DEPARTMENT OF TAXATION

Income tax

- Reduces income tax rates in all brackets by 6.3% over two years.
- Restricts the state income tax deduction for Social Security and Tier One railroad retirement benefits to taxpayers whose federal adjusted gross income (FAGI) is not more than $100,000.
- Restricts the retirement income credit, the lump-sum retirement credit, the lump-sum distribution credit, and the senior citizen credit to taxpayers whose individual or joint adjusted gross income (less personal exemptions) for the taxable year is less than $100,000.
- Makes permanent the 75% business income tax deduction for individual income tax taxpayers.
- Repeals the income tax credit for monetary contributions to campaign committees of candidates for statewide elected offices, the General Assembly, or the State Board of Education.

Other state taxes

- Modifies the date the Treasurer of State is required to issue a domestic insurance premium tax bill, the due date for payment by the insurance company, and the computation of penalties for late payment.
- Eliminates a requirement that counties and transit authorities compensate vendors for the expense of adjusting cash registers when a county or transit authority sales and use tax rate is increased or a new tax is imposed.
- Specifies that a company that generates electricity but donates all of that electricity to a political subdivision is not subject to the kilowatt-hour tax or public utility personal property tax.
- Authorizes a nonrefundable credit against the petroleum activity tax (PAT) on the basis of PAT remitted by another supplier that sells blend stocks to the taxpayer, provided the taxpayer incorporates the blend stocks into blended fuel.
- Extends by two years a provision temporarily authorizing owners of a historic rehabilitation tax credit certificate to claim the credit against the commercial activity tax (CAT) if the owner cannot claim the credit against another tax.

- Extends the Ohio Grape Industries earmark of wine excise tax revenue (2%) for two more years.

- Earmarks 2% of beer excise tax revenue, up to $1 million annually, for grants to attract sporting events to local communities.

- Limits information the Tax Commissioner may require a person to verify for the purpose of confirming the person's identity.

- Requires the Tax Commissioner to evaluate and report to the General Assembly on the effectiveness of identity-verification measures employed to reduce personal income tax fraud.

- Establishes a six-member commission to review Ohio's tax structure and policies and make recommendations to the General Assembly on how to maximize Ohio's competitiveness by the year 2020.

- Allows executors and administrators the same commissions as existed before the repeal of the estate tax.

TPP reimbursements

- Resumes the phase-out of reimbursement payments to most school districts and other taxing units for tangible personal property tax losses.

- Increases the portion of CAT revenue and kilowatt-hour excise tax revenue to be credited to the GRF and reduces the portion used to reimburse school districts and other taxing units for tangible personal property tax losses.

Tax credits and exemptions

- Revises computation of the job creation and retention tax credits so that the credit equals an agreed-upon percentage of the taxpayer's Ohio employee payroll rather than Ohio income tax withholdings.

- Removes the 75% cap on the percentage of Ohio employee payroll (or, under current law, Ohio income tax withholdings) a taxpayer and the Tax Credit Authority (TCA) may agree to for the purposes of computing the job retention tax credit.

- Authorizes the TCA to require taxpayers to refund all or a portion of job creation or job retention tax credits if the taxpayer fails to substantially meet the job creation, payroll, or investment requirements included in the tax credit agreement or files for bankruptcy.

- Reduces from 60 to 30 days the amount of time a taxpayer has to submit a copy of a job creation or job retention tax credit certificate.

- Revises the role of the Director of Budget and Management, the Tax Commissioner, and the Superintendent of Insurance in evaluating applications for job retention tax credits and data center sales tax exemptions.

- Requires the TCA, upon request of a taxpayer subject to an existing JCTC or JRTC agreement, to revise the agreement to account for decreases in the state income tax rates.

- Authorizes the TCA, upon mutual agreement of the taxpayer and DSA, to revise JCTC agreements originally approved in 2014 or 2015 to conform with the bill's revisions to the JCTC.

Property taxes

- Authorizes any school district that contains, in its territory, a community school with an "exemplary" sponsor to propose a levy for the current operating expenses of the school district and the community school.

- Authorizes school districts other than the Cleveland Metropolitan School District to allocate 100% of the proceeds of such a levy to partnering community schools.

- Requires that all new water-works company tangible personal property first subject to taxation in tax year 2015 or thereafter be assessed at 25% of its true value, instead of 88% as required under existing law.

- Allows unproductive farmland to continue to be valued for property tax purposes according to its current agricultural use value for up to five years if it is used to store materials dredged from Ohio's waters under a contract with certain agencies.

- Lengthens, to any number of years or for a continuing period of time, the maximum term of a property tax levy to pay for operating and maintaining public cemeteries.

- Expands eligibility for the fraternal organization property tax exemption to include property used primarily for any nonprofit purpose, and not just for meetings and administration.

- Authorizes townships to extend pre-1995 tax increment financing property tax exemptions for 15 more years if the township's population is at least 15,000.

Municipal income tax

- Changes the annual return filing deadline for municipal income taxpayers that are not individuals to the 15th day of the fourth month following the end of the taxpayer's taxable year.

- Requires a municipal tax administrator to grant a taxpayer a six-month filing extension for a municipal income tax return even if the taxpayer did not request a corresponding federal extension.

- Specifies that taxpayers seeking damage awards on the basis of actions or omissions regarding municipal income taxes may sue the municipal corporation, but not the tax administrator.

- Allows a municipal corporation that has adopted Ohio adjusted gross income as its tax base to make adjustments to that tax base with respect to resident individuals and to require individual taxpayers to file a copy of their Ohio tax return.

- Requires municipal corporations to publish a summary of taxpayers' rights and responsibilities online.

Other local taxes

- Authorizes a county meeting certain requirements to levy an additional 1% lodging tax for the purpose of constructing and maintaining county-owned sports facilities.

- Authorizes certain counties to levy a lodging tax of 3% or less for up to 5 years to pay for permanent improvements at sites where a county or independent agricultural society conducts fairs or exhibits.

- Authorizes Stark County to create a special-purpose Regional Arts and Cultural District and to impose a property tax, cigarette tax, and alcoholic beverage tax in support of the district.

- Authorizes townships and municipal corporations located in Stark County to designate a special district of not more than 200 acres as a tourism development district (TDD) before 2019 in which a sales and use tax, admissions tax, or certain rental fees may be imposed to fund the promotion of tourism.

Administration of county 9-1-1 assistance

- Requires the Tax Commissioner to transfer funds remaining in the Wireless 9-1-1 Government Assistance Fund to the Next Generation 9-1-1 Fund at the direction of the Statewide Emergency Services Internet Protocol Network Steering Committee rather than after monthly disbursements are made to counties.

- Requires that any shortfall in monthly disbursements to counties from the Wireless 9-1-1 Government Assistance Fund be remedied in the following month.

Income tax

Rate reduction

(R.C. 5747.02)

The bill reduces income tax rates for all income tax brackets by 6.3% for taxable years beginning in 2015 and thereafter compared to the rates in effect for 2014.

For taxable years beginning in 2014, the income tax currently is levied at rates ranging from 0.528% for taxable income up to $5,200 to 5.333% for taxable income above $208,500. There are nine income brackets with increasingly greater rates assigned to higher income brackets.

The income tax is levied on individuals, estates, and some trusts. The tax base for individuals is federal adjusted gross income (FAGI) after several deductions and a few additions; for estates and trusts, the base is federal taxable income after several additions and deductions. An $88 credit is granted for individuals filing a return (joint or individual) showing tax due, after personal and dependent exemptions, of $10,000 or less; the effect of the credit is to exempt such filers from the income tax. The tax applies to residents, and to nonresidents who have income that is attributable to Ohio under statutory attribution rules. For residents who have income taxable by another state with an income tax, a credit is available to offset the tax paid to other states; for nonresidents who have income attributable to Ohio and another state, a credit is allowed to the extent the income is not attributable to Ohio.

