

SUMMARY OF LEGISLATION - 2001

The following bills, listed in numerical order by chamber and by year of the General Assembly, were enacted by the General Assembly during fiscal year 2001.

123rd General Assembly

*Am. Sub. SB 287, Effective December 21, 2000
Various Code Sections*

Assessment of Tangible Personal Property

Reduces to 25% the tax assessment rate for all tangible personal property of a natural gas company, beginning tax year 2001. Revises the true value determination of current gas stored underground.

The Mcf Tax

On and after July 1, 2001, levies an excise tax (Mcf) on natural gas distribution companies at a variable rate that decreases with an increase in the natural gas distributed through the meter of an end user in this state. Permits natural gas distribution companies with 50,000 customers or less to aggregate when determining the Mcf tax owed. Establishes an Mcf tax rate of \$.02 per Mcf of natural gas distributed to a "flex customer." Exempts from the Mcf tax the federal government and self-producing end users. Requires that the Mcf tax be deposited in the General Revenue Fund (GRF), and in the existing Local Government and School District Property Tax Replacement Funds, to be distributed to school districts and other local governments in the same manner as kilowatt-hour tax revenues, to replace tax revenues lost as a result of the reduction in the assessment rate for natural gas company tangible personal property.

Kilowatt-hour Tax Changes

Allows an electricity user to self-assess the kWh tax if it used more than 45 million kWh over the preceding 12 months. An electricity user may also self-assess on the basis of an estimated use of over 45 million kWhs over a succeeding 12-month period. If the user's actual use falls short of 45 million kWhs, it must pay the tax savings that resulted from the user being treated as a self-assessor. Applies the \$0.00075 per kWh self-assessor tax only to the first 504 million kWhs; electricity received in excess of that amount is taxed only at the rate of 4% of the price of the electricity.

The 45-million kWh threshold applies to electricity received through more than one meter if those meters are at a single location. Permits a manufacturer entitled to an existing kWh tax exemption (a "qualified end user") to pay the self-assessor tax only if its annual nonexempt use of electricity exceeds 45 million kWh.

Specifies how the price of electricity is determined for the purposes of the kWh tax imposed on self-assessing electricity users by adopting a definition of "price." Provides that if electricity is sold as part of a transaction involving other services or products, the self-assessor tax applies to the price of the entire transaction unless the price of the electricity is stated separately from the price of the other products or services. Eliminates the revenue targets for self-assessing electricity purchasers that were designed to make up for any shortfall in kWh taxes paid by self-assessing electricity users through future increases in the "price" tax rate paid by self-assessing users.

Exempts electricity from the kWh tax if it is converted to a form of stored energy that is then used to regenerate electricity sold to another person. Eliminates the requirement that electricity bills contain a notice that the kWh tax is used to fund the PUCO and Ohio Consumers' Counsel when the electric company is not subject to assessments to support those agencies.

Payments for Schools

Recomputes a school district's share of the cost of a School Facilities Commission project under the Exceptional Needs Program if reductions in gas pipeline property assessment rates lower a district's taxable valuation, as is currently provided for other School Facilities Commission projects.

Job Training Tax Credit Changes

Modifies the job training tax credit by making it available to additional forms of businesses, including sole proprietorships, partnerships, S-corporations, and limited liability companies; by extending it to insurance companies and dealers in intangibles; by changing how the credit is computed; by permitting applicants for the credit to appeal the denial of the credit; and by requiring applicants to disclose whether they have any outstanding liabilities to the state government.

Personal Income Tax

Creates an exception to the income tax residency rules allowing persons to spend up to 30 days in Ohio for certain reasons such as unpaid work, fund-raising for a 501(c)(3) organization, funerals, and family medical reasons, without that time counting toward the residency thresholds. Expressly treats a nonresident's income from certain closely held investment companies as non-Ohio income for which the nonresident may claim the nonresident income tax credit.

Corporation Franchise Tax

Reconciles the corporation franchise "exit" tax with existing law designed to ensure that a corporation cannot escape franchise tax liability by transferring its assets to another corporation.

Taxation of "Occasional Entrants"

Clarifies the law governing when a municipal corporation may tax a nonresident's pay for working there 12 or fewer days per year.

