



S.B. 98

125th General Assembly
(As Introduced)

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BILL SUMMARY

- Modifies the permissible interest rate on amounts due and payable pursuant to certain contracts, accounts, and judicial actions.
- Reduces the period of time interest is computed and payable in civil tort actions.
- Eliminates interest on future damages awarded in civil tort actions.

CONTENT AND OPERATION

Usury rate for certain contracts, accounts, and judicial actions

(R.C. 1343.03(A))

Currently, except as provided in other provisions of the Usury Law, interest at the rate of 10% per year, unless a different rate is provided by a written contract, is permitted when money becomes payable on a bond, bill, note, or other writing; upon a "book account" (see **COMMENT 1**, below); upon any settlement between parties; upon verbal contracts; and "upon all judgments, decrees, and orders of any judicial tribunal for the payment of money arising out of tortious conduct or a contract or other transaction."

The bill eliminates the 10% rate and instead provides that interest is collectable on items described in the preceding paragraph at a rate determined pursuant to the Taxation Law by the Ohio Tax Commissioner in October of each year, unless a different rate is provided by a written contract. Accordingly, the rate determined by the Tax Commissioner is the "federal short-term rate" plus 3% and applies to interest computations made in the following calendar year (R.C.

5703.47 (not in bill)).¹ Thus, for example, as of October 2002, the rate determined by the Tax Commissioner and that would be applicable under the bill is 6%, and this rate applies to interest computations made in calendar year 2003.

Computation of interest in civil tort actions

(R.C. 1343.03(C))

Under existing law, interest on a judgment, decree, or order for payment rendered in a civil tort action and not settled by agreement of the parties is computed from the date the *cause of action accrued* (see **COMMENT 2**, below) to the date the money is paid if, upon a motion, a court subsequently determines that the party owing money did not make a good faith effort to settle the case, and the party to whom money is owed *did* make a good faith effort to settle. In addition, current law does *not* prohibit interest on future damages.²

The bill eliminates this period for the computation of interest and instead provides that owed interest in a civil tort action in which the parties have not settled; the party owing did not make a good faith effort to settle, and the party to whom money is owed made a good faith effort to settle; and a court has rendered a judgment, decree, or order for payment of money is to be determined based on the longer period that is either:

(1) From the date on which the party to be paid gave the party required to make payment written notice, in person or by certified mail, that the cause of action had accrued to the date on which the judgment, decree, or order was rendered; or

(2) From the date that the party to be paid filed the pleading on which the judgment, decree, or order is based to the date that the judgment, decree, or order was rendered.

The bill also prohibits the award of interest on "future damages" that are found by the trier of fact in a civil tort action. For purposes of this prohibition, the bill specifies that future damages are "any damages that result from an injury to a person that is a subject of a tort action [other than a civil action for damages for

¹ The "federal short-term rate" is the average market yield on outstanding marketable federal obligations having remaining maturities of three years or less (R.C. 5703.47).

² "Future damages" generally are defined as sums awarded an injured party for future effects the injury will have on the person's ability to "function as a whole man, future pain and suffering, loss or impairment of earning capacity, and future medical expenses" (Black's Law Dictionary, 5th edition).

breach of a contract or other agreement between the parties] and that will accrue after the verdict or determination of liability by a trier of fact is rendered in that tort action" (R.C. 2323.56 (not in bill)).

COMMENT

1. A "book account" appears to be written evidence kept in log form of receipts and disbursements of money or property.

2. Generally, a cause of action accrues on the date actual damage is sustained (Black's Law Dictionary, 5th edition).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	06-03-03	p. 401

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