DEPARTMENT OF TAXATION

Income tax

- Consolidates, beginning for the 2023 taxable year, the two lowest income tax brackets – reducing the number of brackets from four to three – and further lowers the rate of the new lowest bracket to 2.75%.
- Suspends the annual inflation indexing adjustment of income tax brackets and personal exemption amounts for taxable years beginning in 2023 and 2024.
- Allows a taxpayer to deduct the full amount of bonus depreciation and enhanced expensing allowances that the taxpayer deducts for federal income tax purposes in the same year the taxpayer deducts those expenses on its federal return.
- Authorizes a $1,000 nonrefundable income tax credit for volunteer firefighters, first responders, emergency medical technicians, and paramedics who volunteer during at least six months of a taxable year.
- Removes the requirement for employers who withhold and remit employee income taxes on a partial weekly basis to file quarterly reconciliation returns, instead requiring such employers to file an annual return, starting in 2024.

Municipal income taxes

- Exempts the income of minors from municipal income taxation.
- Corrects an erroneous cross-reference governing the deduction of net operating losses and requires municipal corporations to incorporate the change in 2023.
- Limits the circumstances under which municipal income tax inquiries or notices may be sent by a municipal tax administrator or the Tax Commissioner to a taxpayer subject to a filing extension.
- Limits the penalty that may be imposed on a taxpayer for failing to timely file municipal income tax returns from a $25 monthly penalty, up to $150, to a one-time $25 penalty. Exempts a taxpayer's first failure to timely file from the penalty.
- Provides an additional, automatic one-month extension for municipal income tax returns where a business entity has received a six-month federal extension.
- Requires the Department of Taxation (TAX) to provide information to municipal corporations on any businesses that had municipal taxable income apportioned to such a municipal corporation in the preceding five or seven months as opposed to in any prior year.
- Requires a municipal corporation to notify TAX any time there is a decrease in the municipal corporation's income tax rate.

Sales and use tax

- Exempts children's diapers, creams, and wipes and car seats, cribs, and strollers from sales and use tax, beginning October 1, 2023.
- Adds specific references to construction material and services sold or rented to government entities for temporary traffic control or drainage purposes to a sales and use tax exemption for sales and rentals to government entities.
- Allows the Tax Commissioner to cancel a sales tax vendor's license obtained while another of the vendor's licenses is suspended or by any person that makes retail sales without a vendor's license on more than one occasion.
- Modifies the criminal penalties and culpable mental state for certain sales and use tax offenses.

Lodging taxes

- Authorizes Hamilton County to levy an additional 1% lodging tax to fund convention, entertainment, or sports facilities, and to repurpose a portion of the revenue from its existing general and special lodging tax to fund or promote a convention, entertainment, or sports facility.
- Authorizes a municipality to repurpose a portion of the revenue from its general lodging tax to fund such facilities.
- Allows Cincinnati to repurpose a portion of the revenue from its 1% special convention center lodging tax to fund such facilities.
- Authorizes a county to use a portion of the revenue from its general lodging tax to fund public safety services in a municipality or township designated as a resort area.
- Authorizes a county with a population exceeding 800,000 or a municipality within such a county to wholly or partially exempt from county and municipal lodging taxes a designated hotel associated with a convention center ("headquarters hotel").
- Authorizes the county or municipality to require payments in lieu of taxes (PILOTs) from the headquarters hotel, to be remitted to the county or municipality and used to finance facilities associated with the hotel or convention center.
- Authorizes the county or municipality, or a port authority, to enter into an agreement with the headquarters hotel operator for the operator to make binding payments to ensure funds for the completion of such associated facilities.

Commercial activity tax (CAT)

- Excludes from gross receipts taxable under the CAT any federal, state, or local grants received or debt forgiven to provide or expand broadband service in Ohio.
- Reallocates CAT revenue, increasing the share to the GRF.

- Clarifies a CAT provision that governs how gross receipts from transportation and delivery services are allocated to Ohio.

Financial institutions tax

- Clarifies which entities are included in a taxpayer group subject to the financial institutions tax (FIT).
- Repeals an expired FIT deduction allowed for investments in a qualifying real estate investment trust.

Sports gaming tax

- Limits, at $15 million per fiscal year, the portion of sports gaming tax revenue that must be used to support K-12 athletics and other extracurricular activities.

Cigarette and tobacco and vapor product taxes

- Allows a wholesaler or distributor to obtain a refund of excise taxes on cigarettes, other tobacco products, and nicotine vapor products remitted on bad debts arising from the sale of those products and charged off on or after January 1, 2024.
- Extends the deadline for renewing annual cigarette tax licenses to June 1 instead of the 4th Monday in May.

Motor fuel taxes

- Authorizes townships to use motor fuel tax revenue to purchase buildings suitable for housing road machinery and equipment, in addition to the currently permitted uses of planning, constructing, and maintaining such buildings.
- Imposes personal liability for the fuel use tax on individual owners, employees, officers, and trustees who are responsible for reporting and paying the tax for a taxpayer.

Tax incentives

Low-income housing tax credit

- Authorizes a nonrefundable credit against the insurance premiums, financial institutions, or income tax for the development of low-income rental housing that is awarded in conjunction with the federal low-income housing tax credit (LIHTC).
- Allows the Ohio Housing Finance Agency (OHFA) to reserve a state tax credit for any project in Ohio that receives a federal LIHTC allocation, as long as the project is located in Ohio and begins renting units after January 1, 2023.
- Prohibits OHFA from reserving any credits after December 31, 2028.
- Generally limits the amount of state credits that may be reserved in a fiscal year to $500 million, but allows unreserved credit allocations and recaptured or disallowed credits to be added to the credit cap for the next fiscal year.

- Limits the amount of credit reserved for any single project to an amount necessary, when combined with the federal credit, to ensure financial feasibility.
- Allows project and equity owners to claim an advance credit after the project is placed in service but before the Director issues an eligibility certificate so long as they reconcile any difference between the advance credit amount and the actual credit amount through an amended tax return or report.

Film and theater credit

- Increases the total amount of film and theater tax credits that may be awarded each fiscal year, from $40 million to $75 million.

Historic building rehabilitation credit

- Increases, from $60 million to $120 million, the amount of historic building rehabilitation tax credits that DEV may award in FY 2025.

Job creation and retention credits

- Authorizes the Tax Credit Authority to adjust the amount that a noncompliant taxpayer must repay from a job creation or job retention tax credit one time within 90 days after initially certifying a repayment.

Research and development credits

- Modifies the manner in which a taxpayer that consists of multiple individuals or entities may compute and claim a research and development (R&D) tax credit against the FIT or CAT.
- Requires a taxpayer claiming a R&D credit to retain records substantiating the claim for four years.
- Allows TAX to audit a representative sample of a taxpayer's R&D expenses to verify that the taxpayer correctly computed the R&D credit.

Exemption and exclusion for consumer-grade fireworks fee

- Exempts the 4% fee on the sale of consumer-grade fireworks from sales and use tax, so long as the fee is separately stated on the sales receipt.
- Authorizes a CAT exclusion for collections of the separately stated fireworks fees.

Deduction and exclusion for East Palestine derailment payments

- Authorizes a personal income tax deduction for government or railroad company payments received by a taxpayer as the result of the February 3, 2023, train derailment in East Palestine.
- Authorizes a CAT exclusion for compensation for business losses resulting from that derailment.

Property tax

- Eliminates the authority of political subdivisions to levy replacement property tax levies, beginning with elections held on or after January 1, 2025.
- Authorizes a park district to renew, increase, or decrease an existing voted property tax levy.
- Indexes the amount of all homestead exemptions so that each exemption, and the resulting tax savings, increase in proportion to the increase in a broad price inflation index (gross domestic product deflator).
- Requires the Tax Commissioner to prescribe a formula for uniformly valuing federally subsidized rental housing that takes into account a property's operating income and expenses and a uniform capitalization rate.
- Sets a minimum total value for such property of 150% of the value of the underlying land or $5,000 per dwelling unit, whichever is greater.
- Requires the owner of such property to regularly report the property's operating income and expenses to the county auditor of the county in which the property is located.
- Removes law explicitly authorizing a county auditor to value LIHTC property by employing the income approach, cost approach, or comparable sales approach.
- Exempts from property tax the value of unimproved land subdivided for residential development in excess of the fair market value of the property from which that land was subdivided, apportioned according to the relative value of each subdivided parcel.
- Authorizes the development exemption for up to eight years, or until residential construction begins or the land is sold.
- Does not allow the exemption for development land included in a tax increment financing (TIF) project.
- Authorizes owners of real property which qualified for a brownfield tax abatement in 2020 but which was not subject to the abatement until 2022 to apply for the abatement to apply retroactively for two years and terminate two years earlier than scheduled.
- Allows a subdivision to remove a parcel from a TIF and include the parcel in a new TIF under certain circumstances.
- Allows a municipality to extend the life of an existing TIF for up to 15 years if certain conditions are met.
- Authorizes the second and third publication of a notice of an impending property tax foreclosure action to be made online, provided the notice's first publication continues to be made in a newspaper of general circulation.

