBM engaged state and local government finance officials by creating a new email newsletter specifically about state and federal funding opportunities and grants management practices. This quarterly communication, *Ohio Connect$*, already has **more than 5,000 subscribers**.

III. Capital Markets and Debt Management

Team OBM worked diligently this past year to save taxpayer dollars through prudent management of the state's bonds. In February as the pandemic was beginning, **we refinanced $5.35 billion** of the Series 2007 Buckeye Tobacco Settlement Financing Authority bonds, which were used to securitize the future revenue stream that Ohio would receive under the 1998 Master Settlement Agreement with tobacco manufacturers. This deal was recognized by *Smith's Research and Gradings* as the 2020 All-Star Deal of the Year and by Bond Buyer as the Deal of the Year in the Midwest. At the height of pandemic-induced fiscal uncertainty in June, **the team achieved $363.6 million in cash flow savings**, or roughly 15% of the State's then-projected budget shortfall, for Fiscal Year 2021 by refinancing and restructuring State of Ohio General Obligation debt, a transaction led by a minority-owned firm and a women's business enterprise financial advisor. Furthermore, **we refinanced Veterans Bond, generating $2 million for Ohio taxpayers** and lowered the cost for borrowing. OBM's capital markets team also launched a new investor outreach platform, buyohiobonds.com, which will provide staff and investors with more insight and analytics for the sale and purchase of state debt.

IV.
Operations and Technology



The OBM operations and technology team continued our efforts to save taxpayer dollars and provide transparency through several initiatives. The team managed and **provided transparency into the $3.75 billion in Coronavirus Relief Fund dollars** by creating a new grants portal as we launched the Ohio Grants Partnership. The portal displays technical information on funding uses; funding opportunities for local governments, Medicaid providers, state colleges, senior centers, and other recipients; and reporting upload features to ease the reporting process for grantees. As part of our efforts to continue to provide transparency, **OBM in partnership with InnovateOhio**, the Treasurer's office and the Department of Administrative Services **launched the new OhioCheckbook.gov**, an interactive Ohio budget website, just in time to provide COVID-19 spending details for funds awarded in Ohio. This new site replaced two previous transparency sites, streamlining management and **saving $900,000 per year by eliminating duplication**.

IV.

Operations and Technology

Furthermore, **OBM saved taxpayers $400,000** each year by eliminating leased office space and efficiently transitioning staff to a remote/hybrid work model, improving employee satisfaction while also increasing productivity. Operations and technology **identified more than $1.4 million in savings** by using InnovateOhio's advanced analytics and duplicate payment tool.

OBM worked across the cabinet to bring together a working group to track economic data, providing enhanced insights and real-time information about the state of Ohio's economy. This effort brings together data from many sources, both internal and external to state government, to provide a robust picture of the current economy. OBM also organized economists from across Ohio to establish the Ohio Economic Roundtable to advise on OBM's economic projections that support the budget forecast.

INNOVATE Ohio

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V.
Communications and Outreach

Prior to January 2019, OBM was largely focused internally on agency and state government operations, with few public-facing information or services. With stewardship tools and fiscal reports, OBM stepped out to support local governments and state-wide partnerships. The team increased the awareness of OBM resources and innovations which includes the OBM Monthly Financial Report, which now has **more than 2,000 email subscribers**. OBM also created a pop-up on the agency's homepage to allow visitors to subscribe to news and announcements, **generating more than 1,280 subscribers in less than 12 months.**

The team continued outreach to chief finance officers across the enterprise with the one-year anniversary of The CFO NewsFlash, delivering relevant and critical datapoints to state agency fiscal leaders. The team drove awareness of OBM resources, innovations and leadership via social media, **gaining more than 900 followers** across LinkedIn, Twitter, Facebook, and Instagram, providing transparent information about the state's fiscal operations to Ohio citizens.

VI.

Controlling Board and Partnerships

The Controlling Board team worked closely with the General Assembly to assist Ohioans impacted by the pandemic. We supported efforts to appropriate federal Coronavirus Relief Funds made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These crucial appropriations have supported local governments, K12 schools, higher education institutions; provided relief to nursing homes, long term care facilities, rural and critical care hospitals, adult day care centers, and senior centers; and supported COVID response and safety measures at state agencies, libraries, veterans posts, crisis response centers, and local fairs; and granted economic relief to Ohio small businesses and organizations who have been hardest-hit by the pandemic.

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OBM Goes Social

@OHIO_OBM

TO: OMA Tax & Finance Committee
FROM: Rachael Carl
SUBJECT: Tax & Finance Public Policy Report
DATE: June 2, 2021

Overview

During the first few months of this General Assembly, the legislature has been (almost) entirely devoted to clearing the June 30th finish line for the state's biennial operating budget.

Governor DeWine kicked off the budget deliberations on February 1st with an outline of his budget recommendations and late last month, the House put forth their spin on things. Most notably, the House included a 2% personal income tax reduction and a revamp of Ohio's school funding formula. The Senate is expected to unveil their final two-year spending plan next week, which gives the two chambers and the governor's office a few weeks to settle out their differences in conference committee.

One big-ticket item that complicates the Senate's version of the budget is a new pot of federal relief money coming from the American Rescue Plan Act (ARPA). Putting aside the funds flowing to the locals, the state is expected to receive roughly $5.4 billion in ARPA funding. While this money may be handled outside the budget bill, it is certainly garnered some attention. Two concepts for use of ARPA funds have floated to the surface: paying for broadband expansion and paying back the state's over $1.5 billion debt to the federal government for unemployment compensation.

In addition to budget discussion, the legislature will continue to consider the withholding tax issue. There is strong disagreement on the issue of refunds, but there is general agreement to repeal the temporary language at the end of the current tax year (December 31, 2021).

Tax & Finance Legislation

Senate Bill 18 – Internal Revenue Code Conformity

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

Senate Bill 18 was signed by the governor with an emergency clause on March 31st in order to be enacted in time to apply for the 2020 tax year.

Senate Bill 19 – Tax Exemption for Wetland Mitigation

Senator Tim Schaffer (R-Lancaster) introduced a bill to exempt certain privately owned wetlands from property tax. A qualifying property would have to be under a wetland mitigation project and be owned by a 501(c)(3) organized for the purpose of natural resources protection, preservation, restoration, or enhancement of water quality. The bill passed the Senate in late February and has had two hearings so far in the House Ways & Means Committee.

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

The bill has had two hearings in the Senate Ways & Means Committee, and the OMA has submitted a letter with like-minded allies regarding protecting the integrity of the CAT.

Senate Bill 62 – Commerce & Taxation
As a companion bill to House Bill 133, Senate Bill 62 would have made numerous changes to Ohio's Residential Mortgage Loan Act and in addition, require credit reporting agencies to provide credit reports to businesses, similar to credit reports to individuals. Of note for OMA members, the bill included a temporary provision to allow property owners to seek a change in assessed property value if they believe the value of their property has depreciated due to the pandemic.

This legislation is no longer being pushed since House Bill 133 was signed by the Governor in May and the language regarding property owners' ability to challenge their appraisal due to COVID-19 damages was amended into Senate Bill 57, which was signed in April.

Senate Bill 97 – Municipal Income Tax Withholding
Introduced by Sen. Kristina Roegner (R-Hudson), Senate Bill 97 would codify a specific date to sunset Sec. 29 from the last General Assembly's House Bill 197.

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

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

Last summer, legislators and interested parties began discussing a repeal of the provision in House Bill 197 so that withholdings would be redirected to the local governments of an employee's home address if he/she is working remotely. The Senate Ways & Means Committee amended the bill to align with the OMA's advocacy efforts and the bill would sunset Sec. 29 on December 31, 2021, and return to pre-COVID-19 withholding rules on January 1, 2022.

The bill has received one hearing in the Senate, but the House has passed similar legislation, House Bill 157, which is now also under consideration in the Senate.

Senate Bill 98 – Tax Exemption
Sponsored by Sen. Niraj Antani (R-Miamisburg), Senate Bill 98 would provide a sales tax exemption to transportation and warehousing businesses for the sales involving transporting finished goods from the manufacturing facility to a retail destination or

transporting goods between distribution facility locations. This bill has yet to receive a first hearing.

Senate Bill 108 – Provides Grants to Bars, Restaurants, & Lodging
Enacted in May, Senate Bill 108 directs federal funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to certain industries. This bill appropriates $100 million in grants for bars and restaurants and another $25 million in grants to the lodging industry.

Senate Bill 109 – Provides Grants to Businesses, Fairs, Child Care, & Veteran Homes
Also enacted in May, Senate Bill 109 is providing $556.9 million in federal CARES Act funds to be used for grants to businesses and child care providers impacted by COVID-19, for food assistance and other assistance programs, and for local fairs and Ohio Veterans Homes.

Senate Bill 110 – Provides Rent & Utility Assistance
This bill is no longer being pushed since its companion, House Bill 167, was signed into law in May.

House Bill 45 – Tax Amnesty Program
This bill would establish a tax amnesty period from April 1, 2021, to May 31, 2021. During this period, the Tax Commissioner must waive any interest and penalties if a taxpayer pays the full amount of their delinquent taxes or fees. House Bill 45 has had one hearing in the House Ways & Means Committee.

House Bill 47 – Electric Vehicle Charging Station Grant
Newcomer Representative Mike Loychik (R-Cortland) introduced his first bill recently, House Bill 47. The bill would require the Ohio Department of Transportation to establish a rebate grant program for the installation of certain electric vehicle charging stations. It would also appropriate $10 million to the program for both fiscal year 2022 and fiscal year 2023. The bill has received two hearings in the House Transportation & Public Safety Committee.

House Bill 48 – Internal Revenue Code Conformity
As a companion to Senate Bill 18, Representatives Bill Roemer (R-Richfield) and Gail Pavliga (R-Atwater) introduced House Bill 48. Since Senate Bill has passed both chambers and been signed by the Governor, this bill is no longer being pushed.

House Bill 74 – State Transportation Budget
On March 25th, the General Assembly wrapped up their work on a two-year $8.3 billion transportation measure, with the governor signing shortly thereafter for enactment by March 31st. This bill allocates monies from the federal government and state fuel tax for highway construction and maintenance. It also funds the state Department of Transportation, Highway Patrol, and Bureau of Motor Vehicles.

House Bill 86 – Bonus Depreciation Adjustments
Introduced by Rep. Bill Roemer (R-Richfield), House Bill 86 would temporarily suspend, for taxable years 2020 and 2021, special provisions related to Ohio’s bonus depreciation adjustments in years when a taxpayer has a net operating loss. This bill has received two hearings in the House Ways & Means Committee.

House Bill 124 – Equalize Pass-Through Entity Withholding
House Bill 124 would reduce tax withholding rates for pass-through entities by equalizing the withholding rate with their income tax rate of taxable income. The has received one hearing in the House Ways & Means Committee for sponsor testimony from Reps. Bill Roemer (R-Richfield) and Bob Young (R-Green).

House Bill 157 – Municipal Income Tax Withholding
Similar to Senate Bill 97, House Bill 157 would codify a specific date to sunset Sec. 29 from last General Assembly's House Bill 197. As introduced by Reps. Kris Jordan (R-Ostrander) and Jay Edwards (R-Nelsonville), the bill would have immediately repealed this temporary provision. However, as passed by the House in late May, the bill would sunset Sec. 29 on December 31, 2021, and return to pre-COVID-19 withholding rules on January 1, 2022.

House Bill 157 is now pending before the Senate.

House Bill 165 – Tax Credit for Retail Sale of Ethanol Fuel
House Bill 165, sponsored by Rep. Riordan McClain (R-Upper Sandusky), attempts to encourage fuel retailers to sell higher blends of ethanol at the pump. The bill would authorize a temporary tax credit, for four years, for the retail sale of high-ethanol blend motor fuel, and just like Senate Bill 45, one of those credits can be taken against the CAT.

The bill has had three hearings in the House Ways & Means Committee, and the OMA has submitted a letter with like-minded allies regarding protecting the integrity of the CAT.

House Bill 167 – Provides Rent & Utility Assistance
Signed into law in May, House Bill 167 will provide $465 million in assistance to households unable to pay rent and utilities due to the COVID-19 pandemic. These funds were established through the federal Consolidated Appropriations Act and will flow through Ohio's Community Action Agencies to provide assistance to Ohioans.

