Executive

Commercial Activity Tax

TAXCD43 Motion Picture Tax Credits against the Commercial Activity Tax, Financial Institution Tax

R.C. *122.85, 5726.55, 5726.98, 5751.54, 5751.98*

Authorizes CAT taxpayers and Financial Institution Tax taxpayers to claim the motion picture production tax credit against the tax if they otherwise qualify for the credit.

Fiscal effect: Currently the refundable motion picture production tax credit may be claimed under the personal income tax and the corporate franchise tax. The credit amount is based on a tax credit certificate issued by the Ohio Tax Credit Authority, and the aggregate amount of credits issued per biennium is limited to $20 million. Based on that existing limitation, making the motion picture production credit available against the CAT and the new financial institution tax is unlikely to expand overall GRF revenue losses from the tax credits. (Credits against the CAT may reduce the share of those receipts that are distributed to the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). In FY 2013 50% of CAT receipts are to be credited to the GRF, with the remainder credited to Fund 7047 (35%) and Fund 7081 (15%). However, current law requires a GRF subsidy for any shortfall in the two funds.)

TAXCD6 Commercial Activity Tax Exclusion for Financial Institution and Insurance Company Affiliates

R.C. *5751.01*

Clarifies that the existing commercial activity tax exclusion for certain financial institution affiliates applies when the affiliate (rather than the financial institution itself) engages in activities that a financial holding company may engage in under federal law.

Clarifies that the existing commercial activity tax exclusion for certain insurance company affiliates applies when the affiliate (rather than the insurance company itself) is authorized to conduct an insurance business in the state.

Fiscal effect: None. Codifies existing departmental practice.

Executive

TAXCD8 CAT Gross Receipts, Exclusion Amount, and Rate Adjustment

R.C. *5751.01, 5751.03, 5751.032 (repealed)*

(1) Removes the reference to gross income within the definition of gross receipts for purposes of the Commercial Activity Tax.

(2) Repeals the law that required the Tax Commissioner to reduce the CAT rate if, during any of the three "test" periods, the revenue actually collected exceeded projected receipts by more than 10%.

(3) Provides that CAT quarterly taxpayers may apply the full $1 million exclusion from gross receipts in current law to the first quarter of a calendar year. Permits the taxpayer to then carry forward unused exclusion amounts to subsequent quarters within the same year. (Under current law, such taxpayers apply $250,000 of the exclusion amount to each calendar quarter and may carry forward unused amounts to three subsequent quarters, regardless of whether subsequent quarter is in the same calendar year).

Fiscal effect: None. The final test period ended on June 30, 2011. No adjustments were made to the rate.

TAXCD23 Changes to CAT Registration Information and Fees; Revenue Enhancement Fund

R.C. *5751.01, 5751.011, 5751.012, 5751.04, 5751.051, 5751.20; Sections 803.10, 815.20*

Requires that, instead of being remitted separately, commercial activity tax registration fees will be deducted from the tax due on the first return the taxpayer files.

Renames the Tax Reform System Implementation Fund (Fund 2280) the Revenue Enhancement Fund to which 0.85% of CAT receipts, and registration fees, are to be credited. (Fund 2280 is used to help defray CAT administrative costs.)

Fiscal effect: None.

TAXCD14 Removal of References to Commercial Activity Tax Annual Filing Election

R.C. *5751.05, 5751.051, 5751.12*

Removes provisions of current law that refer to commercial activity taxpayers "electing" to file annual tax returns.

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Fiscal effect: None. Prior to the enactment of H.B. 1 of the 128th G.A., taxpayers having annual taxable gross receipts of $1 million or less could pay the CAT on an annual (rather than quarterly) basis, but only if the taxpayers elected to do so.

TAXCD18 Listing of Persons That Cancelled Their Registration for Commercial Activity Tax

R.C. *5751.12*

Requires the Tax Commissioner to list on the Department's web site CAT taxpayers with cancelled CAT accounts by the effective date of the cancellation rather than the date on which the taxpayer cancelled the account.

Fiscal effect: None. Codifies existing departmental practice.

TAXCD19 Change to the Date of TPP Reimbursement Payment to Local Taxing Units

R.C. *5751.22*

Moves the date of the second of the two semiannual reimbursement payments for business tangible personal property taxes to local taxing units from November 20 to November 30.

