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CAT QDC
Rev. 6/14

Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification for the Qualifying Year Jan. 1, 2015 through Dec. 31, 2015

This annual application pertains only to the Ohio distribution center identified below for the above qualifying year. The application must be accompanied by a $100,000 annual fee payable to the **"Ohio Treasurer of State"** and must be filed on or before Sept. 1, 2014 or within 45 days after the opening of a new distribution center, whichever date is later. Please send this completed application along with the fee to: **Ohio Department of Taxation, Revenue Processing Unit, Attn: Leslie Berning, P.O. Box 183077, Columbus, Ohio 43218-3077.**

Section A

Name and address of distribution center _____

Street _____ City _____ State _____ ZIP code _____

The distribution center located at the above address is operated by _____

Name of applicant/operating entity _____ FEIN _____

Street _____ City _____ State _____ ZIP code _____

Contact person _____ Phone number _____ E-mail _____

The "qualifying period" referred to throughout this application is from July 1, 2013 to June 30, 2014. Was the distribution center identified above operated during the entire qualifying period? ____ Yes ____ No

Does the operator of the distribution center identified above, or do persons in the same consolidated elected taxpayer group as the operator of the distribution center identified above, operate warehouses or other similar facilities within one mile of the distribution center identified above? ____ Yes ____ No Does the operator of the distribution center identified above, or do persons in the same consolidated elected taxpayer group as the operator of the distribution center identified above, operate a refining facility in the same or an adjacent county of the distribution center above? ____ Yes ____ No [If "yes," please see Ohio Revised Code section (R.C.) 5751.01(F)(2)(z)(i)(III) and provide a list of other locations and operators on a separate sheet.]

Section B

During the above qualifying period, _____, as operator of the distribution center identified above and members of the operator's consolidated elected taxpayer group, met all of the following criteria:

1. Purchased qualified property from suppliers (excluding suppliers that are members of the operator's consolidated elected taxpayer group) for delivery to the distribution center identified above, in the amount of $ _____; (Please note that such purchases for delivery to the distribution center must exceed $500 million.)
2. The cost of qualified property shipped from the distribution center to Ohio locations during the qualifying period was $ _____ .
3. The cost of qualified property shipped from the distribution center to locations everywhere during the qualifying period was $ _____.
4. The Ohio delivery percentage on the qualified property sitused to Ohio locations compared with qualified property sitused to locations everywhere was ____._____%. The cost of qualified property shipped in (2) and (3), above, were calculated on the same basis.

Section C

I declare under penalties of perjury that the information contained in this application, to the best of my knowledge, is correct. In addition, I agree that, upon request, I will promptly allow an agent(s) of the tax commissioner to inspect the records of the operator of the distribution center to verify the above amounts and the Ohio delivery percentage.

_____ _____ _____
Signature of officer Date Title

NOTE: A properly completed Report of Independent Auditor must be attached to this application.

Report of Independent Auditor

[Appropriate Addressee]

We have audited Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification of [Name of Distribution Center] at [Distribution Center Location] for the qualifying period from July 1, 20 _____ to June 30, 20 _____ .

Management's Responsibility for Section B of the Accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification
Management is responsible for the preparation and fair presentation of Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification in accordance with Ohio Revised Code (R.C.) section 5751.01 and accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, Section B of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification presents fairly, in all material respects, the qualifying criteria and Ohio delivery percentage of [Name of Distribution Center] for the period from July 1, 20 _____ to June 30, 20 _____ , in accordance with R.C. section 5751.01 and accounting principles generally accepted in the United States of America.

Other Matter
We have not audited the information in Sections A and C of the accompanying Commercial Activity Tax Annual Application for Distribution Center Qualifying Certificate and Ohio Delivery Percentage Certification of [Name of Distribution Center] and, accordingly, we do not express an opinion on Sections A and C.

Restriction on Use
Our report is intended solely for the information and use of management of [Name of Distribution Center Applicant/Operator] and the Ohio Department of Taxation, and is not intended to be and should not be used by anyone other than these specified parties.