House Bill 168 – Provides Grants to Businesses, Fairs, Child Care, & Veteran Homes
House Bill 168 is no longer being pushed since its companion bill, Senate Bill 109, was enacted in May.

House Bill 169 – Provides Grants to Bars, Restaurants, & Lodging Industry
Similar to House Bill 168, this bill is not moving forward since its companion, Senate Bill 108, was enacted in May.

House Bill 174 – Tax Deduction for Certain Capital Gains
In an attempt to encourage economic activity, House Bill 174 would allow for a deduction against state income tax for all or a portion of capital gains received by investors in certain Ohio-based venture capital operating companies. The bill has received just one hearing so far in the House Economic & Workforce Development Committee for sponsor testimony by Reps. Laura Lanese (R-Grove City) and Jon Cross (R-Kenton).

House Bill 197 – Income Tax Credit for Training CDL Drivers
Reps. Reggie Stolzfus (R-Paris Township) and Rodney Creech (R-W. Alexandria) introduced House Bill 197 in hopes of increasing training opportunities for new truck

drivers and addressing the truck driver shortage. The bill would allow a nonrefundable income tax credit of up to $25,000/year for employers in their expenses related to training employees to operate a commercial vehicle. House Bill 197 has had three hearings in the House Ways & Means Committee.

<u>House Bill 234 – Repeals the CAT</u>
If enacted, House Bill 234 would eliminate the CAT effective in calendar year 2026. The bill provides for a 5-year phase-out of the tax beginning in calendar year 2022 and reducing the percentage by 20% each year until its completely repealed. We are all anxiously awaiting the first hearing on this bill from sponsors Reps. Jennifer Gross (R-West Chester) and Riordan McClain (R-Upper Sandusky), as it has not been scheduled yet. While repealing a CAT would be a marvelous victory, we doubt an elimination of the CAT wouldn't lead to replacing the state's lost revenue with some other type of tax. We will have to watch this one very closely.

<u>House Bill 264 – Municipal Tax Withholding</u>
The debate on how to treat municipal income tax withholdings post-pandemic continues. Similar to House Bill 157, House Bill 264 would extend the temporary withholding provision in Sec. 29. Unlike House Bill 157, House Bill 264 would extend the sunset of this provision until December 31, 2022. During debates on this issue, some legislators and interested parties continue to ask for the end date of the temporary withholding provision to be pushed out even further. They have concerns about the refunds employees might request and how the loss of revenue will impact cities.

This bill has not received its first hearing yet for sponsor testimony by Reps. Monique Smith (D-Fairview Park) and Lisa Sobecki (D-Toledo).

<u>House Bill 292 – Sales Tax Exemption for Electric Vehicles</u>
Sponsored by Reps. Lisa Sobecki (D-Toledo) and Al Cutrona (R-Canfield), House Bill 292 would create a temporary sales tax exemption, for sales on electric vehicles (EV) on or before December 31, 2026. Although raw materials of a manufactured item that will be sold are already exempt, this language may be a bit broader since the exemption in the bill states that you do not need to be "producing" the electric vehicle for sale.

While this may not be the bill sponsors' intent, the sponsors did intentionally include another provision to create the Electric Vehicle Commission. The 7-member commission would provide an annual report that would evaluate factors like the inventory of existing EV manufacturing facilities, inventory of workforce for the EV industry, and determining which traditional auto manufacturing facilities should be transitioned into EV facilities, among other topics.

This bill has not received a first hearing yet.

<u>Tax & Finance News</u>

<u>The U.S. is in the Middle of the Pack for Corporate Tax Rates</u>
President Joe Biden has pointed to corporate tax rates as one way to raise federal revenue, while critics of that plan — including the National Association of Manufacturers — have said doing so would make the U.S. much less competitive and cost American jobs.

HowMuch.net has stated that the U.S. is currently in the middle of the pack with a top statutory corporate tax rate of 25.77%. Meanwhile, the Tax Foundation notes that corporate rates globally have declined over the past four decades.

Combined Rates for Federal Taxes

On Capitol Hill, the Joint Committee on Taxation (JCT) has released data showing what Americans pay in their combined federal taxes based on their income level. As reported by the Tax Foundation — using data from 2018, the most recent year available — the JCT says the bottom 50% of income earners faced an average rate of 6.3% compared to 32.9% for the top 0.01% of earners.

The Tax Foundation notes that the income tax is the most progressive aspect of the federal tax system, providing an effective rate of -2% for the bottom half of earners when factoring refundable tax credits.

More Federal Dollars Coming to Ohio

The U.S. Department of Treasury announced that Ohio will receive nearly $5.4 billion as part of the $1.9 trillion American Rescue Plan (ARP) Act. Another $6.6 billion will be sent to Ohio counties, cities, and townships. In all, 37 Ohio cities and townships and all 88 counties will receive funding.

Ohio Attorney General Dave Yost criticized the Treasury Department for including in its guidance the ARP's restriction that forbids states from providing tax relief if they accept the federal funds. A federal judge has ruled that Yost may proceed with his lawsuit challenging Congress' stipulation that the ARP funding can't be used, directly or indirectly, to offset state tax cuts

Inflation Gauges Show Big Jump from One Year Ago

According to new federal data, U.S. inflation accelerated at its fastest pace since 2008 with the Consumer Price Index (CPI) spiking 4.2% from a year ago. The index for used cars and trucks rose 10% percent in April, the largest one-month increase since tracking began in 1953.

Meanwhile, the Producer Price Index spiked 6.2% for the 12 months ended in April, the largest increase since the Bureau of Labor Statistics started tracking the data.

Biden's Far-Reaching Tax Overhaul Plan

Last month, President Joe Biden announced his $1.8 trillion American Families Plan, the third step in his "Build Back Better" policy initiative. This followed an earlier announcement of the president's proposed $2.3 trillion American Jobs Plan, which would be funded with the "Made in America" tax plan. These plans propose major changes to the federal tax system, including tax increases on both individuals and businesses.

Manufacturers Respond to Biden's Proposed Tax Hikes

The Biden administration has announced details on two major initiatives — one to fund a massive expansion of social and educational programs; the other to fund new infrastructure spending.

National Association of Manufacturers President and CEO Jay Timmons has reacted to President Joe Biden's address to Congress. Timmons says manufacturers want to work with the administration to achieve historic infrastructure investment and other priorities, but cautions that "raising taxes on manufacturers — including many small businesses that pay at the individual rate — would stop our recovery in its tracks" and cost American jobs. He also warns against enacting anti-worker policies like the PRO Act.

Ohio's Top Combined Cap Gains Rates Would Soar to 48% Under Biden Plan
President Biden's American Family Plan includes a big increase in the top federal tax rate on long-term capital gains and qualified dividends, from 23.8% today to 39.6%. This would bring the top federal rate to highs not seen since the 1920s — an obvious disincentive to invest, including for many Ohio manufacturers.

The non-partisan Tax Foundation reports that under the Biden plan, the maximum federal rate on capital gains would be 43.4% when including the net investment income tax. This means Ohio's maximum combined capital gains rate would soar from the current 28.6% to 48.2%.

Federal Taxes, Spending, Deficit Set Records in First Half of FY2021
Federal tax receipts, spending, and the federal deficit all set records in the first six months of fiscal 2021 (October through March), according to a U.S. Treasury Department monthly statement. Federal tax revenues climbed to a record $1.7 trillion in the October-through-March period, while federal spending climbed to $3.41 trillion. This fiscal year's October-through-March spending was up 42% compared to the previous year.

Executive	As Passed By House

Personal Income Tax

TAXCD2 Reciprocity agreement deduction

Executive	As Passed By House
R.C. 5747.01, Section 803.60	**R.C. 5747.01, Section 803.60**
Clarifies that income not subject to tax based on a reciprocity agreement between Ohio and another state may be deducted on a taxpayer's annual return. (Those agreements allow nonresidents to be exempted from Ohio's income tax on income earned or received as long as that other state provides the same tax treatment for Ohio residents.)	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**

TAXCD26 Reference to a federal tax credit in Ohio income tax law

Executive	As Passed By House
R.C. 5747.01, Section 803.60	**R.C. 5747.01, Section 803.60**
Amends references in the state's income tax law to the federal "targeted jobs" tax credit, which has been renamed in federal law as the "work opportunity" tax credit.	Same as the Executive.
Fiscal effect: None. The work opportunity tax credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have faced significant barriers to employment.	**Fiscal effect: Same as the Executive.**

TAXCD30 Definition of taxable business income - technical amendment

Executive	As Passed By House
R.C. 5747.01, 5747.10	**R.C. 5747.01, 5747.10**
Corrects, in the definition of taxable business income, a cross-reference error to the business income deduction.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**

Executive	As Passed By House
TAXCD37 Railroad retirement benefits	
R.C. 5747.01, Section 803.60	**R.C. 5747.01, Section 803.60**
Explicitly authorizes a personal income tax deduction for all railroad retirement benefits that are exempt from state taxation under federal law.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**
TAXCD53 Venture capital gains income tax deduction	
	R.C. 5747.01, 122.851, 5703.21
No provision.	Authorizes an income tax deduction, for taxable years beginning in and after 2026, for all or a portion of capital gains received by investors in certain Ohio-based "venture capital operating companies" (VCOCs) certified by the Director of Development.
No provision.	Requires that a VCOC, in order to qualify for certification, must manage, or have capital commitments of, at least $50 million in active assets and must have residents of Ohio constitute at least two-thirds of its managing and general partners. Limits deductibility of gains to those that occur during the period for which the company is certified as an Ohio VCOC.
No provision.	Provides that the deduction equals 100% of the capital gain received by the taxpayer in the taxable year from a qualifying interest in an Ohio VCOC attributable to the company's investments in Ohio businesses and 50% of the capital gain received by the taxpayer from a qualifying interest in an Ohio VCOC attributable to the company's investments in all other businesses.

Executive	As Passed By House
	Fiscal effect: LBO staff is uncertain about the total amount of capital gains that will be generated by a VCOC after it is certified by the Development Services Agency. However, it is feasible to anticipate an income tax revenue loss of tens of millions per year beginning in FY 2027, albeit with substantial variability in revenue effects from year-to-year.

TAXCD47 Personal income tax rate reduction

Executive	As Passed By House
	R.C. 5747.02, Section 803.97
No provision.	Reduces tax rates on nonbusiness income by 2% across-the-board, starting for taxable years beginning in 2021.
	Fiscal effect: Reduces all funds revenue by $170 million in FY 2022 and $180 million in FY 2023. The GRF revenue loss would account for about $164 million and $174 million of these amounts, with the remaining losses split equally between the Local Government Fund and Public Library Fund. There would be an additional one-time revenue loss in FY 2022 associated with a reduction in withholding rates; depending on when the rates are adjusted, which may add roughly $85 million ($82 million GRF) to the FY 2022 revenue loss. (Note: This entry was revised on May 13, 2021. The error in the original estimates was corrected, which resulted in higher revenue loss estimates for both fiscal years. The original estimates showed all funds revenue losses of $148 million in FY 2022 and $156 million in FY 2023 with an additional one-time revenue loss of about $74 million in FY 2022 associated with a reduction in withholding rates.)

Executive		As Passed By House	
TAXCD1	**Resident credit amended return time period**		
R.C.	**5747.05**	**R.C.**	**5747.05**
Changes the time within which to file an amended return to report changes to a taxpayer's Ohio resident credit from 60 days to 90 days, making the time period consistent with other amended return deadlines. (Because the resident credit is often contingent on tax required to be paid to another state or the District of Columbia, when the tax liability to the other jurisdiction is corrected, the Ohio resident tax credit must also be corrected.)		Same as the Executive.	
Fiscal effect: None.		**Fiscal effect: Same as the Executive.**	
TAXCD25	**Income tax credit for tax withholdings**		
R.C.	**5747.08, Section 803.70**	**R.C.**	**5747.08, Section 803.70**
Clarifies that any income tax withheld, including from a taxpayer's wages, lottery and casino winnings, or retirement income, entitles the taxpayer to a credit for such amounts on the taxpayer's annual return.		Same as the Executive.	
States that the provision is intended to clarify existing law and applies to taxable years beginning on and after January 1, 2016.		Same as the Executive.	
Fiscal effect: None.		**Fiscal effect: Same as the Executive.**	
TAXCD27	**Business Income Deduction (BID) reporting requirement**		
R.C.	**5747.08, Section 803.80**		
Removes the requirement that taxpayers claiming the business income deduction indicate on their annual return the North American Industry Classification System (NAICS) code of each business or professional activity from which that income is derived.		No provision.	