Means test for Social Security income tax deduction

(R.C. 5747.01(A)(5); Section 803.70)

The bill restricts the state income tax deduction for Social Security and Tier One railroad retirement benefits to taxpayers whose FAGI is less than or equal to $100,000. Under current law, all taxpayers are authorized to deduct Social Security and Tier One railroad retirement benefits they receive. Deductible Social Security benefits include old-age, survivor, and disability insurance benefits. Tier One railroad retirement benefits are the equivalent of Social Security benefits for railroad employees.

The means test on the Social Security income tax deduction would apply to taxable years beginning on or after January 1, 2015.

Means test for retirement income and senior tax credits

(R.C. 5747.05, 5747.055, 5747.08, 5747.71, and 5747.98; Section 803.70)

The bill restricts the retirement income credit, the lump-sum retirement credit, the lump-sum distribution credit, and the senior citizen credit to taxpayers whose individual or joint adjusted gross income (less personal exemptions) for the taxable year is less than $100,000. Under current law, the credits are available to taxpayers aged 65 years and older regardless of income. The income limits apply to taxable years beginning in or after 2015.

Calculation of the retirement income credit varies depending on whether the retiree (aged 65 years and older) claims the credit on an annual basis or on the basis of a lump-sum distribution of income. For retirees who claim the annual credit, the credit ranges from $25 for retirement income of at least $500, to $200 for retirement income of at least $8,000. The $200 credit is equivalent to exempting at least $15,000 of retirement income from taxation. Retirees who receive a lump-sum distribution of retirement income may claim a one-time credit equivalent to receiving the annual credit each year of the retiree's expected remaining life according to actuarial tables.

The senior citizen credit is an annual credit for taxpayers aged 65 years and older equal to $50; receiving retirement income is not necessary to claim the credit. As an alternative, a taxpayer aged at least 65 years who receives a lump-sum distribution of retirement income may claim a one-time credit equivalent to $50 for each year of their expected remaining life.

The means test for the retirement income credit, the lump-sum retirement credit, the lump-sum distribution credit, and the senior citizen credit applies to taxable years beginning on or after January 1, 2015.

The bill also moves language relating to those credits and strikes obsolete language.

Small business income tax deduction

(R.C. 5747.01(A)(31); Section 803.70)

The bill increases the amount of the small business income tax deduction to allow individuals to deduct 75% of business income. The aggregate deduction for business income may not exceed $93,750 ($187,500) for spouses who file separate returns and each report business income. Under current law, the small business income tax deduction equals 50% of business income included in a taxpayer's federal adjusted gross income. The amount of the deduction is limited to $125,000 per taxpayer per year (or $62,500 for spouses who file separate returns and each report business income). The deduction was first available in 2013. For taxable years beginning in 2014, the deduction was 75% (see Section 757.80 of H.B. 483 of the 130th General Assembly).

Under continuing law, "business income" is income from the regular conduct of a trade or business, including gains or losses, and includes gains or losses from liquidating a business or from selling goodwill. It is deductible to the extent it is apportioned or allocated to Ohio, in cases taxpayers who have business income attributable to other states The deduction is not available to estates or trusts subject to the income tax. The deduction does not affect the school district income tax base: any taxpayer making the deduction for state income tax purposes must add the deducted amount back into the taxpayer's school district taxable income if the school district's income tax base is based on state taxable income (as opposed to just earned income).

Deduction for Hope for a Smile program service donation

(R.C. 5747.01(A)(32); Section 803.200)

The bill authorizes an income tax deduction for dentists and dental hygienists who provide services free of charge under the bill's proposed Hope for a Smile program (described under the Department of Health topic heading). The amount of the deduction equals the fair market value of the services provided.

Repeal political contribution credit

(R.C. 5747.29 and 5747.98; Section 803.130)

The bill repeals a personal income tax credit for monetary contributions to a candidate running for statewide executive or judicial office or for the General Assembly or State Board of Education. Under current law, this nonrefundable credit equals the lesser of the amount of an individual's combined contributions or $50. For joint filers, the credit equals the lesser of the amount of combined contributions or $100. The credit may no longer be claimed for taxable years beginning after 2014.

Other state taxes

Domestic insurance premium tax

(R.C. 5725.22; Section 803.07)

Under continuing law, foreign and domestic insurance companies are subject to a franchise tax based on the company's gross premiums, subject to certain exclusions.

For an insurance company that is a health insuring corporation, and for the health insuring corporation line of business of an insurer that is not a health insuring corporation, the tax is equal to 1% of all premium rate payments received. An insurance company that is not a health insuring corporation must pay a franchise tax equal to 1.4% of the gross amount of premiums received from policies covering risks within Ohio.[175]

Payment date

The bill requires the Treasurer to issue a final tax bill to each domestic insurance company on or before May 15 of each year. In case of an emergency situation, the Treasurer may issue the tax bill later than May 15 and may grant the taxpayer an extension for paying the amount due. Under current law, the Treasurer is required to issue the tax bill within 20 days after receiving the final assessment of taxes from the Department of Insurance. Continuing law requires the Department of Insurance to certify the tax liability of each insurance company to the Treasurer on or before the first Monday of May.

The bill requires domestic insurance companies to pay the franchise tax liability on or before June 15 of each year. If June 15 is a Saturday, Sunday, or legal holiday, payment is due on the next business day. Under current law, payment is due within 30 days of the date the Treasurer mails the tax bill.

Penalties

The bill also adjusts the penalties associated with late payment of the domestic insurance premiums tax. The penalty would equal $500 for each month the taxpayer fails to pay all taxes and interest due. (This equals the penalty for failure to pay foreign insurance company taxes. R.C. 5729.11.) If the taxpayer fails to demonstrate a good faith effort to pay the taxes and interest on time, the Treasurer may assess an additional penalty not exceeding 10% of the taxes and interest due. Under current law, the penalty for late payment is 5% of the taxes and interest due if the payment is made within ten days of the due date and escalates to 10% of the taxes and interest due if the payment is more than ten days late.

The bill's changes to domestic insurance premium tax due dates and penalties apply to taxable years ending in or after 2016.

[175] R.C. 5725.18.

Eliminate cash register adjustment compensation

(R.C. 5739.212 (repealed); Section 803.170)

Eliminates an existing requirement that counties and transit authorities compensate vendors for the expense of adjusting cash registers when a county or transit authority sales and use tax rate is increased or a new tax is imposed. Compensation would no longer be required for taxes increased or imposed on or after July 1, 2015.

Currently, when a county or transit authority levies a new sales and use tax or increases the tax rate, it must compensate vendors by up to $50 per cash register or, if only one register is in a place of business, up to $100.

Kilowatt-hour excise tax: donated electricity

(R.C. 5727.031 and 5727.80; Section 757.90)

Under continuing law, most property used to supply electricity to other persons is subject to property taxes imposed by local taxing units. In addition, most companies that distribute electricity to end users in Ohio are subject to a kilowatt-hour tax, based upon the amount of kilowatt-hours of electricity the company distributes to end users each month.

The bill specifies that a company that generates electricity but donates all of that electricity to a political subdivision is not subject to either the kilowatt-hour tax or property tax. The bill states that this provision is intended to "clarify and be declaratory of" existing law.

Petroleum activity tax credit for tax on blend stocks

(R.C. 5736.51; Section 803.190)

The bill authorizes a taxpayer to claim a nonrefundable credit against the petroleum activity tax (PAT) on the basis of PAT remitted by another supplier that sells blend stocks to the taxpayer, provided the taxpayer incorporates those blend stocks into blended fuel the sale of which is subject to the PAT. The credit may be claimed on the basis of PAT remitted for blend stocks sold by that other supplier to the taxpayer on or after July 1, 2015. Blend stocks are additives that are sold for blending with motor fuel, such as ethanol.