_____
Accounting firm

_____
Accounting firm office

_____
Date of report

Qualifying Certificate Information and Instructions

The tax commissioner will issue to the operator of the distribution center for which this application is filed a **qualifying certificate**[1] certifying the distribution center as a **qualifying distribution center** for the 2015 **qualifying year** only if (i) the applicant pays the $100,000 annual fee; (ii) the operator of the distribution center is not part of a CAT combined taxpayer group (see R.C. 5751.012(A)); and (iii) the applicant substantiates to the tax commissioner's satisfaction that during the **qualifying period** July 1, 2013 to June 30, 2014 the following thresholds are met:

a. The operator of the distribution center purchased from its suppliers (excluding suppliers that are members of the operator's consolidated elected taxpayer group) at least $500 million of **qualified property** for delivery to the distribution center; and

b. The cost of qualified property shipped by the operator from the distribution center to Ohio locations during the qualifying period was less than 50% of the cost of qualified property shipped from the distribution center to locations everywhere during the qualifying period (cost being determined on a consistent and generally recognized method).

Note: In determining whether the above thresholds are met, members of a consolidated elected taxpayer group are considered one taxpayer. The operator of a qualifying distribution center is deemed to be the person actually operating the distribution center **along with each member of that person's consolidated elected taxpayer group that purchases and receives qualified property at the qualified distribution center.** While a qualified distribution center, by definition, cannot be operated by a person that is a member of a combined taxpayer group, a qualified distribution center can be operated by a person or persons that are members of a consolidated elected taxpayer group.

The applicant meets the tax commissioner's substantiation requirement in (a) and (b), above, only if:

- The operator of the distribution center attaches to this application a schedule showing each of the following: (i) the amount of qualified property purchased from suppliers delivered to the distribution center; (ii) the cost of qualified property shipped from the distribution center to Ohio locations during the qualifying period; (iii) the cost of qualified property shipped from the distribution center to locations everywhere during the qualifying period; and (iv) the **Ohio delivery percentage** (carried out to four decimal places – XX.XXXX%).

- An officer of the distribution center's operator signs and dates the statement in Section C of this application attesting to the information contained on the application and declaring that, to the best of his/her knowledge, the information is correct. In addition, the officer must agree to allow the tax commissioner to inspect the records of the operator of the distribution center in order to verify all amounts.

- An independent certified public accountant signs and dates the Report of Independent Auditor accompanying this application. That report must be signed and completed by an independent certified public accountant and not an employee of the operator or the operator's taxpayer group. Absent approval by the tax commissioner, the exact verbiage must be used, replacing "[Name of Distribution Center]", "[Distribution Center Location]", and "[Name of Distribution Center Applicant/Operator]" with the name and location of the distribution center, as well as the name of the distribution center applicant/operator. In addition, the complete years must be inserted for both the beginning and ending of the qualifying period.

- The operator of the distribution center furnishes both (a) the cost of property shipped from the distribution center to Ohio locations during the qualifying period; and (b) the cost of property shipped from the distribution center to locations everywhere during the qualifying period.

If the tax commissioner approves this annual application by issuing a qualifying certificate to the applicant for the distribution center identified on the application, then for the qualifying year (calendar year 2015) each supplier to the distribution center, except for those suppliers that are members of the operator's consolidated elected taxpayer group, can exclude from the supplier's gross receipts subject to the CAT the supplier's **qualifying distribution center receipts.** A supplier's qualifying distribution center receipts are the supplier's receipts from qualified property (qualified property is tangible personal property shipped by the supplier to the distribution center solely for storing, repackaging and further shipping – but not manufacturing or processing) multiplied by the quantity one minus the distribution center's certified Ohio delivery percentage. (The distribution center's Ohio delivery percentage is the ratio of the cost of property shipped from the distribution center to Ohio locations during the qualifying period (July 1, 2013 through June 30, 2014) to the cost of property shipped from the distribution center to locations everywhere during the qualifying period (July 1, 2013 through June 30, 2014).

Definitions

"Qualifying certificate" means the certificate issued by the tax commissioner after the operator of a distribution center files an annual application with the commissioner. The application and annual fee shall be filed and paid for each qualified distribution center on or before the first day of September before the qualifying year or within forty-five days after the distribution center opens, whichever is later. R.C. section 5751.01(F)(2)(z)(i)(VI).