Executive	As Passed By House
Fiscal effect: None. The reporting requirement was originally imposed by S.B. 26 of the 133rd General Assembly, which provided that, beginning with tax year 2020, taxpayers claiming the BID must report the 6-digit NAICS code for each of their sources of business income on "Ohio Schedule IT BUS," for purposes of the state income tax.	
TAXCD52 Income tax deduction for capital gain from sale of business	
	R.C. 5747.79, 5747.01
No provision.	Allows an income tax deduction, beginning tax year 2026, for capital gains for taxpayers with an ownership interest in a business. Provides that the deduction equals the lesser of 1) the capital gain or 2) a percentage of the business' payroll over a specified period, based on the taxpayer's proportionate interest in the business.
No provision.	Allows the deduction to taxpayers who either 1) materially participated in a business that was headquartered in Ohio for the five preceding years or 2) made a venture capital investment of at least $1 million in such a business. Provides that the deduction based on the business' payroll is based on payroll as defined for income tax withholding purposes, excluding amounts paid to the taxpayer or specified relatives of the taxpayer.
	Fiscal effect: Revenue loss to the GRF, Local Government Fund, and Public Library Fund, beginning in FY 2027. Revenue losses likely would vary considerably from year to year. The Department of Taxation estimates annual revenue losses ranging from the upper tens of millions to the lower to middle hundreds of millions of dollars.

Executive	As Passed By House
TAXCD36 Fraudulent unemployment compensation	
Section: 757.10	**Section: 757.10**
Declares that the State of Ohio does not intend to impose tax on unemployment compensation reported to a person whose identity was fraudulently used by a third party to collect unemployment compensation.	Same as the Executive, but requires the publication of information about such fraud on the websites of the Department of Job and Family Services and the Department of Taxation until June 2023.
Fiscal effect: None. The Internal Revenue Service instructs taxpayers who are unable to obtain a timely, corrected Form 1099-G for unemployment benefits from states to file an accurate tax return, reporting only the income they received. Taxpayers are not expected to include unemployment benefits they did not actually receive because of identity theft.	**Fiscal effect: Same as the Executive.**

Sales and Use Taxes

Executive	As Passed By House
TAXCD40 Sales tax exemption-investment metal bullion and coins	
	R.C. 5739.02, Section 803.93
No provision.	Reinstates the sales and use tax exemption for sales of investment metal bullion and investment coins. (The exemption was repealed by H.B. 166 of the 133rd General Assembly.)
	Fiscal effect: Reduces sales tax revenue to the GRF by $5.8 million per year. Reduces revenue from permissive county and transit authorities taxes by $1.7 million per year.
TAXCD49 County sales tax -operation of detention facility	
	R.C. 5739.021
No provision.	Authorizes county sales taxes levied to fund the construction, acquisition, equipping, or repair of a detention facility to additionally be used to fund the facility's operations. (Continuing law authorizes counties, under certain circumstances, to levy up to a 0.5% sales tax for this purpose).

Executive	As Passed By House
	Fiscal effect: None.
TAXCD33 Use tax for remote sellers	
R.C. 5741.01, 5741.03, 5741.032 (repealed), Section 610.30	**R.C. 5741.01, 5741.03, 5741.032 (repealed), Section 610.30**
Repeals certain provisions of use tax law that would have applied only in the event that an act of Congress authorized states to compel "remote sellers" to collect and remit use tax.	Same as the Executive.
Fiscal effect: None. Following a U.S. Supreme Court decision in 2018 which allowed states to require collection and remittance of use tax by remote sellers, H.B. 166 (133rd G.A.) enacted language implementing the Court's decision. The Court's decision made Congressional action unnecessary, which made the provisions to be repealed obsolete.	**Fiscal effect: Same as the Executive.**
<u>Commercial Activity Tax</u>	
TAXCD28 JCTC reporting of work-from home employees	
R.C. 122.17	**R.C. 122.17**
Allows any business that receives the Job Creation Tax Credit (JCTC) to include work-from-home employees in its annual reporting of employment and payroll, thus allowing those employees' payroll to count towards computing and verifying the credit, beginning with reports filed for 2020. (Current law only allows JCTC recipients whose applications were approved after September 29, 2017, to include work-from-home employees).	Same as the Executive.
Fiscal effect: None. (Potentially prevents a loss of approved credits for taxpayers with JCTC agreements authorized prior to September 29, 2017, and whose employees may be required to work from home).	**Fiscal effect: Same as the Executive.**

Executive	As Passed By House
TAXCD29 JCTC expansion - alternative eligibility	
R.C. 122.17, 122.86, Section 701.20	
Requires the Director of Development to adopt rules establishing alternative JCTC eligibility requirements for businesses that do not meet the minimum employment (ten new employees) or payroll thresholds prescribed by current rules but are otherwise eligible for the credit. Limits total credits awarded under the new eligibility criteria to $25 million per fiscal biennium.	No provision.
Reduces, from $50 million to $25 million, the biennial credit allotment for an existing income tax credit for investments in smaller businesses. (This credit is issued by the Director of Development).	No provision.
Fiscal effect: The JCTC may be claimed against the commercial activity tax (CAT), the petroleum activity tax, the personal income tax, the financial institutions tax, the domestic and foreign insurance taxes, and the corporate franchise tax. The executive anticipates this provision would reduce CAT receipts to the GRF by $10 million in FY 2023, the earliest expected revenue loss.	
TAXCD34 Common ownership test for CAT taxpayers groups	
R.C. 5751.015	
Codifies an administrative rule related to which business entities are considered to be part of a consolidated elected or combined taxpayer group. (Under the CAT, each entity in a consolidated elected taxpayer group may elect, and each entity in a combined taxpayer group is required, to aggregate their taxable gross receipts and file as a single taxpayer.)	No provision.
Fiscal effect: None.	

Executive	As Passed By House
TAXCD41 Commercial activity tax (CAT) administrative earmark	
	R.C. 5751.02, 812.20
No provision.	Reduces from 0.65% to 0.5% beginning July 1, 2021, the percentage of CAT revenue credited to the Revenue Enhancement Fund (Fund 2280).
	Fiscal effect: Lowers the amount of CAT revenue deposited into Fund 2280 for the Department's tax administration purposes by about $3.3 million each fiscal year, and correspondingly increases the combined amount of CAT receipts deposited in the GRF (85%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 13%), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 2%) by $3.3 million per year.
TAXCD31 Calculation of the annual minimum tax for the CAT	
R.C. 5751.03, Section 812.20	**R.C. 5751.03, Section 812.20**
Requires the calculation of the annual minimum tax applicable to the first $1 million in taxable gross receipts to be determined on the basis of taxable gross receipts reported in the preceding, rather than the current calendar year.	Same as the Executive.
Fiscal effect: None. (Clarifies the reporting requirement for AMT taxpayers and reduces the process of reconciling actual tax paid with what was actually owed, as current law demands taxpayers estimate future gross receipts.)	**Fiscal effect: Same as the Executive.**
TAXCD32 CAT: QDC technical amendment	
R.C. 5751.40	**R.C. 5751.40**
Corrects a cross reference error in the law governing the qualified distribution center (QDC) exclusion used in computing taxable gross receipts for the CAT.	Same as the Executive.

Executive	As Passed By House
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**

Financial Institutions Tax

TAXCD12 Financial institutions tax - technical amendment

Executive	As Passed By House
R.C. 5726.20, Section 803.50	**R.C. 5726.20, Section 803.50**
Corrects an erroneous cross-reference in the financial institutions tax law.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**

Kilowatt-hour and Natural Gas Consumption Taxes

TAXCD48 Kilowatt-hour tax exemption

Executive	As Passed By House
	R.C. 5727.80, 5727.81 and Section 803.100
No provision.	Clarifies the law exempting certain end users from the kilowatt-hour tax by specifying that the tax does not apply to an end user that (1) generates its own electricity primarily for its own consumption on the same premises, but that also provides excess electricity to other entities, or (2) generates its own electricity primarily for its own consumption at a facility that is located on property that is contiguous to the property on which the electricity is consumed, provided, in either case, the generation facility does not initially exceed the end user's necessary electricity needs. (Currently, an end user is exempt if it uses self-generated electricity on the same site where the electricity was generated.)
No provision.	States that the amendment is intended to clarify existing law.

Executive	As Passed By House
	Fiscal effect: The Tax Department estimates that this would reduce all funds revenue by approximately $2.6 million in FY 2022 and $3.9 million in FY 2023, of which the GRF revenue loss would be about $2.5 million and $3.8 million in FY 2022 and FY 2023, respectively. The remaining approximately $0.1 million revenue loss each year would be split equally between the Local Government Fund and Public Library Fund. The reductions to LGF and PLF allocations will reduce distributions to counties, municipalities, townships, public libraries and other political subdivisions.

Property Taxes and Transfer Fees

TAXCD45 Property tax exemption: urban agricultural area

Executive	As Passed By House
	R.C. 323.161, 319.302, 323.155
No provision.	Allows a county with a population between 400,000 and 450,000 (Lucas County) to designate areas within the boundaries of a municipality an "urban agricultural area" and to allow qualifying urban farmers located within such an area to apply for a full or partial exemption only from property taxes charged by the county. Limits the initial term of the exemption to five years or less, but permits it to be renewed. Specifies that the urban farm must not be enrolled in the current agricultural use valuation program, and the urban farmer must meet certain eligibility criteria in order to qualify. **Fiscal effect: May result in loss of property tax revenue to Lucas County. The county's levies totaled about 20.08 mills or 2% for tax year 2020, implying that the county could choose to exempt taxes totaling about that percentage of the taxable value of the qualifying urban farm.**

Executive	As Passed By House
TAXCD43 Clark County lodging tax	
	R.C. 351.021
No provision.	Authorizes a county that has a 2000 population of between 130,000 and 150,000, and that has a city with a 2000 population of more than 50,000 (Clark County), to increase its existing Convention Facilities Authority lodging tax rate from 3% to 4%.
	Fiscal effect: Department of Taxation data indicate that 6% lodging taxes in the City of Springfield and two townships, all in Clark County, raised $1.1 million in 2018. Based on these figures, a 1 percentage point increase in Clark County's lodging tax might raise about $190,000 per year. (No data are shown in this source for the county's lodging tax.)
TAXCD44 Improper homestead exemption recovery	
	R.C. 4503.066, 323.153
No provision.	Imposes a charge against real property or manufactured or mobile homes receiving the homestead exemption if the property owner or occupant failed to notify the county auditor that the owner or occupant no longer qualified for the exemption, as required under continuing law. Specifies the amount of the charge equals the tax savings, plus interest, for each tax year that the owner or occupant did not qualify for the exemption.

Executive	As Passed By House
	Fiscal effect: Increases local property tax receipts by an indeterminate amount on behalf of erroneously claimed homestead exemptions later recovered by the applicable county. Although existing law provides for the recoupment of the owner-occupancy reduction (i.e., 2.5% property tax rollback) if the auditor later discovers that the owner was not entitled to the reduction and failed to notify the auditor, there is no similar reference in law for the recoupment of a homestead exemption. Nor is there any reference to an auditor's ability to retroactively invalidate a prior year's application or continuing application.
TAXCD46 Emergency and police services combined levy	
	R.C. 5705.19, Section 803.90
No provision.	Authorizes a municipal corporation or a township to permanently impose, with voter approval, a combined levy for fire and emergency medical services (EMS) and police services. (Separate police and fire/EMS levies may already be levied for a continuing period, and combined levies may already be levied for five or fewer years.)
	Fiscal effect: Allows another option for funding local police and fire/EMS services, reducing the number of times levies would need voter approval.
TAXCD4 Property tax exemption for supportive mental health housing	
R.C. 5709.121, Section 803.30	**R.C. 5709.121, Section 803.30**
Authorizes a property tax exemption for qualifying housing used by individuals diagnosed with mental illness or substance use disorder and their families. Applies beginning in tax year 2021, as well as to any pending tax exemption application.	Same as the Executive.

