10 a.m. (EST)
Via Zoom

Tax & Finance Committee
November 18, 2020

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2020 Tax & Finance Committee Calendar

Meetings begin at 10 a.m.
2021 Meeting Dates Coming Soon!

OMA Meeting Sponsor:

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Tax & Finance Policy Committee Agenda
November 18, 2020

Welcome & Self-Introductions:	Meredith Mullet, Chairman The J.M. Smucker Company
State Financial Update	Rob Brundrett, OMA Staff
Ohio COVID-19 Withholding Temporary Law Discussion	Rob Brundrett, OMA Staff
Guest Speaker	Kimberly Murnieks, Director, Ohio Office of Budget and Management
Clark Schaefer Hackett Presentation:	Phil Hurak, Clark Schaefer Hackett
	Steve Estelle, Clark Schaefer Hackett
OMA Public Policy Report	Rob Brundrett, OMA Staff
OMA Counsel's Report	Justin Cook, Bricker & Eckler, LLP

Our Meeting Sponsor:

OBM Director – Kimberly Murnieks

Kimberly Murnieks was appointed Director of the Office of Budget and Management by Governor Mike DeWine on January 14, 2019. Serving as the Chief Financial Officer under the leadership of Governor DeWine, she oversees an office that develops, coordinates and monitors the individual budgets of state agencies, provides the Governor and administration with policy analysis, and reviews all financial transactions made with public funds.

Director Murnieks also serves as a member of the Executive Committee of the National Association of State Budget Officers, representing the Midwest Region.

From January 2011 through 2018, Director Murnieks was the Chief Operating Officer for the Ohio Attorney General's office overseeing Budget and Finance, Information Technology, Human Resources, General Services, Records Management, Internal Audit and Risk Management. Under her leadership, the office reduced bureaucracy by more than 40 percent, rebuilt the entire IT infrastructure, and invested in the state crime lab reducing turn-around time on DNA testing from four months to 22 days.

She also designed and implemented then-Attorney General DeWine's award-winning CyberOhio Initiative to help Ohio businesses prevent and prepare for cyber-attacks, and worked with the Ohio General Assembly to enact the state's Data Protection Act, a one-of-kind statute that provides real incentive for businesses to safeguard consumer data.

Prior to joining the Attorney General's leadership team, Director Murnieks served in senior staff roles at the Ohio Department of Education from 2000 to 2010, including Executive Director overseeing the Center for School Options and Finance, Chief Program Officer for the EdChoice Scholarship, Policy Advisor for the Office of Information Technology and Deputy Chief of Staff.

Her career in public service began as a Budget Analyst with the Office of Budget and Management in 1996 where she was responsible for working with multiple state agencies throughout the state budget planning and implementation process. She also assisted with state oversight of school districts in fiscal emergency status.

Director Murnieks is a summa cum laude graduate of Marietta College with a bachelor's degree in Political Science, and is a graduate of The Ohio State University's John Glenn College of Public Affairs with a Master of Public Administration specializing in Public Finance. She also is an American Mensa member. She volunteers with Girl Scouts of the USA as a troop leader, a certified canoe instructor, a service unit manager and a delegate to the National Council representing Girl Scouts of Ohio's Heartland Council.

Director Murnieks is originally from Washington County, Ohio and currently resides in Central Ohio with her husband and three children.

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

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

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

Federal

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

Ohio

- "Lab Capacity Database" for employers conducting COVID-19 testing, published by the Ohio Department of Health.
- Ohio Public Health Advisory Alert System, which provides a county-by-county assessment of COVID-19 trends.
- Here's the web page for Ohio's travel advisory. The Ohio Department of Health has published this FAQ document regarding the advisory.
- July 23, 2020 public health order (statewide mask requirement).
- The DeWine administration's May 29, 2020 public health order. Section 13 is specific to manufacturing.
- Safety guidance for manufacturers, as well as the five safety protocols for all businesses, under the DeWine administration's Responsible RestartOhio plan.
- Ohio Department of Health FAQs on the use of face coverings in the workplace.
- Ohio Department of Health's updated checklist for employers regarding potentially exposed essential workers.
- Ohio's Office of Small Business Relief.
- Ohio Department of Health information and checklist for employers.
- Ohio COVID-19 Dashboard.
- Latest updates and resources from the Ohio Department of Health (ODH).
- JobsOhio 'Ohio Working. Ohio Safe' website.
- Governor DeWine's briefings.
- Governor DeWine's website.
- SharedWork Ohio – an OMA-supported program that provides employers with an alternative to layoffs.
- State of Ohio's job search engine for employers to post job openings during the COVID-19 emergency.
- Information for employers regarding unemployment issues.

Industry

- The Ohio State University Wexner Medical Center's COVID-19 web page for employers.
- University Hospitals' web page for employers.
- The Cleveland Clinic's COVID-19 workplace safety guide for manufacturers. (The Clinic also published this guide on disinfecting businesses.)
- The Manufacturing Leadership Council's collection of emerging strategies and operational practices that manufacturers are utilizing to keep employees safe.
- The Manufacturing Council's COVID-19 web page.
- Ohio Manufacturing Alliance to Fight COVID-19 (to help ensure that health care workers have the protective equipment they need).
- The Ohio Manufacturing Alliance's Ohio Emergency PPE Makers' Exchange. (This online marketplace is a resource for organizations, including essential employers, that need PPE and related equipment to find a selection offered by Ohio manufacturers and makers.)
- National Association of Manufacturers COVID-19 Resources.
- CDC letter to NAM and additional guidance to give manufacturers clearer guidance on how to operate safely during the COVID-19 outbreak.

- The National Association of Manufacturers state tracker to provide the latest re-opening information for all states.
- The U.S. Chamber's interactive map comparing state-by-state re-opening guidelines for businesses.
- MAGNET (Northeast Ohio's MEP) Best Practices.
- Video with Dr. Bill Gegas, medical director at Worthington Industries, explaining the differences between various masks and face coverings.

OMA Connections Partners

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

OMA Information

- OMA communications on COVID-19:

  - November 12, 2020 OMA COVID-19 Update.
  - November 11, 2020 OMA COVID-19 Update.
  - 0.
  - OMA COVID-19 Manufacturers' Information Exchange (via LinkedIn) to share information and best practices with other manufacturers.
  - Recording of OMA's COVID-19 Briefing for Manufacturers – March 23, 2020. (Includes information regarding Ohio's stay-at-home order and actions to keep the workplace safe.)

- Recording of OMA's Second COVID-19 Briefing for Manufacturers – March 25, 2020. (Includes discussion from Lt. Gov. Jon Husted, as well as a panel of experts addressing key concerns.)
- Recording of OMA's Third COVID-19 Briefing for Manufacturers – April 29, 2020. (Includes subject-matter expertise on Ohio's re-opening plan, workplace safety, use of PPE by employees, unemployment provisions, federal loan programs, and other manufacturing-related topics.)
- Recording of OMA's Infectious Disease Preparedness and Response webinar – May 12, 2020.
- Bricker & Eckler's Analysis of Ohio's May 29, 2020 Public Health Order.
- Bricker & Eckler's Analysis of Ohio's July 8, 2020 Public Health Order.
- OMA's updated resources document to address general workplace safety concerns during COVID-19. (Includes guidance on the use of face coverings/masks, cleaning and disinfecting, employee health checks, and reporting confirmed or suspected COVID-19 cases.)
- OMA's FAQs document, which addresses questions raised by several members.
- OMA's updated "Guidance on the Use of Face Coverings & Masks."
- "Ohio Manufacturers in the News: Helping Lead the Fight Against COVID-19."

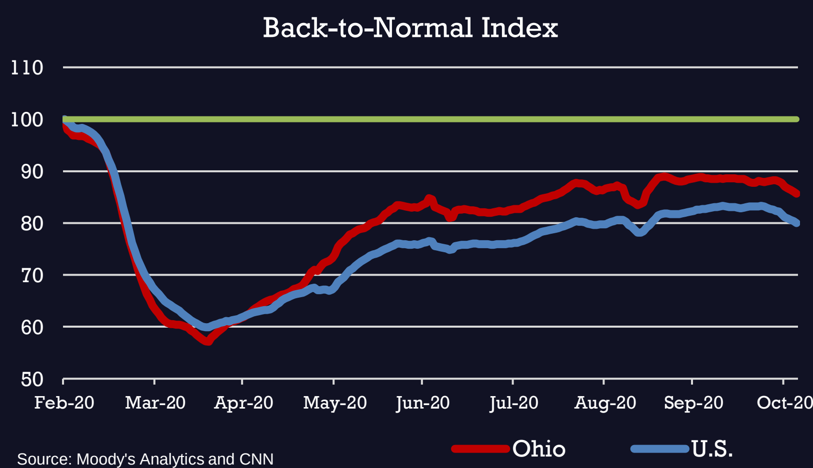
November 10, 2020

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

FROM: Kimberly Murnieks, Director KAM

SUBJECT: Monthly Financial Report

Report Overview:



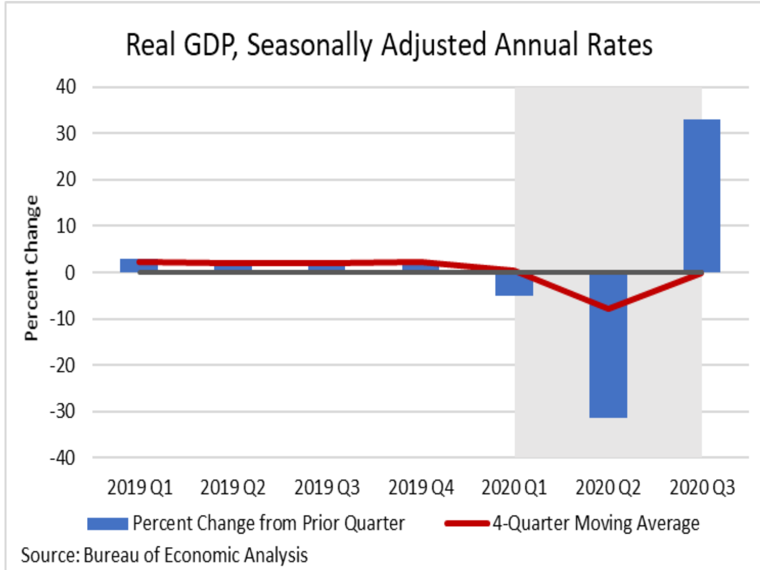
Moody's Analytics and CNN created the "Back-to-Normal" Index to track the economic recovery. Index values range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of November 4, 2020, the national index was at 80.0 percent, while Ohio' index was at 85.7 percent. In recent weeks, the pace of economic recovery has leveled off. Ohio is currently the 5th highest ranking state on this index.

GRF non-auto sales and use tax collections in October totaled $837.5 million and were $77.0 million (10.1%) above the budgeted estimate. October revenues continued to perform at a greater level than would normally be expected from an economy which is still in the process of recovery. A probable factor for this continued growth is a shift in consumption toward taxable goods and away from service industries.

The U.S. Bureau of Labor Statistics reported that total nonfarm payroll employment increased nationally by 638,000 in October. This is the sixth straight month of increases; however, the increases in October were smaller than the gains in the prior five months. Nonfarm employment remained 6.6 percent (10.7 million jobs) lower than in February.

The consensus among forecasters suggests that the economy will continue to grow in the fourth quarter of calendar year 2020. With most forecasts falling within the range of 1.5 to 3.8 percent, a more modest rate of growth is expected. The Wall Street Journal's October Survey of Economists found that most respondents did not expect GDP to fully recover to the levels seen in the fourth quarter of 2019 until the fourth quarter of 2021.

Economic Activity

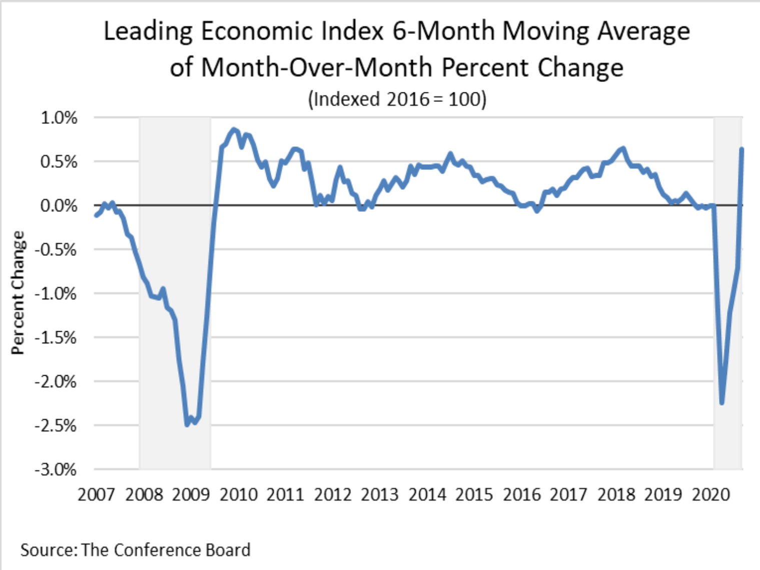


According to the Bureau of Economic Analysis (BEA)'s advanced estimate **Real Gross Domestic Product (GDP)** expanded in the third quarter of the calendar year at an annualized rate of 33.1 percent. This followed the 31.4 percent decrease in the second quarter. The historic third quarter increase reflected ongoing efforts to reopen businesses and resume activities that had been restricted while managing the effects of the COVID-19 Pandemic. While the BEA uses annualized rates to allow comparisons to previous years, that comparison was less useful for both the second and third quarter of 2020. In the third quarter of 2020, Real GDP declined 2.9 percent compared to the third quarter of 2019.

The third-quarter increase in real GDP resulted from increases in personal consumption expenditures (25.7%), private inventory investment (6.6%), exports (4.9%), nonresidential fixed investment (2.9%), and residential fixed investment (2.1%). These increases were partially offset by decreases in federal government spending (-0.4%) and state and local government spending (-0.3%). Imports, which are included in the above categories and then subtracted in a separate category, decreased, effectively adding to other categories by a total of 8.0 percent.

Moody's Analytics and CNN created the **Back-to-Normal Index** to track the economic recovery. The national index combines 37 indicators of economic activity, including the 25 traditional economic indicators used in their High Frequency GDP model, with 12 real-time indicators. Each state index is composed of a weighted average of the national index and six state level indicators. Both indices range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of November 4, 2020, the national index was at 80.0 percent, while Ohio' index was 5.7 percentage points ahead of the national average at 85.7 percent. Both indices increased substantially from their low points at the end of April; however, growth in recent months slowed and, in the last week, decreased. Despite the recent decrease, Ohio currently has the 5th highest ranking on this index among the states.

The Federal Reserve's Beige Book evaluates current economic conditions across its 12 districts. According to this report, the economy in the Fourth District, which includes Ohio, expanded at a moderate pace since the beginning of September. Although many firms increased staffing to keep pace with increasing demand, labor shortages existed as workers chose not to return to the labor force. Auto dealers reported continued strong sales in August and September, but general merchandisers and apparel retailers indicated that sales flattened out during that time. Looking ahead respondents noted cautious optimism that consumer spending would continue to recover.



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 September, the LEI increased 0.7 percent, after a 1.4 percent increase in August and a 2.0 percent increase in July. The increase in the LEI in September resulted from declining unemployment claims and rising housing permits. However, the declining rate of growth over the last four months, suggests that the economic recovery may be moderating.

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 the small businesses each month. The national index rose 3.8 points in September to a historic high of 104.0. However, uncertainty among the survey respondents remained high. Nine of the ten index components improved in September compared to August, while the expected credit conditions measure declined. Some small businesses continued to struggle to operate at full capacity while navigating state and local COVID-19 regulations and are uncertain about the future.

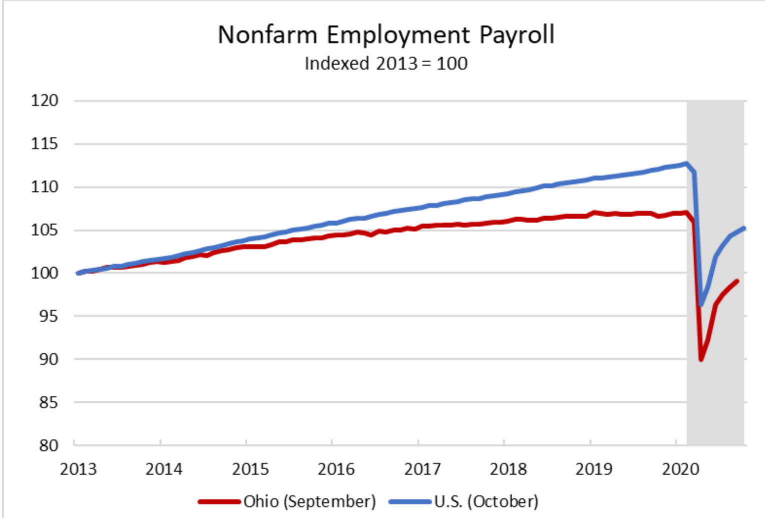
The Ohio economy expanded slightly more in September than it did in August. The **state-level coincident economic index** produced by the Federal Reserve Bank of Philadelphia is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. The Ohio index increased 1.3 percent in September and 2.2 percent over the last three months. For comparison, the U.S. coincident index increased 0.5 percent between August and September, and 2.3 percent over the last three months. Between August and September, the indexes increased in 39 states, decreased in eight states and remained stable in three. This resulted in a one-month diffusion index of 62. Between July and September, the indexes increased in 48 states and decreased in two state for a three-month diffusion index of 92.

Source	Date	4th Quarter GDP Forecast
Federal Reserve Bank of Atlanta (GDPNow)	11/02//20	3.4%
Federal Reserve Bank of New York (NowCast)	10/30/20	3.2%
IHS Markit GDP Tracker	11/06/20	3.8%
Moody's Analytics Baseline Model	10/20/20	1.5%
Wells Fargo	10/07/20	6.1%
Conference Board	10/14/20	1.5%
Wall Street Journal Survey	10/01/20	-3.8%

The consensus among forecasters suggests that the economy will continue to grow in the fourth quarter of calendar year 2020. With most estimates falling within the range of 1.5 to 3.8 percent, a more modest growth is expected. The Wall Street Journal's October Survey of Economists found that most respondents did not expect GDP to fully recover to the levels seen in the fourth quarter of 2019 until the fourth quarter of 2021.

Employment

The U.S. Bureau of Labor Statistics reported that total **nonfarm payroll employment** increased by 638,000 in October. This is the sixth straight months of increases; however, the increases were smaller than the gains in the prior five months. Nonfarm employment remained 6.6 percent (10.7 million jobs) lower than in February. Improvements in the labor market were attributed to the resumption of economic activity on hold due to the pandemic.



Source: Bureau of Labor Statistics

Job gains in October were the highest in the **leisure and hospitality** sector, which increased by 271,000. Over two-thirds of this increase occurred in food services and drinking locations which added 192,000 jobs. Leisure and hospitality added 4.8 million jobs since April, but employment remained down from February levels by 3.5 million. **Professional and business services** added 208,000 jobs in October with about half of the gain in temporary help services (109,000). Employment in professional and business services is 1.1 million below February levels. **Retail trade** added 104,000 jobs in October with about one-third of gains in electronics and appliance stores. Since April, retail trade rose 1.9 million but remained 499,000 below February levels. Employment in **health care and social assistance** increased by 79,000 in October but remained 950,000 lower than in February. In October the **other services industry** category added 47,000 but was 271,000 below its February level. **Financial activities** increased by 31,000 in October but remained 129,000 lower than in February.

In October, **construction** added 84,000 jobs. Over the last six months 789,000 construction jobs were added but the category remained down by 294,000 since February. Employment in **transportation and warehousing** rose by 63,000 in October but remained 271,000 below its February level. **Manufacturing** employment increased by 38,000 jobs in October but was 621,000 below the February level. There was little change in October in wholesale trade and mining.

The **government** sector decreased 268,000 jobs in October. The largest decline in this sector was in federal government jobs, which decreased by 138,000. This large decline in employment was attributed to the reduction of temporary Census 2020 employees. Local government education was reduced by 98,000 jobs and state government education declined by 61,000 jobs.

The national **labor force participation rate** in October increased by 0.3 percentage points to 61.7 percent and remains 1.7 percentage points below the February level. The **employment-population ratio** increased in October by 0.8 percentage points to 57.4 percent. This ratio remains 3.7 percentage points lower than in February.

Ohio nonfarm payroll employment increased 0.8 percent from August to September, to 5.2 million jobs. Despite this increase, nonfarm employment remained down 7.2 percent from September 2019. Sectors with the greatest job increases between August and September included leisure and hospitality (12,400); professional and business services (9,600); trade, transportation, and utilities (5,600); government (3,100); manufacturing (3,100); education and health services (2,800); and other services (2,800). Even with these gains, employment in all sectors were below September 2019 levels due to the economic effects of the pandemic.

The Bureau of Labor Statistics reported that the national unemployment rate declined to 6.9 percent in October, a 1.0 percentage point decline from September. Nationally, the number of unemployed individuals fell by 1.5 million to 11.1 million. However, despite declines for the past six months, compared to February the unemployment rate remained 3.5 percentage points higher and the number of unemployed persons remained 5.8 million higher.

Unemployment rates for the month decreased for all demographic groups. In October, the unemployment rate for adult men declined to 6.7 percent, for adult women to 6.5 percent, and for teenagers to 13.9 percent. In October, individuals who identify as Black had an unemployment rate of 10.8 percent, Hispanic 8.8 percent, Asian 7.6 percent, and White 6.0 percent.

