Executive

Commercial Activity Tax

1 TAX - 14 Changes to the Job Creation Tax Credit

R.C. *122.17*

Authorizes job creation tax credits based on annual aggregate payroll withholdings (which include both full-time and part-time employees) and payroll growth. (Current law bases the job creation credit on new full-time employment positions only).

Requires the taxpayer to maintain operations at a project site for the greater of seven years or the term of credit plus three years (instead of twice the term of the credit as in current law). Authorizes the Tax Credit Authority to request a complete or partial refund of claimed credits if a taxpayer does not fulfill certain conditions of the tax credit.

Relaxes the intrastate job relocation prohibition by permitting a business to relocate Ohio jobs to a project from another Ohio facility if the business notifies the local jurisdiction from which the positions will be removed.

Fiscal effect: This provision may reduce tax revenues (primarily from the commercial activity tax and the insurance taxes) due to less stringent criteria for obtaining the credits compared to current law. However, both the amount and the timing of the potential revenue loss are indeterminate, as they depend on the total amounts of credits authorized by the Ohio Tax Authority and credit claims by taxpayers.

2 TAX - 15 Changes to the Job Retention Tax Credit

R.C. *122.171, 5725.98, 5729.98*

Authorizes job retention tax credits based on annual aggregate payroll income tax withholdings (which include both full-time and part-time employees). (Current law bases the job retention tax credit on tax withholding from full-time employees only). Expands the tax credits to domestic and foreign insurance companies, and eliminates the additional credit available to call centers.

Reduces the minimum qualifying employment to at least 500 full-time employees (down from 1,000) and investment thresholds to $50 million for manufacturing activity, and $20 million for corporate administrative activity over three years (down from $200 million).

Limits the total credit that may be granted annually for projects approved after July 1, 2009 to $13 million in 2010 and $26 million in 2011. Increases the annual limit by $13 million each year through 2024. Increases the annual limit for 2024 and thereafter to $195 million.

Relaxes the intrastate job relocation prohibition by permitting a business to relocate Ohio jobs to a project from another Ohio facility if the business notifies the local jurisdiction from which the positions will be removed.

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Fiscal effect: These changes potentially reduce tax revenues from the commercial activity tax due to less stringent criteria for obtaining the credits compared to current law. However, both the amount and the timing of the revenue loss are indeterminate, as they depend on the total amounts of credits authorized by the Tax Credit Authority and credit claims by taxpayers.

3 TAX - 16 Various Changes to the Commercial Activity Tax Law

R.C. *5751.01, 5751.11, 5751.03, 5751.04, 5751.05, 5751.051, 5751.06, 5751.08, 5751.09, Section 399.20*

Makes various substantive and nonsubstantive changes to the CAT law.

Postpones the annual return from February 9 to May 10; changes the quarterly return filing due date from the fortieth day after the end of a quarter to the tenth day of the second month after the end of a quarter.

Requires new companies to register and pay a fee no later than 30 days after they first have more than $150,000 in taxable gross receipts. (Under current law, new companies were exempt from paying the fee if they first began business operations after November 30 or generated less than $150,000 as of December 1 of a calendar year).

Specifies that the $150,000 exemption applies to members of an affiliated group that do not elect to be treated as a consolidated group; permits affiliated companies that have elected to be treated as a consolidated group to change the ownership test on which the initial election was made.

Excludes from the tax base proceeds from insurance policies, unless they are for reimbursements of business losses; adds a new exclusion for payroll deduction by an employer to reimburse the employer for advances made on an employee's behalf to a third party; narrows the exclusion for membership dues to trade, professional, homeowners' or condominium association dues only.

Permits companies that registered or paid the CAT in 2005 or 2006 in error to have their registration cancelled and their tax payment refunded.

Fiscal effect: The provisions will decrease revenues from the CAT. However, the amount of revenue loss is indeterminate.

4 TAX - 7 Tax Reform System Implementation Fund

R.C. *5751.20*

Creates the Tax Reform Implementation System Fund to which will be credited 0.85% of commercial activity tax receipts for purposes of administering the tax.