Executive	As Passed By House
Fiscal effect: Expanded criteria under which housing for disabled persons may qualify for property tax exemption may result in lower real property tax revenue to school districts and other units of local government. Such property was determined to be taxable in a recent Board of Tax Appeals decision. Revenue loss from tax exemption is uncertain but may range up to $15 million-$32 million per year.	**Fiscal effect: Same as the Executive.**

TAXCD51 Disability housing property tax exemption

Executive	As Passed By House
	R.C. 5709.121, Section 803.30
No provision.	Modifies the eligibility criteria for an existing tax exemption for property used to provide housing to persons with developmental disabilities. Waives a requirement in current law, that the charitable organization that owns the property must receive funding from one or more county boards of developmental disabilities, if at least 75% of the persons who lease the property for housing are eligible for certain Medicaid-funded services administered by the Department of Developmental Disabilities. **Fiscal effect: Exempts additional property from taxation. Will result in revenue losses for school districts and local governments.**

TAXCD50 Property tax exemption for qualified energy projects

Executive	As Passed By House
	R.C. 5727.75
No provision.	Extends, by two years, the deadline by which the owner or lessee of a qualified renewable energy project may apply for a property tax exemption.

Executive	As Passed By House
	Fiscal effect: Potential revenue losses to school districts and other political subdivisions, though revenue losses to counties are permissive in certain cases, as explained below. The provision applies to prospective renewable energy (e.g., wind and solar) facilities that will newly obtain the property tax exemption for the two-year period, tax year (TY) 2024-TY 2025. Once a renewable energy project qualifies for this certification, it is exempt from taxation in all ensuing tax years. Since this exemption was originally enacted in 2010, the Ohio Development Services Agency has certified more than 60 renewable energy projects. The property tax exemption applies to real and tangible personal property used by the energy facility. If the nameplate capacity of a qualified energy project is 20 megawatts (MW) or greater, the local board of county commissioners must approve its tax-exempt status. In return for this approval, the owner or lessee of an energy project must make a payment in lieu of taxes (or "PILOT") ranging between $6,000 and $9,000 per each MW of nameplate capacity.

TAXCD10 Property tax administration

Section: 409.20	**Section: 409.20**
Requires the Tax Commissioner in FY 2022, notwithstanding section 5703.80 or division (F) of section 321.24 of the Revised Code, not to compute or certify the amounts calculated under divisions (A) and (B) of that section. Requires the Director of Budget and Management not to transfer any amounts from the General Revenue Fund to the Property Tax Administration Fund (Fund 5V80) in fiscal year 2022.	Same as the Executive.
Prohibits the Director of Budget and Management to transfer any amounts from the General Revenue Fund to the Property Tax	Same as the Executive.

Executive	As Passed By House
Administration Fund in fiscal year 2022, and prohibits the Tax Commissioner to subtract any amounts computed under section 5703.80 of the Revised Code, as amended by this act, from the payments made from the GRF to county treasurers under division (F) of section 321.24 of the Revised Code.	
Specifies that the Property Tax Administration Fund shall be funded as provided in section 5703.80 and division (F) of section 321.24 of the Revised Code during FY 2023.	Same as the Executive.
Fiscal effect: Section 5703.80 provides for funding of property tax administration with 0.25% or less of the amount of the 10% rollback on residential and agricultural real property and 0.45% or less of the amount of taxes on public utility tangible personal property, limited to costs to administer these taxes. These percentages were reduced by H.B. 26 of the 132nd G.A. and calculation of them was suspended in FY 2018 through FY 2021. Prior to FY 2018, revenues to Fund 5V80 considerably outpaced expenditures, and cash accumulated in Fund 5V80, due in part to expansion of pipelines in the state. Property tax administration costs were paid out of these accumulated cash balances during FY 2018 through FY 2021 while transfers to Fund 5V80 were suspended. Property tax administration expenses totaled about $3.6 million in FY 2020. Suspension of transfers is to continue in FY 2022 under the Executive's proposed budget, and transfers resume in FY 2023.	**Fiscal effect: Same as the Executive.**

Other Taxation Provisions

Executive	As Passed By House
TAXCD13 Wireless 9-1-1 Government Assistance Fund distribution	
R.C. 128.55	**R.C. 128.55**
Requires the monthly disbursements made by the Tax Commissioner from the Wireless 9-1-1 Government Assistance Fund (Fund 7093) to county treasurers to be made in the same proportion distributed to that county in the corresponding month of the previous calendar year, instead of the current law disbursements requirement that is based on the same amounts disbursed in the corresponding months in 2013 made by the Public Utilities Commission of Ohio (PUCO).	Same as the Executive.
Requires any shortfall in distributions resulting from the timing of funds received in a previous month to be distributed in the following month. (Under current law, the distribution requirement due to insufficient funds is based on reducing each county's share in proportion to the corresponding month in 2013 until the amount available in Fund 7093 is allocated, and such shortfalls must be remedied in the following month.)	Same as the Executive.
Fiscal effect: None. Total disbursements to counties in calendar year (CY) 2020 were the same as the distributions made by PUCO in CY 2013.	**Fiscal effect: Same as the Executive.**
TAXCD42 Delinquent municipal income tax collection: federal Treasury Offset Program	
	R.C. 131.025
No provision.	Requires the Attorney General to participate in the federal Treasury Offset Program (TOP) for the collection of past due municipal income taxes to the extent that such taxes qualify for the program.
No provision.	Specifies that the Attorney General is the tax administrator with respect to past due municipal income taxes that are certified to the Attorney General for collection solely for the purpose of

Executive	As Passed By House
	qualifying for the TOP. **Fiscal effect: TOP is a program in which state and federal tax administrators cooperate to collect delinquent taxes. Adding municipal income taxes to the program will increase collections, but likely not by a substantial amount; participation is voluntary for municipalities. Since the state already participates in TOP, additional costs, including AGO costs, would be minimal.**
TAXCD14 Estate tax filing and fees	
R.C. 319.54, 321.27, 5731.21, 5731.24, 5731.28, and 5731.41	**R.C. 319.54, 321.27, 5731.21, 5731.24, 5731.28, and 5731.41**
Makes administrative changes to the repealed estate tax and the fees allowed to officials and agents for collecting the tax. Provides that no estate tax is due for property first discovered after December 31, 2021. (The state estate tax was repealed on January 1, 2013, but the tax continues to apply to newly-discovered property of decedents who died before that date.)	Same as the Executive.
Fiscal effect: Potential revenue loss is likely negligible; estate tax receipts continue to trickle in since the tax was repealed. In FY 2020, receipts were about $0.5 million; about $0.1 million was deposited into the GRF and $0.4 million was the share to local governments.	**Fiscal effect: Same as the Executive.**
TAXCD18 Verification of liquor permit holder payments to local subdivisions	
R.C. 4303.271, 4303.26, Section 803.20	**R.C. 4303.271, 4303.26, Section 803.20**
Requires the Tax Commissioner, beginning February 1, 2022, to annually verify that a liquor permit holder is current on its payments of resort area and tourism development district gross receipts taxes, which are levied by certain subdivisions.	Same as the Executive.

Executive	As Passed By House
Fiscal effect: May increase resort areas and tourism development districts receipts by a minimal amount.	**Fiscal effect: Same as the Executive.**
TAXCD35 Motor vehicle title fee partial reallocation	
R.C. 4505.09	**R.C. 4505.09**
Reallocates 10¢ of each fee collected on vehicle title issuance from the Motor Vehicle Sales Audit Fund (Fund 4360), used by the Department of Taxation, to the Highway Operating Fund (Fund 7002), used by the Department of Transportation.	Same as the Executive.
Fiscal effect: Revenue increase of approximately $600,000 per fiscal year to Fund 7002, and an equal decline of revenue to Fund 4360.	**Fiscal effect: Same as the Executive.**
TAXCD20 Sharing information with State Racing Commission	
R.C. 5703.21	**R.C. 5703.21**
Permits the Department of Taxation to share certain information with the State Racing Commission necessary to verify compliance with horse-racing laws.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**
TAXCD3 Tax refund application review process	
R.C. 5703.70	**R.C. 5703.70**
Explicitly authorizes the Tax Commissioner to adjust the amount of a state tax refund multiple times before issuing a final refund determination in response to the refund requestor's submission of additional information following notice of the Commissioner's preliminary determination.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**

Executive	As Passed By House
TAXCD21 Political subdivision funds transfer approval period	
R.C. 5705.16	**R.C. 5705.16**
Extends, from 10 days to 30 days, the time allowed the Tax Commissioner to approve or disapprove a political subdivision's petition for a transfer of moneys between certain of the subdivision's funds.	Same as the Executive.
Fiscal effect: None.	**Fiscal effect: Same as the Executive.**
TAXCD11 Pollution control facility tax exemptions	
R.C. 5709.21, Section 803.40	
Requires an application to the Tax Commissioner for a property and sales and use tax exemption for certain facilities used to abate pollution, noise, or energy waste (i.e., an exempt facility certificate) to separately identify property exclusively and necessarily used for the operation of the facility ("exclusive property"), as distinct from auxiliary property that may also be used for other purposes. (A property tax exemption for auxiliary property is calculated differently than for exclusive property.)	No provision.
Specifies that the requirement to separately identify exclusive property applies to applications for an exempt facility certificate filed on and after the provision's effective date.	No provision.
Requires an applicant to prove which property is exclusive property for applications filed before that date, in which such property was not separately distinguished.	No provision.
Fiscal effect: None.	

Executive	As Passed By House
TAXCD38 Business incentive tax credits	
Section: 757.20	**Section: 757.20**
Provides estimates of the amounts of business incentive tax credits that may be authorized and claimed during the biennium and the amount of authorized credits that may be outstanding at the end of the biennium.	Same as the Executive.

Appropriation Language

Executive	As Passed By House
TAXCD5 Tax refunds	
Section: 409.20	**Section: 409.20**
Specifies that appropriation item 110635, Tax Refunds, is to be used to pay refunds under section 5703.052 of the Revised Code. Appropriates additional amounts if needed for this purpose.	Same as the Executive.
TAXCD6 Vendor's license payments	
Section: 409.20	**Section: 409.20**
Specifies that appropriation item 110631, Vendor's License Application, is to be used to make payments to county auditors under section 5739.17 of the Revised Code. Appropriates additional amounts if necessary to make such payments.	Same as the Executive.
TAXCD7 International registration plan administration	
Section: 409.20	**Section: 409.20**
Specifies that appropriation item 110616, International Registration Plan Administration, is to be used under section 5703.12 of the Revised Code for audits of persons with vehicles registered under the International Registration Plan.	Same as the Executive.

Executive	As Passed By House
TAXCD8 **Travel expenses for the streamlined sales tax project**	
Section: 409.20	**Section: 409.20**
Specifies that appropriation item 110607, Local Tax Administration, may be used by the Tax Commissioner to disburse funds, if available, for the purposes of paying travel expenses incurred by members of Ohio's delegation to the Streamlined Sales Tax Project, as appointed under section 5740.02 of the Revised Code. Requires any travel expense reimbursement paid for by the Department of Taxation to be done in accordance with applicable state laws and guidelines.	Same as the Executive.
TAXCD9 **Tobacco settlement enforcement**	
Section: 409.20	**Section: 409.20**
Requires appropriation item 110404, Tobacco Settlement Enforcement, to be used by the Tax Commissioner to pay costs incurred in the enforcement of divisions (F) and (G) of section 5743.03 of the Revised Code.	Same as the Executive.

Executive	As Passed By House
AGRCD1 Wine tax revenue credited to the Ohio Grape Industries Fund	
R.C. 4301.43	**R.C. 4301.43**
Makes permanent the 2¢ per-gallon earmark of wine tax revenue that is credited to the Ohio Grape Industries Fund (Fund 4960), which is used to support and promote the Ohio grape and wine industry. (Currently, the earmark expires on June 30, 2021).	Same as the Executive.
Fiscal effect: Fund 4960 received approximately $1.2 million from wine tax proceeds in FY 2020. Receipts from the wine tax are otherwise credited to the GRF. In contrast to prior budgets which have extended this provision every two years, this provision makes the 2¢ per-gallon earmark permanent.	**Fiscal effect: Same as the Executive.**

Executive	As Passed By House
OBMCD6 Void income tax refund warrants	
R.C. 126.37	**R.C. 126.37**
Reduces the amount of time by which the Director of Budget and Management must void any aged warrant that draws on the state treasury for income tax refunds from two years to 90 days, which is consistent with the time for voiding all other warrants drawn from the state treasury.	Same as the Executive.
Fiscal effect: Nominally increases GRF cash balance on behalf of taxpayers that do not cash their income tax refund checks between 91 days and two years after the warrant is issued.	**Fiscal effect: Same as the Executive.**

Executive	As Passed By House
DOHCD9 Combined health district property tax authority	
R.C. 3709.291	
Authorizes combined health districts to levy property tax, with voter approval, for operating expenses.	No provision.
Fiscal effect: Potential increase in administrative costs to county boards of elections, as well as a potential gain in tax revenue for boards of health of a combined health district if a new tax levy is approved. According to ODH, this could facilitate local health district mergers.	