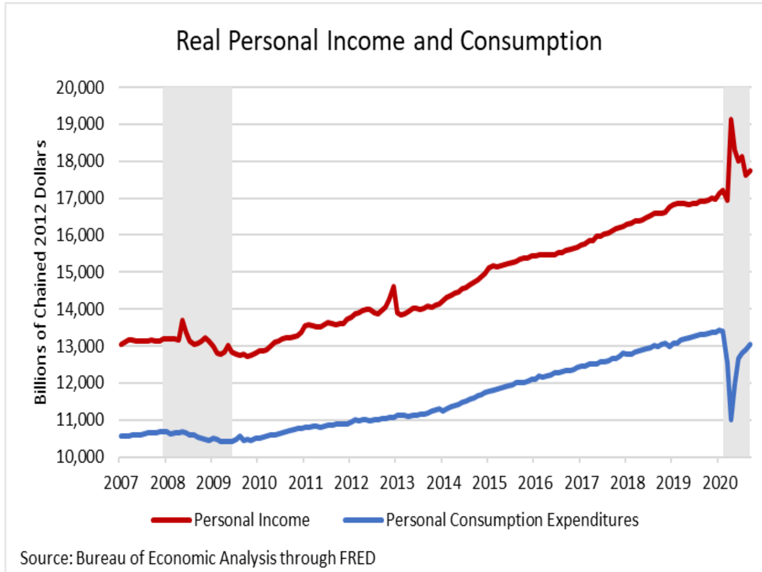
Of those people that were unemployed, the number that were on **temporary layoff** decreased by 1.4 million in October to 3.2 million. This was down significantly from the high of 18.1 million in April but remained 2.4 million higher than in February. The number of people with **permanent job losses** changed little (-72,000) between September and October to 3.7 million and remained 2.4 million higher than in February.

Unemployed individuals who were **jobless for less than 5 weeks** was relatively unchanged at 2.5 million (-2.0%), and those who were **jobless 5 to 14 weeks** decreased by 457,000 (-16.7%) to 2.3 million. Those **jobless 15 to 26 weeks** decreased by 2.3 million (-46.8%) to 2.6 million. Unemployed individuals that were long-term unemployed and **jobless 27 weeks or more** increased by 1.2 million (47.9%) to 3.6 million.

The **Ohio unemployment rate** decreased to 8.4 percent in September, a 0.5 percentage point drop compared to the August rate. During the week ending October 24, 2020, 21,263 initial unemployment claims were filed. This was a 92.2 percent decline from the peak week in March 2020 when 274,288 initial claims were filed. Continued claims in Ohio decreased substantially between the peak of 777,214 in April and the week ending October 24, 2020, in which 161,221 individuals filed continued claims. However, 104,392 people filed for extended benefits during the same week; these individuals were unemployed for 26 or more weeks. As of November 5, 2020, the Ohio Department of Job and Family Services received Worker Adjustment and Retraining Notification (WARN) Act notices warning 285 employees of potential future layoffs and closures in November and 287 in December.

Consumer Income and Consumption

Nationally, **personal income** increased by $170.3 billion (0.9%) in September. This increase in personal income was a result of increased activity in proprietors' income (5.1%), compensation of employees (0.8%), and rental income of persons (1.0%). This helped to offset the decline in government social benefits. Within the compensation category, government wage and salary disbursements decreased $7.4 billion in September following an increase in August. There was a continued decrease in unemployment insurance benefits with the leading contributor being the Federal Pandemic Unemployment Compensation program. This program, which temporarily provided a supplemental payment of $600 a week to those receiving unemployment benefits ended on July 31. The other social benefit program category increased due to an increase in Lost Wage Supplemental payments. This program administered by Federal Emergency Management Administration provided wage assistance to individuals unemployed as a result of the COVID-19 pandemic between August 1 and September 5, 2020.



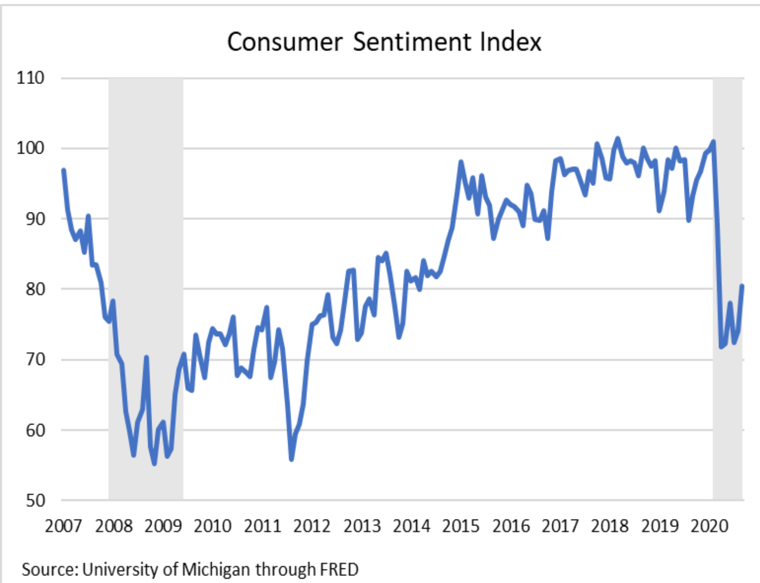
Consumer Spending by Industry, for Select Industries
($ in Millions of Chained 2012 dollars)

	August 2020	September 2020	1-Month Percent Change	12-Month Percent Change
Durable Goods	$2,008,361	$ 2,066,003	2.9%	14.3%
Motor Vehicles and Parts	$ 574,807	$ 600,551	4.5%	10.8%
Recreational goods and vehicles	$ 733,018	$ 756,614	3.2%	24.8%
Furnishings and durable household equipment	$ 451,934	$ 456,928	1.1%	10.3%
Nondurable goods	$ 3,116,286	$ 3,170,807	1.8%	5.1%
Clothing and footwear	$ 391,360	$ 422,625	8.0%	3.0%
Gasoline and other energy goods	$ 402,749	$ 409,887	1.8%	-7.3%
Services	$ 7,937,341	$ 7,998,378	0.8%	-6.5%
Recreational Services	$339,579	$360,549	6.2%	-28.3%
Health care	$2,094,024	$ 2,138,753	2.1%	-4.6%
Food services and accommodations	$693,058	$699,799	.97%	-17.4%

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

Real personal consumption expenditures, a measure of national consumer spending for goods and services, increased 1.2 percent ($159.2 billion) between August and September. This change resulted from an increase of $109.9 billion in spending on goods of which clothing and footwear, and motor vehicles and parts were leading contributors. Durable goods increased 1.2 percent and nondurable goods increased 1.8 percent in September. Spending for services increased $61.0 billion with the largest increase in health care, which was led by outpatient services and recreational services.

Personal saving decreased 2.6 percent in September compared to August, marking the fifth month of declines after a substantial increase in April; however, personal saving remains above the February level by 80.9 percent. Personal saving as a percentage of disposable personal income, the personal saving rate, was 14.3 percent. This was a decrease of 0.5 percentage points from August to September.



The latest survey results indicated that consumer sentiment continued to improve slightly. In October, the **University of Michigan's Consumer Sentiment Index** increased 1.4 points to 81.8. This was a 1.7 percent increase from September but a 14.3 percent decline from October 2019. The Consumer Expectations Index increased 3.6 points from last month to 79.2. This was a 4.8 percent increase from September but a 5.9 percent decline from October 2019. Survey respondents reported an increased level of uncertainty with the rise of COVID-19 infection rates and tension leading up to the election.

The Conference Board's **Consumer Confidence Index**, which reflects consumer attitudes and buying intentions, decreased 0.4 percentage points in October to 100.9. This small decline followed a substantial increase in September. The Conference Board's **Present Situation Index** measures consumers' current assessment of business and labor market conditions increased 5.8 percentage points from 98.9 in September to 104.6 in October. The Conference Board's **Expectation Index** is based on consumers short term outlook for the economy. In October it decreased to 98.4 from 102.9 in September; a 4.4 percentage point decrease.

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". Although total travel throughput was on the rise in recent months, October 2020 throughput remained 64.5 percent lower than last year.

For the week ending October 24, 2020, STR reported an occupancy rate of just 48.0 percent, a 31.7 percent decline compared to the same week in 2019. The average daily rate earned for an occupied room declined 29.4 percent compared to the same week in 2019. Revenue per available room also declined 51.8 percent in a year-over-year comparison. All three metrics have increased since April, and in October weekly data showed occupancy reached 50% for the second time since the industry's low point.

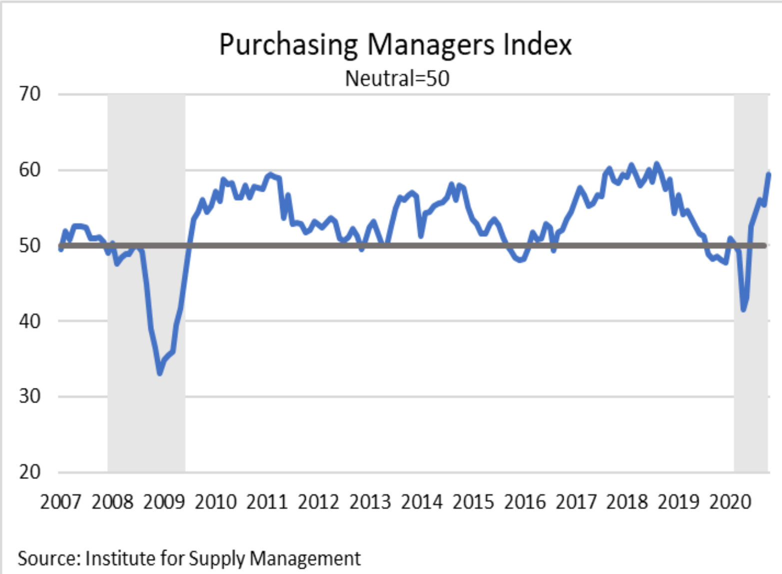
Commercial vehicle miles traveled on the Ohio Turnpike increased 8.2 percent compared to October of last year. However, passenger vehicle miles traveled declined 4.8 percent between September and October and were 16.3 percent lower than October 2019.

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** decreased 0.5 percent in September, the first decline after four months of increases. While the index had recovered more than half of its pandemic decline, it remained 7.1 percent below its February level and 7.3 percent below September 2019. **Manufacturing production** decreased in September by 0.3 percent and was 6.4 percent below February's level.

The durable goods manufacturing industry index decreased by 0.5 percent in September, while the index for nondurable goods production stayed the same. The output of utilities decreased 5.6 percent in September as demand for air conditioning declined more than usual.

Some of Ohio's top manufacturing industries made small gains in September compared to August. Aerospace and miscellaneous transportation and equipment increased production by 4.6 percent, primary metal manufacturing and fabricated metals products both increased by 1.7, and plastics and rubber products and chemicals both increased by 0.7 percent. These gains were partially offset by the productivity in motor vehicles and parts, which decreased another 4.0 percent in September, after very strong gains between May and July. The production of petroleum and coal decreased by 3.5 percent; and both food, beverage and tobacco production and machinery decreased by 0.4 percent. Production of electrical equipment and appliances decreased by 0.2 percent.



Produced by the Institute for Supply Management (ISM), the **Purchasing Managers Index** (PMI) measures expansions and contractions of the manufacturing economy. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding, while below 50 percent it is generally contracting. In October, the PMI for the United States increased to 59.3 percent, compared to 55.4 in September 2020. This is the highest the PMI has been since September 2018. This increase represents and overall expansion of the economy for the sixth month in a row after the significant contraction in April.

The new orders index increased 7.7 percentage points to 67.9 percent and the production index was up 2.0 percentage points to 63.0 percent. The backlog of orders index rose 0.5 percentage points to 55.7 percent. The inventories index increased 4.8 percentage points to 51.9 percent compared to September. These changes provide evidence that manufacturing continues to recover since the COVID-19 stay-at-home orders were lifted.

Of the 18 industries tracked by the Manufacturing ISM® *Report on Business*, 15 reported growth between September and October. All ten industries that are most important to Ohio manufacturing reported gains with fabricated metals; food, beverage and tobacco products; and plastics and rubber products reporting the highest growth.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM suggest that the manufacturing industry was returning to normal, amidst ongoing struggles with COVID-19. A source in the fabricated metal products industry noted that they, "continue to see increases in customer demand. We are not back to pre-COVID-19 levels but are continually improving." A respondent in the machinery industry said, "Business is almost back to normal levels; however, customers are still cautious with capital spending."

Construction

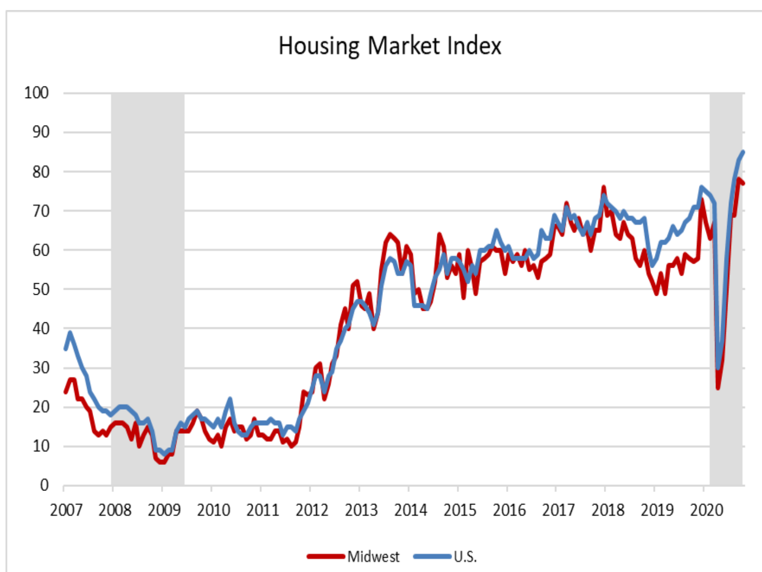
The U.S. Census Bureau estimated **total construction spending** at a seasonally adjusted annual rate of $1.4 trillion, which was a 0.3 percent increase from August. The September estimate remains 1.5 percent above that of Septmber 2019. In September spending on private sector construction was at a seasonally adjusted rate of $1.1 trillion, which was a 0.9 percent increase above August. Residential construction increased 2.7 percent in September while nonresidential construction decreased 1.6 percent between August and September.

Public sector construction spending in September was at a seasonally adjusted annual rate of $339.1 billion, a 1.7 percent decrease compared to August. In September, highway construction was down 5.4 percent from August and 6.3 percent compared to September 2019. Conservation and and development spending decerased 7.2 percent compared to August, and 18.6 percent compared to September 2019.

Nationally, in September 2020 the number of privately-owned housing units approved increased by 4.7 percent from August and were 7.5 percent above September 2019 levels. In Ohio, building permits for privately owned units increased 9.1 percent between August and September 2020, and were 10.5 percent above permits issued in September 2019. Nationally, privately-owned housing starts in September increased 1.9 percent compared to August but were 11.1 percent above the September 2019 level. Midwest privately-owned housing starts fell 32.7 percent from August but increased 4.4 percent from September 2019. Nationally, privately-owned housing completions increased 15.3 percent in September and were 25.8 percent above the September 2019 level. Privately-owned housing completions in the Midwest increased 24.5 percent compared to August and were 11.2 percent above the August 2019 level.

The National Association of Home Builders reported newly built single-family home sales decreased 3.5 percent to 959,000 compared to the revised August numbers. Despite this decline, September's levels were 32.1 percent higher than last year. Existing home sales, as reported by the National Association of Realtors, continued to rise in September for the fourth consecutive month. Sales have increased 9.4 percent from the prior month to a seasonally adjusted rate of 6.5 million and an increase of 20.9 percent from a year ago. Sales in the Midwest grew 7.1 percent in September and increased 14.8 percent from September 2019. According to the Ohio Realtors, activity in the Ohio housing market strongly increased in September with sales rising 18.1 percent from September 2019. The average home price in Ohio in September was $224,081, a 15.7 percent increase compared to September last year.

The Housing Market Index (HMI) from the National Association of Home Builders and Wells Fargo takes the pulse of the single-family housing market, and asks the respondents to rate market conditions for the sale of new homes at the present time and in the next six months. Nationally the HMI increased in October to 85 from 83 in September, a 2.4 percent increase. This was the sixth month of increasing HMI levels and the second month the index has been above 80. This suggest more favorable housing market conditions. In the Midwest, the HMI decreased from 78 in September to 77 in October.



REVENUES

October GRF tax revenues appear to have rebounded modestly from the September results, with most sources exceeding estimate during October. The overall result was a $84.8 million positive variation from estimated tax revenues; this represents a 4.3 percent overage, which is at a rate close to the 4.2 percent year-to-date positive variation. Non-auto sales tax demonstrated the strongest performance for the month, while auto sales tax revenues remained quite vibrant if somewhat less so than the immediately preceding months. The employer withholding component of the personal income tax continued to show solid, steady performance in October.

October total GRF receipts totaled $3.1 billion and were $179.6 million (-5.5%) below estimate. Tax revenues were $84.8 million (4.3%) above estimate. In contrast, non-tax receipts were $264.4 million (-19.7%) below estimate due primarily to Federal grants being $269.2 million (-20.3%) below estimate. For the year to date, tax revenues are above estimate, non-tax receipts are below estimate, and transfers are slightly above 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	$347.2	4.2%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($372.8)	-7.1%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$1.9	2.4%
TOTAL REVENUE VARIANCE:		**($23.7)**	**-0.2%**
Non-federal revenue variance		**$367.7**	**4.4%**
Federal grants variance		**($391.4)**	**-7.6%**

For October, revenues and transfers were $219.9 million (7.6%) above the previous year. Tax receipts increased by $34.5 million (1.7%) while non-tax receipts increased by $185.5 million (20.8%). For the year-to-date, tax receipts are $857.0 million (11.0%) above last year and non-tax receipts are $1.2 billion (34.5%) over the prior year. Transfers are $4.3 million (5.7%) above last year on a year-to-date basis.

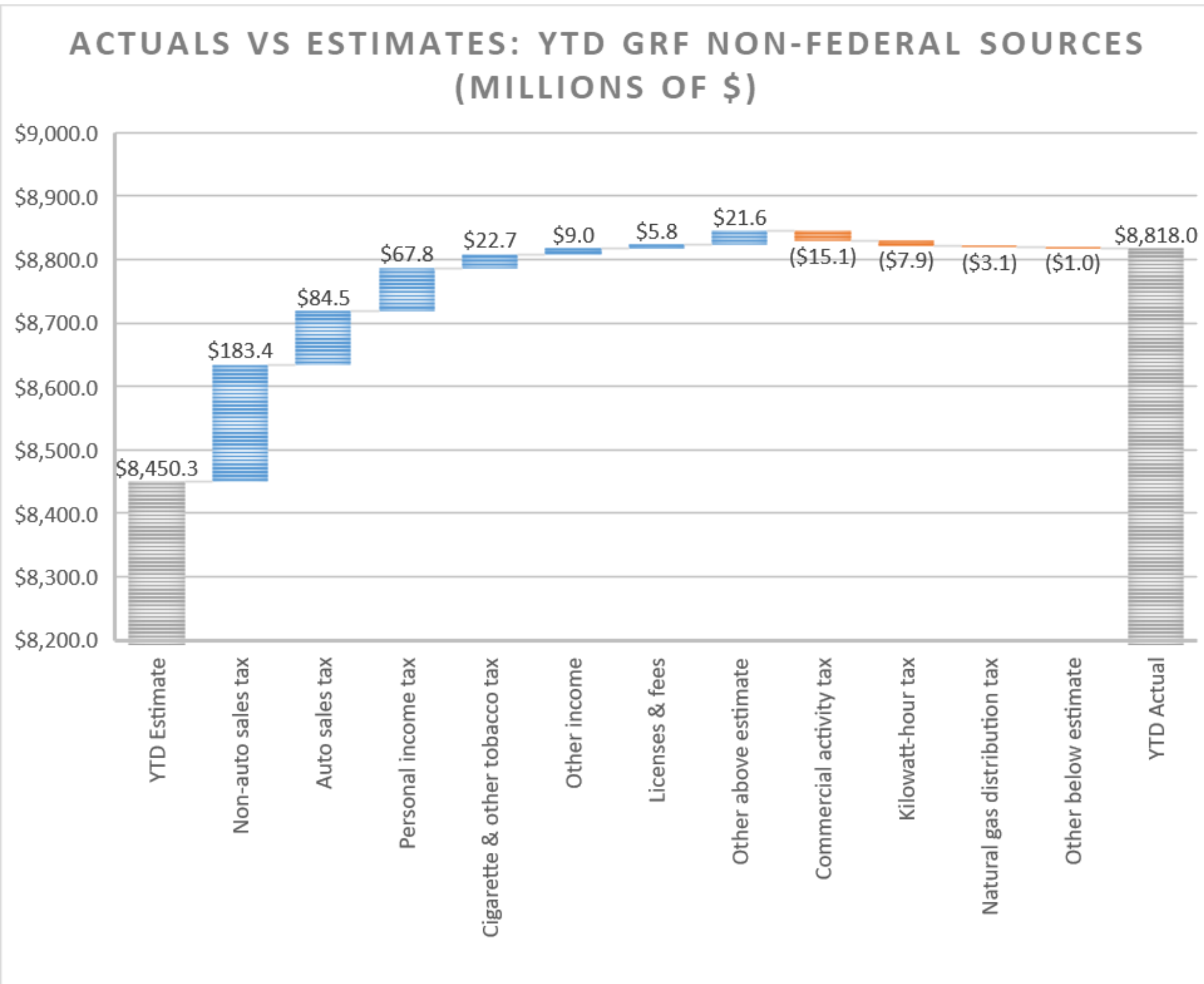
During October, the source with the largest year-over-year increase was Federal grants, at $208.3 million (24.6%) above last year. The next-largest increases were non-auto sales tax at $34.8 million (4.3%) and commercial activity tax at $14.2 million (20.5%). The largest decline was experienced by earnings on investments at $23.7 million (-57.5%) and personal income tax at $18.7 million (-2.6%).