Continuing law levies the PAT on suppliers of motor fuel on the basis of each supplier's "calculated gross receipts"—the volume of the supplier's first sales of motor fuel in the state multiplied by the average price for unleaded gasoline or diesel fuel, as applicable. Essentially, the credit ensures that the sale of blend stocks incorporated into motor fuel is subject to the PAT only once, i.e. the blend stock is taxed at its point of first sale, but not a second time after it is incorporated into and sold as blended motor fuel.

Temporary historic rehabilitation CAT credit

(Section 757.70)

The bill extends, to July 1, 2017, a provision authorizing owners of a historic rehabilitation tax credit certificate to claim the credit against the CAT if the owner cannot claim the credit against another tax and the certificate becomes effective after 2013 but before June 30, 2017 ("qualifying certificate owner"). Uncodified law enacted by H.B. 483 of the 130th General Assembly authorizes certificate owners to claim a similar credit against the CAT only for tax periods ending before July 1, 2015, provided the owner cannot claim the credit against another tax and the certificate becomes effective after 2013 but before June 30, 2015.

Continuing law authorizes a certificate holder to claim the credit against the personal income tax, financial institutions tax, or foreign or domestic insurance company premiums tax.

Under the bill, a qualifying certificate owner may claim the credit against the CAT for the calendar year specified in the certificate, but only for CAT tax periods ending before July 1, 2017. The amount of the CAT credit equals the lesser of 25% of the owner's rehabilitation costs listed on the certificate or $5 million. Although the credit is refundable, if an amount would be refunded to the owner in a calendar year, the owner may not claim more than $3 million of the credit for that year. However, the owner may carry forward any unused credit for up to five years. The bill requires the certificate owner to retain the tax credit certificate for four years after the last year the owner claims the CAT credit for possible inspection by the Tax Commissioner.

As under the existing provision, the bill authorizes corporate owners of a qualifying certificate owner that is a pass-through entity that are not themselves pass-through entities to claim the credit against the owners' CAT according to mutually agreed-upon proportions if the certificate so permits or if the owners are part of the same consolidated elected or combined taxpayer as the pass-through entity.

Additionally, the bill authorizes a qualifying certificate owner that is not a CAT taxpayer to file a CAT return for the purpose of claiming the historic rehabilitation tax credit. This enables a business with less than $150,000 in taxable gross receipts that is not a sole proprietor or a pass-through entity composed solely of individual owners, or a nonprofit organization, to claim a tax "credit" as if the business or organization were a CAT taxpayer.

Wine excise tax

(R.C. 4301.43)

Continuing law levies an excise tax on manufacturers, importers, and wholesale distributors who sell and distribute wine in and to Ohio. The tax is due monthly. All revenue is credited to the General Revenue Fund except for a percentage of the wine tax revenue (2%) earmarked for the Ohio Grape Industries Fund. Currently, the 2% earmark is set to expire June 30, 2015. The bill extends the earmark for another two years, until June 30, 2017.

Beer excise tax for sporting event host subsidy

(R.C. 122.121 and 4301.46)

The bill earmarks 2% of beer excise tax revenue, up to $1 million annually, for grants to be made under an existing program authorizing grants for local organizing committees or local governments to help them fulfill their financial obligations to a sporting event site selection group. Currently, all beer excise tax revenue is credited to the General Revenue Fund.

Under continuing law, the Development Services Agency may award such grants from appropriations to the agency in an annual amount up to $1 million. The sporting event must be estimated to generate at least $250,000 in additional state sales tax revenue. An individual grant must be for at least one-half of the estimated revenue increase, up to $500,000.

Tax identity verification

(R.C. 5703.057, 5703.36, and 5703.361; Sections 757.40 and 803.180)

Beginning January 1, 2016, the bill limits information the Tax Commissioner may require a person to verify for the purpose of confirming the person's identity. Continuing law empowers the Commissioner to (1) take measures to inform the Commissioner on matters necessary to discharge the Commissioner's duties and (2) require that any person filing a tax document also provide identifying information to the Commissioner. The bill limits the scope of this existing authority by prohibiting the Commissioner from requesting that a person verify information created or compiled by the Bureau of Motor Vehicles more than 15 years earlier or any other type of information created or compiled more than ten years earlier.

Additionally, the bill requires the Commissioner to report on the effectiveness of any identity-verification measures the Commissioner employs to reduce personal income tax fraud. This report must be submitted by August 30, 2016, to the Speaker of the House of Representatives and the President of the Senate, as well as each member of the House and Senate standing committees dealing with taxation.

Ohio 2020 Tax Policy Study Commission

(Section 757.50)

The bill creates the Ohio 2020 Tax Policy Study Commission to review the state's tax structure and policies and make recommendations to the General Assembly on how to maximize Ohio's competitiveness by the year 2020. The Study Commission is to consist of three members of the House of Representatives appointed by the Speaker of the House and three members of the Senate appointed by the Senate President. With respect to the House members, two must be members of the majority party, one of whom is the Chairperson of the House Ways and Means Committee, and one must be a member of the minority party. With respect to the Senate members, two must be members of the majority party, one of whom is the Chairperson of the Senate Ways and Means Committee, and one must be a member of the minority party. The Chairperson of the House Ways and Means Committee is to serve as Chairperson of the Study Commission.

The bill directs the Study Commission to utilize "dynamic analytical tools" and the Legislative Service Commission to provide any necessary services. (The bill does not define "dynamic analytical tools." In the context of analyzing tax policies, reference to "dynamic" analysis generally implies employing models intended to estimate how a change in policy affects revenue directly or indirectly through the policy's effect on macroeconomic factors such as employment, capital stock, and output.)

The Study Commission is to publish its findings and recommendations not later than October 1, 2017, at which time the Study Commission will cease to exist.

Commissions of executors and administrators

(R.C. 2113.35)

The bill allows executors and administrators the same commissions as existed before the repeal of the estate tax. Executors and administrators of the estates of decedents who died before January 1, 2013, were allowed a fee of 1% on all property that was not subject to administration and that was includable in the estate for purposes of computing the estate tax, except joint and survivorship property. The bill allows a fee of 1% on property that is not subject to administration and *would have been* includable for purposes of computing the estate tax *had the decedent died on December 31, 2012* (that is, before the repeal of the estate tax took effect), except joint and survivorship property.

Tangible personal property tax reimbursements

Background

The bill resumes the phase-out of payments currently being made to school districts and other local taxing units to partly reimburse them for the loss of property tax revenue resulting from previously legislated reductions in local property taxes on tangible personal property. Beginning in 2001, the taxable value of some electric utility tangible personal property (TPP) was reduced by legislation that partly deregulated electric utilities. Subsequent utility deregulation legislation in following years reduced the taxable value of natural gas utility TPP and telephone utility TPP. In 2005, legislation eliminated taxes on TPP used in business over a five-year period. These reductions caused locally levied property taxes to decline accordingly. The legislation provided initial reimbursement for most of the revenue loss and gradual phase-out of the reimbursement over several years. In 2011 and 2012, reimbursement payments were immediately reduced by about 25% and 50%, respectively, and the phase-out of the reduced payments accelerated relative to the original phase-out schedule.[176]

School district reimbursement

(R.C. 5709.92, 5727.84, 5727.85, 5751.20, and 5751.21)

Under current law, reimbursement payments are generally constant for those districts whose reimbursements have not already been phased out under the 2011-2012 changes. The bill's resumption of the reimbursement phase-out begins in FY 2016 on the basis of a district's combined business and utility property tax replacement payments received in FY 2015. (The bill includes an offsetting provision, effective for FY 2016 and 2017 only, requiring a supplemental payment ensuring that each school district receives combined state aid and TPP reimbursement for fixed-rate current expense levies at least equal to its combined FY 2015 state aid and TPP reimbursement for fixed-rate current expense levies. See Section 263.325, entitled "School District TPP Supplement.")