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Permits newly authorized "substitute" school levies to be treated as a continuation of emergency levies for purposes of continuing reimbursement for business personal property tax losses. (A substitute emergency levy, much like every other emergency levy, yields a fixed sum of revenue or a specified dollar amount. Fixed sum levies are not subject to the H.B. 920 tax rate reduction factors. However, a substitute levy differs from other emergency levies in that the fixed sum will grow as opposed to being a static amount).

Fiscal effect: Based on current forecasts, up to $14 million in CAT receipts may be credited to the Tax Reform System Implementation Fund (GSF Fund 2280), each year of the biennium. Current law allows all emergency levies approved by voters prior to September 1, 2005 to qualify for TPP reimbursement if they are renewed by voters. Also, current law authorizes a substitute emergency levy to be equivalent to a renewal levy (H.B. 562 of the 127th General Assembly). The executive proposal harmonizes section 5751.20 of the Revised Code with existing law enacted in H.B. 562. Thus, the treatment of substitute school levies as a continuation of emergency levies for purposes of property tax loss reimbursements appears to have no fiscal effect.

Corporation Franchise Tax

5 TAX - 9 New Markets Tax Credits

R.C. *5733.01, 5733.58, 5733.98, 5725.33, 5725.98, 5729.16, 5729.98*

Authorizes up to $10 million of tax credits annually for insurance companies and financial institutions for purchasing and holding securities issued by low-income community organizations, in accordance with the federal New Markets Tax Credit law.

Fiscal effect: Decreases revenues from the corporate franchise tax and insurance taxes. The revenue impact would potentially start in FY 2012.

Personal Income Tax

6 TAX - 6 Increase to the Technology Investment Tax Credit Limit

R.C. *122.151*

Increases from $30 million to $45 million the total amount of technology investment tax credits that may be issued to businesses engaged in research and development or technology development.

Fiscal effect: Decreases revenues from the personal income tax, the public utility tax, or the dealers in intangibles tax.

Executive

7 TAX - 20 Motion Picture Production Tax Credit

R.C. *122.85, 5733.58, 5733.98, 5747.66, 5747.98*

Authorizes a refundable, nontransferable credit against the corporation franchise tax or the income tax for motion pictures produced at least partly in Ohio. Specifies that the credit equals 25% of production expenditures in Ohio. Requires Ohio production expenditures to exceed $1.2 million before a credit is authorized. Limits the amount of credits that may be allowed to $20 million per fiscal biennium and $5 million per production.
Specifies that, to be eligible for the credit, a production must be certified by the Director of Development. Permits the Director to charge a fee to accompany applications for the credit. Establishes the Motion Picture Tax Credit Program Operating Fund to which fee revenues are deposited. Requires moneys in the fund to be used for Ohio Film Office expenses and to pay the costs of administering the tax credit.

Fiscal effect: Revenue loss to the GRF, the Local Government Fund, and the Public Library Fund. Loss amounts are likely to vary significantly from year to year, but will not exceed $20 million over a fiscal biennium. The GRF would bear 94.1% of any such loss, or up to $18.8 million per biennium, with the remainder borne by the local government funds.
May increase costs to the Department of Development to certify productions and administer the tax credit. The cost may be defrayed by revenue from the fee charged upon application for a credit. The amount of revenue raised by the fee will depend on the amount of the fee as determined by the Director, and the number of applications for tax credits received.

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8 TAX - 5 Payment of Assessment When Filing a Petition for Reassessment

R.C. *5747.13*

Eliminates the requirement that a taxpayer must pay some or all of a personal income tax assessment when the taxpayer files a petition for reassessment. Requires payment only if the petition is not based upon numerical computations or an assertion of a lack of nexus with the state.

Fiscal effect: May reduce Department of Taxation receipts, however, the amount of any such reduction appears indeterminate.