The table below shows that sources below estimate (a negative variance of $288.3 million) in October outweighed the size of revenue overperformers (an overage of $108.8 million), resulting in a $179.6 million net negative variance from estimate.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Non-auto sales tax	$77.0	Federal grants	($269.2)
Commercial activity tax	$8.4	Personal income tax	($16.4)
Auto sales tax	$7.0	Other sources below estimate	($2.7)
Foreign insurance tax	$5.7		
Earnings on investments	$3.8		
Other sources above estimate	$6.8		
Total above	**$108.8**	**Total below**	**($288.3)**

(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 $367.6 million. The chart shows that non-auto sales tax accounts for one-half of the current overage.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in October totaled $837.5 million and were $77.0 million (10.1%) above the estimate. To briefly recap the fiscal year to date, July revenue came in at a record-breaking 11.4 percent overperformance relative to estimate, August demonstrated a modest 2.9 percent overage, and the September results were 1.8 percent below estimate. Across all four months of the fiscal year, revenues are now $183.4 million (5.8%) above estimate. October non-auto sales tax revenue was $34.8 million (4.3%) above the prior year, while year to date revenue is $199.6 million (6.4%) above fiscal year 2020. Although October's 10.1 percent overage implies very strong performance on a scale similar to July, this is tempered by year-over-year growth of 4.3 percent. To some extent, the month's positive variation from estimate could be due to an apparent shift in the timing of consumption and payment patterns, with more revenue occurring in October than had been anticipated from earlier historical patterns.

Anticipated payment patterns aside, October revenues continued to perform at a greater level than would normally be expected from an economy which is still in the process of recovery. As cited in various preceding editions of this report, a probable factor for the sustained non-auto sales tax intake comes from a shift in consumption toward taxable goods. Recent high-frequency data indicate that consumption for major service industries have substantially declined from normal levels, while certain retail categories have grown at a strong pace. The most recent "Monthly Event Study of Spending" table issued by the U.S. Department of Commerce's Bureau of Economic Analysis, which uses high-frequency credit card spending data, shows significant declines in the Recreation, Accommodations, Food Services, and Gas Stations categories in July through October; such declines ranged from -23 percent to -49 percent in the partial October data. Much of that spending is exempt from Ohio sales tax. In contrast, retailer segments such as Furniture, Building Materials & Home Improvements, Automotive Parts, Sporting Goods & Hobby, and General Merchandise stores had median monthly growth rates ranging from 9 percent to 21 percent in partial October data: the great majority of sales by these retailers are subject to Ohio sales tax. Worth noting, however, is that several retailer categories showed slower growth in October compared to the prior month. Adaptation to the current public health environment likely plays an important part in explaining these changes across retail and service categories. To the extent Ohioans are spending more of their time at home, spending is shifting toward items used at home and away from goods and services consumed elsewhere.

Auto Sales Tax

October auto sales tax revenues were $138.8 million. Sales tax revenue in October was $7.0 million (5.3%) above estimate but was $5.5 million (-3.8%) below last October. This marks five successive months in which auto sales tax has exceeded estimate. June through October 2020 combined represent an $118.5 million overage relative to estimate and this overage makes up for 94 percent of the $125.7 million shortfall accumulated during the March through May period.

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 auto sales in October reached an estimated 17.1 million units. This represents 3.5 percent growth from September, and one percent growth from the prior year. Although generally useful as a barometer of the health and direction of the motor vehicle sales, U.S. light vehicle unit monthly sales growth data typically do not track closely with Ohio auto sales tax performance.

Although October implies a year over year slowdown (in contrast to the large gains posted during the June through September period), October 2019 auto sales tax revenue was unusually strong and there was one less pay-in day this year. Considering the outsized level of last year's revenue, this October's performance does not necessarily reflect the start of a downward drift. Even so, OBM will continue to monitor auto sales tax revenue during the next several months, which will be particularly important in demonstrating whether possible recent upward influences on revenues — such as federal fiscal stimulus policies, pent-up demand, and behavioral responses to current public health circumstances (e.g., private transportation as a substitute for ride sharing and public transport) — may begin to dissipate.

Personal Income Tax

October GRF personal income tax receipts totaled $697.6 million and were $16.4 million (-2.3%) below the estimate. On a year-over-year basis, October income tax collections were $18.7 million (-2.6%) below October 2019 collections.

Similar to September, the October withholding tax collections fell slightly short of expectations. For October, withholding tax payments were $7.7 million (-1.0%) below estimate and are $10.6 million (-0.4%) below estimate for the year-to-date. Withholding tax payments declined by $46.0 million (-5.8%) in October compared to last year. However, a year-over-year comparison is obscured by the four percent reduction in withholding tax rates, as well as one extra pay-in day last October (22 days last year compared to 21 this year). Applying a rate adjustment and factoring in an additional average daily payment to reflect 22 days, monthly employer withholding payments in October would have increased by an estimated 1.1 percent. Year-to-date growth would have been just over 2 percent without the rate reduction. As noted previously, any increase in rate-adjusted withholding tax collections is notable when the labor market remains in its current impaired condition. Yet it is also apparent that employer withholding has not gathered notable momentum over the last three months.

Taxpayers that choose to make a full extension of their taxable year 2019 annual return filing deadline were required to file the return in October. However, because payments were required to have been made by July 15, only a modest amount of revenue was anticipated during October. Annual return payments almost exactly matched the October estimate, exceeding the anticipated amount by just $0.3 million (0.5%).

After exceeding the September estimate by $8.5 million, estimated payments in October were $9.4 million (27.1%) below estimate. Estimated payments are now $43.3 million (11.5%) above estimate for the year. October collections were $1.1 million (4.5%) above the prior year. Combined September and October estimated payments are $12.6 (-5.1%) below last year, but considering the pandemic and the historic economic challenges occurring this year (as well as the fact that 2019 was a strong year for estimated payments), the recent performance of this payment stream is impressive.

Refunds were quite close to estimate, falling $1.8 million short of the anticipated level. For the fiscal year-to-date, refunds are $49.2 (-9.9%) below estimate.

OCTOBER PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual October	Estimate October	$ Var	Actual October-2020	Actual October-2019	$ Var Y-0ver-Y
Withholding	$753.0	$760.7	($7.7)	$753.0	$799.0	($46.0)
Quarterly Est.	$25.3	$34.7	($9.4)	$25.3	$24.2	$1.1
Annual Returns & 40 P	$54.6	$54.3	$0.3	$54.6	$60.8	($6.2)
Trust Payments	$4.5	$4.4	$0.1	$4.5	$5.1	($0.6)
Other	$4.9	$7.0	($2.1)	$4.9	$7.0	($2.1)
Less: Refunds	($110.3)	($112.1)	$1.8	($110.3)	($146.2)	$35.9
Local Distr.	($34.4)	($35.0)	$0.6	($34.4)	($33.7)	($0.8)
Net to GRF	$697.6	$714.0	($16.4)	$697.0	$716.3	($18.7)

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

Commercial Activity Tax (CAT)

October revenues were $8.4 million (11.2%) above estimate. For the year to date, the source is $15.1 million (-3.4%) below estimate. In addition, CAT revenue in October was $14.2 million (20.5%) above last year. Following a quarter in which CAT revenue performed below estimate, October shows potential evidence of a better outcome for the second quarter of fiscal year 2021. Although November revenue will be far larger than October and therefore constitutes a more significant month for the quarter (November is the month during which payments are due), payments during the month preceding the due date can serve as a good bellwether for quarterly performance. Meanwhile, the October results make up for some of the downturn that occurred during the July-September period, which reflected economic activity during the second quarter of calendar year 2020 when the economic decline was the steepest and swiftest in modern U.S. history.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1.1 billion and were $264.4 million (-19.7%) below estimate for the month of October. The negative variance was driven by the Federal Grants category, which was $269.2 million (-20.3%) below estimate. This negative variance coincides with a negative Medicaid disbursement variance discussed in the disbursement section of this report.

Preliminary
11/2/2020

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

REVENUE SOURCE	MONTH ACTUAL OCTOBER	MONTH ESTIMATE OCTOBER	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	837,486	760,500	76,986	10.1%	3,327,643	3,144,200	183,443	5.8%
Auto Sales & Use	138,843	131,800	7,043	5.3%	626,066	541,600	84,466	15.6%
Subtotal Sales & Use	976,329	892,300	84,029	9.4%	3,953,709	3,685,800	267,909	7.3%
Personal Income	697,610	714,000	(16,390)	-2.3%	3,603,427	3,535,600	67,827	1.9%
Corporate Franchise	16	0	16	N/A	287	0	287	N/A
Financial Institutions Tax	(12,174)	(13,600)	1,426	10.5%	(16,152)	(20,700)	4,548	22.0%
Commercial Activity Tax	83,502	75,100	8,402	11.2%	431,101	446,200	(15,099)	-3.4%
Petroleum Activity Tax	0	0	0	N/A	878	1,900	(1,022)	-53.8%
Public Utility	4,015	3,000	1,015	33.8%	35,355	34,800	555	1.6%
Kilowatt Hour	30,056	30,500	(444)	-1.5%	112,236	120,100	(7,864)	-6.5%
Natural Gas Distribution	29	600	(571)	-95.1%	13,720	16,800	(3,080)	-18.3%
Foreign Insurance	168,815	163,100	5,715	3.5%	175,660	171,500	4,160	2.4%
Domestic Insurance	0	0	0	N/A	824	0	824	N/A
Other Business & Property	0	0	0	N/A	15	0	15	N/A
Cigarette and Other Tobacco	76,803	77,600	(797)	-1.0%	272,796	250,100	22,696	9.1%
Alcoholic Beverage	5,692	3,900	1,792	45.9%	21,238	18,300	2,938	16.1%
Liquor Gallonage	4,642	4,000	642	16.1%	19,381	16,900	2,481	14.7%
Estate	0	0	0	N/A	12	0	12	N/A
Total Tax Receipts	2,035,335	1,950,500	84,835	4.3%	8,624,487	8,277,300	347,187	4.2%
NON-TAX RECEIPTS								
Federal Grants	1,056,255	1,325,494	(269,239)	-20.3%	4,743,542	5,134,970	(391,428)	-7.6%
Earnings on Investments	17,576	13,750	3,826	27.8%	17,576	13,750	3,826	27.8%
License & Fees	2,600	737	1,863	252.9%	14,096	8,338	5,759	69.1%
Other Income	768	1,676	(908)	-54.2%	81,983	72,997	8,986	12.3%
ISTV'S	65	0	65	N/A	71	0	71	N/A
Total Non-Tax Receipts	1,077,263	1,341,657	(264,394)	-19.7%	4,857,268	5,230,054	(372,786)	-7.1%
TOTAL REVENUES	**3,112,598**	**3,292,157**	**(179,559)**	**-5.5%**	**13,481,755**	**13,507,354**	**(25,599)**	**-0.2%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	79,832	77,932	1,900	2.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	0	0	N/A	79,832	77,932	1,900	2.4%
TOTAL SOURCES	**3,112,598**	**3,292,157**	**(179,559)**	**-5.5%**	**13,561,587**	**13,585,286**	**(23,699)**	**-0.2%**

Preliminary
11/2/2020

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

REVENUE SOURCE	MONTH OCTOBER FY 2021	MONTH OCTOBER 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	837,486	802,643	34,843	4.3%	3,327,643	3,128,047	199,596	6.4%
Auto Sales & Use	138,843	144,389	(5,546)	-3.8%	626,066	563,002	63,064	11.2%
Subtotal Sales & Use	976,329	947,032	29,297	3.1%	3,953,709	3,691,049	262,660	7.1%
Personal Income	697,610	716,303	(18,693)	-2.6%	3,603,427	2,998,430	604,996	20.2%
Corporate Franchise	16	23	(7)	-28.7%	287	(4)	291	8217.3%
Financial Institutions Tax	(12,174)	(17,282)	5,107	29.6%	(16,152)	(26,788)	10,636	39.7%
Commercial Activity Tax	83,502	69,275	14,227	20.5%	431,101	468,707	(37,605)	-8.0%
Petroleum Activity Tax	0	0	0	N/A	878	1,796	(918)	-51.1%
Public Utility	4,015	2,794	1,221	43.7%	35,355	34,886	470	1.3%
Kilowatt Hour	30,056	29,314	743	2.5%	112,236	119,227	(6,991)	-5.9%
Natural Gas Distribution	29	534	(504)	-94.5%	13,720	13,304	417	3.1%
Foreign Insurance	168,815	166,510	2,304	1.4%	175,660	175,429	231	0.1%
Domestic Insurance	0	0	0	N/A	824	1	823	164666.6%
Other Business & Property	0	0	0	N/A	15	0	15	N/A
Cigarette and Other Tobacco	76,803	77,616	(814)	-1.0%	272,796	257,005	15,791	6.1%
Alcoholic Beverage	5,692	4,675	1,017	21.8%	21,238	17,158	4,080	23.8%
Liquor Gallonage	4,642	4,029	614	15.2%	19,381	17,278	2,103	12.2%
Estate	0	0	0	N/A	12	38	(26)	-69.0%
Total Tax Receipts	2,035,335	2,000,823	34,512	1.7%	8,624,487	7,767,514	856,973	11.0%
NON-TAX RECEIPTS								
Federal Grants	1,056,255	847,981	208,274	24.6%	4,743,542	3,488,919	1,254,623	36.0%
Earnings on Investments	17,576	41,306	(23,731)	-57.5%	17,576	41,306	(23,731)	-57.5%
License & Fee	2,600	860	1,740	202.3%	14,096	9,465	4,631	48.9%
Other Income	768	1,639	(871)	-53.1%	81,983	71,351	10,632	14.9%
ISTV'S	65	2	62	2792.2%	71	20	52	262.2%
Total Non-Tax Receipts	1,077,263	891,789	185,475	20.8%	4,857,268	3,611,062	1,246,206	34.5%
TOTAL REVENUES	**3,112,598**	**2,892,612**	**219,987**	**7.6%**	**13,481,755**	**11,378,576**	**2,103,179**	**18.5%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	67	(67)	N/A	79,832	75,548	4,284	5.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	67	(67)	N/A	79,832	75,548	4,284	5.7%
TOTAL SOURCES	**3,112,598**	**2,892,679**	**219,919**	**7.6%**	**13,561,587**	**11,454,124**	**2,107,463**	**18.4%**

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $2.9 billion and were $418.2 million (-12.6%) below estimate. This variance was primarily attributable to below estimate disbursements in the Medicaid category. On a year-over-year basis, October total uses were $115.5 million (-3.8%) lower than those of the same month in the previous fiscal year, with a decrease in the Primary and Secondary Education category largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	**Description**	**Year-Over-Year Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($110.6)	-3.7%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($5.0)	-98.5%
TOTAL DISBURSEMENTS VARIANCE:		**($115.5)**	**-3.8%**

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. October disbursements for this category totaled $369.6 million and were $57.5 million (18.4%) above estimate. This variance was primarily attributable to above estimated spending in the Foundation Funding and EdChoice Expansion line items as payments for certain scholarship programs were above estimate for the month. This timing of payments partially offset underspending for these line items in prior months. This above estimate spending was partially offset by below estimated disbursements for the Early Childhood Education line item as schools claimed reimbursements for prior year funds at a different rate than estimated.

Expenditures for the school foundation program totaled $339.7 million and were $49.2 million (16.9%) above estimate. Year-to-date disbursements were $2.8 billion, which was $16.9 million (-0.6%) below estimate. On a year-over-year basis, disbursements in this category were $316.2 million (-46.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $96.6 million (-3.4%) lower than the same point in fiscal year 2020. The year-over-year variance was the result of one foundation payment occurring in October of fiscal year 2021 compared to two payments in fiscal year 2020.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $191.0 million and were $6.1 million (-3.1%) below the estimate for the month. This variance was primarily attributable to spending in the Ohio College Opportunity Grant Scholarship Program, which was below estimate by a total of $4.3 million due to lower than expected requests for reimbursement from higher education institutions. Another significant source of the variance was spending in the Adult Basic and Literacy Education (ABLE) state match line item, which was below estimate by a total of $1.1 million due to requests from ASPIRE Centers being lower than anticipated.

Year-to-date disbursements were $757.3 million and were $12.5 million (-1.6%) below estimate. On a year-over-year basis, disbursements in this category were $6.4 million (-3.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $18.1 million (2.5%) higher 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.

October disbursements in this category totaled $9.6 million and were $0.2 million (-1.8%) below estimate. Year-to-date disbursements were $35.0 million and were $0.3 million (-1.0%) below estimate. On a year-over-year basis, disbursements in this category were $3.5 million (57.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $2.8 million (-7.4%) lower than at the same point in fiscal year 2020.

Medicaid

Note: Medicaid enrollment and spending estimates represented in this report are based on updated projections precipitated by the COVID-19 pandemic and therefore differ from projections outlined with the passage of H.B. 166. If enrollment is discussed as being below or above estimate in this report, the estimate is the updated COVID-19 estimate and not the H.B. 166 estimate.

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.

<u>Expenditures</u>
October GRF disbursements for the Medicaid Program totaled $1.5 billion and were $429.5 million (-22.8%) below estimate and $176.6 million (13.8%) above disbursements for the same month in the previous fiscal year.

The October variance was primarily attributable to a delayed managed care withhold payment. This payment is estimated to disburse in November and will likely have significant effects on that month's reporting as well. Additionally, the monthly variance was influenced by below estimate enrollment in all major eligibility categories. The variance from the previous fiscal year was primarily attributable to increased Medicaid enrollment resulting from both federal law changes and adverse economic conditions, both associated with the COVID-19 pandemic

Year-to-date GRF disbursements totaled $6.7 billion and were $554.7 million (-7.6%) below estimate, and $1.3 billion (23.6%) above disbursements for the same point in the previous fiscal year. The year-to-date and year-over-year variances were primarily attributable to enrollment; the program underspent for the month due to below estimate enrollment figures while overspending year-over-year due to significant enrollment increases in that time frame. Note that this report uses updated COVID-19 enrollment estimates and therefore reports of below estimate enrollment for the month and fiscal year are possible despite significant overall increases in enrollment.

October all-funds disbursements for the Medicaid Program totaled $2.4 billion and were $433.8 million (-15.2%) below estimate, and $321.3 million (15.3%) above disbursements for the same month in the previous fiscal year. The October all-funds variance was primarily attributable to the delayed managed care withhold payment and below estimate enrollment outlined above while the year-over-year variance was primarily attributable to higher enrollment when compared to October 2019.

Year-to-date all-funds disbursements totaled $10.6 billion and were $531.5 (-4.8%) below estimate, and $929.2 million (12.9%) above disbursements for the same point in the previous fiscal year. The year-to-date all funds variance was primarily attributable to below estimate spending in the managed care program, again due to the delayed managed care withhold payment mentioned above and general below estimate enrollment. Additionally, the variance was partially attributable to below estimate spending in administration related expenses, notably in information technology.

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 270,000 individuals since October 2019. Again, note that this report uses updated COVID-19 enrollment estimates and therefore reports of below estimate enrollment for the month and fiscal year are possible despite significant overall increases in enrollment. This can cause spending underages on a month-to-month basis while still exhibiting significant increases in spending on a year-over-year basis.

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

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

	Oct. Actual	Oct. Projection	Variance	Variance %
GRF	$ 1,452.7	$ 1,882.2	$ (430)	-22.8%
Non-GRF	$ 968.6	$ 972.9	$ (4)	-0.4%
All Funds	$ 2,421.3	$ 2,855.1	$ (434)	-15.2%

Enrollment

Total October enrollment was 3.1 million, which was 112,600 (-3.5%) below estimate and 269,512 (9.6%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.0 million and was 80,270 (-2.6%) below estimate.

October enrollment by major eligibility category was: Covered Families and Children, 1.7 million; Aged, Blind and Disabled (ABD), 496,630; and Group VIII Expansion, 724,620.

**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.

October disbursements in this category totaled $143.8 million and were $47.0 million (-24.6%) below estimate. Year-to-date disbursements were $473.7 million and were $67.2 million (-12.4%) below estimate. On a year-over-year basis, disbursements in this category were $71.5 million (-33.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $39.2 million (-7.6%) lower than at the same point in fiscal year 2020.

Department of Job and Family Services
October disbursements for the Department of Job and Family Services totaled $68.1 million and were $44.8 million (-39.7%) below estimate. This variance was primarily attributable to the Family and Children Services line item, which was $29.5 million below estimate because the disbursement for the State Child Protective Services Allocation was made in September instead of October. The Child Care State/Maintenance of Effort line item was $10.0 million below estimate because weekly childcare provider payments have been lower than expected due to the pandemic. Schools are temporarily conducting blended or remote learning, and this is impacting day care enrollment and/or attendance. The Family Assistance - Local line item was $2.3 million below estimate because of lower than anticipated county draw requests for the Income Maintenance allocation.

Department of Mental Health and Addiction Services
October disbursements for the Department of Mental Health and Addiction Services totaled $59.3 million and were $3.8 million (6.9%) above estimate. This variance was primarily attributable to the Hospital Services line item, which was $2.3 million above estimate due to delayed expenditures for IT maintenance and a computer purchase estimated for September but that occurred in October, and the Family and Children First line item, which was $0.8 million above estimate due to payments for prior months being made in October.

Justice and Public Protection

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

October disbursements in this category totaled $282.6 million and were $11.6 million (-4.0%) below estimate. Year-to-date disbursements were $964.6 million and were $40.8 million (-4.1%) below estimate. On a year-over-year basis, disbursements in this category were $46.0 million (19.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $97.7 million (11.3%) higher than at the same point in fiscal year 2020.

Department of Public Safety
October disbursements for the Department of Public Safety totaled $4.7 million and were $12.2 million (-72.2%) below estimate. This variance was primarily attributable to disbursements in the Highway Patrol Operating Expenses line item, which was $12.6 million below estimate due to the timing of payroll being charged to that line item. This variance was partially offset by above estimate spending in the Security Grants – Personnel line item, which was $0.6 million above estimate due to the timing of subsidy payments.

Department of Rehabilitation and Correction
October disbursements for the Department of Rehabilitation and Correction totaled $222.9 million and were $2.9 million (-1.3%) below estimate. This variance was primarily attributable to variances in the Institutional Operations line item, which was $3.6 million below estimate due to the implementation of agency cost-saving measures, and the Halfway House line item which was $1.6 million below estimate due to timing of payments. This variance was partially offset by the Institution Medical Services line item, which was $2.2 million above estimate due to continued rising costs of medical care and timing of medical billing.