Under the bill, different phase-out schedules are prescribed for different classes of tax levies, as follows:

Current expense levies: Payments for most current expense-purpose levies are phased out according to the amount of a district's FY 2015 current expense levy replacement payment ("current expense allocation") relative to its total operating revenue from state and local sources ("total resources"). Payments are phased out more quickly for districts whose current replacement payments are a relatively small

[176] A complete description of the 2011-2012 changes to the reimbursement scheme is available in the LSC bill analysis for H.B. 153 of the 129th GA, pp. 655-665.

percentage of their total resources. The phase-out also incorporates a tax-raising capacity factor designed to continue relatively greater payments for more years for districts that have relatively lower personal income and per-pupil property wealth. For districts in the middle 20% (third quintile) of tax capacity, the replacement payment will be made in FY 2016 only if and to the extent that the FY 2015 payment represents more than 1.5% of the district's total resources; in FY 2017, the percentage increases from 1.5% to 3%, and it increases by an increment of 1.5% each year thereafter. The percentage for each quintile, both the initial and annual increment, is as follows:

Quintile	Percentage
Fifth (highest capacity)	2%
Fourth	1.75%
Third	1.5%
Second	1.25%
First (lowest capacity)	1%

As each percentage increases incrementally each year, the amount of the payment decreases until the payments eventually end.

The percentage for all joint vocational school districts is 2% initially, with a 2% incremental increase each year.

Currently, school districts and JVSDs receive payments for such current expense levies only if the district's FY 2011 payment for those levies exceeds 4% of its total resources for the corresponding year. The annual payment equals the amount by which a district's FY 2011 payment for those levies exceeds 4% of its total resources for the corresponding year.

Noncurrent-expense, nondebt levies: Replacement payments for levies funding purposes other than current expenses or debt payment (e.g., permanent improvement levies) are made in FY 2015 in an amount equal to 50% of a district's FY 2015 payment. No payments for such levies will be made after FY 2016. Current law provides for annual payments equal to 50% of the payment a district received in FY 2011.

Emergency and other fixed-sum levies: Replacement payments for emergency levies and other levies designed to raise a fixed amount of revenue for current expenses or other purposes (except debt levies) are phased out in one-fifth increments over five years. The phase-out begins in 2017 for utility property-based replacement payments and in 2018 for business property-based payments. Currently, payments for nondebt fixed-sum levies are scheduled to end in 2017 for utility TPP-based reimbursements and in 2018 for business TPP-based reimbursements.

Debt levies: Replacement payments for voter-approved fixed-sum debt levies will continue to be paid in the same amount paid in 2014 until the levy is no longer imposed. Payments for debt levies imposed without the need for voter approval (i.e., within the 10-mill limitation on unvoted taxes) and that qualified for reimbursement in FY 2015 will be reimbursed through FY 2016 (for utility TPP-based payments) or through FY 2018 (for business TPP-based payments). This is a continuation of current law.

Other local taxing unit reimbursement

(R.C. 5709.93, 5727.84, 5727.86, 5751.20, and 5751.22; Section 757.10)

Similar to school district reimbursements, reimbursement payments for other local taxing units currently are generally constant for those still receiving payments after the 2011-2012 changes. The bill's resumption of the phase-out of reimbursements begins in FY 2016 on the basis of a district's combined business and utility property tax replacement payments received in FY 2015.

As with school district reimbursements, different phase-out schedules are prescribed for different classes of tax levies, as follows:

Current expense levies: Most current expense-purpose levies are phased out according to the amount of a taxing unit's FY 2015 current expense levy replacement payments ("current expense allocation") relative to its total operating revenue from state and local sources ("total resources"). Payments are phased out more quickly for taxing units whose FY 2015 replacement payments are a relatively small percentage of their total resources. Replacement payments for most current expense levies will be made in FY 2016 only if and to the extent that the FY 2015 payment represent more than 2% of the district's total resources. In FY 2017, the percentage increases from 2% to 4%, and it increases by 2% each year thereafter. As the percentage increases incrementally each year, the amount of the payment decreases until the payments eventually end.

Currently, taxing units and libraries receive payments for such current expense levies only if their CY 2010 payment for those levies exceeds 6% of its total resources for the corresponding year. The annual payment equals the amount by which the CY 2010 payment for those levies exceeds 4% of total resources for the corresponding year.

Unvoted debt levies: Replacement payments for debt levies imposed without the need for voter approval (i.e., within the 10-mill limitation on unvoted taxes) and that qualified for reimbursement in CY 2015 will be reimbursed through CY 2016 (for utility TPP-based payments) or through CY 2017 (for business TPP-based payments).

Nuclear power plant-affected taxing units

(R.C. 5709.92 and 5709.93)

Replacement payments for certain school districts and other taxing units are exempted from the bill's phase-out of TPP replacement payments for fixed-rate current expense levies. In fiscal year 2016 and thereafter those districts and taxing units will continue to receive the same payment amount they received for such levies in fiscal year 2015. To be exempted from the phase-out, the district or taxing unit must have a nuclear power plant located in its territory and its FY 2015 TPP reimbursement payment for fixed-rate current expense levies ("current expense allocation") must equal at least 10% of its total resources. (The exempted school districts and taxing units are designated "qualifying school districts" and qualifying taxing units.") Reimbursement for other kinds of levies is phased out as the bill provides for other school districts and taxing units.

Library total resources certification

The bill requires each county auditor to certify to the Tax Commissioner the amount of money distributed from the County Public Library Fund in 2014 to each public library system that received a TPP reimbursement in 2014. Certification must be made by July 31, 2015. The certification is to enable the Commissioner to compute a library system's total resources used in the computation of new reimbursements.

Appeal of reimbursement computation

(Section 757.20)

The bill authorizes school districts and other local taxing units affected by the bill's TPP reimbursement changes to contest how the Tax Commissioner has classified a levy or calculated its total resources for the purpose of computing the reimbursement payments. Appeals must be filed with the Commissioner and the Commissioner may adjust the classification or computation if warranted by the appeal's merits. The Commissioner's decision is final and not appealable. No adjustments may be made after June 30, 2016.

CAT revenue to GRF

(R.C. 5751.02 and 5751.20)

The bill increases the percentage of commercial activity tax revenue to be credited to the GRF beginning July 1, 2015, and reduces the percentages to be credited to the School District Tangible Property Tax Replacement Fund and Local Government Tangible Property Tax Replacement Fund. Aside from the small percentage of CAT revenue (0.85%) that will continue to be earmarked for CAT administration expenses and to implement unspecified "tax reform measures," the percentage of CAT revenue credited to the GRF increases from 50% to 75%. The percentage credited to the school district replacement fund decreases from 35% to 20%, and the percentage credited to the local government replacement fund decreases from 15% to 5%.

The bill also moves language related to the use of CAT revenue from one section of law (R.C. 5751.20(B) and (J)) to another (R.C. 5751.02(C) to (F)) without changing the substance of the language other than to change the allocation of revenue between the GRF and the replacement funds as described above.

Under continuing law, the School District Tangible Property Tax Replacement Fund and Local Government Tangible Property Tax Replacement Fund are used to make payments to school districts and other local taxing units to partially reimburse them for the phase-out and eventual repeal (2009) of property taxes on business tangible personal property.

Kilowatt-hour excise tax revenue to GRF

(R.C. 5727.81, 5727.811, and 5727.84)

The bill directs that nearly all revenue from the kilowatt-hour excise tax be credited to the General Revenue Fund beginning July 1, 2015. Currently, almost all revenue from the tax is apportioned among the GRF and two other funds, as follows: 88% to the GRF, 9% to the School District Property Tax Replacement Fund, and 3% to the Local Government Property Tax Replacement Fund. The latter two funds are used to make payments to school districts and other local taxing units to partially reimburse them for previously legislated reductions in property tax assessments on tangible personal property of electric and natural gas utilities as part of the deregulation of some aspects of such utilities. In accord with the change in the revenue distribution, the bill changes the statement of the purpose of the tax.