Municipal Taxation

Changes how the municipal income tax credit available to owners of a pass-through entity (e.g., partnership, S-corporation) is apportioned among the owners. Terminates the authority of municipal corporations to levy new municipal income taxes (with voter approval) specifically for the purpose of sharing some of the revenue with an overlapping school district. Makes various corrections and clarifications to the law governing municipal taxation of electric companies, as enacted in H.B. 483.

*Am. Sub. House Bill 672, Effective April 9, 2001
Various Code Sections*

Real Property

Makes clarifications regarding the taxation of manufactured and mobile homes. Specifically, the act prescribes tax collection procedures for manufactured and mobile homes that are similar to those governing the collection of real property. Further, it clarified the dates when previously enacted changes relative to manufactured homes applied. Exempts manufactured and mobile homes from sales and use tax if the sale is made to the U.S. Government or the State of Ohio or any of its political subdivisions. Excludes refundable wheel and axle deposits from the taxable price of a manufactured or mobile home.

Makes a variety of technical and corrective amendments to the manufactured home tax law.

*Sub. House Bill 533, Effective October 10, 2000
R.C. 5721.30 to 5721.41*

Real Property

Permits a person holding a property tax lien certificate to hold the certificate for up to six years (instead of the previous 3 years) before seeking foreclosure of the tax lien, if the certificate was purchased through a private sale. The extension of the time limit applies to currently outstanding certificates if the county treasurer consents to the extension and the certificate holder pays an additional premium for the extension. Interest on the tax certificate stops accruing after three years, unless the certificate holder begins foreclosure proceedings before the passage of three years.

*Am. House Bill 595, Effective April 5, 2001
R.C. 323.151 to 323.157, 323.159, 323.99, and
5715.30*

Real Property

Permits occupants of housing cooperatives to apply for the homestead exemption.

124th General Assembly

Am. Sub. House Bill 94, Effective June 6, 2001

Various sections of Ohio Revised Code

General/Administrative Changes

Transfers from the Treasurer of State to the Tax Commissioner receipt and processing of sales, use, corporate franchise, and various excise tax returns and payments. Grants an amnesty for certain delinquent state taxes, whereby outstanding tax delinquencies may be paid without payment of associated penalties and without payment of one-half of the accrued interest.

Personal Income Tax/Pass-Through Entity

Disallows the exclusion of net management fees from an investment pass-through entity's withholding tax base if they exceed 5% of the entity's net income. Clarifies that income items received by a nonresident taxpayer are not excluded for the purpose of computing the nonresident

credit if they are received indirectly through an investment pass-through entity on account of its ownership of another pass-through entity if that entity's income items do not represent excludable investment pass-through entity income.

Corporate Franchise Tax

Delays commencement of the corporation franchise tax credit for qualified research expenses until tax year 2004, but allows corporations with taxable years that end prior to July 1, 2001, to claim the credit for tax year 2002. Delays for two years the tax credit for job training expenses.

Sales and Use

Exempts from the sales tax local telephone calls made from coin-operated telephones and paid for with coin. Permits counties, townships, and municipal corporations to extend their lodging taxes to establishments having fewer than five rooms. Limits the penalty and interest that counties, townships, and municipal corporations may charge for late or unpaid lodging taxes.

Excise Tax

Clarifies aspects of the excise tax (kWh tax) on electricity as paid by large electricity users that self-assess the tax. Makes several changes relative to the Horseracing tax, such as modifies the length of the tax reduction period for projects when the State Racing Commission approves the construction of a new racetrack or capital improve-

ment after the bill's effective date—until the total tax reduction equals 100% of the project's approved cost. Extends the extra 2¢ earmark of wine tax revenue credited to the Ohio Grape Industries Fund until July 1, 2003.

Property

Authorizes a county special tax levy for the combined purposes of a 9-1-1 system and a countywide public safety communications system. Makes various changes in the manner in which school districts and other local taxing districts are compensated for the reduction in property tax collections from electric companies and natural gas companies resulting from the reductions in the property tax assessment rate.

Financial Institutions

Extends through 2003 the availability of an alternative method of determining the corporation franchise tax base of qualified financial institutions.

*Sub. House Bill 117, Effective October 8, 2001
R.C. 5739.02(B)(19)*

Sales Tax

Creates a sales/use tax exemption for items that help persons with physical handicaps to enter and operate a vehicle or transport wheelchairs.