Office of the Attorney General
October disbursements for the Office of the Attorney General totaled $7.3 million and were $1.1 million (-12.9%) below estimate. This variance was primarily attributable to lower than estimated disbursements in the School Safety Training Grants line item.

Public Defender Commission
October disbursements for the Public Defender Commission totaled $9.6 million and were $5.3 million (122.5%) above estimate. This variance was attributable to disbursements in the County Reimbursement ALI which was $5.3 million above estimate as the agency made additional payments this month to account for delayed payments earlier in the fiscal year.

General Government

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

October disbursements in this category totaled $54.0 million and were $1.7 million (3.3%) above estimate. Year-to-date disbursements were $156.7 million and were $18.7 million (-10.6%) below estimate. On a year-over-year basis, disbursements in this category were $12.2 million (29.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $4.0 million (2.6%) higher than at the same point in fiscal year 2020.

Department of Administrative Services
October disbursements for the Department of Administrative Services totaled $3.1 million and were $3.9 million (-55.7%) below estimate. This variance was primarily attributable to the State Agency Support Services line item, which was $2.6 million below estimate because rent for certain GRF agencies and vacant space in state office buildings will be billed later than projected. In addition, the Ohio Business Gateway line item was $1.0 million below estimate due to lower payments for internal DAS help desk and administrative charges than anticipated.

Department of Agriculture
October disbursements for the Department of Agriculture totaled $9.0 million and were $5.0 million above estimate (125.5%). This variance was primarily attributable to the Soil and Water Phosphorous Program line item, which was $4.2 million above estimate due to the timing of paying encumbered amounts from fiscal year 2020.

Environmental Protection Agency
October disbursements for the Environmental Protection Agency totaled $2.3 million and were $1.4 million above estimate (149.3%). This variance was primarily attributable to the Water and Sewer System Grants line item, which was $1.2 million above estimate due to a payment being made in October that was originally scheduled in September.

Department of Veteran Services
October disbursements for the Department of Veteran Services totaled $4.0 million and were $1.5 million (-26.9%) below estimate. This variance was primarily attributable to disbursements in the Veterans' Homes line time, which was $1.3 million below estimate due to unfilled positions related to the hiring freeze.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. October reimbursements totaled $321.9 million and were $26.0 million (8.8%) above estimate. Year-to-date reimbursements totaled $820.9 million were $21.4 million (-2.5%) below estimate. The year-to-date negative variance is largely caused by counties requesting reimbursements more slowly than estimated and will continue to be offset with positive variances later in the fiscal year.

Debt Service

October payments for debt service totaled $66.0 million and were $29,000 (-0.0%) below estimate. Year-to-date expenses in this category total $477.5 million and were $2.3 million (-0.5%) below estimate. The year-to-date variance was mostly due to a lease rental payment in September coming in $1.5 million below estimate.

Transfers Out

October transfers out totaled $77,000 and were $8.9 million (-99.1%) below estimate. Year-to-date transfers out totaled $411.5 million and were $34.4 million (-7.7%) below estimate. The year-to-date variance was primarily caused by a transfer to the Targeted Addiction Program Fund not occurring in first quarter, as planned. This transfer is now expected to occur later in the fiscal year.

Preliminary
11/6/2020

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2021 VS ESTIMATE FY 2021
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL OCTOBER	MONTH ESTIMATED OCTOBER	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	369,571	312,121	57,450	18.4%	2,765,321	2,782,221	(16,900)	-0.6%
Higher Education	191,039	197,138	(6,099)	-3.1%	757,277	769,758	(12,481)	-1.6%
Other Education	9,574	9,749	(175)	-1.8%	34,953	35,290	(337)	-1.0%
Medicaid	1,452,705	1,882,249	(429,544)	-22.8%	6,717,927	7,263,483	(545,556)	-7.5%
Health and Human Services	143,809	190,842	(47,033)	-24.6%	473,729	540,893	(67,165)	-12.4%
Justice and Public Protection	282,608	294,257	(11,649)	-4.0%	964,628	1,005,408	(40,780)	-4.1%
General Government	53,956	52,220	1,736	3.3%	156,750	175,430	(18,680)	-10.6%
Property Tax Reimbursements	321,903	295,879	26,024	8.8%	820,883	842,312	(21,429)	-2.5%
Debt Service	66,042	66,071	(29)	0.0%	477,502	479,761	(2,259)	-0.5%
Total Expenditures & ISTV's	**2,891,207**	**3,300,526**	**(409,319)**	**-12.4%**	**13,168,970**	**13,894,556**	**(725,586)**	**-5.2%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	77	9,000	(8,923)	-99.1%	411,475	445,900	(34,425)	-7.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**77**	**9,000**	**(8,923)**	**-99.1%**	**411,475**	**445,900**	**(34,425)**	**-7.7%**
Total Fund Uses	**2,891,284**	**3,309,526**	**(418,242)**	**-12.6%**	**13,580,445**	**14,340,456**	**(760,011)**	**-5.3%**

Preliminary
11/6/2020

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**OCTOBER FY 2021**	**OCTOBER FY 2020**	**$ VAR**	**% VAR**	**ACTUAL FY 2021**	**ACTUAL FY 2020**	**$ VAR**	**% VAR**
Primary and Secondary Education	369,571	685,779	(316,207)	-46.1%	2,765,321	2,861,890	(96,569)	-3.4%
Higher Education	191,039	197,411	(6,372)	-3.2%	757,277	739,145	18,133	2.5%
Other Education	9,574	6,092	3,482	57.1%	34,953	37,743	(2,791)	-7.4%
Medicaid	1,452,705	1,276,142	176,562	13.8%	6,717,927	5,434,467	1,283,459	23.6%
Health and Human Services	143,809	215,283	(71,474)	-33.2%	473,729	512,919	(39,191)	-7.6%
Justice and Public Protection	282,608	236,638	45,970	19.4%	964,628	866,957	97,671	11.3%
General Government	53,956	41,712	12,244	29.4%	156,750	152,721	4,029	2.6%
Property Tax Reimbursements	321,903	250,356	71,547	28.6%	820,883	851,362	(30,479)	-3.6%
Debt Service	66,042	92,352	(26,310)	-28.5%	477,502	853,499	(375,997)	-44.1%
Total Expenditures & ISTV's	**2,891,207**	**3,001,766**	**(110,559)**	**-3.7%**	**13,168,970**	**12,310,704**	**858,266**	**7.0%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	77	5,066	(4,989)	-98.5%	411,475	661,667	(250,192)	-37.8%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**77**	**5,066**	**(4,989)**	**-98.5%**	**411,475**	**661,667**	**(250,192)**	**-37.8%**
Total Fund Uses	**2,891,284**	**3,006,831**	**(115,547)**	**-3.8%**	**13,580,445**	**12,972,371**	**608,074**	**4.7%**

FUND BALANCE

The Office of Budget and Management (OBM) continues to track national and state economic indicators and review tax revenue performance. To provide additional opportunity to collect and analyze data, OBM has decided to release the fiscal year 2021 General Revenue Fund ending balance estimate in an upcoming Monthly Financial Report.

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

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Top 10 Considerations for Ohio Manufacturers Association

Stephen Estelle, Philip Hurak

Ohio CARES Act

Ohio CARES Act

Small Business Grant - $125m

- $10,000 / business
- Limit of 25 Ohio employees
- Revenue loss/unexpected costs + necessity

- Eligible expenses – payroll, PPE, rent, utilities, supplies/equipment

- First come, first served

Potential Impact of Covid on Ohio Incentive Agreements

- Potential clawback
- Agreement modifications
- Relaxed requirements going forward?
  - Place of work?
- Job retention expansion?
- Programs for smaller employers/job creators
- Retraining

Ohio Municipal Income Tax

- HB 197 and impact to tax collections
- When will the emergency declaration end?
- Challenges to HB 197

Post Election - Potential Federal Tax Changes

- Increased tax rates on high earners (>$400K)
- Increase in cap gain rates for income > $1M
- Reduction of amount of available tax free wealth transfer
- Elimination of the SALT cap
- Increase in standard corporate tax rate (21% - 28%)

SALT Cap – Potential Changes

IRS Notice 2020-75

- Allows business owners to deduct entity level taxes with a corresponding offset to individual income tax liability

- Since tax is “elective” at the entity level, owners can avoid the $10,000 SALT cap deduction

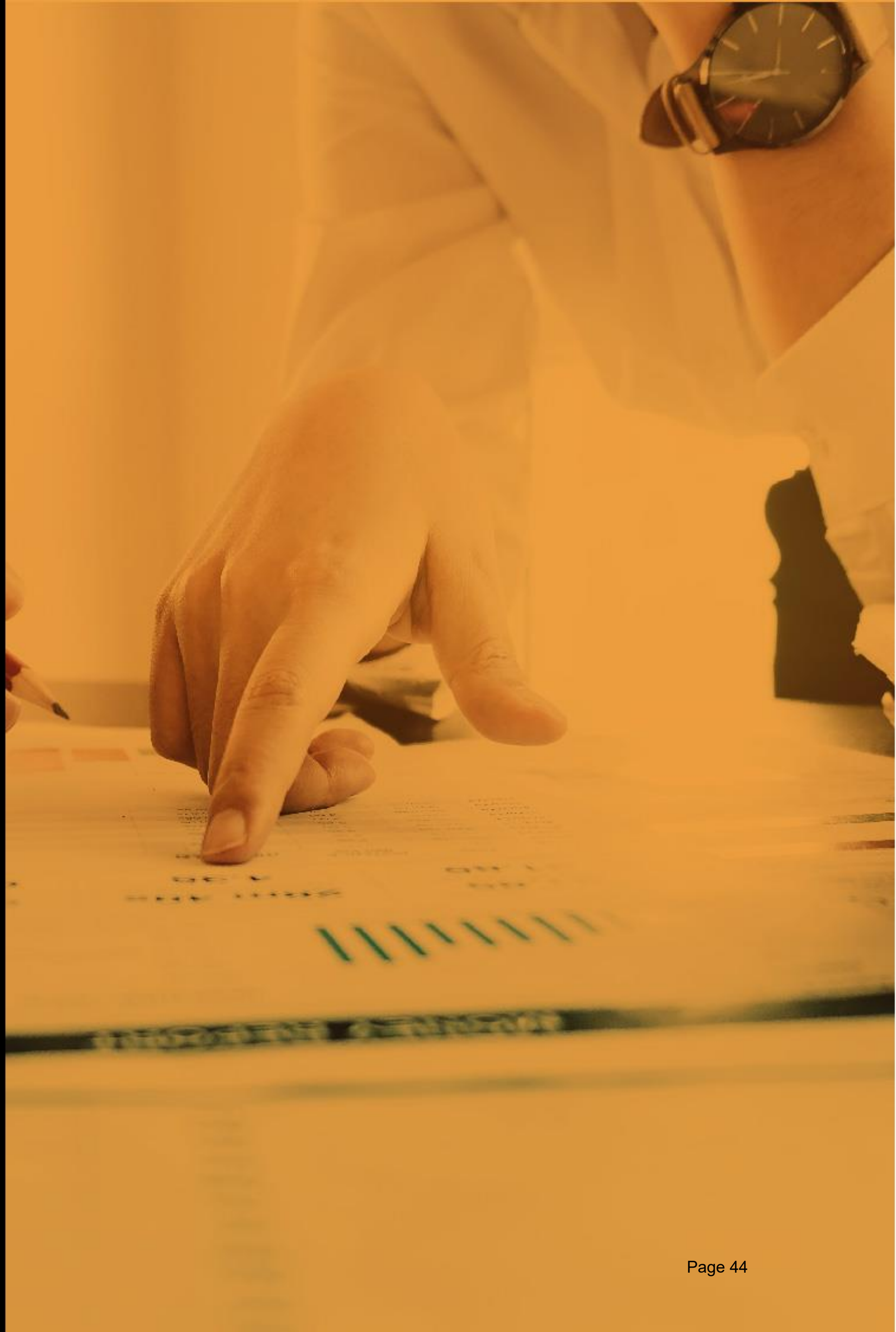
- Expect additional states to impose legislation within Notice 2020-75, especially if change to current SALT cap limitation

Potential Federal Changes to Trade Policy

- Rejoin TPP?
  - Recent activity with RCEP in Asia
- May drop/reduce imposed tariffs
- Committed to maintaining an “investment in American workers”

Additional Federal Stimulus?

- $1.5 trillion - $3.4 trillion
- Improvements or additional funding for the Paycheck Protection Program
- Expansion of employee retention tax credit
- Additional funding for individuals



PPP Loan Necessity Questionnaire

- Applies to PPP Loans of $2M+
- Currently in comment period
- Likely face significant challenges
- Review of revenues, capital expenditures, executive pay, cash/assets, and liquidity
- Comparison of good faith certification at time application to current situation

Disallowance of PPP Expenses

- IRS may reinterpret
- Congressional clarification

- Potential legislative change allowing expensing

As Introduced

133rd General Assembly
Regular Session **S. B. No. 352**
2019-2020

Senator Roegner

A BILL

To repeal 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.

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

Section 1. That Section 29 of H.B. 197 of the 133rd General Assembly is hereby repealed.

S.B. 352
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Roegner

Mackenzie Damon, Attorney

SUMMARY

- Repeals a temporary municipal income taxation rule for employees who are working from home due to COVID-19.

DETAILED ANALYSIS

Municipal income taxation during the COVID-19 pandemic

The bill repeals a temporary rule governing the municipal income taxation of employees who are working at a temporary worksite – including their home – due to the COVID-19 pandemic.[1] The temporary rule is set to expire 30 days after the end of the Governor's COVID-19 emergency declaration, but the bill would repeal it sooner if the bill's 90-day effective date arrives first.[2]

Under the temporary rule, if an individual has to work at a temporary worksite because of the COVID-19 emergency, that employee is still considered to be working at his or her regular place of employment, or principal place of work. This treatment affects which municipality the employer must withhold income taxes for, which municipality 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.

Considering this income to be earned at 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

[1] Section 1. The temporary rule was enacted in Section 29 of Am. Sub. H.B. 197 of the 133rd General Assembly.

[2] The current state of emergency was declared in Executive Order 2020-01D, issued on March 9, 2020.

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.[3]) The full effect of the provision is not clear, however, because courts have generally found that a municipality cannot tax a nonresident's income that is not earned in that municipality and that taxpayers are entitled to a refund of tax withheld on that income.[4] This prohibition arises from due process protections – the Ohio Supreme Court has held that a municipal corporation taxing nonresident income may violate constitutional due process if there is no "fiscal relation" between the tax and the protections, opportunities, and benefits provided by the taxing municipality to the nonresident (e.g., police and fire protection).[5]

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.[6]

HISTORY

Action	Date
Introduced	08-11-20

S0352-I-133/ks

[3] R.C. 718.01(A)(1)(b), not in the bill.

[4] See, e.g., *Miley v. City of Cambridge*, No. 96 CA 44, 1997 Ohio App. LEXIS 3243 (5th Dist. June 25, 1997) (granting refund where city ordinance was held unconstitutional because it taxed nonresidents for work outside the city if the employer's principal place of work was in the city).

[5] *McConnell v. Columbus*, 172 Ohio St. 95, 99-100 (1961).

[6] R.C. 718.01(C)(16) and (17), 718.011, 718.02, and 718.82, not in the bill.

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.

A Mortal Threat to Ohio's Economic Competitiveness: SB352, HB754, and the Buckeye Institute Lawsuit

September 2020

Background

On March 27, 2020 Ohio Governor Mike DeWine signed into law HB197, providing emergency relief to Ohioans in light of the coronavirus pandemic. Section 29 of this bill states that during the pandemic state of emergency, income tax shall be collected by the jurisdiction where the employer is located, not an employee's work-from-home location. In July 2020, the Buckeye Institute filed a lawsuit in the Franklin County Court of Common Pleas challenging Section 29 of HB197. In August 2020, SB352 and HB754 were introduced. These bills intend to repeal Section 29 of HB197 and allow the jurisdiction of residence to collect income tax from employees working from home instead of the jurisdiction where the employer is located.[i]

GREATER OHIO POLICY CENTER

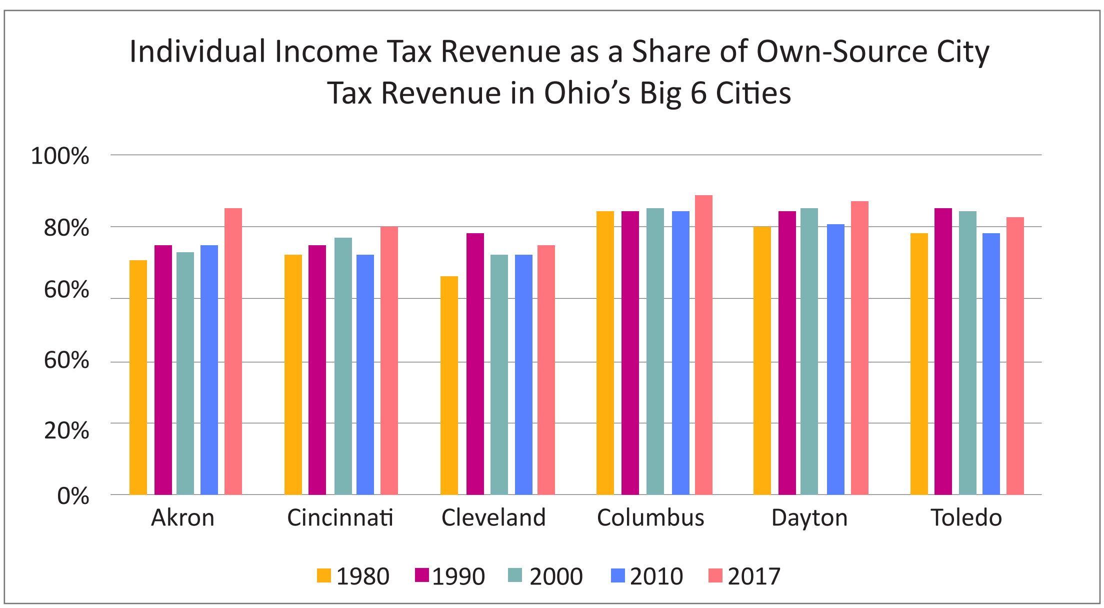
The Buckeye Institute lawsuit, SB352, and HB754 are short-sighted and mortally jeopardize Ohio's economic competitiveness. These efforts threaten the ability of Ohio's largest economic centers to pay debt service on past strategic investments, envision future ones, and maintain critical services, thereby hampering their ability to drive economic growth, retain existing employers, and attract new ones.

Repealing Section 29 will cause dramatic drops in revenue for Ohio's largest cities; we estimate it would cause a net decrease of $306 million total revenue to Ohio's 6 largest cities alone. It would also set off a cascade of unintended consequences through Ohio's tax system and undo at least sixty years of precedent in Ohio's tax policy. Without a comprehensive restructuring to address its consequences, repealing Section 29 will be devastating to the financial health of Ohio's cities and thus the state.

Individual income tax revenue has comprised an extremely large share of city tax revenue in Ohio for decades. For nearly a half century, individual income taxes have generated the vast majority of own-source city tax revenue in Ohio.[ii] Newly released data compiled by the Lincoln Institute of Land Policy demonstrates this trend has held in Ohio's six largest cities by population (hereafter referred to as the "Big 6") for the last forty years, the entirety of the data set. In fact, the preeminence of municipal income tax collections predates the Lincoln Institute's data. Toledo passed the first municipal income tax ordinance in 1946; by 1957 the Ohio General Assembly had enacted a uniform municipal income tax law in response to the growing number of cities that were establishing income tax ordinances.[iii]

For nearly a half century, individual income taxes have generated the vast majority of city-controlled tax revenue in Ohio.

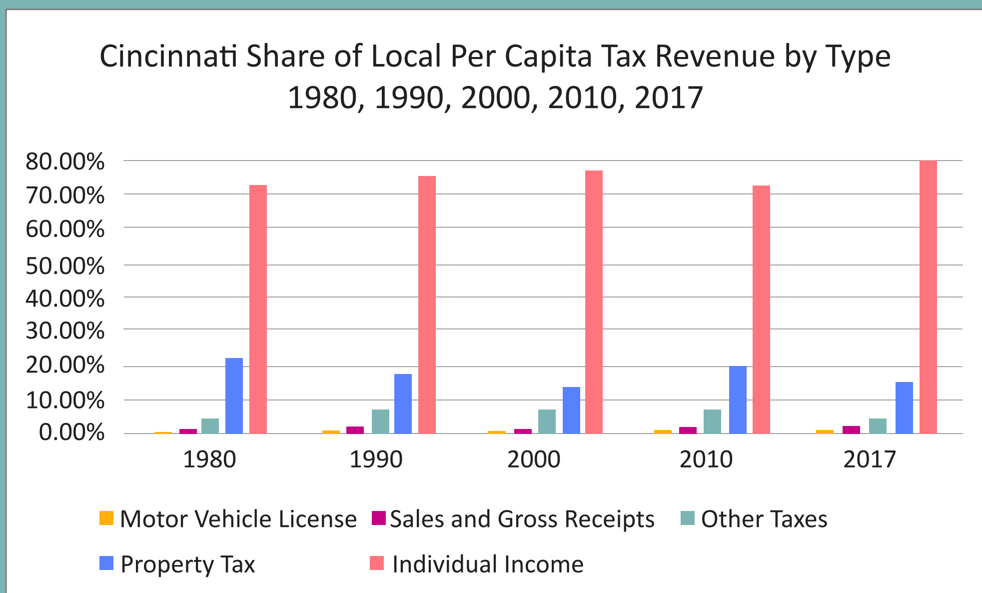
The chart below demonstrates the steady reliance on individual income tax revenue as a share of city-generated taxes for 1980, 1990, 2000, 2010 and 2017, the most recent year data are available.