Kilowatt-hour tax revenue that currently is payable to a municipal electric utility on the basis of electricity distributed to end users in the municipal corporation will continue to be payable to the municipal corporation. Currently, tax revenue payable on the basis of electricity provided by a municipal electric utility to end users in the municipal corporation is payable to the municipal corporation (if the user is a self-assessing user) or is retained by the municipal corporation (in the case of other users).

The kilowatt-hour excise tax is levied on the basis of electricity distributed to electricity meters in Ohio. In most cases it is payable by the company that distributes the electricity. Consumers that receive electricity directly from suppliers outside Ohio and large-volume commercial and industrial consumers (using at least 45 million kwh annually at a single site) must pay the tax directly.

Tax credits and exemptions

Job creation and retention tax credits

(R.C. 122.17, 122.171, 5725.98, 5726.50, 5729.98, 5733.0610, 5736.50, 5747.058, and 5751.50)

The bill makes several revisions to the computation and administration of the job creation tax credit (JCTC) and the job retention tax credit (JRTC). Under continuing law, the Tax Credit Authority (TCA) is authorized, upon the application of a taxpayer and the recommendation of JobsOhio and the Director of Development Services, to enter into JCTC and JRTC agreements with the taxpayer to foster job creation, job retention, and capital investment in this state.

The bill revises the computation of JCTCs so that the amount of the credit equals an agreed-upon percentage of the taxpayer's Ohio employee payroll (taxable income paid to Ohio residents) minus baseline payroll (taxable income paid to Ohio residents during the 12 months preceding the agreement). For JRTCs, the amount of the credit would equal an agreed-upon percentage of the taxpayer's Ohio employee payroll. Under current law, both credits are calculated as a percentage of the taxpayer's Ohio income tax withholdings (which could include nonresidents working in Ohio). The bill's change to the credit base would prevent a reduction in the credit amount due to declining Ohio income tax rates.

The bill also removes the 75% cap currently placed on the JRTC percentage. The JRTC percentage is multiplied by the taxpayer's Ohio employee payroll (or, under current law, the taxpayer's Ohio income tax withholdings) to determine the amount of the credit. Under continuing law, the JRTC percentage is negotiated by the TCA and the taxpayer as part of the JRTC agreement.

The bill authorizes the TCA to require the taxpayer to refund all or a portion of a JCTC or JRTC if the taxpayer fails to substantially meet the job creation, payroll, or investment requirements included in the tax credit agreement or files for bankruptcy.

Under continuing law, the TCA may seek to recoup all or a portion of the credit if the taxpayer fails to maintain operations at the project site (generally, the business's place of operations in Ohio) for the period of time specified in the tax credit agreement.

The bill reduces from 60 to 30 days the amount of time a taxpayer has to submit a copy of a JCTC or JRTC certificate after a request of the Tax Commissioner or the Superintendent of Insurance. Continuing law permits the Tax Commissioner or Superintendent of Insurance to request a copy of the certificate only when the taxpayer fails to include a copy with their return as required by continuing law.

The TCA, upon mutual agreement of the taxpayer and the Development Services Agency, may revise JCTC agreements originally approved in 2014 or 2015 to conform with the bill's revisions to the credit. Otherwise, the bill's revisions apply to JCTC and JRTC agreements entered into after the bill's 90-day effective date.

Evaluation of JRTC and data center sales tax exemption applications

(R.C. 122.171 and 122.175)

The bill revises the role of the Director of Budget and Management, the Tax Commissioner, and the Superintendent of Insurance in evaluating applications for JRTCs and data center sales tax exemptions. Continuing law authorizes the Ohio Tax Credit Authority (TCA) to grant JRTCs to qualifying businesses that complete a capital investment project and agree to retain a specified number of full-time equivalent employees or maintain a certain threshold payroll. The TCA is also authorized to exempt purchases of certain personal property that will be used at an eligible computer data center by a business, or group of businesses, that agrees to invest at least $100 million in the data center and maintain a minimum payroll of $1.5 million.

Under current law, the Director of Budget and Management, the Commissioner, and the Director of Development Services are required to review JRTC and data center sales tax exemption applications and determine the economic impact of proposed projects on state and the affected political subdivisions. These determinations must be sent, along with a recommendation on the application, to the TCA to assist in its determination of whether to grant the credit or exemption. The Superintendent is required to complete this process with respect to JRTC applications submitted by insurance companies.

The bill eliminates the requirement that such government officials' submission to the TCA include a recommendation on the application. The Director of Development Services would still be required to determine the local economic impact of proposed projects and submit recommendations to the TCA.

The bill requires the TCA, upon the request of a taxpayer subject to an existing JCTC or JRTC agreement, to amend the agreement to account for decreases in the state income tax rates beginning with the reductions enacted by H.B. 59 of the 130th General Assembly. This requirement applies to all JCTC or JRTC agreements approved by the TCA before the bill's 90-day effective date, including agreements that were effective before October 16, 2009.

The tax credit percentage specified in the agreement would be increased by the same percentage that state income tax rates have decreased since the agreement's effective date or June 29, 2013, whichever is later. If the agreement requires the taxpayer to reach any threshold of excess income tax revenue (in the case of a JCTC) or income tax revenue (in the case of a JRTC), that threshold would be decreased by the same percentage that state income tax rates decreased since the agreement's effective date or June 29, 2013, whichever is later. The tax credit percentage and income tax revenue threshold would thereafter be annually adjusted to account for future decreases in state income tax rates. Such agreements would not be subject to any of the bill's other revisions to the JCTC and JRTC programs.

Property taxes

Current expense levies allocated to partnering community schools

(R.C. 5705.21 and 5705.212)

Continuing law authorizes certain school districts to propose and levy a property tax for current operating expenses and allocate a portion of the proceeds to one or more "partnering" community schools. The tax may be levied for up to ten years or for a continuing period of time. It may be renewed or replaced, imposed as an "incremental levy," or combined with a bond levy for permanent improvements. If combined with such a bond levy, only the current expense levy revenue may be shared; the bond levy is solely for the purpose of the school district. A levy imposed for a continuing period of time may be reduced by initiative petition in the same manner as any school district continuing expense levy.

The resolution and ballot language proposing such a levy must specify the portion of the proceeds allocated to the school district and the portion allocated to partnering community schools. The revenue allocated to the partnering community schools is credited to a "partnering community schools fund" created by the school district board of education and distributed to the partnering community schools on a per-pupil basis. Only pupils residing in the school district levying the tax are counted for the purposes of determining a partnering community school's share of the revenue deposited to the partnering community schools fund.

Qualifying school districts

The bill extends the authority to levy property taxes for community schools to any school district that contains a community school sponsored by an "exemplary" sponsor according to the annual ratings published by the Department of Education.[177] Current law limits this authority to the Cleveland Metropolitan School District and the Columbus City School District.

The bill retains all provisions in current law pertaining specifically to the Cleveland Metropolitan School District, but removes criteria that were enacted specifically to enable the Columbus City School District to seek approval of such a levy. A proposed tax in the Columbus district was rejected by voters in 2013.

Eligible partnering community schools

The bill revises the qualifications for community schools that are allocated levy revenue in school districts other than the Cleveland Metropolitan School District. Under the bill, the community school must be located within the territory of the school district and be sponsored by a sponsor rated "exemplary" in the ratings most recently published before the resolution proposing the levy is certified to the board of elections. Under continuing law unchanged by the bill, a community school located in the Cleveland Metropolitan School District must be sponsored by the district or be a party to an agreement with the district whereby the district and the community school endorse each other's programs.