Executive	As Passed By House
INSCD5 **Long-term care insurance tax credit study**	
	Section: 757.30
No provision.	Requires the Departments of Insurance and Medicaid to complete a joint study by July 1, 2022, analyzing whether offering tax credits for the purchase of long-term care insurance would increase the number of Ohioans with such insurance.
	Fiscal effect: Increase in costs to the departments. If production of the report is contracted out instead of using existing staff, the cost could be in the tens of thousands. Department of Insurance costs would be paid from Fund 5540.

As Introduced

134th General Assembly
Regular Session **H. B. No. 234**
2021-2022

Representatives Gross, McClain

Cosponsors: Representatives Powell, Zeltwanger, Riedel, Merrin, Click, Holmes, Wiggam, Hall, Cross, Dean, Fowler Arthur, Householder, Schmidt, Ferguson

A BILL

To amend sections 5751.02 and 5751.03 of the Revised Code to repeal the commercial activity tax with a five-year phase-out.

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

Section 1. That sections 5751.02 and 5751.03 of the Revised Code be amended to read as follows:

Sec. 5751.02. (A) For the purpose of funding the needs of this state and its local governments, ~~there is hereby levied~~ a commercial activity tax is hereby levied for tax periods ending before January 1, 2026, on each person with taxable gross receipts for the privilege of doing business in this state. For the purposes of this chapter, "doing business" means engaging in any activity, whether legal or illegal, that is conducted for, or results in, gain, profit, or income, at any time during a calendar year. Persons on which the commercial activity tax is levied include, but are not limited to, persons with substantial nexus with this state. The tax imposed under this section is not a transactional tax and is not subject to Public Law No. 86-272, 73 Stat. 555. The tax imposed under this section is in addition to any other taxes or fees imposed under the Revised Code. The tax levied under this section is imposed on the person receiving the gross receipts and is not a tax imposed directly on a purchaser. The tax imposed by this section is an annual privilege tax for the calendar year that, in the case of calendar year taxpayers, is the annual tax period and, in the case of calendar quarter taxpayers, contains all quarterly tax periods in the calendar year. A taxpayer is subject to the annual privilege tax for doing business during any portion of such calendar year.

(B) The tax imposed by this section is a tax on the taxpayer and shall not be billed or invoiced to another person. Even if the tax or any portion thereof is billed or invoiced and separately stated, such amounts remain part of the price for purposes of the sales and use taxes levied under Chapters 5739. and 5741. of the Revised Code. Nothing in division (B) of this section prohibits:

(1) A person from including in the price charged for a good or service an amount sufficient to recover the tax imposed by this section; or

(2) A lessor from including an amount sufficient to recover the tax imposed by this section in a lease payment charged, or from including such an amount on a billing or invoice pursuant to the terms of a written lease agreement providing for the recovery of the lessor's tax costs. The recovery of such costs shall be based on an estimate of the total tax cost of the lessor during the tax period, as the tax liability of the lessor cannot be calculated until the end of that period.

(C)(1) The commercial activities tax receipts fund is hereby created in the state treasury and shall consist of money arising from the tax imposed under this chapter. Sixty-five one-hundredths of one per cent of the money credited to that fund shall be credited to the revenue enhancement fund and shall be used to defray the costs incurred by the department of taxation in administering the tax imposed by this chapter and in implementing tax reform measures. The remainder of the money in the commercial activities tax receipts fund shall first be credited to the commercial activity tax motor fuel receipts fund, pursuant to division (C)(2) of this section, and the remainder shall be credited in the following percentages each fiscal year to the general revenue fund, to the school district tangible property tax replacement fund, which is hereby created in the state treasury for the purpose of making the payments described in section 5709.92 of the Revised Code, and to the local government tangible property tax replacement fund, which is hereby created in the state treasury for the purpose of making the payments described in section 5709.93 of the Revised Code, in the following percentages:

	1	2	3	4
A	Fiscal year	General Revenue Fund	School District Tangible Property Tax Replacement Fund	Local Government Tangible Property Tax Replacement Fund
B	2014 and 2015	50.0%	35.0%	15.0%

C	2016 and 2017	75.0%	20.0%	5.0%
D	2018 and thereafter	85.0%	13.0%	2.0%

(2) Not later than the twentieth day of February, May, August, and November of each year, the commissioner shall provide for payment from the commercial activities tax receipts fund to the commercial activity tax motor fuel receipts fund an amount that bears the same ratio to the balance in the commercial activities tax receipts fund that (a) the taxable gross receipts attributed to motor fuel used for propelling vehicles on public highways as indicated by returns filed by the tenth day of that month for a liability that is due and payable on or after July 1, 2013, for a tax period ending before July 1, 2014, bears to (b) all taxable gross receipts as indicated by those returns for such liabilities.

(D)(1) If the total amount in the school district tangible property tax replacement fund is insufficient to make all payments under section 5709.92 of the Revised Code at the times the payments are to be made, the director of budget and management shall transfer from the general revenue fund to the school district tangible property tax replacement fund the difference between the total amount to be paid and the amount in the school district tangible property tax replacement fund.

(2) If the total amount in the local government tangible property tax replacement fund is insufficient to make all payments under section 5709.93 of the Revised Code at the times the payments are to be made, the director of budget and management shall transfer from the general revenue fund to the local government tangible property tax replacement fund the

difference between the total amount to be paid and the amount in the local government tangible property tax replacement fund.

(E)(1) On or after the first day of June of each year, the director of budget and management may transfer any balance in the school district tangible property tax replacement fund to the general revenue fund.

(2) On or after the first day of June of each year, the director of budget and management may transfer any balance in the local government tangible property tax replacement fund to the general revenue fund.

(F)(1) There is hereby created in the state treasury the commercial activity tax motor fuel receipts fund.

(2) On or before the fifteenth day of June of each fiscal year beginning with fiscal year 2015, the director of the Ohio public works commission shall certify to the director of budget and management the amount of debt service paid from the general revenue fund in the current fiscal year on bonds issued to finance or assist in the financing of the cost of local subdivision public infrastructure capital improvement projects, as provided for in Sections 2k, 2m, 2p, and 2s of Article VIII, Ohio Constitution, that are attributable to costs for construction, reconstruction, maintenance, or repair of public highways and bridges and other statutory highway purposes. That certification shall allocate the total amount of debt service paid from the general revenue fund and attributable to those costs in the current fiscal year according to the applicable section of the Ohio Constitution under which the bonds were originally issued.

(3) On or before the thirtieth day of June of each fiscal

year beginning with fiscal year 2015, the director of budget and management shall determine an amount up to but not exceeding the amount certified under division (F)(2) of this section and shall reserve that amount from the cash balance in the petroleum activity tax public highways fund or the commercial activity tax motor fuel receipts fund for transfer to the general revenue fund at times and in amounts to be determined by the director. The director shall transfer the cash balance in the petroleum activity tax public highways fund or the commercial activity tax motor fuel receipts fund in excess of the amount so reserved to the highway operating fund on or before the thirtieth day of June of the current fiscal year.

Sec. 5751.03. (A) Except as provided in division (B) of this section, the tax levied under this section for each tax period shall be the product ~~of~~ obtained by multiplying two and six-tenths mills per dollar ~~times~~, the remainder of the taxpayer's taxable gross receipts for the tax period after subtracting the exclusion amount provided for in division (C) of this section, and one of the following:

(1) For calendar years ending before January 1, 2022, one hundred per cent;

(2) For calendar year 2022, eighty per cent;

(3) For calendar year 2023, sixty per cent;

(4) For calendar year 2024, forty per cent;

(5) For calendar year 2025, twenty per cent.

(B) Notwithstanding division (C) of this section, the tax on the first one million dollars in taxable gross receipts each calendar year shall be calculated as follows:

(1) For calendar years ending before January 1, 2022, one of the following:

(a) For taxpayers with annual taxable gross receipts of one million dollars or less for the calendar year, one hundred fifty dollars;

~~(2)~~ (b) For taxpayers with annual taxable gross receipts greater than one million dollars, but less than or equal to two million dollars for the calendar year, eight hundred dollars;

~~(3)~~ (c) For taxpayers with annual taxable gross receipts greater than two million dollars, but less than or equal to four million dollars for the calendar year, two thousand one hundred dollars;

~~(4)~~ (d) For taxpayers with annual taxable gross receipts greater than four million dollars for the calendar year, two thousand six hundred dollars.

(2) For calendar years 2022 and thereafter, the amount applicable to the taxpayer under division (B)(1) of this section multiplied by the applicable percentage for that calendar year under division (A)(1) to (5) of this section.

The tax imposed under division ~~(B)(1)~~ (B) of this section on taxpayers with annual taxable gross receipts of one million dollars or less for the calendar year shall be paid not later than the tenth day of May of each year along with the annual tax return. The tax imposed under ~~divisions (B)(2), (3), and (4)~~ division (B) of this section on all other taxpayers shall be paid not later than the tenth day of May of each year along with the first quarter tax return.

(C)(1) Each taxpayer may exclude the first one million dollars of taxable gross receipts for a calendar year. Calendar quarter taxpayers shall apply the full exclusion amount to the first calendar quarter return the taxpayer files that calendar year and may carry forward and apply any unused exclusion amount to subsequent calendar quarters within that same calendar year.

(2) A taxpayer switching from a calendar year tax period to a calendar quarter tax period may, for the first quarter of the change, apply the full one-million-dollar exclusion amount to the first calendar quarter return the taxpayer files that calendar year. Such taxpayers may carry forward and apply any unused exclusion amount to subsequent calendar quarters within that same calendar year. The tax rate shall be based on the rate imposed that calendar quarter when the taxpayer switches from a calendar year to a calendar quarter tax period.

(3) A taxpayer shall not exclude more than one million dollars pursuant to division (C) of this section in a calendar year.

Section 2. That existing sections 5751.02 and 5751.03 of the Revised Code are hereby repealed.

Tax

House Passes Muni Tax Withholding Measure

May 28, 2021

Clearing the House this week, employers are one step closer to having certainty on how they must treat income tax withholdings for their employees. **House Bill 157** would extend through the end of the year a temporary provision that allows municipal income tax withholdings to be based on an employee's principal work location, not where he/she is working remotely during COVID-19. The bill now heads to the Senate for consideration. *5/27/2021*

House Advances Bill to Change COVID-19 Rules for Local Income Tax Collection

May 21, 2021

Ohioans working from home in 2021 could end up paying taxes to the city where they live – not where their company has an office – if **House Bill 157** becomes law. This week, the House Ways and Means Committee advanced the measure for consideration by the full House.

Before the vote, the OMA **testified in support** of a new substitute bill. As originally introduced, HB 157 would have immediately repealed a temporary provision that currently allows municipal income tax withholdings to be based on an employee's principal work location, not where he/she is working remotely during COVID-19.

The sub-bill made several changes, including:

- Extends the temporary withholding provision through the end of the year (Dec. 31, 2021).
- Provides employers a "safe harbor" by waiving penalties and interest for employers that withheld municipal income tax on employees' wages in accordance with the temporary provision.
- Includes language prohibiting a municipality, as a condition for processing an individual's request for a refund, from requiring an employer to provide any documentation other than a statement verifying the number of days an employee worked at their principal work location.

For the latest information on this bill and other tax-related legislation, join the OMA's Tax and Finance Committee meeting on Wednesday, June 2 from 10 a.m. to noon. **Register here.** *5/20/2021*

At a Glance: Corporate Tax Rates Worldwide

May 21, 2021

President Joe Biden has pointed to corporate tax rates as one way to raise federal revenue, while critics of that plan — including the National Association of Manufacturers — have said doing so would make the U.S. much less competitive and **cost American jobs**.