Source: GOPC, Lincoln Institute of Land Policy. Fiscally Standardized Cities database.

By 2017, individual income tax comprised over 82% of own-source city tax revenue for all six of Ohio's largest cities compared with 74% in 1980. In 1980, Cleveland was the least reliant city on individual income tax with 65% of own-source city tax revenue generated via individual income tax. In 2017, Cleveland was still the least reliant with 75% of all own-source city tax revenue generated by individual income, and Columbus was the most reliant with 88% of own-source city tax revenue generated through this source.

A Closer Look at Own-Source City Tax Revenue: Cincinnati Example

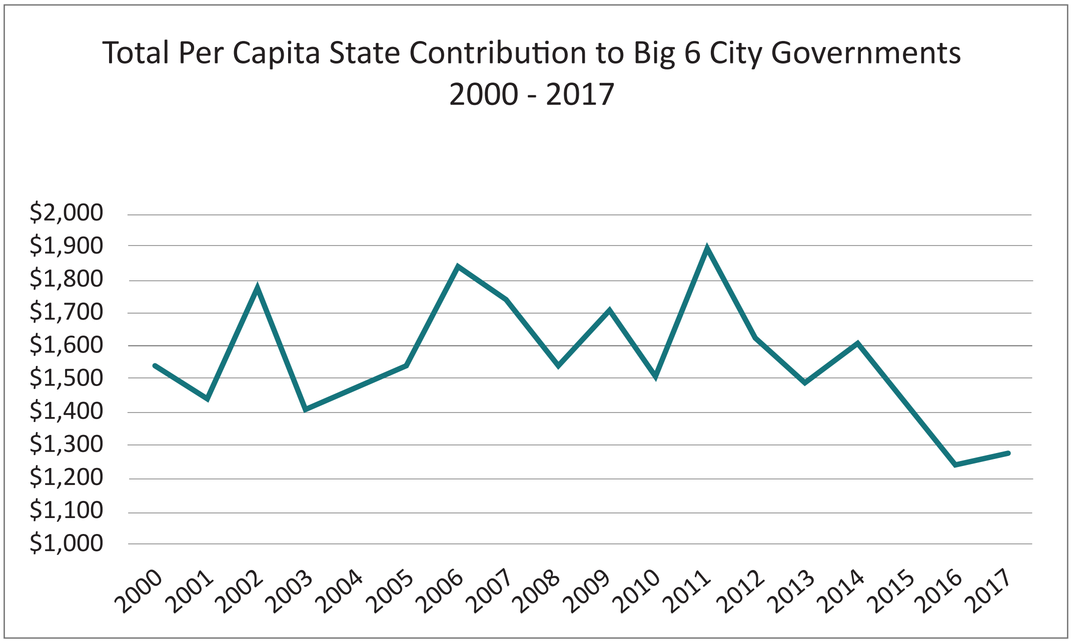


Source: GOPC, Lincoln Institute of Land Policy. Fiscally Standardized Cities database.

Cincinnati's own-source city tax revenue demonstrates the importance of individual income tax relative to other forms of tax revenue with the city budget. In 2017, individual income tax comprised nearly 80% of all city taxes, generating almost 6 times as much revenue as property taxes and more than 50 times sales and gross receipts to the city of Cincinnati.

The importance of income tax revenue to cities has only increased in recent years as funds from the State to local government entities have waned since the 2000s. Between 2000 and 2017, state contributions to local governments with geographic territories in the Big 6 Cities[iv] decreased by 8% and the state funds directed specifically to city government decreased by 17% (from $1,531 per capita in 2000 to $1,277 per capita in 2017 in adjusted 2017 dollars).

During this period, the Local Government Fund was reduced, the estate tax was repealed and the tangible personal property tax was repealed. The reduction in these former sources of revenue to all types of local governments (e.g. cities, counties, school districts, special districts) increases the importance of the remaining sources of locally-sourced funds.

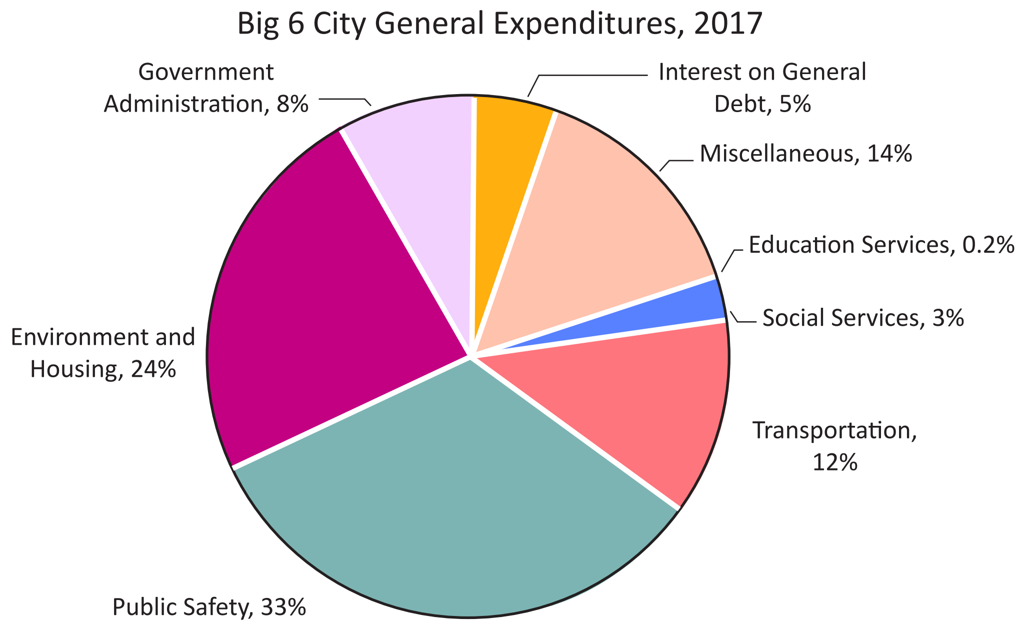


Source: GOPC, Lincoln Institute of Land Policy. Fiscally Standardized Cities database.

Income tax revenue funds city services essential for maintaining the health, safety, and well-being of residents and visitors, as well as maintaining the infrastructure that supports economic development and jobs. Cities in Ohio use their income tax revenue to fund a large array of community and economic development services, including, but not limited to:

- animal control
- construction and maintenance of sanitary and storm sewers
- construction and maintenance of many aspects of the highway/road network
- fire protection
- garbage collection
- government-wide insurance
- health inspections
- home ownership programs
- home repair programs
- policing and law enforcement activity
- public health
- regulation of air and water quality premiums
- sewage treatment
- snow and ice removal on roads
- In Columbus, school districts receive a small amount of Individual Income tax revenue

In 2017, Public Safety (which includes Police, Fire, Corrections, and Inspections) accounted for 33% of Big 6 City general expenditures[vi] followed by Environment and Housing, which includes Parks and Recreation, Community Development, Sewerage, and Waste Management.[v]



Source: GOPC, Lincoln Institute of Land Policy. Fiscally Standardized Cities database.

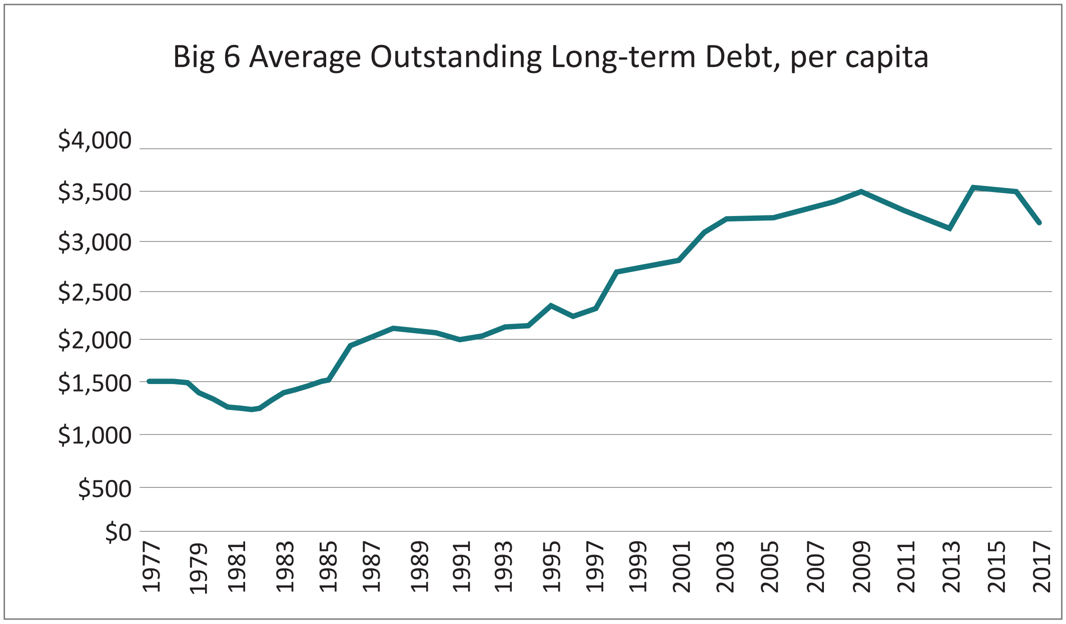
City services are not all cash-in, cash-out propositions amenable to rapid reallocation as proponents of the repeal of Section 29 suggest. This is particularly true of the strategic infrastructure investments cities make that drive regional economic health. The infrastructure employers relied on to get employees to their workplaces still has pre-pandemic bond debt that needs to be retired, even if work-from-home commuters haven't used roads or bridges within our Big 6 Cities in the last five months,

Reliance on long-term debt has increased in the last 40 years for Ohio's Big 6. From 1977 to 2017, the average per capita amount of outstanding debt doubled from $1,596 to $3,222.

City street resurfacing and improvements are required investments for a city to maintain its street network, and, by extension, maintain the regional and state transportation networks that are key components of Ohio's economy. Like roads, many other capital investments are financed over many years by revenue collected annually. It is logical that many of the services mentioned above rely on periodic investments and not simply small, proportionate expenditures. Often these investments are made via municipal bonds.

City services are not all cash-in, cash-out propositions amenable to rapid reallocation

Most cities in Ohio dedicate a portion of their income tax collections to capital and infrastructure debt. As one example, one-fourth of Columbus's income tax collections are used to pay its bond obligations, which finance infrastructure projects that are too large to be financed in one payment. This bond debt is typically redeemed within 10 years, meaning the City is still paying off its 2013, 2016, and 2019 bonds. Other cities have similar timelines for capital and infrastructure debt, and most cities rely on their income taxes to help service that debt.[vii]



Source: GOPC, Lincoln Institute of Land Policy. Fiscally Standardized Cities database.

A Closer Look at the Advantages of Municipal Bonds: Columbus Example

In 2019, citizens of the City of Columbus voted and approved a billion dollar bond program to pay for major investments in street and utility improvements, among other capital projects. The 2019 bond packages invest nearly $70 million over the next two years on street resurfacing projects. A study done 10 years earlier concluded that the city would have to spend $60 million per year on resurfacing to maintain roadways, nearly double what it spends now. Bond programs provide a means to finance expensive, but necessary, projects across a municipality.

Ohio Cities have large shares of city workers who reside outside the city, which means cities stand to lose significant revenue if income tax is restructured in light of the unforeseen pandemic. In 2017, Columbus had the largest share of workers who also reside in the city with 41.3%, while Dayton had the largest number of city workers who reside outside the city at 81.6% of all workers working in the city.

City	Share of City Workers who reside Outside the City	Share of City Workers who reside Within the City
Akron	72.8%	27.2%
Cincinnati	76.0%	24.0%
Cleveland	77.4%	22.6%
Columbus	58.7%	41.3%
Dayton	81.6%	18.4%
Toledo	57.6%	42.4%

Source: GOPC, On the Map, United States Census, Data from 2017

Repealing Section 29 could cost Ohio's six largest cities alone an estimated net loss of $306 million

Repealing Section 29 could cost Ohio's six largest cities alone an estimated net $306 million in revenue and will have similarly negative impacts on other cities in Ohio that rely heavily on income tax revenue. The following table illustrates the potential financial impact of this policy on Ohio's Big 6 cities. For the purposes of a gross estimate, we estimated that revenue will decrease proportionally to the percentage of workers who reside outside the city, and that 30% of those workers will work from home.[viii]

How much do cities stand to lose by repealing Section 29?		
Big 6 Income Tax Revenue, 2017	$	2,112,876,523
Share of Big 6 Workers that Reside *Outside* the City		69%
Share of Workers now Working From Home		30%
Potential decrease in revenue (rounded)	*$*	*(437,000,000)*

Source: GOPC, Lincoln Institute of Land Policy; On the Map, United States Census, Data from 2017

Cities also stand to gain revenue by collecting income tax revenue from city residents employed outside the city who are now working from home. To approximate this impact, we estimated the total income that city residents who work elsewhere would earn based on city median household incomes. We then applied the average effective income tax rate of the Big 6 and estimated the potential increase in income tax revenue, assuming 30% of these workers are working from home.

How much do cities stand to gain by repealing Section 29?		
Average Median Household Income of Big 6 Residents	$	35,987
Number of Big 6 Residents that Work Outside the City		510,614
Total Est. Income of Big 6 Residents Working Outside the City	$	18,375,295,813
Share of Workers now Working From Home		30%
Total Est. Income of Big 6 Residents now Working From Home	$	5,512,588,744
Average Effective Income Tax Rate of the Big 6 Cities		2.39%
Potential increase in revenue (rounded)	*$*	*131,000,000*

Source: GOPC, Lincoln Institute of Land Policy; On the Map, United States Census, Data from 2017; Ohio Department of Taxation, Municipal Income Tax Rate Database

The potential net impact of repealing Section 29 is $306 million. This was calculated by adding the potential revenue lost from former commuters into the city now working from home, to the revenue gained by city residents working from home who previously worked elsewhere. The resulting estimated figure demonstrates an order of magnitude and is not precise because: 1) the percentage of people actually working from home is in flux; 2) income tax revenue collections are based on incomes that aren't factored into this estimate; and 3) recent changes in unemployment rates are also not reflected. However, higher income workers are more likely to hold jobs that allow for remote work, and are more likely to commute.[ix]

What is the estimated potential impact of repealing Section 29?		
Potential decrease in revenue	$	(437,000,000)
Potential increase in revenue	$	131,000,000
Net Impact on Big 6 income tax revenue	*$*	*(306,000,000)*

Source: GOPC, Lincoln Institute of Land Policy; On the Map, United States Census, Data from 2017

A loss of $306 million from Ohio's Big 6 Cities would have extraordinary consequences for Ohio's major metro regions, which would not be limited just to the 6 Big Cities. For example, the roadway systems in Ohio's Big 6 Cities are part of larger regional and state networks. Poor road conditions within the city's jurisdiction, due to insufficient funds, would slow commerce and shipping and increase accidents and fatalities for the entire region.[x] This will severely hamper the state's economic competitiveness as it works to retain and attract employers.

Potential Impacts from Losing $306 million	
77	fewer miles of expanded interstate highway
245	fewer miles of milled and resurfaced road
77	fewer miles of new 2-lane road
38	fewer miles of 4-lane road

Source: GOPC, American Road & Transportation Builders Association

Ohio's income tax structure should not be changed. Using a temporary pandemic to justify changes to a long-term tax structure would unfairly penalize cities who have long supported Ohio's economic competitiveness and made investment decisions based on the expectation of this structure's existence. No one had predicted a pandemic; it would be patently unfair to Ohio's cities to change the income tax structure at this juncture.

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About the Greater Ohio Policy Center

The Greater Ohio Policy Center (GOPC) is a statewide non-profit organization with a mission to improve Ohio's communities through smart growth strategies and research. Our vision is a revitalized Ohio. GOPC is highly respected for its data-driven, nonpartisan policy analysis, research expertise, and policy development, and regularly provides expert analyses to public, private and nonprofit leaders at the local, state and national level.

This brief was researched and written by Erica Spaid Patras with assistance from Maria Walliser-Wejebe and Alison Goebel.

Endnotes

i House Bill 197 (133 GA) https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA133-HB-197 Senate Bill 352 (133 GA) https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-352

ii We use "own-source city tax revenue" to indicate the funds the city has jurisdiction over to set rates for and collect. Cities receive additional dollars from state and federal formulas, as well as from user fees, fines and charges, like utility fees or transit revenue that is automatically funneled back into service operation; the majority of this brief focuses only on the revenue Ohio cities can actually control. Additionally, this nomenclature differentiates between revenue within the city's purview and revenue available to other local jurisdictions operating within the geographic boundaries of the city. For example, income tax revenue generally funds city government, while property tax revenue generally flows to school districts; while property tax revenue may be spent within city boundaries, decisions about how it is used are not made by city leaders.

iii Ohio Department of Taxation, Fiscal Year 2019 Annual Report; Municipal Income Section, p 118 https://tax.ohio.gov/static/communications/publications/annual_reports/2019AnnualReport/AR2019.pdf#page=118

iv County government, city government, school districts, and special districts, like libraries.

v The uses of funds are included within the Lincoln Institute for Land Policy Fiscally Standardized Cities database and were constructed using data for individual local governments from the U.S. Census Bureau's quinquennial Census of Government Finance and the Annual Surveys of State and Local Government Finance. Detailed definitions for all fiscal variables are available in the Census Bureau's Government Finance and Employment Classification Manual, which is available at: http://www.census.gov/govs/classification/

vi General Expenditures refers to all city spending categories, except for intergovernmental expenditures, utility expenditures, liquor store expenditures, and employee retirement trust expenditures.

vii https://www.ohioauditor.gov/auditsearch/Search.aspx ; select "financial audit" for the city you wish to research; select a recent audit. Information provided in "Notes to the Basic Financial Statements" section.

viii At the time of this writing, a Gallup poll found 62% of workers reported working from home (https://news.gallup.com/poll/306695/workers-discovering-affinity-remote-work.aspx), Forbes reported on two studies which found 36% and 37% of jobs, respectively, could be done from home (https://www.forbes.com/sites/traversmark/2020/04/24/what-percentage-of-workers-can-realistically-work-from-home-new-data-from-norway-offer-clues/#4a7d8f2f78fe), and Stanford's Institute for Economic and Policy Research reported 42% of workers working from home. We considered all of these, the timeframes they were generated, and opted for an even lower 30% to account for some additional unemployment that may not be adequately reflected in the earlier figures.

ix "Workers who could work at home, did work at home, and were paid for work at home, by selected characteristics, averages for the period 2017-2018" (Table 1 continued) page 10. https://www.bls.gov/news.release/pdf/flex2.pdf

x Ohio cities maintain local and state routes within their jurisdiction. ODOT maintains federal interstate freeways.

Columbus’ reliance on income tax could spell trouble as more work from home, study warns

Bill Bush

Columbus is more dependent on municipal income taxes than any of Ohio’s six largest cities, and that revenue is now threatened by a coronavirus-created, work-from-home movement that many experts say may reshape workplaces permanently.

Columbus leads Ohio’s “Big 6” cities — the others are Cleveland, Cincinnati, Akron, Dayton and Toledo — in the percentage of “own-source” revenue, 88 percent, that comes from the city income tax, according to a new study from the Greater Ohio Policy Center.

Own-source funds are those taxes over which cities have sole jurisdiction to set rates and collect, such as income taxes, and exclude state and federal grants and fees for services.

“This is an issue that is not going to go away,” said Alison Goebel, executive director of the Greater Ohio Policy Center, a nonpartisan nonprofit that advocates for the revitalization of Ohio communities, particularly struggling Rust Belt cities.

An emergency law passed last spring has put on hold the day of reckoning that could face the Big 6, all of which have substantial numbers of workers who, pre-COVID-19, would commute into downtown office buildings and other large corporate workplaces.

Under state law, income tax is primarily collected in the city where people work, not where they live. The emergency law put that on hold until 30 days after Gov. Mike DeWine declares the COVID-19 crisis has passed. At that point, many suburbs with income taxes could begin collecting more of that revenue unless businesses in the Big 6 recall workers from home.

Just figuring out where those tax withholdings must legally flow under work-at-home plans “'is just like a nightmare that I don't think anyone is equipped to deal with right now," which is one reason the state Chamber of Commerce lobbied earlier this year for the emergency fix, Goebel said.

Two bills currently in the Ohio legislature and a pending lawsuit filed in Franklin County Common Pleas Court by the conservative Buckeye Institute against the city of Columbus seek to immediately end the emergency law. The institute said that law is “straight out of a dystopic novel,” as it disregards the facts of where jobs are actually located, represents a legal fiction and may be unconstitutional.

The new study estimates that if any of those three measures are successful, it would cause a $306 million annual loss in total revenue among the Big 6 cities alone.

“It would also set off a cascade of unintended consequences through Ohio’s tax system and undo at least 60 years of precedent in Ohio’s tax policy,” the study said. “Without a comprehensive restructuring to address its consequences, repealing (the law) will be devastating to the financial health of Ohio’s cities and thus the state.”

Asked what losing the current emergency withholding law would mean for Columbus’ economic health, city Auditor Megan Kilgore declined to comment in an email, citing the pending lawsuit. Asked if she could comment specifically on the two bills in the legislature that would essentially accomplish the same thing, she replied: “No, but thank you,” and didn’t respond when asked if she was acting on the advice of the city attorney.

Mayor Andrew J. Ginther told the City Council on Sept. 14 that the city’s current general-fund budget must be reduced by $41.5 million — even while being allowed to collect taxes from those working from home outside of the city limits. The 4.7% income-tax revenue decline is the worst in city history and five times larger than the drop during the Great Recession of 2007-2009.

In some ways, Columbus is a victim of its own economic-development deals, which have heavily promoted property-tax abatements, city subsidies and employee income-tax-sharing deals to companies in return for promises of new jobs within the city.

The policy center report casts a shadow on what a change in the income-tax situation could mean to paying off the growing debt load of the Big 6, which it said stood at $3,222 per Big 6 resident in 2017. Cities generally use bond debt to pay for street and sidewalk repairs and other projects.