Allocating all revenue to partnering community schools

The bill authorizes school districts other than the Cleveland Metropolitan School District to levy a property tax solely for and on behalf of one or more partnering community schools. Current law does not cap the percentage of levy revenue that may be allocated to community schools, but could imply that at least a portion must be levied for the school district's own expenses. The resolution and ballot language proposing such a levy would be required to specify that all of the levy proceeds are allocated to partnering community schools.

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[177] Continuing law requires the Department to annually rate all entities that sponsor community schools as either "exemplary," "effective," or "ineffective" based on academic performance of students, adherence to quality practices prescribed by the Department, and compliance with laws and administrative rules. R.C. 3314.016.

Water-works tangible personal property tax assessment

(R.C. 5727.111)

Continuing law imposes a property tax on the tangible personal property of public utilities. The tax is calculated by determining the taxable value of a company's property, allocating that value among the jurisdictions in which the property is located, and multiplying the apportioned values by the property tax rates in effect in the respective jurisdictions. The taxable value of a company's tangible personal property equals its "true" value (the cost of the property as capitalized on the company's books, less composite annual allowances prescribed by the Tax Commissioner), multiplied by an assessment percentage specified in law.

Under current law, the tangible personal property of a water-works company is assessed at 88% of its true value. The bill reduces the assessment rate for all new water-works property first subject to taxation in tax year 2015 or thereafter to 25% of the property's true value.

Tax valuation for farmland storing dredged material

(R.C. 5713.30; Section 803.140)

Beginning with tax year 2015, the bill allows unproductive farmland intended to later be returned to productivity to remain valued at its current agricultural use value (CAUV) for property tax purposes, provided the land is used to store dredged material pursuant to a contract between the land's owner and the Department of Natural Resources or the Army Corps of Engineers. Such farmland may maintain its CAUV status for the lesser of five tax years or the last tax year in which dredged material is stored on the land pursuant to that contract. Dredged materials are materials excavated or dredged from Ohio waters, but do not include materials obtained as a result of normal farming activities.

Pursuant to authority granted in the Ohio Constitution, productive farmland may be valued at its CAUV value rather than its fair market value for property tax purposes. Under continuing law, unproductive farmland that is intended to later be used as farmland may retain its CAUV status for one year, and for up to two additional years for good cause as proven by the landowner to the county board of revision. Thereafter, the land is considered to have been converted from agricultural use to nonagricultural use and a recoupment charge is imposed to recoup the CAUV tax savings for the preceding three years.

Term of tax levies benefitting cemeteries

(R.C. 5705.19)

The bill lengthens the maximum term of a property tax levy to pay the operating and maintenance expenses of public cemeteries. Continuing law allows board of township trustees or municipal legislative authorities to propose and, with the approval of voters, levy a property tax for maintaining and operating a cemetery. Under current law, such a levy may be imposed for a term of up to five years. The bill instead allows such a levy to be imposed for any number of years or for a continuing period of time.

Townships and municipal corporations have authority to acquire land for public cemeteries and to own and operate them with public funds, separately or jointly.[178] The expenses of operating and maintaining public cemeteries may be paid from taxes, gifts and bequests, sale of plots, general fund money, or, in the case of a municipal corporation, any other funds lawfully available for the purpose.

Fraternal organization exemption

(R.C. 5709.17(D); Section 757.80)

The bill expands eligibility for property tax exemption for property held or occupied by certain kinds of fraternal organizations by permitting the exemption if the property is used primarily for any not-for-profit purpose. Currently, the property must be used primarily for meetings or administration of the organization. Another qualification – not affected by the bill – is that annual gross income from renting the property to others may not exceed $36,000.

For the purpose of the tax exemption both currently and under the bill, a fraternal organization must be a domestic fraternal society, order, or association that operates under the lodge, council, or grange system, qualifies for federal income tax exemption under Internal Revenue Code section 501(c)(5), 501(c)(8), or 501(c)(10), provides financial support for charitable purposes, and has been operating in Ohio with a state governing body for at least 85 years.

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[178] R.C. Chapter 517. for townships; R.C. 759.27 to 759.43 for township-municipal "union" cemeteries. Municipal corporations' authority derives from their home rule powers.

Township tax increment financing extension

(R.C. 5709.73(L))

The bill authorizes the board of trustees of a township with a population of at least 15,000 to extend property tax exemptions originally granted under a pre-1995 tax increment financing resolution. The tax exemptions may be extended for up to 15 additional years. The board would have to notify the affected school board and the board of county commissioners of the extension at least 14 days before taking formal action to approve the extension.

Under continuing law, townships, counties, and municipal corporations may grant property tax exemptions under "tax increment financing" (TIF) legislation that enables the subdivision to essentially divert the property tax revenue from increased property values on parcels (i.e., the increment) to finance public infrastructure improvements that benefit the parcels. The tax exemptions may be for up to 30 years. TIF legislation adopted before July 22, 1994, had to comply with a 14-day notice requirement, and affected school boards were allowed to "comment" on the tax exemption. However, TIF legislation adopted on or after that date must be approved by the affected school board if the exemption is to last longer than ten years or exempt more than 75% of the increased property value, and school boards may exchange approval for compensation from the subdivision granting the TIF exemption; a 45-day notice also is required for the 75%-plus and ten-year-plus exemptions. Compensation was allowed under the pre-July 1994 law, but school boards lacked the authority to approve any TIF exemption in exchange. Compensation also is required under continuing law for counties in the case of a township-initiated TIF, but was not required as of December 31, 1994. (See 5709.73(D), 5709.82, and 5709.83 as amended by S.B. 19 of the 121st General Assembly.)

Municipal income tax

Municipal corporations' authority to levy taxes is an aspect of their home rule powers conferred by Article XVIII, Section 3, Ohio Constitution. Although the General Assembly does not grant municipal corporations the authority to tax, it may limit their taxing authority or prohibit municipal taxes by express acts; however, it cannot command a municipal corporation to impose a tax when the municipal corporation chooses not to do so. The limits on municipal income taxes are codified in Chapter 718. of the Revised Code. H.B. 5 of the 130th General Assembly modified many of the limits previously codified in that chapter and imposed new limits and procedures. The changes enacted in H.B. 5 generally apply to taxable years beginning on and after January 1, 2016.

Due date for returns

(R.C. 718.05(G)(1); Sections 803.03 and 803.160)

H.B. 5 requires that all municipal income tax returns for all taxpayers – individuals and entities – are required to be filed on or before the date prescribed for filing individual state income tax returns (April 15). The bill changes the annual return filing deadline for municipal income taxpayers that are not individuals to the 15th day of the fourth month following the end of the taxpayer's taxable year. This change would affect nonindividual taxpayers whose taxable year does not correspond with the calendar year. The change applies to taxable years beginning on or after January 1, 2016.

Filing extensions

(R.C. 718.05(G)(2); Section 803.03)

Beginning January 1, 2016, the bill requires a municipal income tax administrator to grant a taxpayer a six-month extension for filing the taxpayer's municipal income tax return even if the taxpayer did not request a corresponding federal extension. The taxpayer is required to request the extension not later than the date the return is otherwise due. The bill does not specify the manner of that request.

Under current law scheduled to apply on and after January 1, 2016, municipal income tax returns are due the same day as state income tax returns – generally by April 15. However, a taxpayer that requests a six-month extension for filing the taxpayer's federal income tax return automatically receives a six-month extension for filing any of the taxpayer's municipal income tax returns.

For both the new and existing extension procedures, a taxpayer's receipt of a filing extension does not also extend the time to pay any tax due, unless the tax administrator also grants an extension of that date.

Taxpayer damages suits

(R.C. 718.37)

The bill specifies that taxpayers seeking damage awards on the basis of actions or omissions regarding municipal income taxes may sue the municipal corporation, but not the tax administrator.