Executive

Property Taxes and Transfer Fees

9 TAX - 1 Manufactured and Mobile Home Tax Reduction Reimbursements

R.C. *321.24, 319.302, 323.156, 4503.068*

Consolidates into one annual payment the semiannual state reimbursement of local governments for the 10% and 2.5% property tax reductions for manufactured and mobile homes. Specifies that certification to the Tax Commissioner of the amount of these tax reductions is to be made by each county treasurer on or before the second Monday in September, and the annual reimbursement is to be made within 90 days thereafter. (Current law provides for certification on or before April 15 and September 15 of any adjustments to amounts certified previously, with half to be reimbursed upon receipt of each certification).

Fiscal effect: Delays but does not change the amounts reimbursed to local governments. In calendar year 2007, the amount of the 10% reduction for manufactured and mobile homes was $2.6 million and the amount of the 2.5% reduction was $0.4 million. This delay will reduce state payments by an estimated $1.5 million in FY 2010 only.

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10 TAX - 19 School District Conversion Levy for 20-mill Growth

R.C. *5705.219, 5705.214, 5705.2110, 5705.29, 5751.20, 5751.21, Section 265.30.80*

Authorizes school districts levying current expense taxes with an aggregate effective tax rate exceeding 20 mills on residential/agricultural real property to convert that excess millage, with voter approval, to a single levy for a specified amount of money and for a term of up to 10 years or continuously. (The levy conversion would have the effect of suspending future application of the "H.B. 920" tax reduction on the remaining 20 mills for so long as the district does not impose additional current expense millage for other than a fixed amount of money -- i.e., new millage other than an "emergency" levy or a renewal of the conversion levy.)

Requires the state to reimburse a school district levying a conversion tax for the amount of tax revenue lost from nonresidential/agricultural real property and public utility personal property due to the conversion. Phases out the reimbursement over 13 years in increments equal to 50% of the annual inflationary revenue growth from residential/agricultural property resulting from the suspension of the H.B. 920 reduction.
Specifies that reimbursement ends when the computation results in a reimbursement of zero or after 2026, whichever occurs first; for purposes of tangible personal property tax reimbursement, specifies that the converted millage be reimbursed until it expires (instead of reimbursement being phased out by 2018) and that reimbursement be paid from GRF appropriation item 200901, Property Tax Allocation - Education.

Executive

Fiscal effect: Reimbursement cost for converted millage cannot be determined because it is subject to voter behavior.

Sales and Use Taxes

11 TAX - 23 Sales Taxation of Medicaid-Provided Health Care Services

R.C. *5739.01, 5739.03, 5739.033, 5739.051*

Subjects to sales and use tax health care services provided or arranged by a Medicaid health insuring corporation for Medicaid enrollees residing in Ohio. Eliminates the tax on those services if federal authorities determine that subjecting those services to taxation constitutes an impermissible "health-care related tax," the imposition of which results in a reduction in federal financial assistance for Medicaid services.

Fiscal effect: The executive proposal estimates that this provision will increase revenue to the GRF by $138.0 million in FY 2010 and by $214.0 million in FY 2011; under the current distribution of the share of sales and use tax revenues to local government funds, the Local Government Fund and the Public Library Fund would gain $8.6 million in FY 2010 and $13.4 million in FY 2011. Revenues to local governments under permissive local and transit authorities sales taxes may be up to $31.5 million in FY 2010 and $48.9 million in FY 2011.

12 TAX - 18 Vendor Discount

R.C. *5739.12, 1548.06, 4505.06, 4519.55*

Increases the sales tax prompt-pay vendor discount from 0.75% to 1.0% of the amount of tax remitted, but caps it at $100 per month, beginning August 1, 2009. Permits dealers of titled vehicles to claim the discount on reports covering the time period when a sale is made, instead of when the dealer remits sales tax collections to the clerk of courts.

Fiscal effect: Increases GRF sales and use tax revenues by about $26.1 million in FY 2010 and $28.8 million in FY 2011. Gain to the Local Government Fund and the Public Library Fund would be $1.6 million in FY 2010 and $1.8 million in FY 2011.