As an example, the center cited Columbus' $1 billion bond issue approved by voters in 2019 to pay for major street and utility improvements, including nearly $70 million on street resurfacing projects.

"It's potentially something that we really have to worry about," said Bill LaFayette, founder of Regionomics, which analyzes local economic-development strategies.

Citing the U.S. census, LaFayette notes that Columbus' daytime population is 80,000 more than its resident population — a difference of more than 10%.

But suburbs that have large office populations could be hit even harder, he said, noting that Dublin's daytime population is 50% greater than its residential population.

LaFayette said the reliance of many Ohio municipalities on local income-tax revenue "really increases the risk, because you don't have a diversified flow of revenue."

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Should you pay commuter taxes while working from home? Republicans say no, cities say yes

Anna StaverRick Rouan
The Columbus Dispatch

Thousands of Ohioans still shuffle down their hallways each morning to work in a spare room or at the kitchen table.

Their commutes have gotten a lot shorter since COVID-19 hit America, but their municipal income tax bills remain the same. People who lived pre-pandemic in one city and worked in another are still paying taxes as if they were driving to the office.

Republican lawmakers say that's unfair, a conservative think tank says that's unconstitutional and cities across Ohio say repealing a temporary law that maintains tax collection as it was pre-pandemic would devastate their budgets.

"We would have to lay off cops and fire firefighters across the State of Ohio," said Cincinnati Mayor John Cranley. "It would be disastrous. It would lead to crime and all kinds of problems."

Ohio allows cities to collect income taxes from people who work within but don't live within their borders.

It's called a municipal income tax and everyone who lives or works in the City of Columbus, for example, gives up 2.5% of their income to the city. The reason being that commuters (non-residents) use city services, drive on city roads and sometimes need help from the city's first responders.

"I understand that," Rep. Bill Seitz, R-Green Township, said. "But what is their legal claim on entitlement to collect money from people who neither work or live in their city?"

That is the big question raised by the coronavirus pandemic.

Lawmakers, including Seitz, passed a bill in March to let cities collect these dollars as though their downtown offices were full until 30 days after Gov. Mike DeWine ends his state of emergency declaration. But the pandemic has gone on longer than he and many of his Republican colleagues expected.

"We did it as an accommodation to the cities for a brief period of time," Seitz said. "It's time to restore some sanity to the situation."

Sen. Kristina Roegner, R-Hudson, introduced a bill in the Ohio Senate to end the exemption. Rep. Kris Jordan, R-Delaware, introduced a similar bill in the House.

"It's safe to say that most of the big cities are nervous about the idea," Roegner said.

Ohio's major cities are heavily reliant on municipal income taxes, according to a Greater Ohio Policy Center study published in September. It estimated that a repeal of this COVID-19 provision could cost the state's six biggest cities $306 million.

"This kind of a shock to the system would lead to massive layoffs," Cranley said. "These are extraordinary times. We're in the middle of a crisis. I don't believe the General Assembly wants police and firefighters laid off throughout the state."

And that could affect whether businesses stay in Ohio, said Kent Scarrett, executive director of the Ohio Municipal League. Diminished safety forces could trickle down to higher costs for businesses, through higher insurance and bond rates, and jeopardize regional economic development.

"Certainly, it will have a cascading effect in every community if the largest hosts of economic development in the state are not able to support the level of services that is currently available and is necessary," Scarrett said.

The exact amount Columbus would lose is hard to pinpoint though. Columbus Auditor Megan Kilgore said the city doesn't keep data on how many workers commute from outside its borders.

It's not just big cities that could be hit by this change.

Economist Bill LaFayette said suburbs with large office populations could be hit harder.

U.S. Census Bureau data shows Columbus' daytime population increases by about 10%, LaFayette said. In Dublin, though, the daytime population jumps by about 50%.

But other residential suburbs that see drops in their daytime populations (Powell, Pataskala, Reynoldsburg, for example) could benefit.

Here's why: Let's say a person lives in Westerville but works in Columbus and earns $60,000 a year. Columbus takes $1,500 for working in the city while Westerville charges its residents $1,200. But here's the catch: Westerville, like many cities in the region, gives this person a discount. In this example, Westerville gets nothing while Columbus gets $1,500.

But if Roegner's bill became law, Westerville would collect $1,200. Columbus would get nothing, and this particular person would keep the $300 difference.

It comes down to fairness, Roegner said. "What's to stop Akron from taxing you or Youngstown? It's unconstitutional, I believe, to tax someone who does not work or reside in their territory."

The Buckeye Institute, a conservative think tank, agreed.

It has filed a lawsuit in Franklin County Commons Pleas Court alleging that this part of House Bill 197 was unconstitutional. It asked the court to overturn it and let Ohioans seek refunds for the taxes they've already paid.

"Even if city revenues go down, you can't tax people unlawfully," said Buckeye Institute President Robert Alt. "It’s unfair both to the other cities and to the workers."

Alt cited a 2015 Ohio Supreme Court case called Hillenmeyer vs. Cleveland Board of Revenue. The justices, in that case, sided with professional football players from other states who were being taxed when they came to play at FirstEnergy Stadium.

“Local taxation of a non-resident's compensation for services must be based on the location of the taxpayer when the services were performed," according to the decision.

In response, the City of Columbus argued that this was a misapplication of the case because those players lived in other states. The Ohio Constitution gives the General Assembly the "authority to regulate how municipalities will regulate and administer local income taxes," according to the city's motion to dismiss.

The judge hasn't decided yet whether he agrees.

"We are waiting for a decision which could be literally any day now," Alt said.

While they wait, both Seitz and Reogner plan to work on passing a new law before the end of 2020.

"My guess is it very well might have a shot, because there is probably some COVID legislation moving through," Seitz said.

For example, local governments want an extension on a rule that lets them meet remotely. It's set to expire Dec. 1, and Seitz thought that might be a good place to drop an amendment about the municipal income tax.

"At least that's what I'll be arguing for," he said.

If it doesn't pass before the 133rd General Assembly comes to an end, Roegner promised to be back in January with a new bill.

"I think there is going to be a reckoning there with their budgets anyway," Roegner said. "There’s a lot of people who are not going to be flocking back into cities once this is over."

Nationwide Insurance, for example, announced the closing of offices in five states this spring. None were in Ohio, but businesses across the Buckeye State are flirting with the idea of having more of their employees work from home.

"I think businesses have been thinking about this for years. But they've always been a little bit hesitant to try it," LaFayette said. "Now that they've tried it, and they find out that it really doesn't hurt productivity and in many cases it aids productivity, that's something that they'll maybe want to keep up."

Cranley wasn't convinced. After the terrorist attacks on Sept. 11, 2001, people speculated that no one would want to work or live in cities with high-rise buildings, he said, but that turned out to be false.

"I fully believe Cincinnati will have a very quick rebound," Cranley said. "The world has suffered many pandemics and yet the trend towards urbanism has only accelerated."

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Ohio group urging cities to fight bills ‘radically’ altering income tax for jobs done at home

Credit: NICK BLIZZARD/STAFF

LOCAL NEWS| 1 hour ago

By Nick Blizzard

Ohio cities are being urged to consider a measure “strongly opposing” bills repealing an emergency local income tax change approved after the COVID-19 pandemic hit.

The Ohio Municipal League has drafted a resolution against passage of SB 352 and HB 754. Both proposals impact current municipal income tax collections, a significant source of revenue for cities.

Part of an emergency bill approved in March after the coronavirus outbreak keeps Ohio workers paying income taxes to the municipality in which their employer is located at a time when more jobs are being done from home.

That measure – HB 197 – has been called unconstitutional by a state senator and The Buckeye Institute.

Passage of SB 352 and HB 754 “would hurriedly and radically change the long-standing municipal income tax collection structure throughout the entire state of Ohio during the ongoing COVID-19 pandemic,” according to the Ohio Municipal League’s drafted resolution.

In Ohio’s largest six cities – including Dayton - repealing the March change will drain up to $306 million annually from local budgets, one statewide group said.

Among other local municipalities, Centerville, Huber Heights, Kettering and Miamisburg all collect millions of dollars annually in local income taxes.

TO: OMA Tax and Finance Committee
FROM: Rob Brundrett
SUBJECT: Tax Public Policy Report
DATE: November 18, 2020

Overview

Prior to the pandemic Ohio's fiscal lookout was positive. With the economic shutdown in the spring, Ohio's tax revenue plunged. State tax revenue has begun to rebound. There is some optimism that the state budget will stabilize in fiscal year 2021.

OMA worked with the General Assembly to ease certain tax deadlines. While successful working with legislative leaders to provide authority to move deadlines, the administration only used the power sparingly. While the income tax deadline was moved back to coincide with the federal tax deadlines, the state refused to defer CAT or excise tax deadlines. The state did keep local withholding laws in place to ease the burden of a new regulatory compliance issue for companies as employees were sent home to work.

Cities and legislators have both dug in on the withholding tax issue. Both are arguing if refunds should be given to employees no longer working in the cities or if those dollars can remain with the cities for the duration of the pandemic. Employers remain concerned because withholding is closely tied to the refund issue.

This has become a hot button issue over the summer generating repeal legislation and lawsuits.

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

Tax Legislation

Senate Bill 37 – Motion Picture Tax Credit

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

House Bill 92 – County Sales Tax Voting

The bill would require voter approval of any increase in the rate of a county sales tax. The bill has had one hearing.

Senate Bill 95 – State and Local Tax Inducements

The bill will enhance state and local tax inducements for businesses making substantial fixed asset and employment investments and their suppliers. The bill provides a CAT credit the integrated supply chain to a qualifying project. The OMA submitted a letter with likeminded allies regarding protecting the integrity of the CAT. The Senate passed the bill. The House Ways and Means Committee has had three hearings on the bill. Again the OMA submitted interested party testimony warning about carving up the CAT.

Senate Bill 109 – Workforce Scholarship Program
SB 109 establishes the Workforce Scholarship Program. The bill would terminate the provisions of the Scholarship Program on December 31, 2023 and authorize tax credits for graduates of the Scholarship Program and their employers. The bill includes a CAT credit. It had its second hearing in early October of 2019.

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

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

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

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

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

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

The bill has had three hearings in the Senate.

Senate Bill 352 – Municipal Income Tax Withholding
Sen. Kristina Roegner (R-Hudson) introduced her long-anticipated Senate Bill 352, which would repeal Sec. 29 from House Bill 197. That section 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.

Over the summer, Sen. Roegner and others have discussed repealing the provision in HB 197 so that withholdings would be redirected to the local governments of an employee's home address if he/she is working remotely. The bill comes on the heels of the Buckeye Institute's lawsuit over the provision in HB 197.

The OMA has a small working group discussing longer term solutions regarding this issue. That group has maintained the position to keep the temporary law in place for the duration of the pandemic. It has not taken a position regarding refunds.

Cities are looking to move an amendment during lame duck to outlaw any refund requests. Legislators are looking to make sure that refunds will be allowed. At the end of the day this is expected to go to court.

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

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

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

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

A second hearing was set for April. However that hearing was canceled due to the pandemic. Like many other tax provisions with a price tag, this bill loses its momentum due to COVID-19. The OMA will continue to push this legislation in the coming year and will hopefully build momentum on this issue.

<u>House Bill 467 – Pass-Through Entity Tax Reduction</u>
The bill reduces the pass-through entity withholding tax rate to four percent. The bill was expected to clear the House Ways and Means Committee this winter. Like so many other pieces of legislation it has fallen victim to both COVID-19 and the Speaker's bribery scandal.

House Bill 754 – Municipal Income Tax Withholding
Rep. Jordan's companion bill to Sen. Roegner's Senate Bill 352. The bill repeals Sec. 29 from House Bill 197. That section allowed manufacturers and other businesses to continue withholding employees' income tax from the business' principal location and not employees' homes.

The OMA has a small working group discussing longer term solutions regarding this issue.

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

Senate Joint Resolution 4 – Unemployment Compensation Bonding
Proposes to allow the state to bond future unemployment compensation debt, allowing the state to either pay off the federal loan directly or issues bonds to the pay the debt. The OMA has been supportive of such a method and testified in support of the plan. The resolution passed the Senate. The OMA hopes any solvency solutions to unemployment compensation will include bonding as one part of any borrowing fix.

Tax News

Ohio State Operating Budget
This committee has done well in the past couple of years working with the General Assembly on some tax changes. The next budget will provide a new opportunity to make changes. COVID-19 may make things a bit more daunting for any major wholesale changes, but certain strategic tax strikes might make themselves available.

Supreme Court of Ohio Upholds Centralized Tax Collection
In a welcome decision authored by Justice Michael P. Donnelly, a majority of the Supreme Court of Ohio upheld the legality of state legislation that created a centralized system for the collection of all municipal business income taxes.

Municipalities argued the effort to centralize collections violated home-rule, but the Court found otherwise. The Court blocked the imposition of a small administrative fee to be levied on municipalities by the Ohio Department of Taxation.

The OMA has supported centralized collection of local taxes to promote tax simplicity.

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

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

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

Many Employers Likely to See Unemployment Tax Rate Increases
With more than 40 million Americans having filed for unemployment insurance (UI) since mid-March, many states could be forced to borrow federal dollars to meet their UI obligations, as Ohio already has.

Assuming Ohio's loan balance is still outstanding as of Nov. 10, 2022, manufacturers in Ohio could be subject to a 0.30% increase in their FUTA tax rate for all of 2022, increasing the rate from 0.60% to 0.90%. FUTA tax rates can increase further — in increments of 0.30% per year — should loans remain outstanding in subsequent years.

Ohio Minimum Wage to Increase on Jan. 1
Ohio's minimum wage will increase from $8.70 an hour to $8.80 on Jan. 1. The minimum wage will apply to employees of businesses with annual gross receipts of more than $323,000 per year. Employers can access the 2021 Minimum Wage poster for display via the Ohio Department of Commerce's website.

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

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

This fall OBM continues to revise its outlook for Ohio. It noted that General Revenue Fund (GRF) revenue — the largest funding source for the state — was "less exuberant" than in previous months, and that September "could be first evidence of a new stage in the economic recovery."

At $2.9 billion, September's GRF receipts were -4.9% below estimates. Tax revenues were 0.5% above projections, while non-tax receipts — largely driven by federal grants — and transfers were -13.7% below estimates. For the month, spending from the GRF was below estimates by $230.1 million (6.9%), largely due to Medicaid trends.

The October numbers are included in today's materials.

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

the exemption applied only to dairy food processors. Now it applies to all Ohio food manufacturers.)

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

The Ohio Manufacturers' Association

2020-21

OMA Public Policy
COMPETITIVENESS
AGENDA

ohiomfg.com

Competitiveness Agenda

Manufacturing drives Ohio's economy. It is responsible for approximately $112 billion (17%) of Ohio's Gross Domestic Product – greater than the contribution of any other Ohio industry sector.

In the competitive domestic and global economies, every public policy decision that affects Ohio's business climate affects Ohio's manufacturing competitiveness. In turn, Ohio's manufacturing competitiveness determines the state's economic growth and job creation.

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

THE OMA'S MAJOR POLICY GOALS INCLUDE THE FOLLOWING:

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

PolicyGoal:

An Efficient, Competitive Ohio Tax System

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

Generally, manufacturers support efforts to broaden the tax base, which enables lower rates. To preserve the integrity of the broad tax base and ensure fairness, credits and exemptions should be reduced and discouraged. Moreover, earmarking and dedicating tax revenues should be discouraged as well.

Government should instead build on initiatives such as the recently revised Jobs Retention Tax Credit and continue creating incentives for capital investment in Ohio. Productivity gains, which keep Ohio manufacturers competitive, are driven by capital investments in technology and equipment. Therefore, tax policies that encourage investment should be a priority.

As Ohio's number one industry and wealth producing sector of the economy, Ohio's tax structure should be maintained to leverage manufacturing. The state should continue to improve its manufacturing climate by removing the sales tax from temporary labor and manufacturing janitorial supplies and services.

Good tax policy also generates necessary revenue to support the essential functions of government. Good budgeting and spending restraint at all levels of government are vital to a competitive tax environment, especially in challenging times.

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

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

Going forward, these tax policy improvements must be protected. The tax bases should be protected against erosion caused by new credits and carve-outs to narrow special interests. Where possible and reasonable, tax bases should be expanded and tax rates reduced. Ohio has seen an increase in potential CAT exemptions and carveouts. While most of these have not come to fruition, leaders must ignore the siren song and maintain the broad base.

Finally, reducing the number and type of taxing jurisdictions would be beneficial. Because of its complex layering of local and state taxes, Ohio's tax system is at a competitive disadvantage.

ABOUT OHIO'S UNEMPLOYMENT INSURANCE TRUST FUND

The COVID-19 pandemic thrusted the Ohio Unemployment Insurance Trust Fund into default. Coming out of the pandemic, state leaders must work toward aligning benefits with contributions to build a sustainable unemployment trust fund balance. The best solvency plan is one that includes a focus on job creation – because increased employment not only increases fund contributions, but also reduces benefit payouts.

To encourage job growth, unemployment compensation tax rates should be in line with surrounding states, as well as states Ohio competes with to attract and retain new business. Ohio should pause any substantive employer payment increases until sufficient economic recovery has occurred.

PolicyGoal:

A Lean, Productive Workers' Compensation System

An efficient and effective workers' compensation system benefits workers, employers, and the economy of the state. It is built on the following principles:

- Safety is the number one priority for Ohio's manufacturers.
- Injured workers receive prompt benefits that are adequate for returning to work quickly and safely.
- Rates are established by sound actuarial principles, so that employers pay workers' compensation rates commensurate with the risk they bring to the system.
- The system is financed with well-functioning insurance mechanisms, including reserving and investment practices that ensure fund solvency and stability.
- The benefit delivery system deploys best-in-class disability management practices that drive down costs for employers and improve service and outcomes for injured parties.
- The system consistently roots out fraud, whether by employers, workers or providers.

FUNDAMENTAL PRIORITIES FOR FUTURE ACTION INCLUDE:

- The Bureau of Workers' Compensation (BWC) should continue to reform its medical management system to lower costs and improve medical quality through better coordination of care and development of a payment system that creates incentives for best clinical practices. In doing this, the BWC should build on emerging best practices in the private health care system.
- The Ohio General Assembly should enact statutory reforms of benefit definitions so the claims adjudication process is more predictable, less susceptible to fraud and manipulation, and less costly for employers and employees.
- The Industrial Commission should record hearings so the hearing process is more transparent and any appeals have a record on which to build.
- The Industrial Commission should create a mechanism whereby employers can file complaints related to the hearings process without the risk of adverse consequences.

A WORD ABOUT WORKPLACE GUN POLICY

Manufacturers remain concerned with weapons violence and the erosion of private property laws at the expense of more relaxed gun rights. Ohio needs to ensure that businesses are in the driver's seat and can make decisions about whether an individual can bring a weapon, concealed or otherwise, onto their private property.

PolicyGoal:

Access to Reliable, Economical, Competitive Energy Resources

Energy policy can either enhance or hinder Ohio's ability to attract business investment, stimulate economic growth, and spur job creation – especially in manufacturing. State and federal energy policies must 1.) ensure access to reliable, economical, competitive sources of energy, and 2.) promote policies, regulations, and tariff designs that encourage and allow for manufacturers to lower costs through energy management, including efficiency, load management, and behind-the-meter generation.

The OMA's energy policy advocacy efforts are guided by these principles:

- Energy markets free from market manipulation allow consumers to access the cost and innovation benefits of competition.
- Ohio's traditional industrial capabilities enable global leadership in energy product innovation and manufacturing.
- Sustainable energy systems support the long-term viability of Ohio manufacturing.
- Effective government regulation recognizes technical and economic realities.

Shaping energy policy in Ohio that aligns with these principles will support manufacturing competitiveness, stimulate economic expansion and job creation, and foster environmental stewardship.

ENERGY POLICY PRIORITIES ARE:

- To protect customers and markets, repeal and reform House Bill 6 (Ohio's nuclear bailout law) and related legislation.
- Ensure an open and fair electricity generation marketplace in which competition enables consumer choice, which drives innovation.
- Reforming Public Utilities Commission of Ohio (PUCO) rate-making processes by eliminating electric security plans (ESPs) to protect manufacturers from above-market generation charges.
- Correct Ohio case law that denies electric customers refunds from electric utilities for charges that are later determined to be improper by the Supreme Court of Ohio.
- Design an economically sound policy framework for discounted rates for energy-intensive manufacturers.
- Oppose legislation and regulation that force customers to subsidize uneconomical generation, including nuclear and certain coal power plants.
- Encourage electric tariff and rate designs that encourage and allow for manufacturers to lower costs through energy management, including efficiency, load management, and behind-the-meter generation.
- Encourage fair and reasonable power siting regulations that allow new generation facilities in Ohio.
- Support deployment of customer-sited generation technologies, such as co-generation, energy efficiency and demand-side management, to achieve least-cost and sustainable energy resources.

PolicyGoal:

A Fair, Stable, Predictable Civil Justice System

For manufacturers to invest and grow in Ohio – and compete globally – Ohio's civil justice system must be rational, fair and predictable. Manufacturers must be free to innovate and pursue market opportunities without fear of unreasonable exposure to costly lawsuits, while injured parties must have full recourse to appropriate measures of justice.

The OMA supports policy reforms that protect consumers without overly burdening businesses, while also positioning Ohio advantageously relative to other states. The association encourages policymakers to evaluate all proposed civil justice reforms by considering these questions:

- Will the policy fairly and appropriately protect and compensate injured parties without creating a "lottery mentality"?
- Will the policy increase or decrease litigation burdens and costs?
- Will the policy promote or reduce innovation?
- Will the policy attract or discourage investment?
- Will the policy stimulate or stifle growth and job creation?

Ohio has made great strides in reforming its civil justice system over the past decade, and longer. The primary aim of the state should be to preserve those tort reform improvements in areas such as punitive damages, successor liability, collateral sources, statute of repose, and public nuisance. This will protect consumers without unduly burdening businesses, while also positioning Ohio as an attractive state for business investment.