- Specifies that existing abbreviated newspaper publication procedures for government notices apply to the publication of a property tax foreclosure notice if the second and third publication of the notice continues to be made in a newspaper.
- Extends the sunset date of a property tax exemption for qualified energy projects from 2025 to the later of 2032 or the year the federal government determines there has been a 75% reduction in greenhouse gas levels compared to 2022.
- Reduces the ratio of Ohio-domiciled full-time equivalent (FTE) employees required to be employed, as a condition of receiving that exemption, at a new solar energy project from 80% to 70% of all FTE project employees.
- Requires new large renewable energy projects to comply with prevailing wage and apprenticeship requirements as a condition of obtaining that exemption.
- Allows existing solar energy projects that voluntarily comply with the prevailing wage and apprenticeship requirements that apply to new projects to apply the same reduced 70% ratio for Ohio-domiciled FTE employees.
- Includes out-of-state workers who reside within 50 miles of Ohio and are members of certain labor organizations as "Ohio-domiciled" employees for purposes of calculating compliance ratios for that exemption.
- Changes the calculation of FTE employee hours for the purpose of complying with the terms of that exemption.
- Prohibits an electric company from requesting, and the Tax Commissioner from approving, a reduction in the taxable value of the company's tangible personal property (TPP) of more than 7.5% per year, beginning in tax year 2024.
- Creates a joint legislative committee to make recommendations on reforms to property tax law and hold hearings on pending property taxation legislation.

Tax administration

- Authorizes TAX to send any tax notice currently required to be sent by certified mail by ordinary mail or, with the taxpayer's consent, electronically.
- Removes required recordkeeping standards a delivery service must meet before it may be used by TAX to deliver tax notices.
- Requires county auditors to accept real property and manufactured home conveyance forms electronically.
- Eliminates a requirement that taxpayers file amended reports with respect to the defunct corporation franchise tax.
- Streamlines the authority of TAX to share confidential tax information with state agencies.

- Directs the Tax Commissioner and Treasurer of State to jointly study and design a tax-favored savings account for home purchases and improvements.

Local Government and Public Library Funds

- Permanently increases the percentage of state tax revenue that the Local Government Fund (LGF) and Public Library Fund (PLF) each receive per month, from 1.66% to 1.7%.
- Increases the minimum amount that may be distributed from the LGF to each county to $850,000, beginning in FY 2024.
- Requires the county budget commission of a county that adopts an alternative distribution formula for the county undivided local government fund, using the standard procedure to adopt such a formula, to hold a hearing on the formula every five years.

Income tax

Rate reduction

(R.C. 5747.02)

The bill makes two changes to the income tax brackets applicable to nonbusiness income, beginning with the 2023 taxable year. First, the bill reduces the number of brackets, from four to three, by consolidating the two lowest brackets. Second, the bill reduces the rate of the new lowest bracket to 2.75%. The tax taxable for the 2022 taxable year compared to the 2023 tax table, as modified by the bill, is as follows:

TY 2022		TY 2023, as modified by the bill	
Ohio taxable income	Marginal tax rate	Ohio taxable income	Marginal tax rate
$26,050-$46,100	2.765%	$26,050-$92,150	2.75%
$46,100-$92,150	3.226%	$92,150-$115,300	3.688%
$92,150-$115,300	3.688%	More than $115,300	3.99%
More than $115,300	3.99%		

Inflation indexing adjustment

(Section 757.50)

Continuing law requires the Tax Commissioner to adjust the income tax brackets and personal exemption amounts for inflation on an annual basis.[154] The bill suspends the adjustments to the tax brackets and personal exemption amounts for taxable years beginning in 2023 and 2024. Consequently, the 2022 income tax brackets will also apply in 2023 and 2024 (although the tax rates corresponding with two of those brackets will be reduced as described above). The indexing of tax brackets and personal exemption amounts resumes in 2025.

Taxation of depreciation allowances

(R.C. 5733.40 and 5747.01(A)(17) and (18) and (S)(14))

The bill "re-couples" Ohio's income tax with federal tax law that allows businesses to claim enhanced depreciation deductions with respect to certain assets. Currently, Ohio has elected to blunt the revenue effects of the federal deductions by requiring businesses to add back a portion of their federal deduction in the year it is claimed and deduct the amount added-back over several years.

Federal enhanced depreciation allowances

Federal tax law gives enhanced depreciation allowances for businesses that invest in certain depreciable business assets. There are two forms of the enhanced allowances: "bonus depreciation" and "enhanced expensing." Both are intended to induce increased business investment by permitting businesses to accelerate the tax benefit of asset depreciation deductions, moving it into earlier years than customarily allowed.

Congress originally enacted the allowances in 2002, and has extended and increased them several times since. The bonus depreciation allowance is currently being phased-down, and is scheduled to end in 2026. For assets acquired in 2023, businesses may immediately deduct 80% of the cost of the asset, instead of using the usual depreciation schedules. Enhanced expensing increases the value of an asset that can be immediately deducted when it is acquired or placed in service. For 2023, that amount is $1.16 million, though the deduction begins to phase-out at $2.89 million. The enhanced expensing allowance is adjusted for inflation each year, and is not currently being phased-out.[155]

Ohio's treatment of enhanced depreciation allowances

The enhanced federal deductions reduce a taxpayer's federal adjusted gross income (FAGI) in the early years after the asset is acquired, as compared to the usual depreciation schedule, and therefore reduce Ohio taxable income and income tax revenue. When these federal enhancements were enacted, Ohio and several other states whose income tax bases were tied to the federal tax base decided to blunt the state revenue reductions that would have

[154] R.C. 5747.02(A)(5); R.C. 5747.025, not in the bill.

[155] 26 U.S.C. 168 and 179.

resulted from the enhancements by not allowing taxpayers to claim the enhanced depreciation deductions all in a single year.

Instead, Ohio generally requires taxpayers to spread the deduction across several years by "adding back" part of the allowance claimed on the taxpayer's federal return. In general, the deduction must be spread over six years, although businesses with certain net operating losses (NOLs) or businesses that increase their income tax withholdings by a certain amount may either spread the deduction over three years or not have to add-back amounts at all.

As a general example, a taxpayer claiming a federal bonus depreciation deduction of $120,000 in 2023 is only permitted to deduct one-sixth of that amount, or $20,000, for Ohio tax purposes in that year. The taxpayer must add-back $100,000 and deduct that amount in equal $20,000 increments over the next five years.

Elimination of add-backs

The bill eliminates the requirement that businesses add-back any enhanced depreciation allowances. Instead, a taxpayer can deduct the full amount of allowances that the taxpayer deducts for federal income tax purposes in the same year the taxpayer deducts those expenses on its federal return. Using the example above, the taxpayer may use the full $120,000 federal deduction when computing its Ohio tax liability.

For taxpayers that were required to add-back an allowance before 2023, the bill provides for an election. The taxpayer may either (a) continue to deduct any add-backs that the taxpayer would have otherwise been able to deduct, according to the same schedule the taxpayer would have followed, were the bill not enacted or (b) deduct the entire unused portion of the taxpayer's deductions in 2023.

Income tax credit for volunteer emergency personnel

(R.C. 5747.64 and 5747.98; Section 803.180)

The bill authorizes a $1,000 nonrefundable income tax credit for a volunteer firefighter, first responder, emergency medical technician, or paramedic who volunteers at least one day during at least six months of a taxable year.

The credit applies to taxable years beginning on or after January 1, 2023.

Eliminate quarterly employer reconciliation return

(R.C. 5747.07 and 5747.072; Section 803.60)

The bill removes the requirement in current law that employers who withhold and remit employee income taxes on a partial weekly basis, i.e., two times in a single week, file quarterly withholding reconciliation returns. Instead, these employers will only be required to file the annual reconciliation returns required for other employers under continuing law starting on January 1, 2024. Reconciliation returns allow an employer to calculate and pay any required employee withholding that was not remitted in the preceding period.

Under continuing law, employers are required to remit employee withholding on a partial weekly basis if they withhold and accumulate a significant amount of it. Employers with smaller accumulated withholding may remit it monthly or quarterly.

Municipal income taxes

Exemption for minors' income

(R.C. 718.01(C)(15); Section 803.10)

The bill requires municipal corporations to exempt the income of individuals under 18 years of age from municipal income taxation. The exemption applies to taxable years beginning on or after January 1, 2024. Under current law, only municipal corporations that authorized such an exemption before 2016 are authorized to grant such an exemption.

Net operating loss deduction cross-reference

(R.C. 718.01; Section 803.10)

The bill corrects an erroneous cross-reference in the municipal income tax law governing the deduction of net operating loss (NOL). From 2018-2022, a business was allowed to deduct 50% of its NOL from its taxable net profits. Beginning in 2023, the 50% limitation is discontinued and a business may deduct the full amount of its NOL. The bill's correction clarifies that the 50% limitation ceases to apply in 2023. The bill requires municipalities that levy an income tax to incorporate this cross-reference change into their municipal tax ordinances and apply it to taxable years beginning in 2023.

Prohibited inquiries and notices

(R.C. 718.05 and 718.85; Section 803.100)

The bill limits when a municipal tax administrator or the Tax Commissioner may make inquiries or send notices to taxpayers whose income tax filing deadline has been extended. Under continuing law, taxpayers generally report and remit municipal income tax to municipal tax administrators, but a business that owes taxes on its net profits may elect to report and remit municipal net profits taxes to TAX, which then disperses payments to each municipality to which such tax is owed.

Under current law, the due date of a taxpayer's municipal income tax return, whether filed with a municipality or the Tax Commissioner, may be extended under various circumstances, including any of the following:

- The taxpayer has requested an extension of the deadline to file the taxpayer's federal income tax return.
- The taxpayer has requested an extension of the deadline to file the taxpayer's municipal income tax return from the municipal tax administrator or Commissioner.
- The Commissioner extends the state income tax filing deadline for all taxpayers.

When a taxpayer receives an extension, the bill prohibits a municipal tax administrator or the Commissioner from sending any inquiry or notice regarding the municipal return until after either the taxpayer files the return or the extended due date passes. If a tax administrator sends a prohibited inquiry or notice, the municipality must reimburse the taxpayer for any reasonable costs incurred in responding to it, up to $150. If the Commissioner sends such an inquiry or notice, the taxpayer's costs, up to $150, are reimbursed from the GRF.