Executive

Cigarette Taxes

13 TAX - 11 Tobacco License Fee Changes

R.C. *5743.15, 5743.61*

Increases the licensing fees for the sale of tobacco products to the following levels: (1) $1,000 (up from $200) for the annual fee for the wholesale of cigarettes; (2) $125 (up from $30) for the annual fee for retail sales of cigarettes; (3) $1,000 (up from $100) for the annual fee for the sale of tobacco products other than cigarettes.

Authorizes cigarette retail licenses to be used at an unlimited number of places of business, instead of on a per-place basis, but prohibits a wholesale or retail licensee to assign the license to another person.

Increases amounts collected from wholesale cigarette licenses paid into the Cigarette Tax Enforcement Fund to 100% (up from 47.5%) of total license collections; eliminates distributions of wholesale cigarette license fee revenues paid to municipal corporations or townships where the business is located (currently 37.5%) and to the county general fund (currently 15%).

Redistributes amounts collected from retail cigarette licenses as follows: 60% paid into the Cigarette Tax Enforcement Fund (up from 15%); 30% to the municipal corporation or township where the business is located (decreased from 62.5%); 10% to the county general fund (decreased from 22.5%).

Fiscal effect: These changes increase revenue from license fees from wholesalers and retailers. The provision also increases revenues to the Cigarette Tax Enforcement Fund (Fund 6390) by up to $1.8 million per year, and appears to decrease distributions to municipal corporations, townships, and the county general fund by about the same amount.

Other Taxation Provisions

14 TAX - 3 Timing of County Auditor Reimbursement for Expense of Expanded Homestead Exemption

R.C. *319.54*

Requires the compensation to county auditors for additional expenses associated with expansion of homestead exemption eligibility in H.B. 119 of the 127th General Assembly be paid semi-annually instead of annually.

Fiscal effect: Does not alter the total amount of compensation but shifts the timing, with approximately half to be paid by March 16 or 17 and the rest by September 9, instead of all on August 1. For the manufactured home tax, approximately half is to be paid by May 15 and the rest by October 15.

Executive

15 TAX - 17 Municipal Income Taxation of Justices and Certain Judges

R.C. *718.04*

Authorizes only the City of Columbus and the municipal corporation of residence to levy an income tax on the income of the justices of the Ohio Supreme Court; authorizes only the municipal corporation of residence to levy a tax on the income of a judge sitting in assignment of the Chief Justice, or a judge of a district court of appeals sitting in multiple locations within the district, received as a result of services rendered as a justice or a judge.

Fiscal effect: None on the state. However, the provision potentially increases municipal income tax revenue to Columbus and certain other municipalities.

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16 TAX - 28 Use of Department of Taxation Enforcement Fund

R.C. *2981.13*

Includes the Department of Taxation as an entity authorized to determine how money in the Department of Taxation Enforcement Fund (GSF 2250, appropriation item 110626) is to be utilized for law enforcement purposes.

Fiscal effect: None

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17 TAX - 8 Ohio Grape Industries Fund

R.C. *4301.43*

Extends through June 30, 2011, the extra 2 cents earmark of wine tax revenue credited to the Ohio Grape Industries Fund.

Fiscal effect: Maintains current revenues to the Ohio Grape Industries Fund (Fund 4960).

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18 TAX - 24 Employee Classification

R.C. *5703.05*

Eliminates the requirement that employees of the Research and Statistics Division of the Department of Taxation be in the unclassified civil service.

Executive

19 TAX - 2 Department of Taxation Notice Requirements

R.C. *5703.37, 4303.331, 5728.12, 5739.131, 5747.16, 5749.12, and 5751.09*

Revises procedural requirements governing how the Department of Taxation is to send notices to taxpayers, including procedures for when mail is returned undeliverable, and creates a presumption of constructive service.

Fiscal effect: By setting clear and uniform procedures, the provision may facilitate increased efficiency in Department of Taxation operations.

