

SUMMARY OF LEGISLATION

A mended Substitute House Bill 1, 125th General Assembly (effective July 9, 2003).

Various sections of the Ohio Revised Code:

The bill establishes the Research and Development Loan Fund Program and authorizes the Director of the Department of Development to make loans to finance certain eligible research and development projects. The bill also creates a non-refundable research and development tax credit for the loan payments made on loans from the Research and Development Loan Fund. The credit may be claimed against the corporation franchise tax or the individual income tax. The maximum amount of the credit per taxpayer is \$150,000 per year. Unused credit amounts in excess of tax liabilities may be carried forward to future years. After notification of the Tax Commissioner, the credit may be assigned to a related member or other owner or lessee of the eligible project.

The bill also makes changes to the Technology Investment tax credit. The bill raises the eligibility limits to include businesses with gross revenue less than \$2.5 million and increases the total amount of technology investment tax credits that may be issued from \$10 million to \$20 million. The bill also makes changes to the Job Retention tax credit, increasing the maximum term of the credit to 15 years and changing the employment requirements for eligibility for the credit.

Substitute House Bill 127, 125th General Assembly (various effective dates). Various sections of the Ohio Revised Code:

Real Property Tax Provisions. Allows a county, municipality or township to acquire, by purchase or other voluntary means, tax-delinquent property for redevelopment free from liens for unpaid taxes, if other taxing units agree to waive their claims for delinquent taxes. Makes technical changes to the real property tax prepayment system, including allowing payments to be made by credit card, and changes the procedures for redeeming delinquent land after a foreclosure proceeding has been instituted. Allows subdivisions to specify that revenue from a property tax

levied for various police purposes may be used to pay for police buildings.

Homestead Exemption Adjustment.

Changes the method by which the annual inflation adjustment is made to the reduction in taxable value for the homestead exemption tax reduction. Rounds the homestead exemption tax reduction amounts to the nearest \$10, rather than \$100, if the \$100 rounding does not increase the dollar amount by which taxable value is reduced.

Tax Incentive Review Councils. Makes changes to the laws regarding local Tax Incentive Review Councils (TIRCs), strengthening the ability of the TIRCs to give effective oversight of local tax abatements. Makes the county auditor the statutory chairperson of all TIRCs. Gives county, municipal, and township TIRCs the right to request information of the abatement recipient regarding its fulfillment of the terms of the agreement. TIRC recommendations are forwarded to the legislative authority of the subdivision, which must act to accept, reject, or modify the recommendation.

Municipal Taxation of S Corporation Distributive Shares. Limits the ability of municipal corporations to tax the distributive share of S corporation profits. Municipalities may continue to tax such distributive shares only if the tax was in effect on December 6, 2002 and the continuation of the tax on such income is permitted by the electors of the municipality at the general election of 2003 or 2004.

Corporation Franchise Tax

Apportionment. Changes the method by which the income from sales of services and certain intangibles are sited for purposes of the sales factor ratio. Previously, the method had been to situs this income based on where the cost of performance was located. The change would situs the receipts where the benefit is received—the market state. This change prevents a prior change in H.B. 95 (the move to apportion all “business income”) from having a large adverse impact on franchise operations and other service providers operating in Ohio.

Manufacturers Machinery and Equipment Tax Credit.

Extends for ten years the credit allowed against the corporation franchise tax for the purchase of new machinery and equipment. Under previous law, investments must be made by 2005 to claim the credit. The extension allows investments made by 2015 to qualify for the credit.

Changes to the Taxation of Trusts.

Returns the apportionment of the income of trusts under the income tax to the method used before the enactment of Am. Sub. H.B. 95 of the 125th General Assembly.

Sales Tax Siting Delay. Delays the siting change for delivered goods that had been scheduled to take effect on January 1, 2004. This change, which is necessary for Ohio to be in compliance with the Streamlined Sales Tax Agreement, was further delayed in Sub. H.B. 204 (see Sub. H.B. 204).