The bill's new limitations apply to taxable years ending on or after January 1, 2023. The limitations do not apply, and a municipal tax administrator or the Commissioner may send an otherwise prohibited inquiry or notice, if either has actual knowledge that the taxpayer did not actually file for a federal or municipal income tax extension.

Penalty limitations

(R.C. 718.27 and 718.89; Section 803.100)

The bill limits the penalty a municipal corporation or the Tax Commissioner may impose for the failure to timely file a municipal income tax return. Currently, a municipal corporation may impose a penalty of $25 for each month a taxpayer fails to file a required income tax or withholding return, up to $150 for each return. The Commissioner may impose the same monthly penalty on those unfiled returns as well as on unfiled estimated tax declarations. The bill reduces these penalties to a one-time $25 penalty. The bill also exempts a taxpayer's first failure to timely file from the penalty, requiring the municipal corporation or Commissioner to either refund or abate the penalty after the taxpayer files the late return. These changes also apply to taxable years ending on or after January 1, 2023.

Extension for businesses

(R.C. 718.05(G)(2) and 718.85(D)(1); Section 803.100)

The bill provides an additional, automatic one-month filing extension for municipal income tax returns where a business entity has received a six-month federal extension, bringing the full duration of the extension to seven months beginning in taxable years ending on or after January 1, 2023. The current extended deadline for individuals and business entities is the same as the extended federal deadline.

Net profits tax reports and notifications

(R.C. 718.80 and 718.84; Section 803.80)

Under continuing law, a business that operates in multiple municipalities, and is therefore subject to multiple municipal income taxes, may elect to have TAX serve as the sole administrator for those taxes. For electing taxpayers, a single municipal net profit tax return is filed through the Ohio Business Gateway for processing by TAX, which handles all administrative functions for those returns, including distributing payments to the municipalities, billing, assessment, collections, audits, and appeals. The bill modifies, as described below, the reporting and notification requirements associated with this state-administered municipal net profits tax.

TAX's municipal income tax report

The bill requires that twice a year, in May and December, TAX provide information to municipalities on any businesses that had net profits apportioned to the municipality, as reported to TAX, in the preceding five or seven months only, as applicable. (Net profits apportionable to the municipality, e.g., earned in the municipality, are generally subject to the municipality's income tax.) Under current law, this twice-per-year notification, done in May and November, is required to list information for businesses that had net profits apportioned to the municipality in any prior year. This change applies to reports required to be filed after the bill's 90-day effective date.

Rate decrease notification

Under continuing law, by January 31 of each year, a municipal corporation levying an income tax must certify the rate of the tax to TAX. If the municipality increases the rate after that date, the municipality must notify TAX of the increase at least 60 days before it goes into effect. The bill requires a municipality to notify TAX, within the same 60-day notice period, when there is any change in its municipal income tax rate, including a decrease.

Sales and use tax

Baby product exemption

(R.C. 5739.01 and 5739.02; Section 803.50)

The bill exempts, beginning October 1, 2023, children's diapers, creams, and wipes and car seats, cribs, and strollers from sales and use tax. Under continuing law, sales of both children and adult diapers are exempt during the first weekend of August each year as part of Ohio's "sales tax holiday" for school supplies and clothing. In addition, adult diapers are exempt under continuing law if sold to a Medicaid recipient pursuant to a prescription.

Sales and rentals to government entities

(R.C. 5739.02(B)(1) and (10); Section 803.140)

Continuing law exempts sales and rentals to federal, state, and local government entities from the sales and use tax. The bill specifically adds construction material and services sold or rented to government entities for temporary traffic control or drainage purposes are subject to those exemptions. The bill also specifies that the addition is a remedial measure intended to clarify existing law and applies to all cases pending on a petition for reassessment or on further appeal, and to transactions subject to an audit by the Department of Taxation.

Vendor's license suspensions

(R.C. 5739.31)

Continuing law requires every retail vendor to obtain a vendor's license from TAX or a county auditor and collect and remit state and local sales taxes. TAX may suspend the license of a vendor that repeatedly fails to timely file sales tax returns or remit taxes.[156] A vendor with a suspended vendor's license is prohibited from obtaining another vendor's license from TAX or "the" county auditor during the suspension period. The bill clarifies that the prohibition on

[156] R.C. 5739.30(B)(2), not in the bill.

duplicate licenses applies to those obtained from any – as opposed to "the" – county auditor. The bill also allows TAX to cancel any duplicate vendor's license obtained by a vendor during the suspension period or obtained by any person who has violated the prohibition on making retail sales without holding a vendor's license more than once.

Criminal penalties and mental states

(R.C. 5739.99)

The bill modifies the criminal penalties for certain sales and use tax offenses. In particular, the bill classifies several offenses, typically to the closest classified misdemeanor or felony based on current penalties:

Offense	Current penalty	Classification and penalty under the bill
Failure to pay or collect sales or use tax, or providing a false tax exemption certificate	Fine between $25-$100 for the first offense; for each subsequent offense, a fine between $100-$500 (corporations) or between $25-$100 and imprisonment of up to 60 days (individuals).	Minor misdemeanor of the first offense (up to $150 fine); for each subsequent offense, a misdemeanor of the third degree (fine of up to $500 or imprisonment of up to 60 days).
Failing to file a sales or use tax return or filing a fraudulent return	Fine between $100-$1,000 or imprisonment of up to 60 days.	Misdemeanor of the third degree.
Making retail sales without a vendor's license	Fine between $25-$100 for the first offense, and a felony of the fourth degree; for each subsequent offense (fine of up to $5,000 or imprisonment of 6-18 months).	Minor misdemeanor for the first offense; misdemeanor of the first degree for the second offense (fine of up to $1,000 or imprisonment of up to 180 days); felony of the fourth degree for each subsequent offense.
Making retail sales as a transient vendor without a license	Fine between $100-$500 or imprisonment of up to 10 days for the first offense; for each subsequent offense, a fine of between $1,000-$2,500 or imprisonment of up to 30 days.	Minor misdemeanor for the first offense; misdemeanor of the fourth degree for each subsequent offense (fine of up to $250 or imprisonment of up to 30 days).
Making retail sales with a suspended license	Felony of the fourth degree.	Misdemeanor of the first degree for the first offense; felony of the fourth degree for each subsequent offense.

The bill also lowers the requisite culpable mental state for these offenses, from "recklessly" to "negligently." Current sales tax law does not specify a mental state for the offenses described above, but under continuing law generally, if no mental state is specified, "recklessly" is considered the default.[157] A person acts recklessly when with heedless indifference to the consequences, the person disregards a substantial and unjustifiable risk that the person's conduct is likely to cause a certain result or is likely to be of a certain nature. The bill overrides this default rule by only requiring negligence on the part of the offender, i.e., because of a substantial lapse from due care, the offender fails to perceive or avoid a risk that the offender's conduct may cause a certain result or may be of a certain nature.[158]

Lodging taxes

Convention, entertainment, and sports facilities

(R.C. 5739.08 and 5739.09(X))

Under continuing law, counties, municipal corporations, and townships are authorized to levy an up to 3% excise tax on transactions by which hotels provide lodging to transient guests (referred to in this analysis as the "3% general lodging tax"). For counties, the use of such a tax's revenue is generally limited to making contributions to a convention and visitors' bureau under current law.

The bill authorizes a county with a population between 800,000 and 1 million, i.e., Hamilton County, to repurpose a portion of the revenue from its existing lodging taxes (its 3% general lodging tax and a special 3.5% convention center tax that county is authorized to levy) and to levy an additional 1% lodging to fund the acquisition, construction, renovation, expansion, maintenance, operation, or promotion by a convention facilities authority, convention and visitors' bureau, or port authority of a convention, entertainment, or sports facility.

The bill also authorizes any municipality to repurpose a portion of the revenue from its existing 3% general lodging tax for those same purposes. The bill further allows Cincinnati to repurpose a portion of the revenue from its existing 1% special convention center lodging tax for the same purposes.

Public safety services in a resort area

(R.C. 5739.09(A))

The bill authorizes a county to use a portion of the revenue from its 3% general lodging tax to fund public safety services in a municipality or township designated as a resort area, which is an area where at least 62% of the housing units are for seasonal, recreational, or occasional use, and where there are seasonal peaks of employment and demand for

[157] R.C. 2901.21(C)(1), not in the bill.

[158] R.C. 2901.22, not in the bill.

government services, among other similar requirements. Certain Lake Erie islands are the only currently designated resort areas in Ohio.

Headquarters hotel exemption and financing

(R.C. 5739.093)

The bill authorizes a county with a population exceeding 800,000, i.e., Cuyahoga, Franklin, or Hamilton County, or a municipal corporation located in such a county ("eligible subdivision") to wholly or partially exempt a hotel associated with a convention center and located in that subdivision from county and municipal lodging taxes. Only one such hotel, referred to in the bill as a "headquarters hotel," may be designated for any convention center.

Alongside the exemption, the eligible subdivision may impose payments in lieu of taxes (PILOTs) on the hotel operator, up to the amount of the exempted taxes. The eligible subdivision may then use these PILOTs, which are collected in the same manner as the exempted lodging taxes, to pay the costs of acquiring, constructing, renovating, or maintaining the headquarters hotel, the associated convention center, or any related infrastructure improvements. In essence, the bill creates a mechanism by which lodging tax revenue may be redirected to those specific facility projects, similar to a tax increment financing (TIF) arrangement in the context of property taxes.