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20 TAX - 4 Increases in Credits to the Property Tax Administration Fund

R.C. *5703.80*

Increases the percentage of taxes used to fund the state's administration of property taxes: (1) From 0.35% of the state's reimbursement for the 10% real property tax rollback to 0.42% for FY 2010 and 0.48% thereafter; and (2) From 0.725% of the taxes charged against public utility personal property and business personal property of multi-county taxpayers to 0.8% for FY 2010 and 0.951% thereafter.

Fiscal effect: These provisions will increase funding to GSF Fund 5V80 appropriation item 110623, Property Tax Administration Fund, by about $1.2 million in FY 2010 and $2.6 million in FY 2011. Since the tax on personal property of general business has been phased out, the provision for credits to the Property Tax Administration Fund based on the amount of this tax will not result in any funding. The tax does remain on personal property of telephone and inter-exchange telecommunications companies, but under current law that is being phased out during the upcoming biennium, which will reduce the amount of funding.

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21 TAX - 22 Domestic and Foreign Insurance Taxes - Medicaid Managed Care

R.C. *5725.18, 5725.25, 5729.03*

Includes Medicaid premiums received by insurance companies within the tax bases of these taxes. If the insurance company is a domestic insurance company, i.e., if it is headquartered in Ohio, includes the premiums in the domestic insurance tax base. If the company is headquartered in another state, includes the premiums in the foreign insurance tax base.

Fiscal effect: The executive proposal estimates this provision will increase revenue to the GRF by $25.1 million in FY 2010 and by $39.1 million in FY 2011.

Executive

22 TAX - 27 Technical Corrections - Personal Property Tax, and Corporate Franchise Tax

R.C. *5733.04, 5711.33*

Corrects a cross-reference error in a personal property tax administration statute and the definition of "qualified holding company" in corporate franchise tax statutes.

Fiscal effect: None.

23 TAX - 36 Motor Fuel Tax Discount

R.C. *5735.06, 5735.142*

Authorizes a motor fuel tax discount for taxpayers who timely pay the tax or who timely file the return. Changes current law that allows a discount if both the payment and the report are timely. Makes some other nonsubstantive changes to the motor fuel tax statute entitling transit authorities to refunds.

Fiscal effect: Potential revenue loss, but the amount is indeterminate.

24 TAX - 21 School District Income Tax

R.C. *5748.02, 3317.021, 3317.0216, 3317.08, 5748.03*

Specifically excludes, from the determination of a school district's tuition rate or whether the district has met its obligation to levy at least the equivalent of 20 mills for operation of the district, income tax revenues allocated for the project cost, debt service, or maintenance set-aside associated with a state-assisted school facilities project.

Authorizes a school district to combine two or more simultaneously expiring income tax levies into a single renewal levy.

Fiscal effect: Minimal.

25 TAX - 12 Salt Severance Tax Revenue Use

R.C. *5749.02(B)*

Requires 85% of severance tax revenue from salt extraction to be used for Lake Erie water and shore erosion protection and recreation facilities. (Currently, this share of revenue is credited to the Unreclaimed Lands Fund (Fund 5290) used by the Department of Natural Resources.)

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Fiscal effect: Increases revenue to the Permit and Lease Fund (Fund 5140), used by the Department of Natural Resources, from the severance tax on salt extraction. Corresponding decrease in revenue to the Unreclaimed Lands Fund (Fund 5290).

Appropriation Language

26 TAX - 29 Homestead Exemption, Property Tax Rollback, and Tangible Tax Exemption

Section: *399.10*

Requires GRF appropriation item 110901, Property Tax Allocation - Taxation to be used to pay the state's cost, except to school districts, incurred due to the Homestead Exemption, the Manufactured Home Property Tax Rollback, and the Property Tax Rollback. Requires these funds are to be distributed by the Tax Commissioner directly to local taxing districts. Appropriates additional amount if necessary.

27 TAX - 30 Municipal Income Tax

Section: *399.10*

Specifies that appropriation item 110995, Municipal Income Tax, in the Agency Fund Group, be used for payments to municipal corporations under section 5745.05 of the Revised Code. Appropriates additional amount if necessary.