PolicyGoal:

Science-based, Technologically Achievable, and Economically Reasonable Environmental Regulations

EFFECTIVE ENVIRONMENTAL STANDARDS AND REGULATIONS ARE BASED ON THE FOLLOWING PRINCIPLES:

- Provide clarity, predictability and consistency;
- Are based on scientific consensus;
- Provide for common-sense enforcement; and
- Incorporate careful cost-benefit analysis as part of the policymaking process.

Manufacturers urge policymakers to exercise restraint in establishing state environmental regulations that exceed federal standards, and to avoid doing so altogether without clear and convincing evidence that more stringent regulations are necessary. At the same time, manufacturers understand that fair and reasonable regulations must be balanced with responsible stewardship of our natural resources.

Manufacturing leads the way in innovation in solid waste reduction and recycling. Industry is an enormous consumer of recycled materials, such as metals, glass, paper, and plastics; manufacturers therefore are strong advocates for improving recycling systems in Ohio and nationwide.

The state should expand opportunities for industry to reuse non-harmful waste streams. Beneficial reuse policies can result in less waste and more recycling of industrial byproducts. Likewise, Ohio should continue to expand recycling programs that provide feedstock for the state's industrial processes.

With respect to Ohio's waterways, the state should continue to engage with the manufacturing community for solutions to nutrient loading issues and develop non-point source solutions as stringent as manufacturing-point source solutions.

In designing state implementation plans for new federal regulations, the Ohio Environmental Protection Agency should use a transparent process of stakeholder involvement, supplemented by investment in independent research to determine the least costly and most scientifically sound and technologically feasible implementation plans.

PolicyGoal:

A Modern, Job-Supporting Infrastructure

Modern infrastructure is critical for today's advanced manufacturing economy. To remain competitive and maximize the economic benefits of Ohio's manufacturing strength, the state must update and expand Ohio's multi-modal transportation infrastructure, including roads, bridges, rails, and ports. Continued investment in these resources is critical to providing Ohio manufacturers with flexible, efficient, cost-effective shipping options.

The state also must continue to support the development of natural gas pipeline infrastructure that delivers the abundant energy resources from the Utica and Marcellus shale formations to Ohio manufacturers in all parts of the state and other markets. This infrastructure produces a job-creating competitive advantage for Ohio.

INFRASTRUCTURE POLICY PRIORITIES INCLUDE THE FOLLOWING:

- Support the creation of an Ohio Division of Freight to focus regulatory attention on the logistics needs of manufacturers.
- Support state and federal legislation, as well as rules and regulations, that safely provides greater flexibility and efficiency in truck movements.
- Support technology and workforce solutions that address the shortage of truck drivers.
- Ensure Ohio's freshwater ports remain competitive and state-of-the-art in functionality. Advocate for appropriate facility maintenance, including dredging to ensure navigability.
- Preserve access to, and provide responsible management of, Ohio's sources of water.
- Protect cyber infrastructure to safeguard data used by manufacturers and their customers and suppliers.

PolicyGoal:

An Adequate, Educated, Highly Skilled Workforce

A robust economy requires a reliable population of workers with technical knowledge and skills required to meet global standards for quality – and who can think critically and work collaboratively. Sustained growth in manufacturing productivity will require not only a new generation of globally competent workers, but also workers who are willing to embrace lifelong learning to keep pace with technological advancements and global competition.

WORKFORCE DEVELOPMENT POLICY PRIORITIES INCLUDE:

- Focusing state government and industry efforts on industry-led regional sector partnerships, guided by the statewide, OMA-led Workforce Leadership Committee. The committee's mission is to identify industry-specific workforce priorities, set standards for collaboration, align funding streams to minimize duplication of workforce programs and services, and evaluate program and service efficacy.
- Creating statewide strategies with clear funding sources supported by state agencies. Provide financial support for sector partnerships that have 1.) demonstrated industry leadership in their organizational structure, and 2.) gained meaningful commitments by way of financial and volunteer contributions to ensure they are truly demand-driven.
- Expanding the use of innovative earn-and-learn programs, including cooperative education, internships, pre-apprenticeships, and apprenticeships. Earn-and-learn programs enhance talent recruitment and retention because participants are exposed to company-specific, real-world job expectations and experiences. Students and employees develop job-specific and management skills by working closely with company mentors; participating companies benefit from reduced recruitment and training costs, while ensuring knowledge- and skill-transfer from their senior employees.
- Expanding the use of nationally portable, industry-recognized, "stackable" credentials in all sectors of manufacturing. Credentials validate foundational and technical competencies needed to be productive and successful in manufacturing career pathways.
- Incentivizing K-12 schools, as well as two- and four-year higher education institutions, to coordinate outcomes-based education and training programs along industry-driven career pathways. Multiple on- and off-ramps for entry-to leadership-level careers have been mapped to real industry needs and jobs. Industry-recognized credentials and certificate programs are being adopted across institutions to increase stackable and transferable credentials from classroom to workplace. Investment in demand-driven training programs that offer pathways to retain incumbent workers allow them to acquire new skills as job requirements shift.

- Supporting “Making Ohio” – a statewide manufacturing image campaign that is managed by the OMA to create a consistent, positive perception of Ohio manufacturing career opportunities and pathways.
- Urging state agency administrators to accurately measure and communicate the outcomes of recruitment and training efforts – including the number of industry-recognized credentials earned, as well as participation in earn-and-learn programs – while protecting individual privacy concerns. Having systems in place to produce these data will allow policymakers and industry leaders to better understand outcomes and create more informed policies and programs.
- Addressing the school funding disincentive for school districts to refer students to career and technical centers – a vital source of the skills training needed to fill the manufacturing workforce pipeline.
- Ensuring schools have career counselors whose sole focus is career planning – not just college planning – and equip them with an understanding of manufacturing career pathways and the various options for acquiring the skills necessary for success. Task them with sharing this information in meaningful ways with students, parents, teachers, and other influencers to better inform and align student career path choices.
- Providing meaningful professional development opportunities for educators to have exposure to industry so they can incorporate real-life exercises into lesson plans and classroom activities.
- Ensuring that career counselors within the network of OhioMeansJobs centers have a modern and accurate understanding of manufacturing career pathways to be able to share with adult job seekers and career switchers.

The mission of The Ohio Manufacturers' Association is to protect and grow Ohio manufacturing

For more information about the services and activities of the OMA, contact us at (800) 662-4463 or OMA@OHIOMFG.COM or visit OHIOMFG.COM.

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Ohio Manufacturers' Association

Tax Counsel Report
November of 2020
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***Athens v. McClain*, Slip Opinion No. 2020-Ohio-5146**

On November 5, 2020, the Ohio Supreme Court released its long-awaited decision in *Athens v. McClain*, Slip Opinion No. 2020-Ohio-5146, a consolidated case involving several constitutional challenges to the centralized collection of municipal net profit taxes. Ultimately, the Court upheld H.B. 49 with respect to its centralized collection provisions, but found that it was unconstitutional for the State to retain .5% of net profit taxes to defray collection costs. It is unclear if the loss of a funding mechanism will impact centralized collection going forward.

Impact. From a manufacturer's standpoint, many have enjoyed the centralized collection regime, filing a single net profit tax return with the State, as opposed to multiple returns with various taxing authorities across Ohio. The decision in *Athens* preserves the right to elect into centralized filing. It is unclear, however, whether the loss of a funding mechanism will impact State policy and jeopardize it over the long-term.

Background. For purposes of background, Ohio enacted H.B. 49 in 2017 to establish centralized net profit tax collection. H.B. 49, starting in 2018, allowed business taxpayers to opt into a centralized collection process, where one return would be filed with the state covering all net profit tax liabilities. Over a hundred cities quickly filed constitutional challenges to the law. The appeals were eventually heard by the Ohio Supreme Court after much litigation.

Summary of Rationale. In its decision, the Court noted that Article XVIII, Section 13 of the Ohio Constitution authorizes the General Assembly to "limit the power of municipalities to ***levy*** taxes." After considering several definitions for the word "levy," the Court concluded this section of the Constitution allows the General Assembly to proscribe applicable tax collection procedures, including centralized collection under H.B. 49.

The Court took a contrary view with respect to the State retaining a portion of collected net profit taxes. Regardless of whether the .5% charge is characterized as an administrative fee or tax on the municipalities, the Court held it was unconstitutional. However, the Court further concluded that this provision could be severed from the remaining provisions of H.B. 49, thus allowing the general system of centralized collection to remain valid law.

Justice Michel Donnelly drafted the Court's majority decision, and he was joined by Chief Justice Maureen O'Connor, Justice Patrick F. Fischer, and Justice Melody J. Stewart.

Justice Kennedy concurred in part and dissented in part from the majority opinion on the grounds that she found both the centralized collection and .5% fee unconstitutional. Justice DeWine, on the other hand, concurred in part and dissented in part from the majority decision, writing that he found both centralized collection and the .5% constitutional. Justice French joined Justice DeWine's opinion.

<u>Other Judicial Actions</u>

Defender Security Company v. McClain, 2020-Ohio-4594, ---- N.E.3d --- (2020). This case involves situsing gross receipts for Ohio commercial activity tax ("CAT") purposes. *Defender* is an important case because it provides the best guidance to date on sourcing intangible contract rights. While this case is unlikely to erode the CAT tax base in a significant way, it may impact manufacturers to the extent they directly buy/sell intangible contract rights or deal in forward, supply, or commodity contracts that are financially settled without physical delivery.

Taxpayer, Defender Security, installed security equipment and entered contracts with customers for alarm monitoring services on properties located in Ohio. Defender collected batches of signed contracts at its headquarters in Indianapolis and forwarded them to ADT's offices in Colorado. ADT would then determine which contracts to take assignment of, and which to simply act as an independent contractor of Defender in providing monitoring services to Ohio customers.

At issue were the gross receipts from contracts purchased by ADT. The Tax Commissioner and Taxpayer disagreed over how situs these receipts under R.C. 5751.033(I), a "catchall" provision that applies in the absence of a more specific rule. Revised Code section 5751.033(I) provides that "[g]ross receipts from the sale of all other services, and all other gross receipts not otherwise sitused under this section, shall be sitused to this state in the proportion that the purchaser's benefit in this state with respect to what was purchased bears to the purchaser's benefit everywhere with respect to what was purchased."

Ultimately, the Ohio Supreme Court overruled the BTA's decision, siding with Taxpayer. The Court noted that security monitoring services were received by property owners in Ohio. However, rejecting the Tax Commissioner's argument, the Court concluded this was irrelevant under R.C. 5751.033(I). Instead, the benefit of the item being sold in the Defender/ADT transaction—intangible contract rights—is received by the purchaser, ADT, at the place where it performs monitoring services and receives customer payments. Because all of this happens outside of Ohio, the Court sourced gross receipts outside of Ohio and concluded they were not subject to the CAT.

Time Warner Cable, Inc. v. City of Cincinnati, 2020-Ohio-4207. The Ohio Court of Appeals in the First District held that a taxpayer was entitled to file its municipal income tax return based on the group used in its federal consolidated filings. The City was not permitted to draft rules that require taxpayers to exclude certain entities from the municipal filing. Use of the larger consolidated group, as a result, reduced taxpayer's net profit tax liability in the City of Cincinnati.

State of Ohio v. Great Lakes Minerals, LLC, 597 S.W.3d 169 (2020). Citing the doctrine of comity, the Supreme Court of Kentucky refused to rule on a taxpayer's challenge to the Ohio CAT. The Court held that state courts in Ohio would be better suited to hear a constitutional challenge involving Ohio law.

The Buckeye Institute, et al. v. Yost. Section 29 of H.B. 197 provides that employees working at a temporary location due to the pandemic are deemed to be providing services at their principal place of work for municipal income tax withholding purposes. The Buckeye Institute and several individuals filed suit in the Franklin County Court of Common Pleas seeking a determination that Section 29 is unconstitutional under both the federal and state constitutions based on the theory it allows municipalities to impose tax on non-residents based on economic activity occurring outside of their jurisdiction. The suit was filed July 2, 2020. There have been no substantive rulings to date.

Administrative Actions

Employee Withholding Forms, Form IT-4. The Department proposes a new version of O.A.C. 5703-7-06 to make it a requirement that employees provide on Form IT-4 the name and number of the school district in which they reside.

Updated Information Releases. The Department issued several updates to two existing information releases, ST 1993-04 and ST 2004-03. These information releases address the taxability of exterminating services and sales of equipment used to provide internet services, respectively. Neither updates should have material impacts for manufacturers.

Proposed Legislation

H.B. 749. H.B. 749 was introduced to the House on August 31, 2020. It proposes to eliminate bonus depreciation for taxpayers with net operating losses in years 2020 and 2021. Eliminating bonus depreciation impacts the calculation of "Adjusted Gross Income" for Ohio income tax purposes.

S.B. 352. S.B. 352 was introduced in the Senate, and it proposes a repeal to Section 29 of H.B. 197. Section 29 of H.B. 197 was part of Ohio's response to the COVID pandemic. It provides, in short, that employees working at a temporary location (such as their home) due to the pandemic are deemed to be providing services at their principal place of work for municipal income tax withholding purposes. Section 29 is also the subject of a lawsuit, referenced below. *See also* H.B. 754 that proposes eliminating Section 29 of H.B. 197.

H.B. 725. This bill, introduced before the House, proposes a refundable income tax credit for investing in a sound recording production company.

H.B. 609. H.B. 609 has passed the House but remains pending before the Senate. As previously reported, this bill proposes a new tax amnesty program that would start January 1, 2021 and run through March 31, 2021. H.B. 609 would allow delinquent taxpayers to voluntarily pay unreported or underreported state taxes and receive a waiver of all otherwise applicable penalties and interest. Taxpayers would also be immune from criminal prosecution. Most, but not all, Ohio taxes would be eligible. Eligible taxes would include commercial activity tax, sales and use tax, and public utility excise tax, among others.

S.B. 307. This bill is under consideration by the Senate Ways and Means Committee. As previously reported, S.B. 307 proposes to temporarily exempt sales of protective equipment from Ohio sales and use tax. "Protective equipment" includes items that protect the wearer from injury or disease, but that are not suitable for general use. The exemption would apply to sales made prior to January 1, 2021.

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

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

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

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

Tax

Disagreement Grows Over Ohio's Municipal Income Tax
November 13, 2020

The Columbus Dispatch **this week reported** on growing calls from Ohio lawmakers who argue that work-from-home residents — who reside in one city and worked in another prior to the pandemic — should not have to pay municipal income taxes as if they were driving to their regular workplace. Officials from larger cities say repealing a temporary law (passed last March) that maintains pre-pandemic tax collection would devastate city budgets.

Learn more about this development and other tax issues at the OMA's Nov. 18 Tax Committee meeting, which is open to all members. **Register here.** *11/10/2020*

A Look at Potential Tax Changes Under Biden
November 13, 2020

OMA Connections Partner GBQ Partners will conduct a **free webinar** on Nov. 19 to review President-elect Joe Biden's tax proposals and how likely these proposals are to become law. Also, OMA Connections Partner CliftonLarsonAllen will host a **complimentary webinar** on Dec. 3 to discuss tax and economic implications as a result of the election. *11/10/2020*

SBA Proposes Liquidity Questionnaire for PPP Borrowers
November 13, 2020

Recently, the SBA requested approval from the Office of Management and Budget to collect certain information on borrowers who have Paycheck Protection Program (PPP) loans in excess of $2 million. This is an important and evolving situation for many PPP borrowers.

For more on this development, read **this insight** from OMA Connections Partner Benesch, as well as **this analysis** from OMA Connections Partner Schneider Downs. *11/9/2020*

Ohio Tax Revenue Is Beating Estimates by 4.2% for Fiscal Year
November 13, 2020

Fueled by continued strong sales tax revenue, Ohio's October tax receipts beat estimates by $84.8 million, or 4.3% above forecasts. According to the Office of Budget and Management's **monthly financial report** released this week, total tax receipts have exceeded estimates by $347.2 million (4.2%) for the fiscal year so far.

The report notes that Ohio's manufacturing employment increased by 3,100 jobs from August to September, with aerospace and miscellaneous transportation and equipment seeing the largest expansions within the sector. *11/9/2020*

What's the Real Value of $100 Across the U.S.?
November 13, 2020

A new comparison by the Tax Foundation examines purchasing power in America, comparing how much $100 can buy in different regions and metropolitan areas across the U.S. According to the Foundation's **interactive map** — based on federal data from 2018 — $100 goes further in rural areas in the Southeast and Midwest, including Ohio. *11/11/2020*

Supreme Court of Ohio Upholds Centralized Tax Collection
November 6, 2020

In a welcome **decision** authored by Justice Michael P. Donnelly, a majority of the Supreme Court of Ohio upheld the legality of state legislation that created a centralized system for the collection of all municipal business income taxes.
Municipalities argued the effort to centralize collections violated home-rule, but the Court found otherwise. The Court blocked the imposition of a small administrative fee to be levied on municipalities by the Ohio Department of Taxation.

The OMA has supported centralized collection of local taxes to promote tax simplicity. Here's a **short analysis of the decision** by OMA tax counsel Justin Cook of Bricker & Eckler. *11/5/2020*

RSM Offers Multi-Day Virtual Tax Summit

November 6, 2020

OMA Connections Partner **RSM** has planned a **virtual and interactive tax summit Nov. 9-13**. Over the course of a week, 16 plenary sessions are scheduled, focusing on post-election perspectives, changes in the world and business models due to recent events, and considerations for business owners and tax professionals for closing out 2020 as well as preparing for 2021.

There will be Ask the Expert chat sessions and the event may qualify for up to 16 hours of CPE credit. **More information here**. *11/2/2020*

Durable Goods Orders Rise for Fifth Straight Month

October 30, 2020

Nationwide, orders for durable goods increased for the fifth consecutive month in September, according to data released this week. OMA Connections Partner RSM **reports** that the increase was driven by a 4.1% rebound in orders for transportation equipment. *10/29/2020*

Year-End Tax Planning Guidance Available

October 30, 2020

Just in time for year-end tax preparation, OMA Connections Partner Clark Schaefer Hackett has published **this list of tax planning strategies** to account for business turbulence and federal relief provisions. Also, the firm will host a free **year-end tax planning webinar** on Thursday, Dec. 3.

Meanwhile, CliftonLarsonAllen, also an OMA Connections Partner, will conduct a **free webinar** on Wednesday, Nov. 11 to discuss year-end tax strategies related to COVID-19, including PPP loan forgiveness, tax credits, and incentives. *10/28/2020*

Tax Foundation: Biden Estate Tax Increase Would Reduce Economic Activity by $46B Annually

October 30, 2020

The non-partisan Tax Foundation reports that Democratic presidential candidate Joe Biden's proposals would "tax wealth at death — by as much as 67%."

According to the Foundation, this would be accomplished by taxing unrealized capital gains at death for certain taxpayers, and by reducing the estate tax exemption to $3.5 million and increasing the estate tax's top rate to 45%. Biden's estate tax plan would reduce economic activity by $46 billion annually, the Foundation says. *10/28/2020*

Five Strategies to Cut Inventory Costs

October 30, 2020

Manufacturers and supply chain management professionals are taking steps to lower inventory costs to stay ahead of the competition. If you're struggling to trim inventory spending, OMA Connections Partner Clark Schaefer Hackett offers **these five strategies**. *10/27/2020*

Renewed Focus on Taxes as Election Day Nears

October 23, 2020

As Election Day nears, more attention is being paid to the tax plans of both presidential candidates.

The non-partisan Tax Foundation reports that if **Joe Biden's proposed tax increases** were implemented, the **U.S. would drop** from its current No. 21 to No. 30 in the International Tax Competitiveness Index.

For members concerned about this year's taxes, OMA Connections Partner RSM has published **this insight** addressing year-end tax considerations for businesses. On Nov. 9, RSM will host its complimentary **Tax Summit 2020**, focused on post-election analysis and considerations for business owners. *10/22/2020*

OBM: Smaller Revenues Could Mark 'New Stage' in Economic Recovery

October 16, 2020

This week, the Ohio Office of Budget and Management released its **monthly financial report for September** 2020. It noted that General Revenue Fund (GRF) revenue — the largest funding source for the state — was "less exuberant" than in previous months, and that

September “could be first evidence of a new stage in the economic recovery.”

At $2.9 billion, September’s GRF receipts were -4.9% below estimates. Tax revenues were 0.5% above projections, while non-tax receipts — largely driven by federal grants — and transfers were -13.7% below estimates. For the month, spending from the GRF was below estimates by $230.1 million (6.9%), largely due to Medicaid trends. *10/13/2020*

How Could the 2020 Election Impact Your Taxes?

October 16, 2020

OMA Connections Partner Gilmore Jasion Mahler recently presented a webinar to provide insight into how the Nov. 3 election could impact the taxes your business pays. The webinar is **available now on demand**, as are these **accompanying slides**. *10/12/2020*

Great News for PPP Loans of $50,000 or Less

October 16, 2020

The Small Business Administration has issued a streamlined loan forgiveness application for Paycheck Protection Program (PPP) loans of $50,000 or less. This is good news for many borrowers since loans totaling $50,000 or less comprise about two-thirds of all PPP loans.

OMA Connections Partner CliftonLarsonAllen has published **this insight** regarding this development. *10/14/2020*

State Revenue Continues to Exceed Estimates

October 9, 2020

Ohio’s total revenue collections in September exceeded projections by half a percent, but the two largest tax revenue sources — the non-auto sales tax and personal income tax — lagged forecasts.

Preliminary revenue data from the Office of Budget and Management show that September’s total tax collections reached $1.92 billion, versus $1.91 billion expected.