To initiate this process, the eligible subdivision must notify any other eligible subdivision, the county's convention and visitors' bureau (CVB), and any township that levies a lodging tax on the proposed headquarters hotel. Then the eligible subdivision may adopt a resolution designating the headquarters hotel and listing the percentage of county and municipal lodging taxes that will be exempt and the duration of the exemption, which may not exceed 30 years. The resolution must list whether PILOTs will be imposed and to whom they are to be pledged.

The PILOTs must be pledged by the eligible subdivision to an "issuing authority," i.e., an eligible subdivision, convention facilities authority, or port authority, to pay the costs of the project for which the PILOTs are imposed, including the costs of any debt issued for that project. The issuing authority may also authorize the eligible subdivision to use PILOTs for the same purposes as any exempted lodging taxes could be used for, e.g., funding CVBs or general municipal purposes. Any PILOTs unspent at end of the project may be used by the eligible subdivision for the same purposes as its lodging taxes. The hotel operator may charge hotel guests for the cost of the PILOTs, in the same manner as lodging taxes are collected from guests.

An eligible subdivision may enter into an agreement with the headquarters hotel's operator by which the operator, and any succeeding operator, pledges to make binding payments to the subdivision or a port authority to ensure sufficient funds are available to finance the PILOT-funded facilities project.

Commercial activity tax (CAT)

Broadband funding exclusion

(R.C. 5751.01(F)(2)(rr); Section 803.190)

The bill excludes from gross receipts taxable under the CAT any federal, state, or local funding received or debt forgiven to provide or expand Internet broadband service in Ohio, including video service, voice over internet protocol service, and internet protocol-enabled services. The exclusion applies to CAT tax periods ending on or after the bill's 90-day effective date.

Revenue distribution

(R.C. 5751.02; Section 812.20)

The bill reduces, from 13% to 2.25%, the amount of CAT receipts allocated to the School District Tangible Property Tax Replacement Fund (Fund 7047) and reduces, from 2% to 0.25%, CAT receipts allocated to the Local Government Tangible Property Tax Replacement Fund (Fund 7081), both beginning in FY 2024. The bill reallocates the 12.5% difference to the GRF.

Situsing of transportation services

(R.C. 5751.033; Section 803.30)

The bill clarifies a CAT provision that governs how gross receipts from transportation and delivery services are allocated, or "sitused," to Ohio. The bill specifies that this situsing provision applies to services provided by common carriers, rather than motor carriers. The term "motor carriers" applies only to transportation or delivery by motor vehicle, while the phrase "common carriers" includes transportation by other means, such as trains and aircraft.

The statute had previously applied to common carriers, but, in 2012, the terminology was changed as part of a larger overhaul of motor carrier regulations.[159] The bill states that this change is intended to be remedial and to clarify the law as it existed before the amendment.

Financial institutions tax

Financial institution taxpayer group

(R.C. 5726.01; Section 803.70)

Continuing law imposes the financial institutions tax (FIT) on financial institutions, including all entities that are reported on the institution's federal regulatory FR Y-9 or call report. The bill clarifies that a "financial institution" includes all of the entities consolidated, rather than "included," in the institution's report. The bill further clarifies that, in the case of a small bank holding company that is not required to file a FR Y-9 under federal law, the financial institution includes all of the entities that would be included in statement FR Y-9 if the company were required to file one.

[159] H.B. 487 of the 129th General Assembly.

Repeal deduction for REIT investments

(R.C. 5726.04; repealed R.C. 5726.041)

The bill repeals an expired FIT deduction that was allowed for an institution's investment in a qualifying real estate investment trust. The deduction was available between 2014, the first year the FIT was levied, and 2017. It essentially allowed an institution that owned shares of a publicly traded REIT to phase in the value of that investment into the institution's tax base over those four years.

Sports gaming tax

Revenue distribution

(R.C. 5753.031; Section 803.40)

The bill modifies the formula for allocating sports gaming tax revenue. Under continuing law, almost all of the revenue from the tax is used to fund education. After deductions are made for administrative expenses, 98% of the tax revenue is allocated to the Sports Gaming Profits Education Fund, while the other 2% is allocated to prevent gambling addiction.

Currently, 50% of the Education Fund must be used to support K-12 athletics and other extracurricular activities, while the other 50% is used generally to support K-12 education. The bill limits the portion of revenue that must be used specifically for athletics and other extracurricular activities, at $15 million per fiscal year. If, in any fiscal year, the total amount allocated to the fund exceeds $30 million, each dollar over that amount can be used to support K-12 education generally.

Cigarette and tobacco and vapor product taxes

Refund on bad debts

(R.C. 5743.06 and 5743.53; Section 803.150)

The state levies excise taxes on the sale of cigarettes, other tobacco products (OTP), and vapor products containing nicotine. Cigarette taxes are generally paid by wholesalers, whereas, OTP and vapor products taxes are paid by distributors. The bill allows a wholesaler or distributor to obtain a refund of excise taxes remitted on certain bad debts arising from the sale of those products, less any discounts allowed, under continuing law, for affixing the tax stamp or prompt payment (referred to in this analysis as "qualifying bad debts"). The deduction applies only to the specific tax levied on the product that is the basis of the qualifying bad debt, and applies to both the state and, if applicable, local excise taxes.

The bill allows a wholesaler or distributor to apply to the Tax Commissioner for a refund of the cigarette, OTP, or vapor products taxes paid on qualifying bad debts. The application must include a copy of the original invoice and evidence of delivery of the product to the purchaser, that the purchaser did not pay, and that the wholesaler or distributor used reasonable collection practices to try to collect the debt. An application must also include evidence of the wholesale price or vapor volume, as applicable, at the time the product was subject to taxation and any other information the Commissioner requires.

A qualifying bad debt is any debt arising from the sale of cigarettes, OTP, or vapor products that satisfy each of the following criteria:

- The cigarette, OTP, or vapor products tax has been paid.
- The debt has become worthless or uncollectible.
- The debt has been uncollected for at least six months, but not more than three years from either the time the debt became uncollectible (in the case of cigarette taxes) or the time the tax was remitted (OTP and vapor products taxes).
- The wholesaler or distributor charges off the debt as uncollectable on its books on or after January 1, 2024.
- The wholesaler or distributor deducts, or would be allowed to deduct, the bad debt in calculating federal income tax liability.

A qualifying bad debt does not include interest or financing charges, collections costs, accounts receivable that have been sold or assigned to a third party, or repossessed property. No person other than a wholesaler or distributor that remitted the applicable tax and generated the bad debt may receive a bad debt refund. If any portion of a bad debt for which a wholesaler or distributor receives a refund is later paid, the wholesaler or distributor must pay the applicable tax on the amount of the debt recovered.

The Commissioner may adopt any rules necessary to administer these refunds. These rules are not subject to the requirements in continuing law governing agency review of rules to identify regulatory restrictions. In addition, the Commissioner is exempted from the provision of that law requiring the removal of two regulatory restrictions upon adoption of one regulatory restriction.

Continuing law authorizes a very similar deduction and refund for sales taxes paid on bad debt.[160] However, sales taxes are assessed against a consumer and remitted to the vendor, for payment to the state. In contrast, the wholesaler or distributor is generally liable for the cigarette, OTP, and vapor products tax even though each tax is generally passed down to retailers and consumers as a matter of practice.

Cigarette tax license renewal deadline

(R.C. 5743.15; Section 757.10)

The bill extends the deadline for renewing annual cigarette tax licenses. Under continuing law, a retailer, wholesaler, importer, or manufacturer of cigarettes is required to hold a license issued by TAX before selling or otherwise trafficking in cigarettes in Ohio. Such cigarettes are subject to state and county cigarette excise taxes. Under current law, each license expires on, and must be renewed by, the fourth Monday in May. The bill extends the renewal deadline to June 1.

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[160] R.C. 5739.121, not in the bill.

The bill applies the renewal extension to existing licenses, so those licenses will remain valid until June 1, 2024, rather than May 27, 2024.

Motor fuel taxes

Revenue for township garages

(R.C. 5735.27)

The bill authorizes townships to use state motor fuel tax revenue distributed to the township to purchase buildings suitable for housing road machinery and equipment. Under continuing law, townships are only authorized to use such revenue for planning, constructing, and maintaining such buildings. Counties are permitted under continuing law to use their portion of motor fuel tax revenue to purchase such buildings.

Fuel use tax personal liability

(R.C. 5728.16)

The bill imposes personal liability for the fuel use tax on individual owners, employees, officers, and trustees who are responsible for reporting and paying the tax on behalf of a business taxpayer. An individual's personal liability under the bill is not discharged by the dissolution, termination, or bankruptcy of the business. If more than one individual has personal liability under the bill for the unpaid taxes, all of those individuals will be joint and severally liable. Several other state taxes have similar personal liability imposed.[161]

Fuel use tax background

In addition to a motor fuel tax imposed on motor fuel dealers, the state imposes a motor vehicle fuel use tax on heavy trucks on the amount of motor fuel consumed in Ohio, but purchased outside Ohio. The rate of this tax is the same as for the dealer-imposed motor fuel tax. A refund or credit is allowed for the fuel use tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund.