Clarification on Sales Tax on Public

Transit Bus Services. Changes the definition of public transit buses to remove the requirement that such buses must seat more than ten persons. This change will exempt intra-state transportation services provided by public transit buses with less than ten seats from the sales tax, as well as qualifying such buses for a partial refund of their motor fuel taxes.

Interest on the School District Income Tax Fund.

Credits the State's School District Income Tax Fund the interest earned by monies in the Fund. Once credited to the Fund, the interest can be distributed with the school district tax collections to the districts that levy the tax.

Substitute House Bill 204, 125th General Assembly (effective November 5, 2004). Ohio Revised Code section 5739.034(A)(6):

Use of electronic records by county offices. Grants permissive authority to counties to use electronic records and signatures to conduct their duties. If a county office uses electronic records and signatures, it must adopt certain security procedures. Makes various changes to public records law.

Sales and use tax. Delays the effective date of the Streamlined Sales Tax Agreement's new destination-based sourcing provisions until July 1, 2005. The prior date of implementation was January 1, 2005. Vendors may begin destination sourcing January 1, 2005, but the law requires destination sourcing effective July 1, 2005.

Substitute House Bill 212, 125th General Assembly (effective June 2, 2004). Ohio Revised Code section 5703.47:

Modifies the statutory rate of interest charged for certain kinds of contracts and judgments. Requires the Tax Commissioner, on October 15 of each year, to determine the rate using the federal short-term rate plus three percent. The interest rate certified by the Commissioner is used for the forthcoming calendar year. The rate is 5.0 percent for calendar year 2005.

Amended Substitute House Bill 427 (Jobs Bill), 125th General Assembly (effective June 9, 2004). Various sections of the Ohio Revised Code: Enterprise Zone Agreements. Subject to school board approval, increases from ten to 15 years the period for which enterprise zone agreements may exempt real and tangible personal property from taxation. Requires an enterprise zone agreement to contain a clause requiring the business to repay the amount of foregone property taxes if, during any three year period, the business fails to create or retain at least 75 percent of the number of employee

positions estimated to be created or retained under the agreement during that period.

Other Provisions. Makes an appropriation of \$25.8 million to the Department of Development from the Job Development Initiatives Fund for Investment in Training Expansion, the Worker Guarantee Program, and Wright Operating Grants.

Tax Increment Financing and Related Programs. Includes several changes intended to clarify the administration of tax increment financing (TIF).

- Provides that service payments in lieu of taxes required under an urban renewal or TIF program, and service charges in lieu of taxes under a community redevelopment program, are to be treated in the same manner as taxes for purposes of a lien by the state for real property taxes.
- Clarifies that a municipality, township, or county may file an application for exemption in the same manner as other real property taxes, permitting a TIF exemption without requiring application of each individual landowner.
- Provides that when a political subdivision files a TIF application, exemptions from taxation under a TIF would be subordinate to any other exemption offered under law (churches, non-profits) and prohibits the payment in lieu of taxes for that property. A political subdivision filing a TIF application must obtain owner consent for a TIF exemption to take priority over all other exemptions.

Reimbursement of County and Township Taxes after Creation of a TIF. Establishes a mechanism for reimbursing the county in which a municipal or township incentive district is located for a portion of the property tax revenue foregone by the county as a result of the establishment of the district. The reimbursement also applies to townships. Also allows for the reimbursement to be waived through written agreement of all parties involved.

Exemption from Reimbursement Mechanism. The reimbursement mechanism does not apply if all the following apply: the parcel was created by a municipality before the effective date of the bill; not less than 90 percent of the area comprising the incentive district is for residential use; prior to the creation of the incentive district, the land comprising the district was valued at its current agricultural use valuation.

Notification and Hearing Concerning the Creation of TIF Districts. Requires that not later than 30 days prior to enacting the TIF ordinance, the legislative authority filing for a TIF on behalf of the property owners in the proposed incentive area must hold a public hearing. Applies to municipalities, townships, and counties.

SERVICE AND SUPPORT DIVISIONS