HowMuch.net has published **this infographic** to compare corporate tax rates across the globe. The U.S. is currently in the middle of the pack with a top statutory corporate tax rate of 25.77%. Meanwhile, the Tax Foundation **notes** that corporate rates globally have declined over the past four decades. *5/18/2021*

A Look at Combined Rates for Federal Taxes

May 21, 2021

On Capitol Hill, the Joint Committee on Taxation (JCT) has released data showing what Americans pay in their combined federal taxes based on their income level. As **reported** by the Tax Foundation — using data from 2018, the most recent year available — the JCT says the bottom 50% of income earners faced an average rate of 6.3% compared to 32.9% for the top 0.01% of earners.

The Tax Foundation notes that the income tax is the most progressive aspect of the federal tax system, providing an effective rate of -2% for the bottom half of earners when factoring refundable tax credits. *5/17/2021*

Guidance on American Rescue Plan's Tax Credits

May 14, 2021

Some OMA members have recently asked for more details about the tax credits provided by the American Rescue Plan (ARP) Act, the most recent federal COVID-19 relief law. Here's a short list of helpful resources from OMA Connections Partners:

- GBQ Partners' **summary** of the extended Employee Retention Credit — a refundable tax credit against certain employment taxes that equals up to 70% of the qualified wages (as much as $28,000 per employee for 2021).
- Dinsmore's **summary** of the sick and family leave tax credit, which allows employers to take an additional credit for 100% of wages paid as qualified sick or family leave to employees.
- Benesch's **summary** of the ARP's COBRA coverage credit, as well as other key provisions in the law.

Also, the IRS recently **published details** regarding tax credits for employers that provide paid leave to employees to get COVID-19 vaccinations. *5/10/2021*

Ohio to Receive $12B in Federal Funds

May 14, 2021

This week, the U.S. Department of Treasury announced that Ohio will receive **nearly $5.4 billion** as part of the $1.9 trillion American Rescue Plan (ARP) Act. Another $6.6 billion will be sent to Ohio counties, cities, and townships. (**See the eligible funding sources.**) In all, 37 Ohio cities and townships and all 88 counties will receive funding.

Ohio Attorney General Dave Yost **criticized** the Treasury Department for including in its guidance the ARP's restriction that forbids states from providing tax relief if they accept the federal funds. A federal judge has ruled that Yost **may proceed with his lawsuit** challenging Congress' stipulation that the ARP funding can't be used, directly or indirectly, to offset state tax cuts. *5/13/2021*

Bill Would Create Sales Tax Exemption for Production of Electric Vehicle Parts

May 14, 2021

Last week, bipartisan legislation (**House Bill 292**) was introduced in the Ohio House to establish the Electric Vehicle Commission and create a temporary sales tax exemption for the production of electric vehicle parts. Co-sponsor Rep. **Al Cutrona** (R-Canfield) **says** electric vehicles are on track to be an essential part of the future of the automobile industry, and creating a commission to make recommendations is a productive first step. *5/14/2021*

Inflation Gauges Show Big Jump From a Year Ago

May 14, 2021

According to new **federal data**, U.S. inflation accelerated at its fastest pace since 2008 last month with the Consumer Price Index (CPI) spiking 4.2% from a year ago. The index for used cars and trucks rose 10% percent in April, the largest one-month increase since tracking began in 1953.
Meanwhile, the Producer Price Index **spiked 6.2%** for the 12 months ended in April, the largest increase since the Bureau of Labor Statistics started tracking the data.

In its **analysis**, OMA Connections Partner RSM reminds clients that comparing prices in today's marketplace to prices 12 months ago is an "apples-to-oranges comparison." *5/12/2021*

Let Your Representatives Know How Ohio's Changes to Income Tax Withholdings Would Affect Your Operations
May 7, 2021

When the General Assembly voted in March to override the governor's veto of **Senate Bill 22**, the countdown started on the repeal of temporary language that has allowed employers to continue withholding employees' municipal income tax based on their principal (pre-pandemic) place of work.
Absent a law change, there's a chance the temporary withholding provision could go away as soon as late August — meaning employers would need to begin withholding income tax in the municipalities in which their employees are remotely working. The OMA contends that August is too soon for employers to revamp their payroll systems and, among other things, have return-to-work plans in place or determine the treatment of hybrid work arrangements. The OMA is advocating for an end date that is no earlier than Dec. 31, 2021.

Click here to tell your lawmakers how your operations would be affected if your business is forced to enact withholding changes as early as August. *5/6/2021*

A Look at Biden's Far-Reaching Tax Overhaul
May 7, 2021

President Joe Biden recently announced his $1.8 trillion American Families Plan, the third step in his "Build Back Better" policy initiative. This followed an earlier announcement of the president's proposed $2.3 trillion American Jobs Plan (which would be funded with the "Made in America" tax plan). These plans propose major changes to the federal tax system, including tax increases on both individuals and businesses.

OMA Connections Partner Clark Schaefer Hackett has published **this brief summary** detailing the administration's far-reaching tax proposals. Connections Partner Crowe has also published **its analysis** of Biden's tax plans. *5/3/2021*

Manufacturers Respond to Biden's Proposed Tax Hikes
April 30, 2021

The Biden administration has announced details on two major initiatives — one to fund a massive expansion of social and educational programs; the other to fund new infrastructure spending. OMA Connections Partner Plante Moran has published **this comprehensive look** at the Biden tax proposals to fund these plans.
National Association of Manufacturers President and CEO Jay Timmons has **reacted** to President Joe Biden's address to Congress. Timmons says manufacturers want to work with the administration to achieve historic infrastructure investment and other priorities, but cautions that "raising taxes on manufacturers — including many small businesses that pay at the individual rate — would stop our recovery in its tracks" and cost American jobs. He also warns against enacting anti-worker policies like the PRO Act. *4/29/2021*

Ohio's Top Combined Cap Gains Rates Would Soar to 48% Under Biden Plan
April 30, 2021

President Joe Biden's American Family Plan includes a **big increase** in the top federal tax rate on long-term capital gains and qualified dividends, from 23.8% today to 39.6%. This would be bring the top federal rate to highs **not seen since the 1920s** — an obvious disincentive to invest, including for many Ohio manufacturers.
The non-partisan Tax Foundation reports that under the Biden plan, the maximum federal rate on capital gains would be 43.4% when including the net investment income tax. This means Ohio's maximum combined capital gains rate would soar from the current **28.6% to 48.2%**. *4/26/2021*

Webinar on Demand: Employer Credits in COVID-19 Law, Including COBRA Impacts
April 30, 2021

The latest federal COVID-19 relief package — the American Rescue Plan Act — created new employment provisions while expanding existing programs created by previous pandemic-related legislation.

In this 75-minute **recorded webinar** — and **accompanying handout** — Jeffrey D. Smith, partner with the Cleveland office of OMA Connections Partner Fisher Phillips, takes a detailed look at the benefits and obligations for employers under the expanded Employee Retention Credit; the expanded Paid Sick and Family Leave Credits; and the new COBRA subsidies for qualified individuals. *4/28/2021*

Analysis: Inflation in Material Prices Alarming, Not Unexpected

April 30, 2021

From January 2020 to January 2021, iron and scrap steel prices, as well as those for lumber and plywood, increased more than 50%. Copper and brass mill shapes experienced a 22% price hike.

According to **new analysis** from OMA Connections Partner GBQ Partners, while the magnitude of these price increases has been alarming, the spikes were not unexpected due to reduced production, U.S. tariffs, and a return to more normal economic activity. GBQ says the current overheating should cool off by the third quarter of 2021. *4/27/2021*

New State Law Allows Property Owners to Dispute Valuations Due to COVID-19

April 30, 2021

OMA Connections Partner Vorys **reports** that under Ohio's recently passed and signed **Senate Bill 57**, a "significant real property tax savings opportunity" is available for Ohio real property taxpayers who believe the value of their property has depreciated due to the pandemic. To qualify, an owner must file the special complaint on or before Aug. 25. The bill takes effect July 26 — the first day a complaint can be filed. *4/27/2021*

Federal Taxes, Spending, Deficit Set Records in First Half of FY2021

April 30, 2021

Federal tax receipts, spending and the federal deficit all set records in the first six months of fiscal 2021 (October through March), according to the U.S. Treasury Department's **monthly statement**. Federal tax revenues climbed to a record $1.7 trillion in the October-through-March period, while federal spending climbed to $3.41 trillion. This fiscal year's October-through-March spending was up 42% compared to the previous year. *4/26/2021*

At a Glance: Per Capita State & Local Tax Collections

April 23, 2021

The Tax Foundation has published a **new map** showing state and local tax collections per capita in each state. New York claims the highest tax collections per capita at $9,829, while Tennessee has the lowest at $3,286. Ohio's per-capita collection is $4,640, placing the Buckeye State at 28th highest overall. *4/19/2021*

NAM Launches Campaign to Oppose Proposed Tax Increases

April 23, 2021

Following this month's release of the National Association of Manufacturers' study on the impact of proposed tax increases being considered in D.C., the association has launched a six-figure ad campaign calling on Congress to protect manufacturing jobs. **Read about the campaign.**

The **NAM study** found that corporate tax hikes and other tax reform rollbacks could lead to 1 million fewer jobs in the first two years alone and would significantly reduce economic growth. *4/20/2021*

Poll: Slight Majority Supports Mileage Tax

April 23, 2021

Would Americans support a vehicle-miles traveled (VMT) tax? The *Washington Examiner* **reports** that according to a survey by the Mineta Transportation Institute — a California-based think tank — slightly more than a majority (53%) would. That's up from 33% in 2010. The catch? In the survey, the Institute didn't call it a VMT tax, but a "green mileage fee."

Meanwhile, the Tax Foundation has published **this map** showing the percentage of each state's roads spending funded by user taxes. *4/22/2021*

Repeal of Ohio's COVID-19 Tax Withholding Law Would be Delayed Until Dec. 31 Under Substitute Bill

April 16, 2021

The Ohio House Ways & Means Committee this week accepted a substitute bill for **House Bill 157**, legislation that originally proposed an immediate repeal of a **temporary law** that allows municipal income tax withholdings to be based on an employee's principal work location — not where he/she is working remotely during COVID-19.
Instead of an immediate repeal, the **sub-bill** would extend Ohio's temporary withholding provision through the end of this year. The legislation is still under consideration, but the committee could vote on the measure as early as next week. *4/15/2021*

IRS Wants Small Business Feedback, May 19

April 16, 2021

OMA members are invited to participate in the IRS' "Hearing All Voices" small business meeting set for May 19. **This free online meeting** will give smaller businesses a chance to provide input directly to IRS senior leaders. The meeting will be held from 10 a.m. to noon — but be sure to check in at least 10 minutes early. *4/12/2021*

IRS Guidance on Deductions for Food, Beverages

April 16, 2021

A temporary exception under federal law allows a 100% deduction for business meals if the food or beverages are provided by restaurants after Dec. 31, 2020 and before Jan. 1, 2023. OMA Connections Partner **RSM reports** that the IRS has issued guidance to further explain how to apply the temporary exception. *4/12/2021*

Corporate Tax Increases Focus on International Tax Revisions

April 16, 2021

OMA Connections Partner Crowe reports there has been significant Capitol Hill activity in recent weeks to address international taxes. The recent activity primarily focuses on increasing taxes on U.S. multi-nationals by implementing changes to the tax on global intangible low-taxed income (GILTI), the deduction for foreign-derived intangible income (FDII), and the base erosion anti-abuse tax (BEAT), all of which were enacted as part of the 2017 tax reform. **Read more** on these developments. *4/15/2021*

Inflation Accelerated in March

April 16, 2021

Increases in energy and transportation costs helped push the Consumer Price Index higher at an annual rate of 2.6% in March, according to government data released this week. It marked the biggest 12-month increase since August 2018.