Tax incentives

Low-income housing tax credit

(R.C. 175.16, 5725.36, 5726.58, 5729.19, and 5747.83 with conforming changes in R.C. 175.12, 5725.98, 5726.98, 5729.98, and 5747.98)

The bill authorizes a nonrefundable tax credit for the development of low-income rental housing that is awarded in conjunction with an existing federal low-income housing tax credit (LIHTC). The credit may be claimed against the insurance premiums, financial institutions, or income tax. The Director of the Ohio Housing Finance Agency (OHFA) reserves credit amounts

[161] E.g., R.C. 5735.40 (motor fuel tax), 5743.57 (tobacco and vapor products taxes), and 5747.07 (employer income tax withholding), not in the bill.

for federal LIHTC projects up to the amount necessary to ensure the project's financial feasibility. The total amount of state credits reserved by OHFA is limited to $500 million per fiscal year, though unreserved or recaptured amounts in one fiscal year may be carried forward and reserved in the next. Eligibility begins for projects placed in service on or after January 1, 2023, and OHFA is prohibited from reserving credits after December 31, 2028.

Federal LIHTC

The federal LIHTC is a federal income tax credit that offsets a portion of a developer's construction costs in exchange for reserving a certain number of rent-restricted units for lower-income households in a new or rehabilitated facility. In Ohio, the federal LIHTC is administered by the OHFA.

To receive a federal LIHTC, developers must apply to OHFA before undertaking a project. If the project preliminarily qualifies for credit, based on federal criteria and the state's allocation plan, OHFA may set aside (or "allocate") a credit. Receipt of the credit is contingent upon completion of the project and the project entering service, i.e., beginning to rent units, generally within two years of allocation.[162] In practice, developers typically sell the rights to claim federal LIHTCs upon receiving an allocation to secure up-front financing necessary to undertake the project.

Ohio LIHTC

Any project that is allocated a federal LIHTC may also qualify for the bill's Ohio LIHTC, as long as the project is located in Ohio and placed into service at any time on or after January 1, 2023.

Reserved credit

A developer does not need to separately apply for the Ohio LIHTC. Instead, OHFA may reserve a state credit for any qualified project when allocating a federal LIHTC. When reserving a state credit, OHFA must send written notice of reservation to each of the qualified project's owners, which must include the aggregate amount of the credit reserved for all years of the qualified project's ten-year credit period and state that the receipt of the credit is contingent upon issuance of an eligibility certificate after the project is placed into service.

The amount of credit reserved for any particular qualified project is determined by OHFA, but in no case may the reserved credit, combined with the allocated federal credit, exceed the amount necessary to ensure the financial feasibility of the project.

Awarded credit

After the project for which a credit is reserved is placed into service and OHFA approves the federal LIHTC, OHFA must issue an eligibility certificate to each project owner and send a copy to TAX and the Superintendent of Insurance (INS). The certificate must state the amount

[162] 26 U.S.C. 42.

of the credit that may be claimed for each year of the ten year credit period, which is the lesser of:

- The amount of the federal LIHTC that would be awarded for the first year of the federal credit period absent a first-year reduction required by federal law;
- $^{1}/_{10}$ of the reserved credit amount stated in the notice reserving the state LIHTC.

This provision effectively caps the amount of a state LIHTC at the amount of the corresponding federal credit.

Claiming the credit and reporting requirements

The bill allows the qualified project's owners, or the equity owners of a pass-through entity that is the project owner, to claim the state LIHTC. An owner is a person holding a fee simple or ground lease interest in the project. An advance credit may be claimed after the project is placed in service but before the Director issues an eligibility certificate so long as they reconcile any difference between the advance credit amount and the actual credit amount through an amended tax return or report.

The credit may be applied against more than one tax over more than one year, and the credit may be allocated amongst various owners and their equity owners by agreement. The total credits claimed in connection with the applicable year of the project's credit period must not, however, exceed the amount stated on the eligibility certificate. Even though the credit is nonrefundable, any unclaimed amounts may be carried forward for up to five years.

If a PTE project owner allocates a credit among its equity owners, it must list the amount of the credit allocated to each equity owner, and include that information with the project owner's tax return or report. The bill also requires each project owner that is awarded a state LIHTC to designate itself, or, if applicable, one of its equity owners as a "designated reporter." The designation must be made to the Tax Commissioner and Superintendent of Insurance in the time and manner each officer prescribes. Every calendar year, the designated reporter for each project awarded a credit must provide certain information to the Commissioner and Superintendent, again at the time and in the manner prescribed by the Commissioner, in consultation with the Superintendent. The report must identify the total credits allocated for that year among all equity owners and identify the amount allocated to each such equity owner.

The bill also requires the designated reporter to inform the Commissioner and Superintendent if any of the reported information changes. An equity owner may not claim a credit unless they appear on the designated reporter's annual, or updated, report. Information provided by a designated reporter is not a public record subject to disclosure under Ohio's public records law.

Recapture

Federal law allows for the recapture of federal LIHTCs. Under the bill, if any portion of the federal LIHTC allocated to a qualified project is recaptured, OHFA must recapture a proportionate amount of the state credit allocated to the same project. To effectuate this recapture, OHFA must request that TAX or INS, as applicable, issue an assessment to recover any previously claimed credit. Statutes of limitations that normally apply to the issuance of tax assessments, i.e., three or four years after the tax is due, do not apply to these assessments.

Rules

The bill requires the OHFA, in consultation with TAX and INS, to adopt rules necessary to administer the credit. The bill specifies that these rules are not subject to the requirements in continuing law governing agency review of rules to identify regulatory restrictions. In addition, with respect to those rules, OHFA is exempted from the provision of that law requiring the removal of two regulatory restrictions upon adoption of one regulatory restriction.

Film and theater credit cap

(R.C. 122.85)

The bill increases the total amount of film and theater tax credits that may be awarded each fiscal year, from $40 million to $75 million. Continuing law allows a refundable tax credit for companies that produce all or part of a motion picture or Broadway theatrical production in Ohio and incur at least $300,000 in Ohio-sourced production expenditures. The credit equals 30% of the company's Ohio-sourced expenditures for goods, services, and payroll involved in the production. A company can claim the credit against the CAT, FIT, or income tax.

Under continuing law, DEV awards credits in two rounds, with the first ending July 31 and the second ending January 31. Currently, DEV may only award up to $20 million in the first round, plus any unused credits from the previous year. The bill increases that limit to $37.5 million. For FY 2024, however, the first round limit remains $20 million because this provision will not have taken effect before the July 31 application deadline.

Historic building rehabilitation credit cap

(R.C. 149.311)

The bill extends a temporary increase in the amount of historic building rehabilitation tax credits that DEV may award to FY 2025. Continuing law generally limits the amount of rehabilitation tax credit certificates that may be awarded by DEV to $60 million per fiscal year, plus any unallocated credits from previous fiscal years. That cap was previously increased to $120 million for both FYs 2023 and 2024.[163] The bill extends this increase to FY 2025. The cap reverts to $60 million in FY 2026.

Continuing law authorizes a historic rehabilitation tax credit equal to a percentage, generally 25%, of the qualified expenditures incurred by the owner or, in some cases, lessee of a building of historical significance to rehabilitate the building in accordance with certain preservation criteria. Credits are awarded through a competitive application process administered by DEV, in consultation with the State Historic Preservation Officer. Credit recipients are issued a rehabilitation tax credit certificate, which may be used to claim a credit against the income tax, financial institutions tax, or insurance premiums taxes.

[163] S.B. 225 of the 134th General Assembly.

Job creation and retention credit recapture adjustments

(R.C. 122.17 and 122.171)

Under continuing law, when DEV discovers that a taxpayer that has received a job creation or job retention tax credit (JCTC or JRTC) is not in compliance with the agreement for the credit, DEV may report that noncompliance to the Tax Credit Authority (TCA). After giving the taxpayer an opportunity to explain the noncompliance, TCA may require the taxpayer repay a portion of the credit by certifying the repayment to TAX or INS. The bill authorizes TCA to adjust that repayment amount if circumstances change after this, but only once within 90 days after the certification. However, no adjustment is allowed if the taxpayer has already repaid the amount or if TAX's or INS's assessment has been certified to the Attorney General for collection.

Background

Under continuing law, the TCA is authorized to enter into JCTC and JRTC agreements with employers to foster job creation or retention and capital investment in the state. The amount of the credit equals an agreed-upon percentage of the amount by which the employer's "Ohio employee payroll" (i.e., the compensation paid by the employer and used in computing the employer's tax withholding obligations) exceeds the employer's "baseline payroll" (i.e., Ohio employee payroll for the 12 months preceding the tax credit agreement). The credits may be claimed against the CAT, FIT, petroleum activity tax, domestic or foreign insurance premiums taxes, or personal income tax. The JCTC is a refundable credit, while the JRTC is nonrefundable. To ensure compliance with the terms of the agreement, each employer must file an annual report with TCA in which it reports its number of employees and payroll, among other metrics.

Research and development tax credits

(R.C. 5726.56 and 5751.51)

Continuing law allows a nonrefundable tax credit against the FIT and CAT equal to 7% of the taxpayer's excess qualified research and development (R&D) expenses above the average of the taxpayer's R&D expenses in the three preceding years. Unclaimed credits may be carried forward for up to seven years. The bill changes the way certain taxpayers calculate and claim that credit, imposes recordkeeping requirements, and allows TAX more flexible audit authority.

Taxpayer groups

The bill modifies how a taxpayer comprised of more than one person – e.g., a pass-through entity with several owners – may calculate and claim R&D credits. Both the FIT and CAT require or allow such a "taxpayer group" to file and pay the tax as a single taxpayer.

The bill requires a taxpayer group to compute the R&D credit on a member-by-member basis, rather than across the entire taxpayer group. In other words, the group's total R&D credit equals the aggregate credit computed against each member's qualified R&D expenses. This computation and the R&D credit that may be claimed must be made on a form prescribed by TAX.

The bill also limits the members whose R&D expenses may be included in a group's aggregate credit amount by only allowing such members to include their portion of the credit if they are members of the group on December 31 of the year during which the R&D expenses are incurred. A similar membership requirement applies to the computation of any R&D credit carryforwards.