For the fiscal year so far, tax receipts have surpassed estimates by 4.1% ($262.3 million), with income taxes up 3%, non-auto sales tax up 4.5%, and auto sales tax up nearly 19%. *10/6/2020*

Helping Businesses Maximize Depreciation Deductions

October 9, 2020

Many businesses focus so much on generating income from fixed assets that they miss opportunities to maximize depreciation deductions. OMA Connections Partner Plante Moran has published **this article** on fixed asset and cost segregation studies that can make a significant difference in your after-tax financial position. *10/8/2020*

New Guidance on PPP Loans Provided to Businesses Changing Ownership

October 9, 2020

Last week, the U.S. Small Business Administration released a procedural notice related to Paycheck Protection Program (PPP) loans and changes of ownership. OMA Connections Partner GBQ Partners has published **this analysis** of the SBA’s new guidance and the steps a buyer and seller must take in order to obtain approval or affect a change in ownership for a company with a PPP loan. *10/8/2020*

How Do the Trump and Biden Tax Plans Differ?

October 2, 2020

With the presidential election just weeks away, many voters are beginning to pay closer attention to President Trump and former Vice President Biden’s positions on key issues — including taxes. OMA Connections Partner Clark Schaefer Hackett has published **this insight** to compare and contrast the tax plans of both candidates. *10/1/2020*

Federal Program Aims to Help Manufacturers Hurt by Imports

October 2, 2020

The **Great Lakes Trade Adjustment Assistance Center** (GLTAAC) is “a bit of secret to many small manufacturers,” according to a report in **MiBiz**, a business publication from the state up north. But for 36 years, GLTAAC has helped import-challenged manufacturers in

Ohio, Indiana and Michigan via the **Trade Adjustment Assistance for Firms** (TAAF) program to enhance their competitiveness.

The GLTAAC works with small manufacturers, providing general consultation and funds up to $75,000 that must be matched by the company itself. The quickest way to learn more about TAAF benefits and eligibility is to contact GLTAAC Project Manager Scott Phillips by **email** or at (734) 787-7509. *9/28/2020*

Export Assistance Grants for Ohio Businesses

October 2, 2020

The Ohio Development Services Agency has announced that applications are **now being accepted** for the Ohio International Market Access Grant for Exporters (IMAGE) program. Supported by U.S. Small Business Administration through the State Trade Expansion Program, IMAGE provides eligible companies a 50% reimbursement of up to $10,000 in grant funds to engage in activities that increase export sales. *9/28/2020*

Report: Final 163(j) Rules a Win for Manufacturers

October 2, 2020

In late July, the IRS issued final regulations on Internal Revenue Code Section 163(j), which limits the deductibility of business interest expense under the Tax Cuts and Jobs Act of 2017. According to OMA Connections Partner Schneider Downs, the final regulations provide manufacturers relief in the area of depreciation expense. **Read more here.** *9/29/2020*

Ohio Minimum Wage to Increase on Jan. 1

October 2, 2020

Ohio's minimum wage **will increase** from $8.70 an hour to $8.80 on Jan. 1. The minimum wage will apply to employees of businesses with annual gross receipts of more than $323,000 per year. Employers can access the **2021 Minimum Wage poster for display** via the Ohio Department of Commerce's website. *10/1/2020*

Bill to Repeal Emergency Withholding Tax Provision Gets Hearing

September 25, 2020

This week, Sen. **Kristina Roegner** (R-Hudson) gave **sponsor testimony** on **Senate Bill 352**, which would repeal the temporary municipal income taxation rule for employees who are working from home due to COVID-19. That provision, **passed early in the pandemic** to protect cities' income tax revenues, allowed employers to continue to send withholdings to an employee's principal city of work rather than to the city in which the employee lives.

The issue has created much conversation since Ohio's state of emergency remains in place. The OMA fought for the creation of the temporary provision so employers' tax systems would not be overwhelmed as many employees work remotely for an indefinite period of time. The OMA created a tax working group to address the issue, which will be discussed at the **next OMA Tax Committee meeting**. *9/24/2020*

IRS Issues Notices on Deadline to File, Home Office Deduction

September 25, 2020

The Internal Revenue Service is **reminding** taxpayers who filed an extension that the Oct. 15 due date to file 2019 tax returns is approaching. The agency has also issued a reminder about the **home office deduction**, which may allow taxpayers working from home to deduct certain expenses. *9/23/2020*

Policy Group: Ohio's Largest Cities Could Lose $300M If Income Tax Law Is Changed

September 18, 2020

A group that advocates for Ohio municipalities is concerned about two legislative proposals that seek to make changes in how income taxes are collected.

According to a **report** by the Statehouse News Bureau, **House Bill 754** and **Senate Bill 352** would repeal a **provision** in House Bill 197 passed early in the pandemic to protect cities' income tax revenues. That provision was spearheaded by the OMA and its allies to ensure Ohio's businesses would not have to worry about new withholdings in addition to COVID-19 challenges. HB 754 and SB 352 would instead redirect local income taxes paid by employees working from home to where they live — not the cities in which their normal workplaces are located.

The Greater Ohio Policy Center says the bills would cost Ohio's six largest cities, which generate more than half of the state's GDP, more than $300 million a year. The issue remains a top concern for manufacturers with so many office workers continuing to work from home. *9/16/2020*

Ohio's August Tax Receipts Stronger Than Expected

September 18, 2020

Preliminary data from Ohio's Office of Budget and Management (OBM) show that August tax receipts to the state's general revenue fund (GRF) exceeded estimates. Total tax receipts beat estimates by 3.2%, or $69 million above the budget forecast.

In its **monthly report**, OBM said the commercial activity tax (CAT) fell below estimates by 9.9%, but this period reflects the second quarter, which included the most severe drop in economic activity during COVID-19. In August, personal income tax saw a year-over-year increase of $116.5 million (16.2%). Non-auto sales tax increased by $17.3 million (2.2%), and auto sales grew by $11 million (7.6%). Year to date, Ohio's overall tax receipts are $830.4 million (21.6%) above last year. *9/15/2020*

Study: Ohio a High Property Tax State

September 11, 2020

According to a **new comparison** by the Tax Foundation, Ohio's property taxes — levied and collected by local governments — are ninth highest in the U.S. when taken as a percentage of owner-occupied housing value.
Roughly two-thirds of Ohio's property taxes go to school districts, according to the County Commissioners Association of Ohio. The Ohio Department of Taxation reports that in tax year 2019, Ohio school districts' operating levies yielded approximately **$11 billion** in taxes on property. *9/9/2020*

At a Glance: Trump and Biden on Taxes

September 11, 2020

OMA Connections Partner Crowe LLP has developed a series of scorecards to help compare the presidential candidates' tax positions. **Here is Crowe's first scorecard** covering the candidates' proposals on individual tax issues, including capital gains, deductions, and credits. **Click here** for additional scorecards. *9/10/2020*

House Introduces Its Withholding Repeal Bill

September 4, 2020

This week Rep. **Kris Jordan** (R-Ostrander) introduced **House Bill 754** which would repeal Sec. 29 from House Bill 197. That section has allowed manufacturers and other Ohio businesses to continue withholding employee income tax from the company's principal location and not employees' home jurisdictions.

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.

The bill is a companion to Sen. Kristina Roegner's (R-Hudson) Senate Bill 352 which also repeals Sec. 29. The provision has garnered attention as the pandemic continues to drive employers' work-from-home policies.

The OMA is tracking the matter and will be discussing it in its **November 18 Tax and Finance Committee**. *9/3/2020*

Accounting Guidance for PPP Loans

September 4, 2020

In Ohio, nearly **150,000 loans** were made to small businesses under the federal Paycheck Protection Program (PPP). Currently there is no specific guidance in U.S. generally accepted accounting principles (GAAP) that addresses when a business entity obtains a loan that is forgivable by a government entity.
OMA Connections Partner RSM has prepared **this white paper** to provide borrowers with accounting guidance for PPP loans. *9/1/2020*

SBA Issues Additional PPP Loan Forgiveness Guidance

August 28, 2020

This week, the Small Business Administration (SBA) released additional guidance related to loan forgiveness under the Paycheck Protection Program (PPP). Under the SBA's interim final rule, an owner-employee with less than a 5% ownership stake in a C- or S-corporation is not subject to the owner-employee compensation limitation. Also, guidance was issued for forgiveness eligibility for related-party rent payments. Read more in **this analysis** by OMA Connections Partner RSM. *8/26/2020*

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Webinar Will Address State & Local Tax Developments

September 11, 2020

On Thursday, Sept. 24, from 11:30 a.m. to 12:30 p.m. (ET), OMA Connections Partner GBQ Partners will host a free webinar to review the flurry of tax-related activity at the state and local levels. This webinar will qualify for one hour of continuing professional education based on Ohio CPE requirements. **Learn more.** *9/10/2020*

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Analysis: The Biden 'Tax Vision'

August 21, 2020

The Tax Foundation has published **this analysis** of former Vice President Joe Biden's "tax vision." Among some of Biden's key proposals are raising the corporate income tax from 21% to 28% and increasing the top individual income tax rate to 39.6% on those earning more than $400,000. *8/20/2020*

Study: 80% of Ohio Municipalities Expected to See Sales Tax Revenue Loss Due to COVID-19

August 21, 2020

Ohio municipalities that rely on retail sales taxes from apparel, vehicle sales, restaurants, and tourism could see as much as a 50% decline in tax revenue because of the pandemic. That's the finding of a **new study** by Yas Motoyama, an assistant professor of city and regional planning at The Ohio State University.

Motoyama's projections show that more than 80% of the analyzed municipalities will experience some revenue loss, while about 18% communities could see an increase. *8/18/2020*

Where Do People Pay the Most in Property Taxes?

August 21, 2020

How do your local property taxes compare nationally? The Tax Foundation has created **this interactive map** that allows users to examine the median property tax paid in nearly every U.S. county. *8/20/2020*

Transfer Pricing for Manufacturers During COVID-19

August 21, 2020

As the pandemic lingers, businesses continue to raise tax-related questions. This is especially true for multi-national manufacturers. OMA Connections Partner Crowe has produced **this new insight** into transfer pricing issues for manufacturers during COVID-19. *8/20/2020*

Study: Your $100 Goes Further in Ohio

August 14, 2020

The Tax Foundation has compared **the value of $100 in all 50 states**, based on cost-of-living data from U.S. Bureau of Economic Analysis. The Buckeye State fares well in the study, coming in seventh best.
The Foundation writes: "Ohio is a low-price state. There, $100 will buy goods and services that would cost $113.12 in a state at the national average price level. Put another way, Ohioans are, on average, about 13% richer than their nominal incomes suggest." *8/10/2020*

Bill Would Affect Ohio's Withholding Taxes During COVID-19

August 14, 2020

This week, Sen. **Kristina Roegner** (R-Hudson) introduced her long anticipated **Senate Bill 352**, which would repeal Sec. 29 from **House Bill 197**. That section 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.

Over the summer, Sen. Roegner and others **have discussed** repealing the provision in HB 197 so that withholdings would be redirected to the local governments of an employee's home address if he/she is working remotely. The bill comes on the heels of the Buckeye Institute's **lawsuit** over the provision in HB 197.

The OMA has a small working group discussing longer term solutions regarding this issue. We will discuss the topic at the **OMA's Aug. 26 Government Affairs Committee meeting**. *8/13/2020*

Unlocking Cash During COVID-19 Webinar Series

August 14, 2020

OMA Connections Partner CliftonLarsonAllen is hosting a **free webinar series** to highlight helpful tips for finding tax savings and increasing cash flow during the pandemic.
The next 30-minute webinar — set for 2 p.m. (ET) on Wednesday, Aug. 26 — will address employer incentives for employee retention. *8/13/2020*

Ohio Sees Strong July Revenues Driven by Sales Tax

August 14, 2020

July was a good month for Ohio tax revenues. Total General Revenue Fund receipts came in at $2.43 billion, 8.2% above estimates, according to **preliminary revenue tables** from OBM. The first month of the state's new fiscal year saw overall sales and use taxes up $145.8 million (14.8%) compared to estimates, while personal income tax revenue was up $33.7 million (2.9%). *8/11/2020*

Ohio's Spending Up 16.5% in July, Fueled by Medicaid

August 14, 2020

Soaring Medicaid enrollment in Ohio contributed to increased state expenditures in July. According to **OBM's Monthly Financial Report**, the state spent $4.1 billion through the General Revenue Fund in July — up $577.6 million (16.5%) compared to the same month a year ago. More than $2.1 billion of that was for Medicaid costs. Enrollment in Medicaid has risen by about 225,000 since February. *8/12/2020*

How Technology is Evolving the CFO Role

August 14, 2020

The role of today's CFO is being transformed by technological innovation and access to massive amounts of data, both inside and outside the organization. OMA Connections Partner Clark Schaefer Hackett has produced **this insight** into how three key technologies — automation, data visualization and analytics — are leading this transformation. *8/12/2020*

New Guidance on PPP Loan Forgiveness

August 7, 2020

This week, the Small Business Administration **released 23 new FAQs** to provide guidance on loan forgiveness under the Paycheck Protection Program (PPP). OMA Connections Partner CliftonLarsonAllen **issued this summary**, stating that the FAQs provide additional clarity, but questions remain.

For insight into what the new guidance says about transportation expenses, read **this summary** from OMA Connections Partner GBQ Partners.

Also, check out **this free on-demand webinar** by OMA Connections Partner Crowe LLP, which addresses how to simplify the PPP loan forgiveness process. *8/6/2020*

IRS Provides Guidance on Recapturing Excess Employment Tax Credits

August 7, 2020

The IRS **recently issued** a temporary regulation and a proposed regulation to reconcile advance payments of refundable employment tax credits and recapture the benefit of these credits when necessary.
For more information on the employer credits, **visit this site**. *8/6/2020*

Key Tax Credits in the Senate's Coronavirus Relief Package

July 31, 2020

OMA Connections Partners RSM has published **this helpful summary** of the U.S. Senate Republicans' $1 trillion coronavirus relief package introduced this week. The following provisions, which did not receive much media attention, are included in the bill:

- A significant expansion of the employee retention credit;
- A new hiring incentive to target workers who lost their jobs due to the pandemic;
- A new payroll tax credit to give employers a 50% credit for expenses incurred for PPE, cleaning supplies, and other various workplace safety expenses;
- A tax credit to encourage the manufacturing of designated types of PPE; and
- A provision under which the business meal deduction would be temporarily increased from 50% to 100% for food or beverage expenses provided by a restaurant.
-

Also, check out the **summary by the National Association of Manufacturing**, which spotlights the bill's liability protections for businesses. *7/29/2020*

PPP Loan Forgiveness Applications Can Be Submitted Starting Aug. 10

July 31, 2020

The Small Business Administration will begin to accept Paycheck Protection Program (PPP) loan forgiveness applications on Monday, Aug.10. To help you prepare your application and avoid delays, OMA Connections Partner GBQ Partners has prepared **this insight and checklist for businesses**. *7/30/2020*

IRS Provides Guidance on Recapture of Excess Employment Tax Credits

July 31, 2020

The IRS has issued guidance in the form of temporary and proposed regulations relating to the recapture of erroneously issued employment tax credit refunds tied to the Families First Coronavirus Response Act's paid sick and family leave tax credit, as well as the CARES Act's employee retention tax credit. Read the **temporary regulations** and the **proposed regulations**. *7/29/2020*

IRS Issues Guidance on Business Interest Expense Deduction Limits

July 31, 2020

The IRS has issued final regulations regarding the provision of the Tax Cuts and Jobs Act that limits the deduction for business interest expense, including basic statutory amendments made by the CARES Act. **See the IRS' press release here.** *7/29/2020*

Main Street Lending Program: A Financial Resource in Reserve

July 24, 2020

The Federal Reserve's new **Main Street Lending Program** isn't getting much use now, but it will be an important safety net should COVID-19 cases create the need for more economic shutdowns. OMA Connections Partner Plante Moran has published **this new insight** on what companies should know about the program. *7/24/2020*

Legal Challenge Posed to Ohio's Local Income Tax

July 17, 2020

A conservative think tank in Ohio has challenged a recent state law intended to protect local income tax revenue during a time when many employees are working from a different municipality than their employer's workplace.

Earlier this year, the OMA and numerous other business interests supported **House Bill 197**, bi-partisan legislation that contained numerous COVID-19 relief measures. HB 197 won unanimous approval in the General Assembly in late March and contained a provision to extend Ohio's "20-day rule" for municipal tax withholding for employees who are now working from home.

The Buckeye Institute argues that allowing cities to continue collecting taxes from employees who are now working in other municipalities is an unconstitutional expansion of their taxing authority. WOSU radio **reports** on this development. The **lawsuit** is pending in the Franklin County Common Pleas Court. The OMA Tax Committee will discuss the issue at its **next meeting**. *7/16/2020*

Ohio's Revenue Collection Falls $1.1B Short of FY 2020 Forecast

July 17, 2020

The Office of Budget and Management (OBM) recently released its full **monthly financial report for June**, showing Ohio ended FY 2020 roughly $1.1 billion (4.6%) below budgeted estimates.
The report notes that Ohio's non-farm payroll employment increased to 4.83 million jobs in May, a 2.7% increase over April — including 19,000 new manufacturing jobs. Despite the increase, non-farm employment remained 13.6% below last year's levels. *7/13/2020*

Tax Foundation Reviews Legislative Proposals to Boost U.S. Manufacturing

July 17, 2020

The non-partisan Tax Foundation has published **this review** of several federal proposals to reshore and/or expand manufacturing in the U.S. The Foundation cautions that "before creating subsidies in the form of tax credits, policymakers should make sure that the current tax code is not biased against these factories coming to the U.S." *7/14/2020*

RSM 's Tax Insights, Manufacturing Insights for July

July 17, 2020

OMA Connections Partner RSM has published its **Tax Insights newsletter** for July. Among the topics discussed are transfer pricing policies, tax planning under the CARES Act, and payroll tax credits and deferrals for employers.

RSM has also published its monthly **Manufacturing Insights newsletter**. *7/13/2020*

SBA Disaster Relief Loans Available for Licking, Muskingum, Delaware, and Franklin County Businesses

July 10, 2020

Storms and flooding in late March devastated homes, local businesses, and communities around Central Ohio. In response, the Small Business Administration announced low-interest loan assistance for businesses affected by these floods.

July 20 is the deadline **to apply** for one of these loans that cover uninsured or under-insured losses. Business owners can borrow up to $2 million for damaged real estate and other business assets, for economic injury, or a combination of both. You can **contact Congressman Balderson's office** for assistance. *7/8/2020*

New Fiscal Year Brings Harsh Reality to Ohio Budget

July 2, 2020

The Columbus Dispatch **reports** that at midnight July 1, "Ohio closed its financial books on a painful fiscal year." And the new fiscal year confronts state policymakers with a projected $2.1 billion shortfall in the $35 billion general revenue fund budget.

The story notes that "while seen as a last resort, the depth of the problem could prompt talk of tax or fee increases in the tax-averse GOP-controlled General Assembly."

The OMA is monitoring this situation carefully. *7/1/2020*

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

Current Status: 10/15/2020 - **SIGNED BY GOVERNOR**; eff. 90 days

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

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

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

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

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

Current Status: 11/18/2020 - Senate General Government and Agency Review , (Eighth Hearing)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Status: 4/3/2019 - **SIGNED BY GOVERNOR**; Various effective dates; taxes eff. 7/1/19

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

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

Current Status: 11/17/2020 **-** Senate Local Government, Public Safety and Veterans Affairs, (Second Hearing)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Status: 7/18/2019 - **SIGNED BY GOVERNOR**; Operating appropriations and tax levy generally effective 7/18/19. Some provisions subject to special effective dates.

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

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

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

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

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

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

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

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

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

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

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

Current Status: 3/27/2020 - **SIGNED BY GOVERNOR**; Emergency: effective 3/27/20

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Status: 11/10/2020 - **REPORTED OUT AS AMENDED**, House Ways and Means, (Fifth Hearing)

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

HB479 **BASEBALL STADIUMS - PROTECTIVE NETTING** (PATTERSON J, PERALES R) To require certain baseball stadiums to install protective netting.

Current Status: 1/28/2020 - Referred to Committee House State and Local Government

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-479

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

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

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

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

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

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

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

Current Status: 2/21/2020 - Introduced

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

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

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

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

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

Current Status: 11/17/2020 - House Finance, (First Hearing)

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

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

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

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

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

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

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

HB614 **UNEMPLOYMENT COMPENSATION, COVID RELIEF** (FRAIZER M, RICHARDSON T) To create the Unemployment Compensation Modernization and Improvement Council, to revise the claims process and duties related to that process, to require the Auditor of State to examine and make recommendations on the efficiency of the process, to require the Director of Job and Family Services to create a strategic staffing plan for employees who handle inquiries and claims for unemployment benefits, to require the Chancellor of Higher Education to create a template for workforce-education partnership programs, to provide for the distribution of some federal coronavirus relief funding to local subdivisions, to extend the renewal deadline for concealed handgun licenses for ninety days or until June 30, 2021, whichever is later, to allow licensees to apply for or renew licenses with any county sheriff until that date, to authorize the conveyance of certain state-owned land, to provide funding for community projects, to make appropriations, and to declare an emergency.

Current Status: 10/1/2020 - **SIGNED BY GOVERNOR**; eff. 10/1/20.

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

HB754 **REMOTE WORK TAX RULES** (JORDAN K) To modify municipal income tax employer withholding rules for COVID-19-related work-from-home employees.

Current Status: 8/31/2020 - Introduced

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-754

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

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

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

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

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

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

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

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

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

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

Current Status: 11/18/2020 - House Economic and Workforce Development, (Eighth Hearing)

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

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

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

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

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

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

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

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

Current Status: 11/18/2020 - House Ways and Means, (Second Hearing)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Status: 11/12/2020 - Senate Appoints Managers; M. Dolan, D. Burke & V. Sykes Named as Senate Conferees

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

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

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

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

SB352 **MUNICIPAL INCOME TAX WITHHOLDING** (ROEGNER K) To modify municipal income tax employer withholding rules for COVID-19-related work-from-home employees.

Current Status: 9/22/2020 - Senate Local Government, Public Safety and Veterans Affairs, (First Hearing)

State Bill Page: https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-SB-352

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

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

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