OMA Connections Partner **RSM reports** that energy prices rose by 5% on a monthly basis and 13.2% year over year. But the firm says other key inflation indicators do not point to an immediate risk to the economic outlook. *4/14/2021*

Study: Federal Tax Hikes Could Cost 1 Million U.S. Jobs

April 9, 2021

The Biden administration's proposed tax increases — offered as part of the president's infrastructure plan — could lead to **a million fewer jobs** in the first two years, according to a **new study** conducted for the National Association of Manufacturers (NAM). According to the study, the effects of increasing the corporate tax rate to 28%, increasing the top marginal tax rate, repealing the 20% pass-through deduction, eliminating certain expensing provisions, and other efforts to repeal federal tax reform would have large negative effects for the economy, including driving down U.S. GDP by $117 billion by 2023.
Last week, NAM President and CEO Jay Timmons **issued a statement** warning that "raising taxes on manufacturers would fundamentally undermine our ability to lead this recovery." Timmons said manufacturers fought for decades to achieve a tax system that includes competitive rates and modern international tax provisions — and that as a result of the 2017 reforms, manufacturers raised wages and benefits, created more jobs, and invested in communities.

The NAM has created **this action tool** and **talking points** so OMA members can contact members of Congress to share the findings of the study. *4/8/2021*

Sherrod Brown Seeks Overhaul of 2017 Tax Provisions
April 9, 2021

Ohio's U.S. Sen. Sherrod Brown is part of a **Democratic effort** to overhaul aspects of the 2017 tax reform package. Under a proposal from the Cleveland Democrat, as well as U.S. Sens. Ron Wyden (D-Ore.) and Mark Warner (D-Va.), three taxes created in the 2017 Tax Cuts and Jobs Act – the Global Intangible Low-Taxed Income (GILTI), the Foreign Derived Intangible Income (FDII), and the Base Erosion and Anti-Abuse Tax (BEAT) – would be significantly altered.
In its **analysis**, the non-partisan Tax Foundation writes: "Before making significant changes, lawmakers should consider how disrupting the balanced incentives for the location of intellectual property could impact where U.S. companies not only locate their intellectual property, but also the R&D and other related activities." *4/8/2021*

Ohio Tax Receipts Outperforming FY21 Estimates by 4.3%
April 9, 2021

With just three months remaining in the current fiscal year, Ohio's revenue collections continue to outperform expectations. In its **preliminary revenue report for March**, the Office of Budget and Management reported that March tax collections exceeded estimates by $41.4 million (2.6%). The Commercial Activity Tax was $11.1 million (118%) above the March estimate.
For the fiscal year so far, tax receipts have beaten the forecast by $763.4 million (4.3%). Compared to this point in FY20, tax collections are up $1.57 billion (9.3%). *4/7/2021*

Tapping Potential Liquidity During COVID-19
April 9, 2021

COVID-19 has served as another reminder that "cash is king" in the business world. Many companies may still have untapped liquidity generation opportunities. OMA Connections Partner Plante Moran has published **this insight** into tapping that potential liquidity via the cash conversion cycle. *4/8/2021*

New Guidance on COVID-19 Employee Retention Credit
April 9, 2021

Last week, the IRS issued **new guidance for employers** that claim the Employee Retention Credit for the first two calendar quarters of 2021. The new guidance explains recent changes, including the recently approved increase in the maximum credit amount. *4/5/2021*

At a Glance: State Debt Compared to Assets
April 9, 2021

The federal debt has ballooned to **more than $28 trillion**. But many state governments also have a serious debt problem, as shown by **this new infographic** published by HowMuch.net. More than a dozen states — excluding Ohio — have debt loads exceeding 100% or more of state assets, with a concentration of heavily indebted states in the Northeast. The most leveraged state is Illinois, where $248.7 billion of debt equals 468.7% of assets. *4/7/2021*

Governor Signs Tax Law Changes
April 2, 2021

Senate Bill 18 has now become law. With the governor's signature this week, Ohio's tax laws will now be brought in line with federal changes to the Internal Revenue Code.
The bill also includes important provisions related to the commercial activity tax (CAT). These provisions ensure that both second draw Paycheck Protection Program loans that are forgiven and Bureau of Workers' Compensation dividends paid to employers in 2020 and 2021 are not subject to the CAT. Since the measure included an emergency clause, these changes are effective immediately, in time for the new May 17 tax deadline. *4/1/2021*

PPP Application Deadline Extended to May 31
April 2, 2021

President Biden has signed the PPP Extension Act of 2021 extending the Paycheck Protection Program (PPP) application filing deadline from March 31, 2021, to May 31, 2021, thus providing potential PPP borrowers additional time to submit their applications. The law doesn't provide the PPP with any additional funding. However, $7.25 billion in additional funding was recently provided in the American Rescue Plan Act.

Read **more** from OMA Connections Partner Clark, Schaefer, Hackett. *4/1/2021*

Tax Change Bill Heads To Governor

March 26, 2021

This week, the General Assembly passed **Senate Bill 18**, a bill to incorporate Internal Revenue Code changes into Ohio's tax laws. Most importantly, the bill includes a provision to ensure that BWC dividends paid to employers in 2020 and 2021 are not considered gross receipts for purposes of the Commercial Activity Tax. The bill now heads to the governor's desk for his consideration. *3/25/2021*

Study: Ohio Offers Sixth-Best ROI for Taxpayers

March 26, 2021

Some states offer better returns on taxpayer investments than others. According to a new ranking by WalletHub.com, **Ohio is the sixth-best state** for taxpayer ROI. The personal finance website used 30 metrics to compare the quality and efficiency of state government services across the areas of education, health, safety, economy, infrastructure, and pollution. *3/24/2021*

Onshoring Incentives Could Have Bipartisan Support

March 26, 2021

While there isn't much bipartisanship on Capitol Hill nowadays, new tax incentives for domestic manufacturing activity could provide for some common ground.

"There is likely to be legislation here that provides incentives for onshoring," U.S. Sen. Chris Coons (D-Del.) told **Law360.com**, adding that there's "bipartisan support for incentives" to spur U.S. production of PPE, drugs and vaccines, as well as semiconductors and other parts required for automobiles, 5G wireless networks, and other key products. Ohio's U.S. Sen. Rob Portman has been part of the onshoring discussions, according to the article. *3/23/2021*

A Look at the Extended Employee Retention Credit

March 26, 2021

The American Rescue Plan (ARP) gave some clarity and additional relief to businesses seeking to utilize the employee retention credit (ERC). **In this summary**, OMA Connections Partner CliftonLarsonAllen explains that the credit has been extended through the end of 2021, allowing up to $7,000 per employee per quarter for eligible employers — for a maximum credit of $28,000 per employee this year. The ARP clarifies what wages are excluded from the ERC. *3/24/2021*

At a Glance: Depreciation Recapture

March 26, 2021

OMA Connections Partner CliftonLarsonAllen has published **this insight** to analyze the complexities of depreciation recapture rules, created to prevent offsetting depreciation deductions with ordinary income. Depreciation recapture can impact factories, office buildings, warehouses, and "structural components." *3/25/2021*

How Auditors Assess Cyber Risks

March 26, 2021

If your business' financial statements are audited, expect your audit team to tailor its procedures to answer critical questions about cyber risks and the effectiveness of your internal controls. For more on how data security plays a critical part of the audit risk assessment, **read this insight** from OMA Connections Partner GBQ Partners. *3/24/2021*

Ohio's Temporary Law for Muni Income Tax Faces Another Legal Challenge

March 19, 2021

The debate continues at the Statehouse and in the courts over Ohio's temporary law that allows municipal income tax withholdings to be based on an employee's principal work location — not where he/she is working remotely during COVID-19. As **another legal challenge** is filed, the House Ways and Means Committee proceeds with hearings on **House Bill 157** — a bill to expedite the repeal of the temporary law.

The OMA continues to voice its concerns over an immediate repeal of this temporary provision. "Companies are concerned that their payroll staff and systems will not be able to handle required withholding and income tax changes without ample lead time, and they are concerned

about making substantial changes in the middle of any tax year," the OMA's Rachael Carl **told lawmakers this week**.
Meanwhile, several Ohio newspapers have reported on the high stakes for cities should HB 157 become law. Ohio's six biggest cities (Cleveland, Columbus, Cincinnati, Akron, Toledo, and Dayton) get about 88% of their revenue from income taxes, according to ***The Columbus Dispatch*** (subscription). *3/18/2021*

NAM's Timmons: Manufacturers Need Stable, Predictable Federal Tax Code

March 19, 2021

This week, the U.S. Senate Finance Committee held a hearing on how federal taxes impact manufacturing. National Association of Manufacturers President and CEO Jay Timmons told senators that policymakers "must recognize the importance of predictability and stability in the tax code" — and that recent tax reforms have made manufacturers more competitive, driving historic job creation.

Timmons added that manufacturers in America need a tax code that supports innovation, but "unfortunately, it will do just the opposite starting next year" due to a looming change to the tax treatment of R&D costs. **Read his full comments.** *3/17/2021*

Cost Accounting: Don't Let It Sit on the Back Burner

March 19, 2021

Accurately measuring your business costs is vital, yet some companies consider cost accounting too difficult, expensive, or resource intensive. **This insight** from OMA Connections Partner Clark Schaefer Hackett explains how cost accounting helps finance teams collect the data they need to make better decisions, and why it should be prioritized. *3/18/2021*

IRS Extends Federal Individual Tax Filing Deadline

March 19, 2021

The IRS has officially announced that it will extend the individual tax filing season by one month until May 17, 2021. OMA Connections Partner Schneider Downs has published **new insight** on this development. *3/18/2021*

Ohio's February Revenues Exceed Estimates by 10.6%

March 12, 2021

Ohio's tax revenue continues to beat forecasts. According to the **February financial report**, released this week by the Office of Management and Budget, the state's total tax receipts of $1.9 billion last month exceeded estimates by $182.9 million (10.6%). For the first eight months of the fiscal year, Ohio's tax receipts have exceeded estimates by $722 million (4.5%).
During February, the tax revenue source with the largest year-over-year increase was personal income tax at $203.9 million (114.1%) above last year. The next-largest increases were financial institutions tax at $25.5 million (50.3%), commercial activity tax at $22.5 million (6.4%), and auto sales tax at $18.2 million (17.7%). *3/8/2021*

Bill Would Repeal COVID-19 Tax Withholding Law

March 12, 2021

This week, the House Ways & Means Committee received testimony on **House Bill 157**, legislation that would expedite the repeal of a temporary law (HB 197) **enacted last session** to ensure municipal income tax withholdings are based on an employee's principal work location — not where he/she may be working remotely during COVID-19.
While the Legislature pushes to end this practice immediately, the OMA **in its testimony** continued to advocate for ample lead time to allow employers to prepare their payroll systems and account for ongoing variables, such as vaccine availability for their workforces and hybrid work arrangements. Contact the OMA's **Rachael Carl** with questions or if you would like to be added to the OMA working group on this issue. *3/11/2021*

Update on President Biden's Tax Agenda

March 12, 2021

The Biden administration's focus on stimulus and infrastructure, paired with a very slim Democratic majority in Congress, make it unlikely that sweeping new tax legislation will take effect during President Biden's first year in office. But the Biden administration might be able to accomplish some of its tax policy objectives this year through other means. OMA

Connections Partner Crowe has published **this update** on possible areas of focus for Biden's tax agenda and how it might affect your bottom line. *3/10/2021*

Made-in-China PPE Still Excluded From U.S. Tariffs

March 12, 2021

Despite President Joe Biden's recent executive order to examine U.S. supply chains — including those for personal protective equipment (PPE) — the U.S. will continue to exclude face masks, gloves, and other medical supplies made in China from tariffs imposed by the Trump administration. According to a **report** by Politico, the duties were first suspended last year due to the sudden shortfall in PPE. The latest extension will last through September. *3/8/2021*

What's in the Latest Federal COVID-19 Relief Bill?

March 5, 2021

OMA Connections Fisher Phillips has published a summary of President Biden's $1.9 trillion spending bill, as approved by the U.S. House. The bill, which is now being considered by the Senate, includes the following:

- An extension of tax credits for employers that voluntarily provide FFCRA leave from March 31, 2021 to Sept. 30, 2021;
- An additional $7.25 billion for the Paycheck Protection Program; and
- An expansion of supplemental weekly unemployment benefits from $300 a week to $400 a week, while increasing the number of entitlement weeks from 50 weeks to 74 weeks, and extending unemployment benefits from mid-March through Aug. 29.