Recordkeeping requirements

The bill requires a taxpayer claiming an R&D credit to retain records substantiating the claim. The records must be kept for four years after the due date for the return on which the credit is claimed, or four years after it is actually filed, whichever is later. Records required to be retained include those relating to any R&D expenses used in calculating the credit and incurred in the year for which the credit was claimed and for the three preceding years.

Audits

In addition to TAX's general audit authority, the bill authorizes TAX to audit a representative sample of a taxpayer's R&D expenses to verify that the taxpayer has correctly computed its R&D credit. In undertaking this audit, the bill requires that TAX make a good faith effort to agree on a representative sample, but it does not preclude a representative sample audit absent such an agreement.

Exemption and exclusion for consumer-grade fireworks fees

(R.C. 5739.02(B)(65) and 5751.01(F)(2)(tt); Sections 803.50 and 803.190)

Continuing law imposes a 4% fee, collected by the State Fire Marshal, on the gross receipts from consumer-grade fireworks sales by licensed fireworks manufacturers, wholesalers, and retailers. The manufacturer, wholesaler, or retailer may separately or proportionately bill the fee to another person, including the consumer.[164]

The bill exempts the consumer-grade fireworks fees from sales and use tax, beginning October 1, 2023, so long as they are separately stated on the invoice, bill of sale, or similar document the vendor gives the consumer in the retail sale. The bill also authorizes a business to exclude from its taxable gross CAT receipts collections of any separately stated fireworks fees, beginning for CAT tax periods ending after the bill's 90-day effective date.

Deduction and exclusion for East Palestine derailment payments

(R.C. 5747.01(A)(39) and 5751.01(F)(2)(ss); Section 803.160)

The bill also authorizes an income tax deduction and a more limited CAT exclusion for certain payments received by a taxpayer and related to the train derailment near East Palestine that occurred on February 3, 2023. The deduction and exclusion applies to taxable years or tax periods beginning on or after January 1, 2023.

[164] R.C. 3743.22, not in the bill.

Income tax deduction

Under federal income tax law, a taxpayer may deduct payments received to reimburse or compensate the taxpayer for costs incurred for certain declared disasters.[165] The bill authorizes a state income tax deduction for any such payments resulting from that derailment that would be deductible under federal law if the derailment was a declared disaster that triggered the federal deduction. The payments must be made by a federal, state, or local government agency, Norfolk Southern railway, or any subsidiary, insurer, related person, or agent of Norfolk Southern railway ("eligible payers"). The bill additionally authorizes the taxpayer to deduct any payments received from an eligible payer to compensate for business losses.

CAT exclusion

The bill authorizes a CAT exclusion for gross receipts received by a taxpayer from an eligible payer as compensation for business losses resulting from that derailment.

Property tax

Replacement property tax levies

(R.C. 5705.192 and 1545.21)

The bill eliminates the authority of political subdivisions to levy replacement property tax levies, beginning with elections held on or after January 1, 2025.

Under current law, a subdivision may propose a replacement levy to extend the term of an existing levy. A replacement levy is imposed at the same original millage rate of the levy it is replacing. By contrast, subdivisions may also propose renewal levies, which extend the term of an existing levy at its current effective millage rate − i.e., its rate after reductions resulting from the H.B. 920 tax reduction factors. The tax reduction factors have the effect of lowering a levy's effective millage over time, since they are designed to prevent a subdivision's tax revenue from growing at the same rate as property values. Consequently, unlike a renewal levy, a replacement levy allows subdivisions to receive the benefit of any growth in property tax values that occurred during the life of the existing levy.

Park district renewal levies

(R.C. 1545.21)

The bill authorizes park districts to propose renewal levies, which extend the term of an existing levy at its current effective millage rate unless coupled with an increase or decrease. Under current law, a park district's voted property tax may only be extended through a replacement procedure unique to park districts; a procedure that the bill discontinues starting in 2025 (see "**Replacement property tax levies**," above). Unlike the discontinued replacement levies, a renewal levy authorized by the bill may only be proposed in the last year

[165] 26 U.S.C. 139.

of the levy it is renewing or the following year. Most other types of voted property taxes may be renewed, increased, or decreased under continuing law in a similar manner.

Index homestead exemption to inflation

(R.C. 323.152 and 4503.065; Section 803.90)

The bill indexes the amount of the property tax homestead exemption for a homeowner who is elderly or disabled, a disabled veteran, or the surviving spouse of a public service officer killed in the line of duty so that the exemption amounts – and therefore the tax savings – increase according to increases in the prices of all goods and services composing the national gross domestic product (GDP).

Continuing law provides a property tax credit for the residence, or "homestead," of certain qualifying individuals. Under current law, this "homestead exemption" equals the taxes that would be charged on up to $25,000 of the true value of a home owned by a person who (a) is 65 years of age or older, permanently and totally disabled, or at least 59 years old and the surviving spouse of an individual who previously received the exemption, and (b) has an Ohio modified adjusted gross income of $36,100 or less, as computed for state income tax purposes (including all business income and excluding Social Security and disability benefits). Under continuing law, this income limit is increased each year to adjust for inflation. Homeowners who received this homestead exemption before 2014 are not subject to the income limit. The credit essentially exempts $25,000 of the value of a homestead from taxation.

Also under current law, special "enhanced" exemptions of $50,000 are available for homes of military veterans who are totally disabled and their surviving spouses and for surviving spouses of peace officers, firefighters, or other emergency responders who die in the line of duty or by an injury or illness sustained in the line of duty. No income limit applies to either enhanced exemption.

The bill requires the amount of each homestead exemption to be adjusted for inflation each year. The adjustments are made in the same manner as inflationary adjustments are made to the income limit for the $25,000 homestead exemption: by multiplying the current year's exemption amount by the percentage increase in the GDP deflator over the preceding year and adding that result to the current exemption amount. An adjustment would not be made for any year the GDP deflator does not increase.

The Tax Commissioner must compute the adjustments and certify the resulting amounts to each county auditor by December 1 to be applied the following tax year, or, in the case of the manufactured home tax, the second ensuing tax year. The difference in application is accounted for by the fact that the manufactured home tax is payable on a current-year basis, whereas property tax is payable in arrears. Because of this, the bill's adjustment and certification requirements begin to apply in tax year 2023 or, for the manufactured home tax, 2024.

Valuation of subsidized residential rental housing

(R.C. 5713.03, 5713.031, and 5715.01)

The bill requires the Tax Commissioner to adopt rules prescribing a uniform tax valuation method for federally subsidized residential rental property, which is any property subsidized by the following programs, listed according to their most commonly used name and the section of federal law they are authorized under:

- Section 42, federal low-income housing tax credit (LIHTC);
- Section 202, Supportive Housing for the Elderly;
- Section 811, Supportive Housing for Persons with Disabilities;
- Section 8, Housing Choice Voucher Program;
- Section 515, Rural Rental Housing Loans;
- Section 538, Guaranteed Rural Rental Housing Program; and
- Section 521, USDA Rural Rental Assistance Program.

Generally, under continuing law and practice, real property is appraised for tax purposes by a county auditor by using one of three methods – the income method (i.e., capitalizing the income generated by the property), cost method (i.e., the cost of constructing or improving the property), or comparable sales method (i.e., a comparison of the neighborhood sales prices of comparable properties).[166] All three methods are employed to value real property at its true, or fair market value, which is the uniform standard that all real property, except certain agricultural property, must be valued at, as required by the Ohio Constitution.[167] In the context of federally subsidized rental housing, courts have generally held that using the income approach is superior to the other two approaches when determining the property's fair market value. These cases generally result in subject property's fair market value being determined on the basis of its market rent, rather than any subsidized contract rent.[168] Courts and continuing law additionally require any valuation to take into account the effect of limitations on the property's value due to involuntary, governmental actions, such as the rent restrictions federal subsidies may impose.[169]

Under current, recently enacted law, county auditors are explicitly authorized to use any of the three methods in valuing LIHTC property. The bill repeals this authorization and instead requires the Tax Commissioner to adopt rules prescribing a formula for the uniform valuation of

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[166] O.A.C. 5703-25-05 and 5703-25-07.

[167] Ohio Constitution, Article XII, Section 2.

[168] See, e.g., *Alliance Towers v. Stark Cty. Bd. of Revision*, 37 Ohio St.3d 16, 23 (1988).

[169] R.C. 5713.03; *Woda Ivy Glen L.P. v. Fayette Cty. Bd. of Revision*, 121 Ohio St.3d 175, 2009-Ohio-762, ¶¶ 17, 23-24.

all federally subsidized residential rental property, including LIHTC property. The formula must take into account the operating income and expenses of the property, as reported by the owner, and a uniform capitalization rate.

The formula must consider up to three years of operating income, which includes gross potential rent, forgiveness of or allowance received for vacancy or unpaid rent losses, and any income derived from other sources. Certain income and expense amounts are presumed as a percentage of gross potential rent including the allowance for vacancy losses (4%) and unpaid rent losses (3%) for income and repair or replacement reserve fund or account contributions (5%) for expenses. Expenses as a whole are presumed to be 48% of total operating income, plus utility expenses as reported by the owner. These presumptions may be exceeded based on any evidence of the actual income or expenses reported by the property owner. Operating expenses do not include property taxes, depreciation, and amortization expenses. Finally, the capitalization rate must be uniform and market-appropriate and include a tax additur accounting for the property tax rate applicable to a particular property's location. For LIHTC property, the capitalization rate must be 1% lower than the uniform rate applied to all other subsidized properties. Though the bill prescribes the factors that must be included in the formula, the bill delegates the task of prescribing the formula to the Tax Commissioner.