"Qualified distribution center" means a warehouse, a facility similar to a warehouse, or a refining facility in this state that, for the qualifying year, is operated by a person that is not part of a combined taxpayer group and that has a qualifying certificate. All warehouses or facilities similar to warehouses that are operated by persons in the same taxpayer group and that are located within one mile of each other shall be treated as one qualified distribution center. All refining facilities that are operated by persons in the same taxpayer group and that are located in the same or adjacent counties may be treated as one qualified distribution center.

"Qualifying year" means the calendar year to which the qualifying certificate applies. R.C. section 5751.01(F)(2)(z)(i)(IV).

"Qualifying period" means the period of the first day of July of the second year preceding the qualifying year through the 30th day of June of the year preceding the qualifying year. R.C. section 5751.01(F)(2)(z)(i)(V).

"Qualified property" means tangible personal property delivered to a qualified distribution center that is shipped to that qualified

[1] Terms defined in the law appear in bold print the first time they are used.

$$\text{Qualifying distribution center receipts} = \text{The supplier's 2015 receipts from qualified property delivered to the qualified distribution center} \times \left(1 - \frac{\text{The cost of property shipped from the distribution center to Ohio locations during the qualifying period July 1, 2013 through June 30, 2014}}{\text{The cost of property shipped from the distribution center to locations everywhere during the qualifying period July 1, 2013 through June 30, 2014}}\right)$$

distribution center solely for further shipping by the qualified distribution center to another location in this state or elsewhere or, in the case of gold, silver, platinum or palladium, delivered to a refining facility solely for refining to a grade and fineness acceptable for delivery to a registered commodities exchange. "Further shipping" includes storing and repackaging property into smaller or larger bundles, so long as the property is not subject to further manufacturing or processing. "Refining" is limited to extracting impurities from gold, silver, platinum or palladium through smelting or some other process at a refining facility.

"Ohio delivery percentage" means the proportion of the total property delivered to a destination inside Ohio from the qualified distribution center during the qualifying period compared with total deliveries from such distribution center everywhere during the qualifying period. R.C. section 5751.01(F)(2)(z)(i)(VII).

"Qualifying distribution center receipts" means receipts of a supplier from qualified property that is delivered to a qualified distribution center, multiplied by a quantity that equals one minus the Ohio delivery percentage. R.C. section 5751.01(F)(2)(z)(i)(I).

QDC Application Instructions

Section A

- Enter the name and address of the distribution center for which the application is being filed.
- Enter the name, FEIN and address of the operating entity of the distribution center for which the application is being filed. Please include the name, phone number and e-mail address of the contact person for the operating entity.
- Was the applicant distribution center in operation during the entire qualifying period?
- Does the operator of the applicant distribution center (or do members of the same consolidated elected taxpayer group) also operate similar distribution centers within one mile of the applicant-distribution center?
- Does the operator of the distribution center identified above, or do persons in the same consolidated elected taxpayer group as the operator of the distribution center identified above, operate a refining facility in the same or an adjacent county of the distribution center?
- If the operator or other members of the operator's consolidated elected taxpayer group operate similar distribution centers to that of the applicant distribution center, all such distribution centers are included as one qualified distribution center for purposes of this application.

Section B

- Enter the name of the operator for the applicant distribution center in the first blank.
- On line 1, enter the amount of qualified property the applicant distribution center purchased from suppliers during the qualifying period. For purposes of this calculation, suppliers that are members of the operator's consolidated elected taxpayer group may <u>not</u> be included. The amount entered on line 1 must be <u>more than $500 million.</u>
- On line 2, enter the cost of qualified property shipped from the distribution center to Ohio locations during the qualified period.
- On line 3, enter the cost of qualified property shipped from the distribution center to locations everywhere during the qualified period. This figure should include the amount entered on line 2.
- Divide line 2 by line 3 to arrive at the Ohio delivery percentage.

Section C

- This section must be completed by an officer of the applicant distribution center.