Read the summary here. *3/2/2021*

A Practical Checklist for Financial Reporting in 2021

March 5, 2021

Finance teams must prepare for a year of financial reporting challenges. As reporting season gets underway, OMA Connections Partner Crowe has published **this checklist** to help businesses stay on track. *3/3/2021*

Study: Biden Corporate Tax Hike Would Cut 159K Jobs

February 26, 2021

A **new study** by the non-partisan Tax Foundation finds that President Biden's plan to increase the corporate tax rate to 28% would weaken the economic recovery and hurt competitiveness. The report found that the increase would bring the nation's federal-state combined tax rate to roughly 32% — the highest statutory tax rate in the developed world — and would "reduce long-run economic output by 0.8%, eliminate 159,000 jobs, and reduce wages by 0.7%." *2/24/2021*

Study: Ohio's Property Tax Burden Above U.S. Average

February 26, 2021

A **new comparison** by WalletHub.com finds that Ohio's effective real-estate tax rate is 1.56%. As a result, Ohioans pay nearly $3,400 in annual property taxes on a house that's worth $217,500 — the median home value in the U.S. This is the 11th highest property tax burden in the nation and well above the country's average property tax bill ($2,471). However, Ohio's property tax burden is considerably less than that of 12 other states, including a few Big Ten Conference states. *2/23/2021*

Ohio Organizations Seek Federal Delegation's Help to Ensure Ohio Businesses Are Eligible for PPP, ERC

February 19, 2021

This week, several Ohio organizations, including the OMA, wrote Ohio's federal delegation, seeking lawmakers' assistance to address an Ohio-specific issue regarding the eligibility of businesses for the Payroll Protection Program (PPP) and Employee Retention Credit (ERC).

Due to recent Ohio Bureau of Workers' Compensation (BWC) premium refunds (or dividends) sent to employers — and the lack of clarity regarding the designation of these refunds for tax purposes — Ohio businesses applying for the PPP or ERC could be negatively impacted by current federal law that says borrowers must certify they experienced a revenue reduction of 25% or more calculated by comparing gross receipts in any 2020 quarter with the same quarter in 2019.

Specifically, the groups asked the delegation to urge the Small Business Administration to exclude BWC refunds from Ohio businesses' federal gross receipts when considering PPP and/or ERC applications. **Read the letter sent by the organizations**. *2/17/2020*

Commissioner McClain Visits OMA Tax Committee

February 19, 2021

The OMA Tax and Finance Committee this week held its first meeting of 2021. Chaired by Meredith Mullett, senior manager of state tax operations for the J.M. Smucker Co. — and sponsored by OMA Connections Partner Huntington — the meeting featured a discussion with Ohio Tax Commissioner **Jeff McClain**, who updated members on collections during COVID-19 and recent improvements implemented by the Department of Taxation.

Justin Stallard and Bob Horstman from OMA Connections Partner RSM presented **this briefing on the Employee Retention Tax Credit** (ERC). Horstman said RSM has helped businesses that are applying for the ERC to identify and document how COVID-19 restrictions have impacted their operations. Other highlights included a report from OMA Tax Counsel Justin Cook of Bricker & Eckler LLP. The **next committee meeting** is scheduled for June 2. *2/17/2021*

OMA-led Coalition Seeks to Preserve CAT's Competitiveness

February 19, 2021

Led by the OMA, a coalition of like-minded business organizations this week provided **interested-party testimony** on **Senate Bill 45**, a bill that would chip away at the competitiveness of Ohio's commercial activity tax (CAT) by providing tax incentives for the operators and certain suppliers of a "mega-project" — such as a development project with at least $1 billion in investment, or a project that created at least $75 million in payroll. One of those proposed incentives would include a CAT exclusion for gross receipts of a mega-project supplier from sales to a mega-project operator.

The coalition continues to advocate for the removal of the CAT credit provisions from SB 45 to protect the CAT's competitive attributes: its broad base and low rate. *2/18/2021*

Lawsuits Challenge Cities' Taxation of Remote Workers

February 19, 2021

Last week, two lawsuits were filed in Ohio courts arguing that it's unconstitutional for cities to tax the income of workers who don't live in those cities and have been remotely working during the pandemic. According to ***Hannah News Service***, the lawsuits were filed by conservative think tank The Buckeye Institute.

Under current law (**House Bill 197**), employers can continue to withhold employee income taxes from their main place of business while the COVID-19 state of emergency continues. An OMA working group was heavily involved in crafting HB 197 last spring in an effort to reduce the administrative burden placed on employers. *2/15/2021*

Taking Advantage of the Employee Retention Credit

February 19, 2021

The Employee Retention Credit (ERC) was recently expanded to better assist employers affected by the pandemic. But many employers have questions regarding compliance. That's why OMA Connections Partner Plante Moran **will host a webinar on March 2** to address the most significant aspects of the ERC including the recent changes, frequently asked questions, and examples to help your business take full advantage of the credit. *2/17/2021*

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

Current Status: 5/4/2021 - House Ways and Means, (First Hearing)

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

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

Current Status: 5/11/2021 - House Transportation and Public Safety, (Second Hearing)

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

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

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

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

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

Current Status: 3/31/2021 - **SIGNED BY GOVERNOR**; eff. immediately

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

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

Current Status: 5/25/2021 - House Ways and Means, (Second Hearing)

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

HB110 **OPERATING BUDGET** (OELSLAGER S) To make operating appropriations for the biennium beginning July 1, 2021, and ending June 30, 2023, to levy taxes, and to provide authorization and conditions for the operation of state programs.

Current Status: 6/4/2021 - Senate Finance, (Tenth Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-110

HB124 **EQUALIZE PASS-THROUGH ENTITY WITHHOLDING** (ROEMER B, YOUNG B) To equalize the pass-through entity withholding and the business income tax rate.

Current Status: 2/23/2021 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-124

HB157 **MODIFY MUNICIPAL INCOME TAX RULES - COVID WFH** (JORDAN K, EDWARDS J) To amend Section 29 of H.B. 197 of the 133rd General Assembly to modify municipal income tax employer withholding rules for COVID-19-related work-from-home employees.

Current Status: 5/26/2021 - **PASSED BY HOUSE**; Vote 63-31

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-157

HB165 **ALLOW TEMPORARY TAX CREDIT FOR SALE OF CERTAIN MOTOR FUEL** (MCCLAIN R) To temporarily authorize a nonrefundable tax credit for the retail sale of high-ethanol blend motor fuel.

Current Status: 5/11/2021 - House Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-165

HB167 **PROVIDE RENT, UTILITY ASSISTANCE** (OELSLAGER S) To provide rent and utility assistance and to make an appropriation.

Current Status: 5/11/2021 - **SIGNED BY GOVERNOR**; eff. immediately

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-167

HB168 **PROVIDE GRANTS - BUSINESSES, FAIRS, CHILD CARE, VETERAN HOMES** (FRAIZER M, LOYCHIK M) To provide grants to businesses, local fairs, child care providers, and veterans homes and to make an appropriation.

Current Status: 4/21/2021 - Referred to Committee Senate Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-168

HB169 **PROVIDE GRANTS - BARS, RESTAURANTS, LODGING INDUSTRY** (CUTRONA A, SWEARINGEN D) To provide grants to bars and restaurants and the lodging industry and to make an appropriation.

Current Status: 4/21/2021 - Referred to Committee Senate Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-169

HB174 **AUTHORIZE INCOME TAX DEDUCTION FOR CERTAIN CAPITAL GAINS** (CROSS J, LANESE L) To authorize an income tax deduction for capital gains received by investors in certain Ohio-based venture capital operating companies.

Current Status: 3/24/2021 - House Economic and Workforce Development, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-174

HB197 **INCOME TAX CREDIT - TRAINING COMMERCIAL VEHICLE OPERATOR** (STOLTZFUS R, CREECH R) To authorize an income tax credit for an employer's expenses to train a commercial vehicle operator.

Current Status: 5/25/2021 - House Ways and Means, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-197

HB234 **REPEAL THE COMMERCIAL ACTIVITY TAX** (GROSS J, MCCLAIN R) To repeal the commercial activity tax with a five-year phase-out.

Current Status: 4/14/2021 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-234

HB264 **MODIFY TAX RULE FOR EMPLOYEES OF TEMPORARY WORKSITE** (SMITH M, SOBECKI L) To amend Section 29 of H.B. 197 of the 133rd General Assembly to modify the municipal income tax withholding rule for employees working at a temporary worksite.

Current Status: 4/22/2021 - Referred to Committee House Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-264

HB292 **TEMPORARY SALES TAX EXEMPTION FOR ELECTRIC VEHICLES** (SOBECKI L, CUTRONA A) To create a temporary sales tax exemption for electric vehicle production parts and to create the Electric Vehicle Commission.

Current Status: 5/11/2021 - Referred to Committee House Transportation and Public Safety

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HB-292

HCR8 **CREATE JOINT SELECT COMMITTEE ON UC FRAUD** (GRENDELL D) To create the Joint Select Investigative Committee on Unemployment Compensation Fraud.

Current Status: 3/24/2021 - Referred to Committee House Government Oversight

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HCR-8

HR35 **CREATE HOUSE SELECT COMMITTEE ON PROPERTY TAX EDUCATION, REFORM** (TROY D) To authorize the creation of the temporary House Select Committee on Property Tax Education and Reform.

Current Status: 5/18/2021 - House Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-HR-35

SB18 **INTERNAL REVENUE CODE** (ROEGNER K, SCHAFFER T) To expressly incorporate changes in the Internal Revenue Code since March 27, 2020, into Ohio law, to exclude certain loan amounts forgiven under federal law from the commercial activity tax, to authorize a commercial activity tax exclusion for Bureau of Workers' Compensation dividends paid to employers, and to declare an emergency.

Current Status: 3/31/2021 - **SIGNED BY GOVERNOR**; eff. immediately

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

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

Current Status: 3/16/2021 - House Ways and Means, (Second Hearing)

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

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

Current Status: 2/23/2021 - Senate Ways and Means, (Third Hearing)

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

SB62 **COMMERCE AND TAXATION** (HACKETT R) Relating to commerce and taxation.

Current Status: 3/23/2021 - Senate Financial Institutions and Technology, (Third Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-62

SB97 **MUNICIPAL INCOME TAX-WORK FROM HOME** (ROEGNER K) To modify municipal income tax employer withholding rules for COVID-19-related work-from-home employees

Current Status: 5/12/2021 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-97

SB98 **SALES TAX EXEMPTION** (ANTANI N) To exempt from sales and use tax things used primarily to move completed manufactured products or general merchandise.

Current Status: 3/3/2021 - Referred to Committee Senate Ways and Means

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-98

SB108 **PANDEMIC RELIEF-BARS, RESTAURANTS, LODGING** (HUFFMAN S, ROMANCHUK M) To provide grants to bars and restaurants and the lodging industry and to make an appropriation.

Current Status: 5/17/2021 - **SIGNED BY GOVERNOR**; eff. 90 days

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-108

SB109 **PANDEMIC RELIEF-BUSINESS, CHILD CARE, VETERANS** (MANNING N, RULLI M) To provide grants to businesses, local fairs, child care providers, and veterans homes and to make an appropriation.

Current Status: 5/17/2021 - **SIGNED BY GOVERNOR**; eff. 90 days

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-109

SB110 **RENT, UTILITY ASSISTANCE** (O'BRIEN S, WILSON S) To provide rent and utility assistance and to make an appropriation.

Current Status: 3/24/2021 - Referred to Committee House Finance

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-110

SB114 **SALES TAX EXEMPTION-DIAPERS** (ANTANI N) To exempt from sales and use tax the sale of child and adult diapers.

Current Status: 3/31/2021 - Senate Ways and Means, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-114

SB171 **REGULATE SALE OF BRINE FROM OIL/GAS OPERATIONS** (HOAGLAND F, RULLI M) To establish conditions and requirements for the sale of brine from oil or gas operations as a commodity and to exempt that commodity from requirements otherwise applicable to brine.

Current Status: 5/25/2021 - Senate Agriculture and Natural Resources, (Second Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-171

SR21 **URGE CONGRESS-INCREASE PANDEMIC UNEMPLOYMENT** (HACKETT R, REINEKE W) Urge Congress increase pandemic unemployment program security.

Current Status: 3/10/2021 - **ADOPTED BY SENATE**; Vote 33-0

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SR-21