The rules must also set a minimum total value for subsidized residential rental property of 150% of the value of the unimproved land upon which it is situated or $5,000 per dwelling unit, whichever is greater.

The formula is only utilized so long as the property remains subject to the conditions and restrictions imposed by the federal program that subsidizes it and the owner makes the required reports (see "**Information sharing**," below). If it is no longer subject to federal restrictions, then the property is valued as other real property, presumably employing the income, cost, or comparable sales method.

Information sharing

The bill requires the owner of subsidized residential rental property to report to the county auditor of the county in which the property is located the property's operating income and expenses a prospective buyer might consider in purchasing the property. The report must include all of the information necessary to value the property via the formula described above, such as gross potential rent, allowances for losses due to vacancy or unpaid rent, any other income, expenses such as those related to staffing, utilities, repairs, supplies, audits, legal and contract services, and any contributions to a replacement reserve fund. This information must be audited by an independent public accountant or auditor or another certified public accountant before it is submitted to the auditor. If such an audit was not completed by the filing deadline, the owner must file updated records within 30 days after an audit is done.

A property owner must file this information before the subject property is placed in service, after commencing operations, and each following reappraisal or update year, i.e., every three years, on or before March 1. If an owner fails to timely file the information, the county auditor is not required to utilize the formula described above to value the property. The information submitted must cover up to three previous years. Any submitted information is not a public record. As with the formula, this submission is no longer required after the property is no longer subject to any federally imposed conditions and restrictions.

Residential development land exemption

(R.C. 5709.56)

The bill authorizes a partial property tax exemption for unimproved land that has been subdivided for residential development. The value exempted is the value in excess of the fair market value of the property from which that land was subdivided, apportioned according to the relative value of each subdivided parcel (see "**Exempted portion**," below). Specifically, the exemption applies to any unimproved parcel subdivided pursuant to a plat and on which construction of residential buildings, e.g., single- or multi-family dwellings, is planned but has not started. The exemption does not apply to land included in a tax increment financing (TIF) arrangement.

The exemption applies beginning with the tax year in which the subdivided parcel first appears on the tax list, but no sooner than the tax year that includes the bill's 90-day effective ate. The exemption may be claimed for up to eight years, or until either the land is sold to another person or construction begins on a residential building. The exemption ceases to apply to the tax year following the year in which either event occurs. Construction of streets, sidewalks, curbs, or driveways or the installation of water, sewer, or other utility lines does not trigger the end of the exemption. Transferring the parcel to another person without consideration does not terminate the exemption.

The exemption is only available to the owner or owners of the land at the time it was subdivided, unless transfer to another without consideration as mentioned above. As with other property tax exemptions, a parcel's owner is required to apply annually to the Tax Commissioner for the exemption. As part of an exemption application, the owner must expressly certify that the parcel qualifies as preresidential development property.

Exempted portion

Under continuing law, real property is valued according to its "fair market value," which, generally, is the unconditioned price the property would sell for in an arm's length sale, or the price for which it has in fact been sold recently in such a sale. However, certain agricultural land may alternatively be valued according to the land's current agricultural use value (CAUV), which is the estimated value of the land based on its income-producing potential as farmland. County auditors must appraise the fair market value of CAUV land even though the land is taxed according to its CAUV.

Regardless of whether the original property was valued according to its fair market value or CAUV, the bill attributes a base, taxable value to each parcel resulting from the subdivision since a subdivided parcel would not have had its own individual assessed value before it was subdivided. This base value equals the original property's fair market value, and not its CAUV, apportioned to each subdivided parcel according to the parcel's appraised value once the subdivision occurs in proportion to the total of the appraised values of all parcels resulting from the subdivision.

The bill accounts also for how the exemption applies if a residential development parcel that resulted from a prior subdivision is itself further subdivided. In such a case, the exemption continues to apply to the new parcels resulting from the later subdivision, with each of the new parcels having an unexempted value that is a proportion of the unexempted value of the larger parcel from which it was most recently subdivided; the proportion is based on each new parcel's appraised value relative to the total appraised value of all the new parcels.

The bill specifies that the partial exemption does not create a new method for valuing property for tax purposes and reaffirms that fair market value and CAUV are the only two authorized valuation methods.

Brownfield property tax abatement

(Section 757.40)

The bill authorizes the owner of property currently subject to a ten-year property tax exemption for remediated brownfield development land to apply for an abatement or refund of taxes assessed on the property in tax years 2020 and 2021 that would not have been assessed had the property been subject to that exemption for those years. The property only qualifies if the owner was issued a covenant not to sue by the Ohio EPA in 2020 based on the owner's remediation activities and if the owner applies for the abatement within one year after the bill's 90-day effective date.

Under continuing law, the brownfield remediation exemption starts to apply not in the tax year that the covenant not to sue is issued, but the year in which the Ohio EPA certifies the covenant to TAX.[170] Thus, the bill applies to a situation where the covenant not to sue was issued two years before it was certified to TAX.

If the abatement is obtained, the bill shortens the exemption's duration by two years to account for the two years of abatement.

Tax increment financing

(R.C. 5709.40 and 5709.73)

TIF background

Continuing law allows municipalities, townships, and counties to create a tax increment financing (TIF) arrangement to finance public infrastructure improvements. Through a TIF, the subdivision grants a property tax exemption for the increase in the assessed value of designated parcels that are part of a development project. The exemption may apply to specific parcels or to entire areas, known as "incentive districts." The owners of the parcels make payments in lieu of taxes to the subdivision equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements ("service payments"). TIFs thereby create a flow of revenue back to the subdivision, which generally uses those service payments to pay the public infrastructure costs necessitated by the development project.

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[170] R.C. 5709.87(B) and (C), not in the bill.

Removal of nonperforming parcels

The bill authorizes a township or municipality to remove a parcel from an existing municipal or township TIF, either individually or as part of an incentive district, and add the parcel to a new incentive district TIF, if the parcel's owner is required to make service payments under the existing TIF, but has not yet done so. Once added to the new TIF, the parcel is excluded from its former TIF and the owner is no longer required to make service payments under that former TIF.

Extension of certain municipal TIFs

The bill also allows a municipality that created an incentive district TIF before 2006 to extend that TIF for up to 15 years, provided that certain conditions are met. In general, under continuing law, a subdivision can authorize a TIF for up to 30 years with school board approval or up to ten years without school board approval.

To be eligible for the extension, the municipality must (a) obtain the approval of the school board of each district in which the TIF is located and (b) notify each county in which the TIF is located. Unlike continuing law generally, if a school board fails to either approve or deny the TIF within the time allocated, the municipality cannot create the TIF. However, similar to continuing law, if the resolution creating the TIF provides for compensation to be paid to a school district, or if a school district has adopted a resolution waiving its right to approve TIFs, the school board's approval is not required.

If the TIF is extended, the percentage of improvements exempted cannot exceed the percentage originally authorized. For example, if 80% of the value of improvements were exempted under the original TIF, the extended TIF cannot allow an exemption of more than 80%.

Property tax foreclosure notice publication

(R.C. 323.25, 323.69, 5721.14, and 5721.18)

The bill modifies publication procedures for notices of impending tax foreclosure actions. Specifically, the bill allows a tax foreclosure notice to be published online if the notice is first published in a newspaper of general circulation in the county where the property is located. If online notice is used, the notice must begin to appear one week after the initial newspaper publication and continue to appear until one year after the foreclosure proceeding results in a judgment and finding against the property. The county clerk of courts decides which website of the county or court the online notice will appear. Online publication is considered "served" and a foreclosure proceeding action may thus continue two weeks after the clerk first posts the notice.

Under current law, publication of the notice must be made three times in a newspaper. Publishing the notice of a foreclosure action, along with other steps taken during the tax foreclosure process, such as title searching and notification by mail or in person, is meant to fulfill the state's obligation under the Due Process Clause to provide notice to property owners and lienholders of an impending action that may result in the property being taken and sold.

The bill also specifies that if a property tax foreclosure notice is not published online, then all publications of the notice beyond the first may be made in an abbreviated form in a newspaper pursuant to continuing law's abbreviated newspaper publication procedures for government notices.

Qualified energy project tax exemptions

(R.C. 5727.75)

The bill makes several changes to a real and tangible personal property tax exemption authorized for certain renewable energy projects. In particular, the bill extends the sunset date of those exemptions and adjusts the requirements an exempt project must meet to qualify and maintain an exemption. In general, a project seeking exemption must (1) apply to DEV to be certified as a qualifying project, (2) in some cases obtain the approval of a county in which the project will be located, (3) comply with certain deadlines and construction, safety, education, and labor requirements, and (4) make payments in lieu of taxes (PILOTs) to be distributed in the same manner as property taxes.

Extend sunset date

Under current law, these exemptions for qualifying projects that are in their construction or installation phases are generally scheduled to sunset after 2025. The bill extends the sunset date the later of after 2032 or the year the U.S. Treasury Secretary determines there has been, from 2022, a 75% or greater reduction in annual greenhouse gas emissions from electricity production in the United States. This is the same deadline as when a federal income tax credit for clean electricity production begins to phase out.[171] In line with that extension, the bill extends other deadlines projects must satisfy to obtain the exemption.

Under current law, if a renewable energy project is placed in service by December 31, 2025, the property tax exemption may continue in perpetuity, as long as the project continues to comply with certain certification requirements. The bill extends the placed-in-service deadline to the last day of the new sunset year.