Fiscal effect: The slight timing change resolves a cash flow problem that currently affects the GRF.

Personal Income Tax

TAXCD20 Mandatory Electronic Filing by Tax Return Preparer

R.C. *5747.082*

Lowers the number of income tax returns that a tax professional may prepare in a year before being required to file all returns electronically, from 75 to 11, beginning in 2013. Imposes a $50 penalty for each return in excess of 11 per year not filed electronically. Exempts tax professionals who prepared 10 or fewer returns in the previous calendar year.

Fiscal effect: Will reduce costs of the Department of Taxation to process returns, by an undetermined amount.

Executive

Property Taxes and Transfer Fees

TAXCD16 Value of Processed Hydrocarbons and Processed Gas Reserves

R.C. *5713.052, 5713.051*

For property tax purposes, calculates the true value (for tax year 2013 and thereafter) of reserves of natural gas and other hydrocarbons that are removed from the ground and extracted by a mid-stream processor similar to how gas and oil extracted from the ground are currently valued for such purposes.

Fiscal effect: Expanding the definition of taxable real property to include hydrocarbon and natural gas reserves increases local revenues by an amount commensurate with the quantity of applicable reserves in the local taxing jurisdiction.

TAXCD17 Hydrocarbon Pipe-Line Companies

R.C. *5727.111, 5727.01, Section 812.21*

(1) Extends the public utility tangible personal property tax, beginning in tax year 2013, to tangible personal property of pipe-line public utility companies that transport liquid or gaseous hydrocarbons, natural gas liquids, or condensate that is not oil or refined oil products or natural methane gas. Authorizes an assessment rate equal to 35% of the property's "true value".

(2) Expands the definition of a pipe-line company, which is subject to the public utility excise tax, to include companies that transport liquid or gaseous hydrocarbons, natural gas liquids, or condensate that is not oil or refined oil products or natural methane gas.

Fiscal effect: Increases local property tax revenues for tax year 2013 in those jurisdictions where applicable pipelines are located and potentially increases state public utility excise tax revenues beginning in FY 2013.

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TAXCD29 Clarification of Reimbursement for Reductions in Tangible Personal Property Tax Revenues

R.C. *5727.84, 5727,86, 5751.20*

For purposes of reimbursing units of local government for revenue losses resulting from reductions in tangible personal property taxes on general business and in public utility personal property taxes, clarifies that a fixed-rate levy will continue to be reimbursed only to the extent that the levy continues to be charged and payable. (A reduction in a levy will lead to a corresponding reduction in state reimbursement.)

Fiscal effect: None. Codifies current practice. H.B. 153 of the 129th G.A. required that, if a fixed-rate levy comprising a portion of a taxing unit's reimbursement is no longer imposed, its value is subtracted from the taxing unit's total reimbursement.

TAXCD35 Formula for Calculation of Payments to Local Governments for Public Utility Tangible Personal Property Tax Revenue Losses

R.C. *5727.86, 5727.84*

Amends the formula for calculation of public utility tangible personal property tax reimbursement payments to local governments for fixed-rate levy losses. (These payments are calculated by comparing a taxing unit's 2010 "S.B. 3 allocation" with its "total resources," where the 2010 S.B. 3 allocation is the sum of payments received by the local taxing unit during calendar year 2010 to reimburse for fixed-rate levy losses, and the taxing unit's total resources are total receipts from certain state and local resources during specified time periods.)

Modifies eligibility determination such that the taxing unit is to receive reimbursement if the full amount of its S.B. 3 allocation exceeds the threshold percentage multiplied by total resources. (The threshold percentages, unchanged by the bill, are 2% in FY 2012 and 4% in FY 2013 and thereafter for school districts and joint vocational school districts, and 2% in calendar year (CY) 2011, 4% in CY 2012, and 6% in CY 2013 and thereafter for other units of local government.) Modifies determination of reimbursement amounts for eligible taxing units, such that the amount of each reimbursement is equal to half of the difference between the full amount of the S.B. 3 allocation and the product of the threshold percent multiplied by total resources (under current law the amount of each reimbursement, two per year, is to equal half of the unit's S.B. 3 allocation minus the product of the threshold percent multiplied by total resources).

