



Bethany Boyd

*Bill Analysis*  
*Legislative Service Commission*

## **Sub. H.B. 260\***

125th General Assembly

(As Reported by S. Ways and Means and Economic Development)

**Reps. Daniels, McGregor, Seitz, J. Stewart, Core, Webster, Gilb, Kilbane, Aslanides, Collier, Combs, Flowers, Hoops, Peterson, Schaffer, Schmidt, Slaby, Taylor, Wolpert**

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### **BILL SUMMARY**

- Reduces the rate at which interest accrues on estate tax and personal property tax overpayments.
- Authorizes boards of county commissioners to levy, with voter approval, a sales and use tax specifically for emergency medical services.
- Makes a technical correction in existing estate tax law.

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### **CONTENT AND OPERATION**

#### **Reduction of the rate of interest paid on overpayments**

##### **Estate tax overpayments**

(R.C. 5703.47 and 5731.23)

Ohio imposes taxes on the estates of some individuals; generally, an estate is taxable if its taxable value is more than \$338,333. Eighty percent of estate tax revenue is distributed to the city, village, or township where the estate property is located; the remainder is credited to the state's general revenue fund.

The tax must be paid and the return must be filed within nine months following the decedent's death. If the tax is not paid on time, a penalty may be imposed and interest accrues on the unpaid balance.

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\* *This analysis was prepared before the report of the Senate Ways and Means and Economic Development Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

If the estate tax paid is more than the amount of tax ultimately found to be due, the estate is entitled to interest on the overpayment. The overpayment and interest must be refunded by the cities, villages, or townships that received the overpayment, as well as from the state's general revenue fund, on a pro rata basis. Interest accrues from nine months from the date of the decedent's death or the date the tax was paid, whichever is later, to the date the overpayment is refunded.

Under current law, the rate of interest accruing on unpaid taxes, and paid on estate tax overpayments, is equal to three percentage points above the "federal short-term rate," which is a rate computed on the basis of an index of yields on short-term U.S. government securities. (The rate for 2004 is 4%.)

The bill reduces the rate of interest that accrues on estate tax overpayments. Instead of accruing at the "statutory" rate equal to the federal short-term rate plus 3%, interest will accrue at the federal short-term rate rounded to the nearest whole number per cent. Since the statutory rate for 2004 is 4%, the federal short-term rate for 2004 is 1% by implication. The rate of interest accruing on unpaid estate taxes remains at three percentage points above the federal short-term rate.

#### **Property tax overpayments**

(R.C. 5703.47 and 5719.041)

Tangible personal property located and used in business in Ohio is subject to taxation by local taxing units. If the taxes are not paid on time, a 10% penalty is charged and interest accrues on the unpaid balance (including any unpaid penalty) at the statutory rate, which equals the federal short-term rate (explained above in "Estate tax overpayments") plus 3% annually. Most of the interest on late payments is credited to the funds of local taxing units.

If personal property taxes are overpaid, interest accrues at the same rate on the overpayment until a refund is issued. Interest on refunded overpayments is payable from the funds of local taxing units.

The bill reduces the interest rate that accrues on personal property tax overpayments. Interest will accrue at the federal short-term rate, without the additional 3% per year. For example, if the bill had been in effect during 2004, the interest rate would have been 1% instead of 4%. The interest rate remains at three percentage points above the federal short-term rate for late personal property tax payments.

### **County sales tax for emergency medical services**

(R.C. 5739.026(A)(10))

Under current law, boards of county commissioners may levy a sales and use tax of 1/4% or 1/2% throughout the county for one or a combination of nine different purposes: general revenue, convention facilities, transit systems, permanent improvements, community improvement board improvements, 9-1-1 systems, jails and other detention facilities, sports facilities, and agricultural easements. If the tax is for anything other than general revenue, the tax must be approved by voters before going into effect. (In addition to the 1/4% or 1/2% tax, the boards also have authority to levy a sales and use tax of up to 1% for either general revenue or "criminal and administrative justice" services, but the bill does not affect this authority.)

The bill authorizes boards of county commissioners to propose the 1/4% or 1/2% sales and use tax specifically for providing ambulance, paramedic, or other emergency medical services (hereafter referred to collectively as EMS). Such a tax may be proposed only for EMS, or for EMS in combination with any of the nine other purposes for which the 1/4% or 1/2% tax may be levied. Therefore, by combining EMS with any of those other purposes, the rate of the tax devoted to EMS can be less than 1/4%. As under current law when a tax is levied for a combination of purposes, the board of county commissioners must state what share of the revenue will be allocated to each purpose. This allocation must be stated in the resolution proposing the tax. A tax levied in whole or in part for EMS must be submitted for voter approval.

### **Technical correction**

(R.C. 5731.23)

The bill also corrects a longstanding error in a statute governing estate tax payments. In 1971, Am. Sub. 413 of the 109th General Assembly (134 Ohio Laws 821, 822-823), removed language regarding discounts for early estate tax payments, but failed to remove related language stating that early payments should be paid on an estimated basis regardless of whether a return has been filed. The bill removes this related language to correct the error.



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## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	08-12-03	p. 1027
Reported, H. Ways & Means	09-16-04	p. 2159
Passed House (81-14)	11-09-04	pp. 2199-2200
Reported, S. Ways & Means & Economic Development	---	---

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