Current law, which took effect March 23, 2015, authorizes a municipal income tax taxpayer aggrieved by an action or omission of a municipal tax administrator, an administrator's employee, or a municipal employee to bring an action against the tax administrator or municipal corporation to recover compensatory damages and costs.

Such suits are authorized if the action or omission involved frivolous disregard for a law, rule, or instruction in the course of an assessment or audit or related collection actions and did not involve someone acting outside the scope of their employment or acting maliciously, recklessly, wantonly, or in bad faith. A tax administrator may be an individual or an entity retained by a municipal corporation to administer its income tax, such as the Regional Income Tax Agency and the Central Collection Agency.

Alternative municipal income tax base adjustments

(R.C. 718.01(A)(1); Section 803.01)

The bill allows a municipal corporation that has adopted Ohio adjusted gross income as its tax base (a "qualified municipal corporation") to make adjustments to that tax base with respect to resident individuals. Such a municipal corporation is still prohibited from exempting income of nonresident individuals and businesses unless it did so before 2013.

Under continuing law, a municipality that adopted Ohio adjusted gross income as the municipality's tax base before January 1, 2012, may continue to use that tax base instead of the tax base prescribed in Chapter 718. of the Revised Code. However, under current law, the tax base that may be used is that which was in effect on December 31, 2013 – no further adjustments may be made.

Documents submitted with municipal income tax returns

(R.C. 718.05(F)(2); Section 803.03)

The bill allows the municipal tax administrator of a municipal corporation that adopted Ohio adjusted gross income as the municipality's tax base before January 1, 2012, to require an individual taxpayer to submit their Ohio individual income tax form (IT-1040) along with the individual's municipal income tax return. Under current law to take effect in 2016, an administrator may require an individual to submit only the individual's federal 1040 return and W-2 statements and, if the individual files an amended return or refund request, the documentation needed to support the refund request or adjustments in the amended return.

Electronic publication of municipal income tax information

(R.C. 718.07)

Under continuing law, municipal corporations must publish electronic versions of income tax ordinances, rules, instructions, and forms online. The bill provides that, in addition to these documents, municipal corporations must also publish online a summary of taxpayer's rights and responsibilities.[179] Current law also requires that documents be posted on a site created by the Department of Taxation or on the municipal corporation's own website. The bill instead requires that the required documents be posted on both websites if the municipal corporation has established a website for its municipal income tax.

H.B. 5 of the 130th General Assembly, which made significant changes to the Municipal Income Tax Law, included a provision identical to that described above, but the provision was inadvertently removed before the act's enactment due to a technical drafting error.

Other local taxes

Lodging tax

Counties, townships, municipal corporations, and certain convention facilities authorities are authorized to levy lodging taxes. In general, the maximum lodging tax rate permitted in any location is 6%. Municipalities and townships may levy a lodging tax of up to 3%, plus an additional 3% if they are not located, wholly or partly, in a county that already levies a lodging tax. Counties may levy a lodging tax of up to 3%, but only in municipalities or townships that have not already enacted an additional 3% levy. On occasion, the General Assembly has authorized certain counties to levy additional lodging taxes for special purposes.

Unless specifically authorized otherwise, a county that levies a lodging tax must return up to one-third of its net lodging tax revenue to the municipalities and townships within the county that do not levy a lodging tax. The remaining revenue must be used to support a convention and visitors' bureau. The bureau must generally use the revenue for tourism sales, marketing, and promotion.

For sports facilities

(R.C. 5739.09(A)(8))

The bill authorizes a county with a population between 175,000 and 225,000, that has an amusement park with an average annual attendance over two million, and that levied a 3% lodging tax on December 31, 2014, to levy an additional 1% lodging tax for the purpose of constructing and maintaining county-owned sports facilities and

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[179] H.B. 5 of the 130th General Assembly defined a "taxpayer's rights and responsibilities" to include certain duties of both the taxpayer and the municipal corporation. The "rights and responsibilities" include, for example, a taxpayer's right to appeal a tax assessment or refund denial and a taxpayer's responsibility to file returns or produce certain records at the request of the tax administrator.

funding efforts by the convention and visitors bureau to promote travel and tourism with respect to the sports facilities. A county levying this lodging tax would not be required to return any portion of the additional revenue to townships or municipal corporations.

Currently, only Warren County appears to qualify to levy the tax under the bill's requirements.

For county agricultural societies

(R.C. 1711.15, 1711.16, and 5739.09(L))

The bill authorizes a county with a county or independent agricultural society that hosts an annual harness horse race with at least 40,000 one-day attendees to levy, subject to the approval of county voters, a lodging tax of up to 3% for up to five years. Revenue from this tax must be used by the county to pay for the construction or maintenance of permanent improvements at sites where the agricultural society conducts fairs or exhibits. Similar to other lodging taxes, the bill requires the county to adopt rules necessary to administer the tax, but limits the amount of penalties and interest the county may charge for late payments.

Regional Arts and Cultural Districts

(R.C. 3381.01, 3381.041, 4301.01, 4301.102, 4301.422, 4301.423, 4301.425, 4301.49, 4301.50, 4303.071, 4303.232, 4305.131, 4307.04, 4307.05, and 5743.021; Section 815.10)

The bill authorizes an alternative procedure for creating a regional arts and cultural district (RACD) to promote arts, culture, and excellence within the community with an emphasis on outreach to children. The alternative procedure is available to counties with a population between 375,000 and 390,000. Upon voter approval, such a county would be authorized to levy a property tax, a cigarette tax, or an alcoholic beverage tax to support the RACD. Currently, only Stark County appears to qualify for the bill's alternative procedure. The board of county commissioners of an eligible county may create a RACD under the alternative procedure by adopting a resolution. Once an RACD resolution is adopted under the alternative procedure, no additional RACDs may be created within the county. The RACD would be governed by a board of trustees consisting of five members appointed by the board of county commissioners.

Taxing authority

Upon voter approval, the board of county commissioners that creates a RACD under the bill's alternative procedure may levy a property tax, a cigarette excise tax, or an alcoholic beverage tax, or a combination thereof, to support the RACD. The tax revenue would have to be used to pay the district's operating and capital expenses, including those of artistic and cultural facilities, and to support the operating or capital expenses of any arts or cultural organization located within the district.[180]

The property tax authorized for counties that create a RACD under the bill's alternative procedure is identical to the property tax authorized under current law for all other RACDs. The cigarette tax authority is the same as Cuyahoga County currently has to fund its RACD. The rate of the cigarette tax may not exceed 15 mills per cigarette (i.e., 30¢ per pack of 20).

The rate of the RACD alcoholic beverage tax authorized by the bill may not exceed 16¢ per gallon of beer, 24¢ per gallon of cider, 32¢ per gallon of wine and mixed beverages, and $3 per gallon of spirituous liquor. No RACDs are authorized under current law to levy an alcoholic beverage tax. The tax authorized by the bill is similar to an alcoholic beverage tax currently imposed by Cuyahoga County in support of its sports facilities.

Tourism development districts

The bill authorizes certain townships and municipal corporations to designate a special district of not more than 200 contiguous acres, within which the municipal corporation or township may levy certain taxes or fees or receive certain revenue to fund tourism promotion and development in that district. These districts are referred to as "tourism development districts" (TDD).

Creation of TDD

(R.C. 5739.50(A) and (B))

Under the bill, only a township or municipal corporation located in a county that meets certain qualifications may create a TDD. In particular, the subdivision must be located in a county with a population between 375,000 and 400,000 and that levies county sales taxes, the aggregate rate of which do not exceed 0.50%. Only Stark County currently is capable of meeting both requirements.