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Provides that fixed-rate levies that are not "charged and payable" (rather than levies that are not "imposed") after the 2010 tax year should be excluded from calculation of the "S.B. 3 allocation" for purposes of calculating public utility personal property tax reimbursements, and provides that reimbursement for such a levy will continue only to the extent that the levy continues to be charged and payable.

Provides that the amount of public utility personal property tax reimbursement payable for a tax levied within the 10-mill limit for debt purposes depends on whether the tax is "charged and payable" (rather than "imposed") for debt purposes after the 2010 tax year.

Fiscal effect: The Executive estimates that the net fiscal effect is a reduction in state expenditures of $0.8 million in FY 2013.

TAXCD37 Amendments to Tangible Personal Property Tax Loss Reimbursements

R.C. *5751.20, 5727.84, 5727.86, 5751.22*

Amends the calculation of reimbursements to municipal corporations to provide that, when calculating the municipal corporation's reimbursement for current expense levy losses, the municipal corporation's "total resources" (its total receipts from certain state and local sources during specified periods) include reimbursements received in 2010 for current expense levy losses only, rather than for all levy losses.

Amends the calculation of reimbursements for tangible personal property tax losses for a tax levied on behalf of a public library under R.C. 5705.23 to require that such losses be considered separately from other levy losses of a taxing unit. (Specifically, payments a library received for levy losses from such a tax are excluded from a taxing unit's "total resources," "TPP allocation," and "S.B. 3 allocation." Instead, such payments, defined as "TPP allocation for library purposes," must exceed a threshold percentage of "total resources" of the public library in order to qualify for a separate reimbursement amount.) Also, specifies that the separate reimbursement is made directly to the public library, rather than through the taxing unit that levied the tax on the library's behalf.

Amends calculation of payments (two per year) for fixed-sum levy losses on tangible personal property taxes on general business to provide that each payment is to be for 50% of the annual fixed-sum levy loss, rather than 100%.

Fiscal effect: The Office of Budget and Management indicated that it and the Department of Taxation assumed the law change was in effect when calculating and budgeting the reimbursements, and valued the changes at $10 million in FY 2012 and $9.5 million in FY 2013.

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TAXCD15 Extending County Appraisal Cycles

Section: *757.10*

Authorizes the Tax Commissioner, beginning in 2014 and continuing for five years, to extend the revaluation of real property required in a county by not more than one year.

Fiscal effect: May increase or decrease the property tax revenues of local jurisdictions depending on whether the delayed sexennial reappraisal or triennial update would increase or decrease aggregate taxable property values in the county.

TAXCD40 Tax Commissioner Authority to Expedite Residential Property Value Appeals

Section: *757.30*

Authorizes the Tax Commissioner, upon the written consent of the parties, to review and issue a final determination for cases involving residential property tax values that have been appealed from a board of revision and are docketed with the Board of Tax Appeals. Specifies that any request by a party to a case for transfer of the case to the Department of Taxation be made within two years of the effective date of this section. States that the authority to decide these cases is granted in conjunction with establishment of a small claims division of the Board of Tax Appeals.

Fiscal effect: The Department of Taxation may incur additional costs, of an undetermined amount, to exercise this authority.

Sales and Use Taxes

TAXCD32 Definition of Taxable Sale to Include Pass-through Entity

R.C. *5739.01*

Expressly includes, as a taxable sale under the sales tax, the transfer of ownership interests in a pass-through entity if its sole assets are boats, planes, motor vehicles, or other recreational property used primarily by the entity's owners. (Under current law, the transfer of all the shares of a corporation whose sole assets are such property is a taxable sale).

Fiscal effect: Potential gain in sales tax revenue.

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TAXCD27 Clarification on the Sales Tax Exemption for Various Types of Water

R.C. *5739.02*

Harmonizes the existing sales tax exemption for water bought for "residential use" with the definition of sales tax-exempt "food." (Under current law, water purchased for residential use is tax-exempt unless it is bottled water, distilled water, mineral water, carbonated water, or ice. The amendment removes specific reference to ice and bottled, mineral, or carbonated water, but, according to the Department of Taxation, sales of those forms of water are currently tax-exempt as sales of "food.")