28 TAX - 31 Tax Refunds

Section: *399.10*

Specifies that appropriation item 110635, Tax Refunds, in the Agency Fund Group, be used for to pay tax refunds under section 5703.052 of the Revised Code. Appropriates additional amount if necessary.

29 TAX - 32 International Registration Plan Audit

Section: *399.10*

Specifies that SSR Fund 4C60 appropriation item 110616, International Registration Plan, be used under section 5703.12 of the Revised Code for audits of persons with vehicles registered under the International Registration Plan.

Executive

30 TAX - 33 **Travel Expenses for the Streamlined Sales Tax Project**

Section: *399.10*

Allows the Tax Commissioner to use funds from SSR Fund 4350 appropriation item 110607, Local Tax Administration, to pay for travel costs to Streamlined Sales Tax Project meetings.

31 TAX - 34 **Centralized Tax Filing and Payment Fund**

Section: *399.10*

Requires the Director of Budget and Management to transfer up to $400,000 in the biennium from the GRF to the Centralized Tax Filing and Payment Fund (Fund 5W40), which is used by the Department of Taxation.

32 TAX - 35 **Tobacco Settlement Enforcement**

Section: *399.10*

Specifies that GRF appropriation item 110404, Tobacco Settlement Enforcement, be used by the Tax Commissioner to pay costs incurred in the enforcement of divisions (F) and (G) of section 5743.03 in the Revised Code.

33 TAX - 25 **Income Tax Distribution to Counties**

Section: *503.70*

Appropriates GRF funds to make any payment required by the Ohio Constitution's provision that not less than 50% of income, estate, and inheritance taxes collected by the state in a county, school district, city, village, or township be returned to that jurisdiction.

Executive

34 DAS - 18 STARS System

Section: *207.10.30*

Authorizes DAS, in conjunction with the Department of Taxation, to acquire the State Taxation Accounting and Revenue System (STARS) pursuant to Chapter 125 of the Revised Code, including the application software and implementation and installation of the system.

Fiscal effect: GRF appropriation item 100416, STARS Lease Rental Payments, appropriates $4,977,600 in FY 2010 and $7,638,500 in FY 2011 for this purpose.

Executive

35 INS - 18 Health Insurance Coverage of Dependent Children

R.C. *3923.24, 1739.05, 1751.14, 3923.241, 5747.01, Sections 803.10, 803.20*

Requires that all health care plans (i.e., sickness and accident insurance policies, health insuring corporation plans, multiple employer welfare arrangements, and public employee benefit plans) that provide coverage for unmarried dependent children extend coverage, under certain conditions, until the dependent child reaches 29 years of age. Exempts these provisions from the existing law requirement that the Superintendent of Insurance review all new health benefit mandates before a mandate may take effect.

Allows an Ohio income tax deduction for the portion of payments for employer-sponsored health insurance that would normally be excluded from federal adjusted gross income but is not because it relates to a person who is not a "qualifying dependent" for federal income tax purposes. Additionally allows an Ohio income tax deduction for amounts the taxpayer paid for medical care insurance or qualified long-term care insurance for certain relatives that are members of the taxpayer's household.

Fiscal effect: Increase in the cost to the state and to local governments to provide health benefits to employees and their dependents. The increase in cost to the state may be in the millions in FY 2010 and is estimated to be approximately $9 million in FY 2011 and future fiscal years. The costs would be paid by the State Employee Health Benefit Fund (Fund 8080), of which somewhat less than half would be derived from GRF-supported payroll. The increase in cost to municipalities, townships, and counties is estimated to be approximately $31.5 million per year statewide, and the costs to school districts are estimated to be approximately $36.7 million statewide, starting in the first fiscal year that the requirement is fully phased in.

The executive proposal estimates that the tax provisions would result in a loss of GRF revenue from the income tax of approximately $6.0 million in FY 2011. That implies a loss of approximately $0.4 million to the local government funds.