

Legislative Updates Changes from HB 64: The Ohio Biennium Budget

Tim Lynch, Legislative Liaison

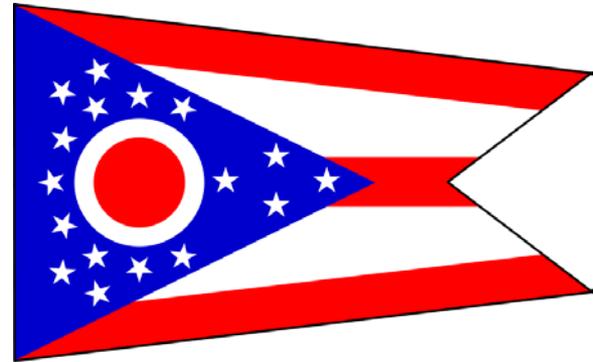
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Department of
Taxation

Outline of H.B. 64 Tax Changes

- Personal Income Tax
- Sales and Use Tax
- Commercial Activity Tax
- Cigarette Excise Tax
- Property Tax
- Miscellaneous provisions



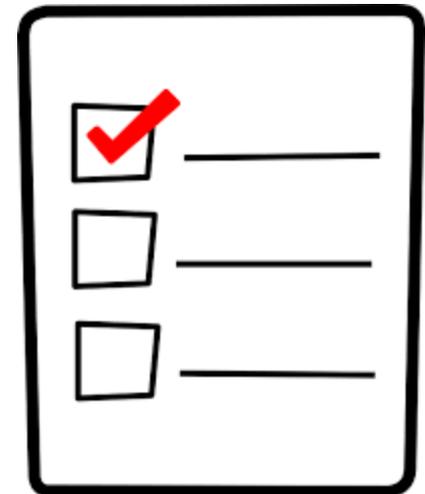
Overview of Changes to Personal Income Tax

- Revision to the Small Business Deduction
- Income rate reduction
- Means test for retirement income and senior citizen credits
- Wishes for Sick-Children check-off



Revisions to Small Business Deduction

- Deduct 75% of business income up to \$250,000 in FY 15 and 100% in FY 16 (up to \$125,000 for taxpayers filing separately)
- 3% flat tax on remaining business income after the SBD



Income Rate Reduction

- Reduces income tax rates permanently for all income brackets by 6.3% for FY15 and thereafter
- The top marginal rate for Ohio Personal Income Taxes will now be 4.997%



Means Test for Retirement Income Tax and Senior Citizen Credits

- Applies means test to the retirement income credit, the lump-sum distribution credit, and the senior citizen credit
- For taxable years beginning in 2015 and thereafter, only taxpayers with income less than \$100,000 would be eligible for the credits

Wishes for Sick Children check-off

- Creates an income tax refund contribution check-off to fund a program administered by a nonprofit corporation that grants the wishes of individuals who are :
 - under the age of 18
 - residents of the state
 - have been diagnosed with a life-threatening medical condition



Overview of Changes to Sales and Use Tax

- Tourism Development Districts
- Sales and Use Tax exemption for meat sanitation services
- Sales Tax exemption for rental vehicles provided by warrantor



Tourism Development Districts

- Authorizes a municipal corporation and townships in a county with a population of 375,000-400,000 that levies no more than a .05% county sales tax to designate a special district of not more than 200 contiguous acres as a tourism development district
- Authorizes the subdivision to levy up to a 2% tax on gross receipts on businesses within the district

Sales Tax exemption for meat sanitation services

- Exempts from sales and use taxes on janitorial/sanitation services a meat slaughtering or processing operation necessary for the operation to comply with federal meat safety regulations beginning October 1, 2015

Sales tax exemption for rental vehicles provided by warrantor

- Exemption on any transaction by which a rental vehicle is provided to someone whose motor vehicle is undergoing repair or maintenance if the cost for the rental vehicle is reimbursed by the manufacturer, warrantor, or other provider of a maintenance or service contract, with respect to the vehicle being repaired



Changes to the Commercial Activity Tax

- Excludes, for purposes of calculating the base of the commercial activity tax (CAT), certain taxable gross receipts of a manufacturer, supplier, or distributor of beauty, health, personal care, or aromatic products, provided the vendor is part of an integrated supply chain and has a business location in Ohio, provided the receipts are from sales of such products to another such vendor in that supply chain, provided both vendors are on the same parcel or collection of parcels, and those parcels are located in a county with a population between 150,000 and 200,000 according to the most recent federal decennial

Overview of Cigarette Tax changes

- Increase in the cigarette excise tax rate
- Cigarette stamps purchased on credit
- Cigarette and other tobacco tax enforcement; quarterly report



Increase in the cigarette excise tax rate

- Increases the current rate of \$1.25 per pack to \$1.60 per pack effective July 1, 2015



Cigarette tax stamps purchased on credit

- Lengthens the period of time during which wholesale dealers may buy cigarette excise stamps on credit from July 1-May 1 to July 1-June 23 of each fiscal year
- Extends the due date for paying for stamps purchased on credit to June 23