Fiscal effect: None, as the provision codifies current practice of the Department of Taxation.

Cigarette Taxes

TAXCD30 Cigarette and Tobacco Excise Taxes: Eliminate References to "Brokers"

R.C. *5743.20, 5743.66*

Eliminates references to "brokers" in the statutes governing the persons that must report and pay the cigarette and tobacco products excise taxes. (Manufacturers, dealers, distributors, importers, and wholesalers remain subject to those statutes and, unlike "brokers," are defined by law).

Fiscal effect: None.

TAXCD31 Penalty for Unlicensed Distribution of Tobacco Products

R.C. *5743.61*

Imposes a penalty of up to $1,000 for distributing tobacco products without having a distributor's license, and requires any person doing so to obtain a distributor's license and to pay the annual $1,000 license fee for each location where the person acts as a distributor.

Fiscal effect: Potential increase in fee revenue. Fee revenue is deposited in the Cigarette Tax Enforcement Fund (Fund 6390).

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Other Taxation Provisions

TAXCD34 Investment Tax Credits; Industrial Technology and Enterprise Advisory Council

R.C. *121.22, 122.15 to 122.154, 122.28, 122.30 to 122.36, 184.02, 122.29 (repealed); Sections 812.11, 815.20*

Terminates the Industrial Technology and Enterprise Advisory Council (which was created to assist the Director of Development in reviewing applications and making recommendations regarding investment tax credits) and substitutes the Third Frontier Commission in that role.

Eliminates the involvement of Edison Centers in the investment tax credit application review and recommendation process and substitutes the Director of Development in that role.

Increases, from $45 million to $51 million, the maximum amount of investment tax credits that can be issued under the program.

Fiscal effect: Potential increase in GRF tax revenue loss from technology investment tax credits. This credit is available against the personal income tax, the corporate franchise tax, the public utility tax, and the dealer in intangibles tax.

TAXCD1 Cancellation of Tax Debts of $50 or Less

R.C. *131.02, 5703.061*

Allows the Tax Commissioner to cancel a taxpayer's liability for unpaid taxes, penalties, and interest if the total amount owed for a single tax period does not exceed $50.

Fiscal effect: This change is expected to have a minimal fiscal effect. The provision will both decrease administrative costs and revenue.

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TAXCD36 Changes to the Venture Capital Loan Tax Credit Program

R.C. *150.03, 150.05,150.07*

Increases annual tax credit limit from $20 million to $26.5 million.

Makes various other changes to the administration of the Venture Capital Program, including: specifying that any agreement between the Ohio Venture Capital Authority and a program administrator must require the program administrator and any fund manager to have a "significant presence" in Ohio, and include past performance in the evaluation criteria of investment funds that would manage funds for the Program.

Fiscal effect: Potential increase in revenue loss from the venture capital tax credits.

TAXCD38 Tax Payment Requirements for Dissolving Corporations

R.C. *1701.86, 1702.47*

Requires that corporations be current on all state taxes when filing a certificate of voluntary dissolution. (Under current law, corporations filing a certificate of voluntary dissolution must show current payment of only the corporation franchise, sales, use, and highway use taxes.)

Fiscal effect: This change may increase compliance with tax laws, possibly resulting in an increase, of an uncertain amount, in tax receipts.

TAXCD24 Direct Distribution of a Horse Racing Tax

R.C. *3769.28*

Changes the distribution of a horse racing tax, by requiring the Tax Commissioner to pay the tax directly to the municipal corporation or township in which a horse racing meeting took place and in which any facilities or accessory uses therefore were located. (Currently the Tax Commissioner returns the amount of the tax to the permit holder for forwarding to the appropriate unit or units of local government.) Also moves into permanent law a provision currently in administrative law providing for reporting by the permit holder the information required for administration of this tax.

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Fiscal effect: None.

TAXCD26 Alcoholic Beverage Tax and S Liquor Permit Holders

R.C. *4301.42, 4303.33*

Specifies that S liquor permit holders must pay the alcoholic beverage tax.
Provides that, similar to other permit holders liable for the bottled and canned beer excise tax, S liquor permit holders must submit monthly reports showing the amount of beer the permit holder sold in the state.