Before a subdivision may create a TDD, it must hold two public hearings on the creation of the proposed TDD and receive a petition signed by every person owning land in the proposed TDD and the owner or agent of every business operating in the TDD. A business is a sole proprietorship or business entity or corporation, and also includes the federal government, the state, political subdivisions, nonprofit organizations, and school districts. However, a business only operates within the

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[180] R.C. 3381.16.

proposed TDD if it conducts retail sales that would be subject to a special sales tax levied in the proposed TDD (see "**TDD sales and use tax**," below).

That petition must include an explanation of the taxes and fees that may be levied in the TDD (see below). After holding those hearings and receiving that petition, the subdivision may adopt a resolution designating the area of the subdivision to be included in the TDD.[181] The area cannot be more than 200 contiguous acres. The subdivision must submit this resolution, which the subdivision must adopt before 2019, to the Tax Commissioner within five days after its adoption, along with a description of the boundaries of the TDD.

A subdivision may enlarge an existing TDD before 2019 by following the same procedures for creating a new TDD subject to the 200-acre limit.

TDD sales and use tax

(R.C. 122.175, 4505.06, 5735.40, 5739.01, 5739.02, 5739.021, 5739.023, 5739.024, 5739.025, 5739.026, 5739.027, 5739.029, 5739.03, 5739.031, 5739.033, 5739.034, 5739.04, 5739.05, 5739.051, 5739.061, 5739.10, 5739.12, 5739.13, 5739.16, 5739.17, 5739.21, 5739.211, 5739.212, 5739.34, 5739.36, 5739.50, 5739.51, 5739.52, 5739.53, 5739.54, 5739.99, 5740.01, 5740.09, 5741.01, 5741.02, 5741.021, 5741.022, 5741.023, 5741.024, 5741.03, 5741.031, 5741.04, 5741.05, 5741.06, 5741.08, 5741.11, 5741.12, 5741.15, 5741.16, 5741.19, 5741.21, and 5741.23)

The bill authorizes a subdivision creating a TDD to levy a sales tax on sales occurring in the TDD's territory and a use tax on tangible personal property and taxable services used, stored, or consumed in that territory. The maximum rate of each tax must be the same and may not exceed a rate of 1.5%. The tax may be levied for a period of years or for a continuing period of time. Neither tax applies to motor vehicles or titled watercraft and outboard motors. Before the tax may apply, the subdivision to submit the resolution levying those taxes to the board of county commissioners.

The sales and use taxes are levied only if the board of commissioners approves them and certifies its approval to the Tax Commissioner. All revenue collected from the taxes must be used exclusively for the purpose of fostering and developing tourism in the TDD and paying the expenses of administering the taxes. If a TDD tax is levied at a rate less than 1.5%, the rate may be increased up to 1.5% in 0.25% increments in the same manner as the original tax is levied.

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[181] References to resolutions include ordinances if resolutions are the form by which a municipal legislative authority adopts its laws.

The bill requires the Tax Commissioner to collect and administer TDD sales and use taxes in the same manner and using the same procedures as those prescribed for other sales and use taxes levied by counties and transit authorities. Any transaction exempt from state sales and use tax is also exempt from a sales and use taxes levied in a TDD.

TDD admissions taxes

(R.C. 5739.50(D), 5739.51, 5739.52, and 5739.53)

The bill authorizes a township creating a TDD to levy up to a 5% tax on admissions to places located in the TDD, including ticket purchases, cover charges, golf course membership fees and green fees, and parking charges.

The bill requires every person receiving an admission payment to collect the tax from the person making the payment. The township levying the tax may prescribe all rules necessary to administer the tax. However, late penalties may not exceed 10% of the amount due and interest may not accrue on unpaid amounts in excess of the interest rate charged by the state for unpaid taxes – the federal short-term rate plus 3%. Revenue a township collects from the admissions tax must be used exclusively to promote and develop tourism in the TDD and pay the expenses of administering the tax.

The bill specifies that it does not prohibit a municipal corporation from levying an admissions tax in a TDD pursuant to the municipal corporation's constitutional home rule authority.

TDD lessee fee

(R.C. 5739.50(C))

Once a TDD is created, the bill authorizes lessors leasing real property in the TDD to impose and collect a uniform fee on each parcel of leased property. The fee is imposed on the lessees (i.e., renters or tenants) of such property. However, the fee may be imposed only if the leave includes a provision stating the amount of the fee and if the lessor files a copy with the subdivision's fiscal officer. Lessors charging the fee must remit all collections to the subdivision pursuant to rules prescribed by the subdivision. Similar to the township TDD admissions tax, late penalties may not exceed 10% and interest is limited to the federal short-term rate plus 3%. Fee revenue must be used exclusively to promote and develop tourism in the TDD and pay the expenses of administering the fee.

Diversion of county and transit authority sales tax revenue

(R.C. 5739.21 and 5739.54)

The bill creates a mechanism through which a subdivision creating a TDD may obtain any increased revenue derived from county or transit authority sales taxes levied in the TDD, provided the subdivision does not levy a sales tax in the TDD. The amount that may be obtained by a subdivision through this mechanism is limited to the increase of such revenue from sales occurring in the TDD. Any amount obtained through this mechanism is deducted from the county or transit authority's own sales tax receipts.

To obtain this revenue, the bill requires a subdivision to enact and certify a resolution expressing the subdivision's intent to obtain this revenue to the county and any transit authority that levies sales taxes in territory that includes the TDD. The diversion does not take effect unless the county or transit authority (or both) approve by enacting and certifying a resolution to that effect to the Tax Commissioner. Counties and transit authorities each may independently approve or disapprove.

If the diversion is approved by the county or transit authority (or both), the Commissioner must calculate the amount of revenue to be diverted for the TDD each quarter, which equals the increase, if any, in county or transit authority (or both) sales and use tax revenue from the TDD above that computed for the most recent quarter that ended before the Commissioner received the certification of approval. Revenue diverted for a TDD must be used only to develop tourism in the TDD.

TDD bonds

(R.C. 133.01, 133.04, 133.05, 133.083, and 133.34)

The bill authorizes a subdivision creating a TDD to issue bonds to be repaid with revenue from taxes or fees levied for or revenue received for the purpose of developing and promoting tourism in the TDD. The bonds may be supported by TDD sales and use taxes, admissions taxes, or lessee development fees or diverted county or transit authority sales tax revenue. All bond proceeds must be used for the same purposes as the supporting revenue sources – to develop and promote tourism in the TDD.

Administration of county 9-1-1 assistance

(R.C. 128.54 and 128.55; conforming changes in R.C. 128.57)

Transfers to the Next Generation 9-1-1 Fund

The bill requires the Tax Commissioner to transfer funds remaining in the Wireless 9-1-1 Government Assistance Fund to the Next Generation 9-1-1 Fund *at the* *direction of the Statewide Emergency Services Internet Protocol Network Steering Committee*. Current law requires these transfers to be made on a monthly basis after disbursements are made to counties from the Wireless 9-1-1 Government Assistance Fund. Under continuing law, the Next Generation 9-1-1 Fund is used for costs associated with phase II wireless systems and a county's migration to next generation 9-1-1 systems and technology.[182]

Remedying shortfalls in monthly county disbursements

The bill requires that any shortfall in monthly county disbursements from the Wireless 9-1-1 Government Assistance Fund be remedied in the following month. Under continuing law, counties receive monthly disbursements from the fund based on how much was distributed to each county in the year 2013. The funds come from a 25-cent monthly charge on Ohio wireless subscribers (and a charge of 0.5% of the sale price of prepaid wireless services).[183] Under continuing law, if the amount available in the Wireless 9-1-1 Government Assistance Fund is insufficient to make the required monthly disbursements, each county's share is proportionately reduced for the month. Current law does not provide for this shortfall to be remedied.

[182] R.C. 128.022, not in the bill.

[183] R.C. 128.42, not in the bill.