Cigarette and other tobacco tax enforcement



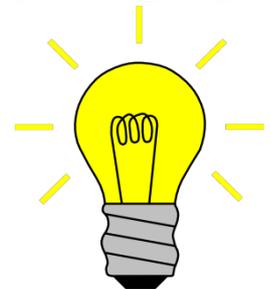
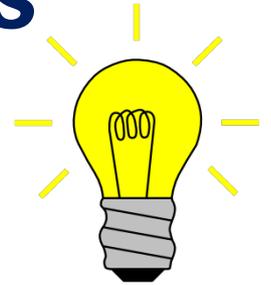
- Requires the Tax Commissioner to prepare a quarterly report that details
 1. The number of tobacco tax-related inspections and investigations conducted during the preceding three months
 2. The number of tobacco tax-related violations found during those months
 3. The number of prosecutions brought during those months in relation to tobacco tax-related violations
 4. The number of agents designated to enforce tobacco-tax related violations in those months

Changes to the Financial Institutions and Corporate Franchise Tax

- FIT exemption for PCAs and ACAs
 - Subjects production credit associations ("PCAs") and agricultural credit associations ("ACAs") to the commercial activity tax, instead of the financial institutions tax (FIT).

Changes to Kilowatt-hour and Natural Gas Consumption Taxes

- Tax liability of company that donates electricity to political subdivisions
 - Clarifies that a company that generates electricity but donates all of that electricity to a political subdivision is not subject to the kilowatt-hour tax or public utility tangible personal property tax
 - Specifies that a political subdivision that receives donated electricity may not be considered an "end user" subject to the kilowatt-hour tax



Overview of Property Tax

- Maximum term of property tax levies for cemeteries
- Property tax exemption for fraternal organizations
- Extension of township TIF exemptions
- CAUV for farmland storing dredged material
- Qualified energy project tax exemption

Maximum term of property tax levies for cemeteries

- Lengthens the maximum term, to any specified number of years, for which a subdivision may levy a property tax for the purpose of operating a cemetery
- Previously the maximum period had been five years

Property tax exemption for fraternal organizations

- Extends the property tax exemption for real estate held or occupied by a fraternal organization to property that is used to provide on a not-for profit basis, educational or health services

Extension of township TIF exemptions

- Authorizes the board of trustees of a township with a population of 15,000 or more to amend a TIF resolution adopted before December 31, 1994, to extend the exemption of the parcel or parcels included in the TIF for up to an additional 15 years

CAUV for farmland storing dredged material

- Allows unproductive farmland to continue to be valued for property tax purposes according to its current agricultural use value (CAUV) for up to five years if the land is being used to store or deposit materials dredged from Ohio's waters



Qualified Energy Project tax exemption

- Extends by five years the deadlines by which the owner or lessee of a qualified energy project must submit a property tax exemption application, submit a construction commencement application, begin construction, and place into service an energy facility using renewable energy resources (wind, solar, biomass, etc.) to qualify for an ongoing real and tangible personal property tax exemption

Other provisions

- Job Creation Tax Credit (JCTC) Changes
- New Markets Tax Credit modifications
- Petroleum Activity Tax (PAT): Propane
- PAT: Blend stocks
- Historic Rehabilitation tax credits for C-corps

JCTC Changes

- Revises the computation of Job Creation Tax Credits (JCTCs) so that the amount of the credit equals an agreed-upon percentage of the taxpayer's Ohio employee payroll (taxable income paid to Ohio residents) minus baseline payroll (taxable income paid to Ohio residents during the 12 months preceding the agreement). For Job Retention Tax Credits (JRTCs), the amount of the credit would equal an agreed-upon percentage of the taxpayer's Ohio employee payroll

New Markets Tax Credit changes

- Authorizes the Ohio New Markets Tax Credit to be claimed against the retaliatory tax levied on foreign insurance companies based in other states or nations that charge a higher foreign insurance company premiums tax rate than Ohio
- Bases the calculation of an Ohio New Markets Tax Credit on the full amount paid for a qualified equity investment approved as eligible for the credit by the Director of Development Services, but generally requires those investments to be made in low-income businesses in Ohio
- Authorizes an Ohio New Markets Tax Credit awarded to a pass-through entity to be allocated to the owners or that entity

PAT: Propane

- Changes the base upon which the petroleum activity tax is imposed in the case of liquid petroleum gas (a.k.a., propane or LPG) by using the average market price of propane, instead of diesel, to calculate a taxpayer's gross receipts

PAT: Blend stocks

- Allows a motor fuel supplier to exclude from the supplier's "calculated gross receipts" any receipts from the sale of blend stocks or additives used for blending with motor fuel, if the supplier's petroleum activity tax (PAT) liability has already been paid with respect to the blend stocks or additives

Historic rehabilitation tax credits for C-corps

- Extends, to July 1, 2017, a provision authorizing owners of an historic rehabilitation tax credit certificate to claim the credit against the CAT if the owner cannot claim the credit against another tax

Helpful Budget Related Documents

- Legislative Services Commission
 - Comparative Document
 - Bill analysis
 - www.lsc.ohio.gov



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