Fiscal effect: None.

TAXCD21 Tax Status of Electric Distribution Utility Phase-In-Recovery Property and Revenue

R.C. *4928.23, 4928.2314*

(1) Specifies that the existing state and local tax exemption for the transfer and ownership of phase-in-recovery property as well as the imposition, charging, collection, and receipt of phase-in-recovery revenues does not prohibit the levy of the Commercial Activity Tax.

(2) Specifies that tangible personal property of an electric distribution utility that is used to generate, transmit, or distribute electricity is not "phase-in-recovery property", which means a utility (or its assignee to which its phase-in-recovery property is sold, assigned, transferred, or conveyed) cannot pledge tangible personal property to secure the payment of bonds issued under a securitization order authorizing the recovery of uncollected utility costs.

Fiscal effect: Annual revenue gain between $1 million and $2 million for the Commercial Activity Tax (CAT), which increases revenues to the GRF, the School District Tangible Property Tax Replacement Fund (Fund 7047), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). For FY 2013 and thereafter, 50% of CAT receipts will be deposited to the GRF, and the remaining amount will be allocated to Fund 7047 (35%), and Fund 7081 (15%).

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TAXCD10 Declined or Dishonored Electronic Payment Fee

R.C. *5703.261*

Authorizes the Department of Taxation to impose a $50 penalty on declined or dishonored electronic payments (the same penalty as for dishonored checks currently).

Fiscal effect: The Executive estimates that this change will result in a gain of $800,000 per year, primarily to the GRF, but affecting other funds as well. The fund affected in any specific case depends on the underlying tax and the fund(s) into which its proceeds are deposited.

TAXCD39 Electronic Notice or Order

R.C. *5703.37*

Prescribes the procedure by which the Tax Commissioner may deliver tax notices or orders by secure electronic means, including electronic mail or by posting on a secure web site accessible by the recipient.

Fiscal effect: More extensive use of electronic means of notification may reduce Department of Taxation costs, by an uncertain amount.

TAXCD11 Reduce Interest for Calculation of Federal Short-term Rate

R.C. *5703.47*

Reduces the statutory interest rate charged for tax underpayments and payable on some tax refunds from the "federal short-term rate" plus three per cent to the federal short-term rate plus one per cent. Increases, by one percentage point, the interest rate for estate tax underpayments and refunds and for any remaining business tangible personal property tax underpayments or refunds. (Currently, the rate for those taxes equals the federal short-term rate. The interest rate change affects the interest charged for many other sums due to the state and affects the discount rate used to value oil and gas reserves for property tax purposes.)
Eliminates the requirement that notification of the interest rate to county auditors be in writing.

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Fiscal effect: This change is expected to have a minimal effect on revenues to the state and local governments. The reduced revenue received from interest on tax underpayments is expected to be approximately offset by reduced interest payments made on eligible refunds.

TAXCD41 Facsimile or E-Mail Filing of Appeals

R.C. *5717.01, 5717.011, 5717.02*

Allows for parties to file a notice of appeal to the Board of Tax Appeals by fax or e-mail. For an appeal of a municipal income tax case from a municipal board of appeals, also allows the parties to file by fax or e-mail with a court of common pleas.

Fiscal effect: Electronic filing may reduce costs of the Board of Tax Appeals, by an undetermined amount. For courts of common pleas, efficiencies with electronic filing may reduce costs, or costs may increase for any courts not currently equipped for electronic filing.

TAXCD3 New Markets Tax Credit Changes

R.C. *5725.33*

Allows community development entities (CDEs) to make credit-eligible investments in a low-income community business that derives 15% or more of its annual revenue from renting or selling real estate.
Eliminates requirement to calculate adjusted purchase price of investments in calculating the amount of the credit and permits CDEs to identify qualifying equity investments from any CDE, and clarifies that the maximum allowable credit for each investor is $1 million.
Permits credits of 5% for the first three years and 6% for the final four years, compared with the current schedule of 0% in the first two years, 7% in the third year, and 8% in the final four years

Fiscal effect: Appears to be revenue neutral over seven years. H.B. 1 of the 128th G.A. authorized up to $10 million in annual New Markets Tax Credits which could be applied against the corporate franchise tax, and the domestic and foreign insurance taxes.