Certification of qualified energy projects

The bill changes requirements that a solar energy project must comply with to obtain and retain a tax exemption. Under current law, to be certified as a qualified energy project, a project must maintain a ratio of Ohio-domiciled full-time equivalent (FTE) employees employed in the project's construction or installation to the total number of FTE employees employed in the construction or installation of at least 80% for a solar project and 50% for other projects.

The bill reduces the ratio to 70% for solar projects but retains the 50% minimum for other renewable energy projects. It also requires all renewable energy projects with greater than 20 megawatts of generating capacity applying for certification after the bill's 90-day effective date to compensate project employees at local prevailing wage rates and ensure that

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[171] 26 U.S.C. 45Y.

15% of total project labor is performed by apprentices. (Similar requirements apply to renewable energy projects seeking to qualify for the federal renewable electricity production income tax credit.[172]) If a solar project for which certification was sought before the bill's effective date agrees to be bound by the same prevailing wage and apprenticeship requirements as new projects, it may take advantage of the reduced Ohio-domiciled employee ratio.

The bill expands, for all renewable energy projects, who may qualify as an Ohio-domiciled employee for the purpose of meeting this threshold. Under current law, an employee must actually be domiciled in Ohio, i.e., lives in their primary residence in Ohio, in order for their work project hours to count. The bill also allows hours worked by a project employee who lives within 50 miles of Ohio and who is a member of a trade union that has members in Ohio to qualify as Ohio-domiciled employee hours.

The bill also limits, for all renewable energy projects, how the number of FTE employees on a project is calculated. Under continuing law, the number of project FTE employees is calculated by dividing the total number of compensated work hours at the project during the year, divided by 2,080 hours. The bill specifies that only hours worked by employees devoted to site preparation and protection, construction and installation, and material unloading and distribution count as project work hours. Hours worked by management and purely logistical positions are not counted.

Electric company TPP devaluation limits

(R.C. 5727.47(A) and (G); Section 803.130)

The bill limits the extent to which an electric company can seek to reduce the taxable value of its tangible personal property (TPP) each year.

Under continuing law, a utility company's tangible personal property (TPP), such as equipment and machinery, is subject to property tax. TPP is taxed similarly to real property, in that the property is assigned a value and that value is multiplied by the same local tax rates that apply to real property. In general, the true value of TPP is its cost, less annual depreciation allowances. That value is multiplied by an assessment rate to arrive at the TPP's taxable value.

Continuing law allows a public utility to request a reduction in its TPP's taxable value. The bill, however, limits this option for electric companies. Under the bill, an electric company cannot request, and the Tax Commissioner cannot approve, a reduction in the taxable value of the company's TPP of more than 7.5% compared to the preceding year. This limit begins to apply in tax year 2024.

[172] 26 U.S.C. 45.

Joint committee on property tax review and reform

(Section 757.60)

The bill creates the Joint Committee on Property Tax Review and Reform, comprised of five Senators (three of the majority party appointed by the Senate President; two of the minority party appointed by the Senate Minority Leader) and five Representatives (three of the majority party appointed by the Speaker; two of the minority party appointed by the House Minority Leader). The Committee, co-chaired by a House and Senate majority party member, is required to review the history and purpose of Ohio's property tax law, including levies, exemptions, and local subdivision budgeting. The Committee may also hold hearings on pending legislation related to property taxation.

The bill requires the Committee to submit a report to the General Assembly making recommendations on reforms to property tax law by December 31, 2024, and afterwards terminates the Committee.

Tax administration

Delivery of tax notices

(R.C. 5703.056 and 5703.37; conforming changes in numerous other R.C. sections)

The bill expands the means by which TAX may send tax notices. For any tax notice currently required to be sent by certified mail, the bill allows TAX to alternatively send the notice by ordinary mail or electronically, including by email or text message. Under continuing law, electronic delivery is only allowed if the taxpayer gives consent.

In addition, the bill specifies that electronic notices can be sent to a taxpayer's authorized representative, and requires TAX to establish a system to issue notifications of tax assessments to taxpayers through secure electronic means. Under continuing law, if an electronic notice is not accessed after two attempts, TAX must send it by ordinary mail.

The bill also eliminates certain recordkeeping requirements that a delivery service must meet before it can be used by TAX to deliver tax notices. Specifically, it eliminates the requirement that the delivery service record the date on which the document was sent and delivered.

Electronic conveyance forms

(R.C. 319.20)

Under continuing law, whenever real property or a manufactured or mobile home is transferred, the grantee is required to file a statement with the county auditor attesting to the property's value and acknowledging that certain information related to the property's eligibility for the homestead exemption or current agricultural use valuation (CAUV) status has been considered as part of the transfer. The statement must be accompanied by any required property transfer tax.

Continuing law requires the grantee to file three copies of this statement, but the bill alternatively allows a grantee to submit a single copy of the statement electronically.

Corporation franchise tax amended filings

(R.C. 5733.031; Section 757.30)

The bill eliminates a requirement that taxpayers file amended corporation franchise tax (CFT) reports. The CFT was fully repealed in 2013, but if an adjustment to a corporation's federal tax return alters the corporation's previous CFT tax liability, the corporation must still file an amended CFT report. Under the bill, corporations are no longer required to file amended reports after December 31, 2023. Similarly, no corporation may request a refund after that date.

Disclosure of confidential tax information

(R.C. 5703.21 with conforming changes in R.C. 1346.03, 1509.11, 4301.441, and 5749.17)

The bill streamlines the authority of TAX to share confidential tax information with state agencies. Under continuing law, unless an exception applies, tax return information is confidential and cannot be disclosed by an employee of TAX or any other individual. Currently, the law lists several exceptions authorizing the disclosure of information to specific state agencies. The bill replaces much of this list, which involves specific state agencies, with a general authorization for TAX to share information with any state or federal agency when disclosure is necessary to ensure compliance with state law. The receiving agency is prohibited from disclosing any of this shared information, except as otherwise authorized by state or federal law.

Tax-favored home purchasing savings account research

(Section 701.10)

The bill directs the Tax Commissioner and Treasurer of State, or their designees, to jointly study and design a tax-favored savings account for home purchases and improvements.

Local Government and Public Library Funds

Permanent increase

(R.C. 131.51; Section 387.20)

The bill permanently increases, beginning in FY 2024, the percentage of state tax revenue that the Local Government Fund (LGF) and Public Library Fund (PLF) each receive per month, to 1.7%.

Under current law, the LGF and PLF are each allocated 1.66% of the total tax revenue credited to the GRF each month. This percentage has been set in permanent law since FY 2014, following a series of decreases in allocations to both funds. Over the past decade, however, the actual percentage of tax revenue allocated to the LGF and PLF has fluctuated slightly. The General Assembly has repeatedly authorized "temporary" increases to the PLF allocation, ranging from 1.68% to 1.70%. The PLF allocation for FYs 2022 and 2023 currently stands at

1.70%. The LGF allocation was temporarily increased once, to 1.68% for FYs 2020 and 2021, but the current allocation stands at 1.66%.[173]

Under continuing law, most of the money in the LGF and PLF is distributed monthly to each county's undivided local government or public library fund, largely based upon that county's historical share. Each county distributes its share among local governments or libraries, respectively, according to a locally approved formula or, in a few counties, a statutory need-based formula. A smaller portion of the LGF is paid directly to townships, smaller villages, and municipalities.

Minimum county distributions

(R.C. 5747.501; Sections 803.170 and 812.20)

The bill also increases the minimum amount distributed from the LGF to counties, beginning in FY 2024.

Under continuing law, LGF funds are distributed to each county in the state. In FY 2013, LGF distributions were reduced by 50% compared to previous levels. At the time, the proportionate share of the reduced LGF received by each county was held at FY 2013 levels, which included a minimum distribution for certain counties: if a county's LGF was less than $750,000, that county's distribution was not reduced; if the 50% reduction reduced a county's LGF below $750,000, the county received $750,000.

The bill increases the minimum LGF threshold for all counties to $850,000. Based on calendar year 2022 LGF data, the change appears to affect six counties who in that year received less than $850,000: Harrison, Monroe, Morgan, Noble, Paulding, and Vinton counties. Under continuing law, as necessary, the proportionate shares of other counties may be adjusted to produce the funds needed to meet the minimum distribution requirement.

Alternative method to apportion county undivided funds

(R.C. 5747.53)

Under continuing law, a portion of the funds in the state's LGF are deposited in each county's undivided local government fund (CULGF) each year. Those funds are then distributed to the county and townships, municipalities, and park districts in the county according to a statutory formula or by an alternative method of apportionment provided for by the county budget commission.[174]

A budget commission may adopt alternative methods of apportioning CULGF funds through one of two methods. The first, sometimes referred to as the "standard procedure," requires approval of the county commissioners, the city with the largest population residing in

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[173] Section 387.20 of H.B. 110 of the 134th General Assembly, Section 387.20 of H.B. 166 of the 133rd General Assembly, Section 387.20 of H.B. 49 of the 132nd General Assembly, and Section 375.10 of H.B. 64 of the 131st General Assembly.

[174] R.C. 5747.51 and 5747.52, not in the bill.

the county, and a majority of the county's other municipal corporations and townships. Under continuing law, an alternative method of apportionment adopted under this method continues until it is revised, amended, or repealed. The bill requires the county budget commission to review such an alternative method at a public hearing held at least once in the year following the bill's 90-day effective date and once in every fifth year thereafter. The budget commission is required to give notice of this hearing to political subdivisions eligible to receive CULGF funding and allow their representatives to testify on the alternative apportionment method. The bill does not, however, require any changes based on the review.

A second method for the approval of an alternative method of apportionment, unchanged by the bill, allows approval of an alternative apportionment method without consent from a county's largest city if that city and the other political subdivisions meet certain requirements. Such a method is only effective for one year.