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TAXCD42 New Financial Institution Tax

R.C. *5726.02, 5726.01, 5726.03 to 5726.08, various other sections of law*

(1) Beginning on January 1, 2014, eliminates the corporation franchise tax (CFT) and dealers in intangibles tax (DIT). Beginning on January 1, 2014, imposes a new tax on financial institutions, which include banks (financial institutions previously subject to the CFT), bank holding companies (if a corporation, a bank holding company previously subject to the CFT), nonbank financial organizations (dealers in intangibles previously subject to the DIT), and consolidated groups of such entities. (The corporation franchise tax applied only to corporations; the new tax applies to financial institutions regardless of organizational form.)

(2) Clarifies that financial institutions subject to the new tax continue to be exempt from the CAT. Imposes the new tax on the "total Ohio equity capital" of a financial institution, as measured at the end of the calendar year preceding the tax year. Defines a financial institution's "total Ohio equity capital" as the amount of the institution's total equity capital apportioned to Ohio based upon the proportion of the institution's gross receipts that are received in this state.
Provides that, in determining its total equity capital and gross receipts, a financial institution must use amounts reported on certain federal regulatory forms (an FR Y-9 or call report) or, if the financial institution does not file such forms, amounts calculated according to generally accepted accounting principles (GAAP).

(3) Levies the new tax at the rate of 0.8% on the first $500 million of a financial institution's total Ohio equity capital and at 0.25% on the amount of total Ohio equity capital that exceeds $500 million, and provides that if the tax calculated for a financial institution according to those rates does not exceed $1,000, the financial institution must pay a minimum tax of $1,000. Provides that if, for the 2014 tax year, these tax rates produce tax revenues of more than 110% or less than 90% of a target revenue amount ($225 million), the tax commissioner must adjust the rates for ensuing tax years.
Provides that the tax is due on or before March 31 of the tax year, and requires taxpayers to make estimated payments of the tax in August and November of the year preceding the tax year and in February of the tax year.

(4) Includes provisions substantially similar to provisions of the corporation franchise tax in relation to the following: assessments for failure to file a return or pay the tax, other penalties, taxpayer refunds, cancellation of an entity's authority to do business in this state if the entity does not file a return or pay the tax, the conditions for reinstatement of such an entity's authority to do business in this state, and the allowance of certain tax credits.

(5) Authorizes a refundable personal income tax credit to an investor or beneficiary to the extent that a pass-through entity pays the new tax on an individual investor's or beneficiary's adjusted distributive share and requires an investor or

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beneficiary receiving the credit to add the amount of the credit to its income for personal income tax purposes to the extent that the credit has been deducted in computing that income.

(6) Changes references to the "Department of Development" and the "Director of Development" to the "Department of Development Services" and the "Director of Development Services."

Fiscal effect: The Executive estimates the new financial institution tax would produce GRF receipts of $225 million in tax year 2014 (after the current biennium). Taxes replaced by the new financial institution tax are estimated to provide revenues of $220 million (CFT) and $38 million (DIT) in FY 2012.

TAXCD9 Estate Asset Transfer Permission Requirement

R.C. *5731.39*

Eliminates the requirement that the Tax Commissioner give written permission for asset transfers with respect to decedents dying on or after January 1, 2013.

Fiscal effect: None. By prior legislation, the estate tax is to be terminated at the end of 2012.

TAXCD28 Accumulation of Interest on Tax Refunds

R.C. *5733.26, 5747.11,5751.08*

(1) Provides that interest does not accrue on any portion of a taxpayer's income, corporation franchise, or commercial activity tax refund if the refund results from a refundable credit.

(2) Specifies that, when an income or pass-through entity withholding tax refund arises from the filing of an amended return, interest on the tax refund will be allowed from the date the amended return is filed to the date the refund is paid.

(3) Removes a provision of current law that specifies that, when an income taxpayer is allowed interest on a refund of amounts overpaid as the result of an illegal or erroneous Department of Taxation assessment, the interest accumulates from the date the taxpayer paid the illegal or erroneous assessment until the date the refund is paid.

(4) Removes a provision of current law that provides that, when an income taxpayer is allowed interest on a refund of amounts overpaid on a tax return (not as the result of an illegal or erroneous assessment), the interest accumulates during the period beginning 90 days after the return was filed and ending the date the refund is paid. (Another provision of the same law, retained under the amendment, provides that the interest on a refund of any income tax overpayment not

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resulting from a refundable tax credit will accumulate from the date of overpayment until the date the refund is paid, unless the refund is paid within 90 days after the last date for filing a tax return, in which case no interest is allowed.)

Fiscal effect: Potential minimal revenue gain.

TAXCD2 Surety Bond Requirement for Motor Fuel Dealer Licensees

R.C. *5735.02, 5735.03*

Instead of requiring all applicants for a motor fuel dealer's license to file a surety bond with the license application as under current law, provides the Tax Commissioner discretion over whether to require a motor fuel dealer to file a surety bond with the motor fuel dealer's license application if the motor fuel dealer only sells or distributes motor fuel for which the motor fuel tax has already been paid or for which payment of the tax is not required.

Fiscal effect: None.

TAXCD4 Motor Fuel Tax: Personal Liability for Tax

R.C. *5735.35*

Extends to all kinds of business organizational forms the current provision that assigns personal liability for the motor fuel tax to individual owners, employees, officers, and trustees of the business who are responsible for reporting and paying the tax. (Current law refers only to such individuals relative to corporations and business trusts).

Fiscal effect: This change is expected to have a minimal fiscal effect.

TAXCD7 Simplify Vendor Registration Process

R.C. *5739.01, 5739.17*

Eliminates the special sales tax vendor license categories of "service vendor" and "delivery vendor," but allows the Tax Commissioner to create specific classes of vendor licenses. Explicitly permits the Commissioner to cancel a vendor's license if the vendor fails to notify the Commissioner of a change of address and if ordinary mail sent to the address on the vendor's license is returned as undeliverable. Requires all vendors to display their vendor licenses, not just transient vendors.

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Fiscal effect: None.

TAXCD5 Notify All Vendors and Sellers of Changes in Local Sales Tax Rates

R.C. *5739.021, 5739.023, 5739.026, 5739.04, and 5741.08*

Requires the Tax Commissioner to notify all vendors and sellers when local sales tax rates change. (Under current law, only vendors and sellers registered through the Streamlined Sales Tax Central Registration System are required to be notified.) Specifies that all vendors making sales from a printed catalog, not just vendors registered under the registration system who make catalog sales, do not have to apply changes in local sales tax rates that differ from the catalog rates until the beginning of a calendar quarter that follows 120 days after the Tax Commissioner notifies vendors of the rate change.

Fiscal effect: Minimal, if any. Codifies existing departmental practice.

TAXCD25 Horizontal Well Severance Tax and Income Tax Reductions

R.C. *5749.02, 131.44, 131.46, 1509.01, 1509.51, 5747.02, 5749.01, and 5749.031; Sections 812.21 and 815.20*

(1) Levies a severance tax at a rate of 4% of the market price of oil and condensate produced by horizontal wells. Authorizes owners of such wells to apply to the Department of Natural Resources to reduce the rate to 1.5% for the first year of the well's operation and for up to a second full year, unless gross receipts from the well exceed the well's production costs. Levies a severance tax at a rate of 1% of the market price of natural gas produced by horizontal wells.

(2) Adjusts the rate of severance tax on natural gas from non-horizontal wells, which is currently 2.5 cents per one thousand cubic feet (Mcf), to the lesser of three cents per Mcf or 1% of the market price.

(3) Exempts from the severance tax natural gas produced by a severer's non-horizontal well that produces fewer than 10,000 cubic feet per day in a calendar quarter.

(4) Creates the Horizontal Well Tax Fund, to which severance tax receipts derived from horizontal wells are credited, and the Shale Resource Income Tax Relief Fund, to which the OBM Director transfers the remaining balance of the Horizontal Well Tax Fund every September once transfers to Department of Natural Resources are completed.

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(5) Requires that money be transferred on or before September 25 each year from the Horizontal Well Tax Fund to funds used by the Department of Natural Resources in an amount, certified by the Tax Commissioner, equal to the revenue that would have been raised under current severance tax rates during the preceding fiscal year had the bill not changed the rates.

(6) Requires the OBM Director, on or before October 5 of every year, to calculate the balance in the Shale Resource Income Tax Relief Fund as a percentage of the anticipated personal income tax revenues for the fiscal year. Stipulates that the OBM Director certify the percentage, if it exceeds 0.35%, to the Tax Commissioner no later than October 10 so the Tax Commissioner can reduce personal income tax rates by the certified percentage. Requires the OBM Director to transfer amounts as necessary from the Shale Resource Income Tax Relief Fund to the GRF, the Local Government Fund (LGF or Fund 7069), and the Public Library Fund (PLF or Fund 7065) so those funds are held harmless from revenue losses arising from the personal income tax rate reductions.

Fiscal effect: According to the Executive, Horizontal Well Tax Fund revenues will be $59.8 million in FY 2013, of which $8 million will be transferred to the Department of Natural Resources while the remaining $51.8 million will be transferred to the Shale Resource Income Tax Relief Fund. By FY 2014, the Executive estimates more than $150 million in revenues will be credited to the Horizontal Well Tax Fund, of which the majority would be transferred to the Shale Resource Income Tax Relief Fund. In FY 2014, the Shale Resource Income Tax Relief Fund would have a balance sufficient enough to trigger a reduction in personal income tax rates for tax year 2014.

TAXCD33 Distribution of Casino Tax Proceeds

R.C. *5753.03, Section 812.20*

Creates the Peace Officer Training Academy Fund (Fund 5LR0) and the Criminal Justice Services Casino Tax Revenue Fund (Fund 5LM0) to receive the portion of casino tax proceeds (2%) allocated for the purpose of supporting law enforcement training efforts of the Peace Officer Training Academy and the Department of Public Safety's Division of Criminal Justice Services.

Stipulates that the portion of casino tax proceeds (3%) allocated to the Ohio State Racing Commission Fund (Fund 5JK0) is for use by the Commission to promote pari-mutuel horse racing.

Specifies that the portion of casino tax proceeds (2%) allocated to the Problem Casino Gambling and Addictions Fund (Fund 5JL0) is for use by the Department of Alcohol and Drug Addiction Services.

Provides that these amendments are exempt from the referendum and will take effect immediately when the act becomes law.

Executive

Fiscal effect: None. Current law already requires amounts credited to Ohio Law Enforcement Training Fund (Fund 5JN0) to be allocated to the Ohio Peace Officer Training Academy (85%) and the Division of Criminal Justice Services (15%). This provision creates funds to receive the resulting monies and from which appropriations may be made.

TAXCD22 Waiver of Property Tax Value Certification Requirements

Section: *757.20*

Excuses the Tax Commissioner from certifying certain property tax information that, under current law, is required to be certified to the Department of Education and Office of Budget and Management in May and June of 2012.

Fiscal effect: None; the school foundation funding formula for fiscal years 2012 and 2013 relies upon fiscal year 2011 information.

Executive

LOCCD16 Horizontal Well Impact Loans and Repayment Plans

R.C. *321.49, 1509.01, 1509.06, 5705.27, 5705.32, and 5705.52*

Requires a horizontal well owner, before beginning construction of a well pad (defined in the bill), to pay a $25,000 fee to the county in which the well pad will be located.

Requires an additional $25,000 fee to be payable for each subsequent well drilled on the same pad, due before drilling begins.

Requires county treasurers who receive fee payments to establish in the county treasury an Oil and Gas Escrow Fund, and to deposit into the fund such payments.

Establishes a process whereby the county budget commission distributes the fees to all or some taxing units that levy a property tax in the taxing district in which the well will be located to defray costs incurred from the presence of the well. Requires taxing units that receive any portion of the fee to repay these amounts to the owners over subsequent fiscal years based on the amount of property tax the unit collects from the well.

Authorizes the Chief of the Division of Oil and Gas Resources Management to suspend operations of a well and revoke a permit of a permittee who does not pay a fee required by the laws and rules of the Division, including the $25,000 fee.

Fiscal effect: The $25,000 fee could offset some of the cost that taxing units might incur for horizontal wells within their jurisdiction. However, taxing units that receive any portion of the fee are required to repay those amounts by reducing the well owners' property tax liabilities.