
DEPARTMENT OF TAXATION

Income tax

- Authorizes a refundable income tax credit of up to \$1,000 for each of a taxpayer's dependents under age seven, subject to income qualifications.
- Reduces the income tax withholding rate on lottery, video lottery, sports gaming, and casino winnings from 4% to 3.5%.
- Authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits, similar to existing rules for withholding taxes from state retirement benefits.
- Authorizes all retirement plans to withhold school district income taxes.
- Clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming with current administrative practice.
- Establishes a formal income tax withholding "bulk file" program, whereby payroll service companies can file employee income tax withholding returns in bulk on behalf of their employer clients.
- Establishes that administrative provisions related to Ohio's electing pass-through entity tax apply to pass-through entities with investors comprised exclusively of Ohio residents.
- Moves the due date for payment of the second and third estimated tax payments for electing and withholding pass-through entity taxes up by one month.

School district income tax

- Repeals the school district income tax on estates, beginning in 2026.
- Requires boards of education that approve a resolution to place the question of levying a school district income tax on the ballot to send a copy of the resolution to TAX after it has been certified to the county board of elections.
- Requires boards of elections to send a copy of a petition for an election to repeal a school district income tax to TAX after the board determines the petition is valid.

Municipal income tax

- Makes discretionary a penalty, mandatory under current law, charged by TAX for late estimated payments of centrally administered municipal net profit tax.
- Extends, from six to seven months, the municipal net profits tax return extension filing period for taxpayers that do not request a federal income tax extension.

Electric and telephone company municipal income tax

- Requires electric and telephone utility companies to make municipal income tax payments and estimated payments electronically.
- Makes discretionary the current mandatory interest penalty charged for estimated tax underpayments.
- Modifies the discretionary penalty that may be imposed on late estimated payments.
- Requires TAX to automatically grant a filing extension to a company if it has received a federal filing extension and expands the length of the municipal tax extension from six to seven months.
- Requires TAX to grant a seven-month filing date extension in the absence of a federal extension if the company submits a request before the return due date.
- Removes the requirement for a company to include certain information in its annual return to TAX.
- Repeals the requirement for TAX to notify a company that its income apportioned to a municipality will be adjusted in certain circumstances.
- Removes the authority of a notified municipal corporation to challenge the redetermination.

Sales and use tax

- Adjusts the amount of sales tax required to be collected when a nonresident purchases a watercraft or outboard motor in Ohio and intends to remove the property out of state.
- Requires a clerk of court to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of to TAX.
- Requires TAX to consult with DPS on the form of the remittance reports that must accompany the taxes collected.
- Eliminates interest on sales and use tax refunds for payments made pursuant to a direct payment permit, through which a purchaser pays the tax directly to the state instead of to the vendor making the sale.
- Allows TAX to cancel a sales tax vendor's license obtained while another of the vendor's licenses is suspended.
- Modifies sales tax criminal fraud and licensure offenses and penalties by classifying offenses to the closest classified misdemeanors based on their current penalties and applying more severe charges against repeat offenders.

Commercial activity tax

- Provides that a commercial activity tax (CAT) credit for certain net operating losses will remain nonrefundable after 2029, instead of becoming refundable.

- Eliminates two dedicated CAT funds used to make tangible personal property reimbursement payments to local governments, and instead requires that those payments be made directly from the GRF.

Petroleum activity tax

- Explicitly allows TAX to issue an assessment to collect unpaid petroleum activity tax licensing fees.

Cigarette, tobacco, and nicotine taxes

- Increases the cigarette excise tax, from \$1.60 per pack to \$3.10 per pack.
- Increases the tax on other tobacco-based products to 42% of the wholesale price of such products, from 37% in the case of little cigars and 17% in the case of all other products.
- Increases the tax rate on nicotine-based vapor products, from 10¢ to 20¢ per milliliter (liquid) or gram (nonliquid) of product.
- Expands the vapor products tax to include nicotine-based products that are not consumed through use of an electronic smoking device.
- Modifies the tax discount that cigarette dealers receive as a commission for affixing tax stamps to cigarette packs, from 1.8% of the face value of the stamps to 3¢ per stamp.
- Discontinues, beginning in 2026, the discount of 2.5% of the amount of tax due provided to distributors of tobacco products or vapor products who timely file and pay their excise tax.
- Increases, from a fourth degree to third degree misdemeanor, the penalty for a repeat violation of engaging in cigarette, tobacco product, or vapor product commerce without holding a TAX license.

Marijuana excise tax

- Increases the rate of the excise tax on adult use marijuana from 10% to 20% and levies a 20% excise tax on the illegal sale of marijuana by an unlicensed seller.
- Reallocates revenue from the tax to fund law enforcement training and operations, county jails, public health and safety, expungement costs, and administrative costs.
- Requires TAX, upon the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee.

Sports gaming tax

- Doubles the sports gaming tax rate, from 20% to 40% of sports gaming receipts, beginning July 1, 2025.
- Allocates the increased revenue, i.e., 50% of total collections, to fund the construction of professional sports facilities and promote youth sports education.

- Doubles the amount of sports gaming tax revenue from the existing 20% rate allocated to problem sports gaming (from 2% to 4% of such collections), and proportionally reduces the amount of that share allocated to education funding (from 98% to 96%).

Public utility excise tax

- Applies taxpayer refunds owed for certain public utility excise taxes first to any outstanding state tax debt and any related penalty or interest.

Financial institution tax

- Removes the requirement that TAX post financial institution tax annual report forms on its website.

Insurance premium tax

- Transfers the responsibility of certifying unpaid foreign insurance company premium taxes to the Attorney General for collection from INS to the Treasurer of State.

Replacement tire fee

- Eliminates, beginning in 2026, the 4% discount for wholesale distributors of replacement tires or retail dealers who timely file and pay the replacement tire fee administered by TAX.

Corporation franchise tax

- Removes the requirement that a corporation identify its statutory agent in an annual report filed under the now-defunct corporation franchise tax.

Tax credits

- Authorizes a refundable income tax credit to reimburse 25% of qualified expenditures, up to \$120,000 per project, paid by an owner-occupant to rehabilitate historic residential property.
- Caps the amount of credits that may be awarded to \$10 million per fiscal year.
- Permanently increases the annual cap on the Ohio historic building preservation tax credit, from \$60 million to \$120 million per fiscal year.
- Replaces the current two-round application and award process for the film and theater tax credits with a rolling process, eliminating much of the current ranking criteria.
- Modifies reporting requirements for recipients of state-funded low-income housing tax credits and single-family housing development tax credits.

Tax administration

- Grants TAX the general authority to abate penalties charged to taxpayers.
- Allows TAX to refund or forgive penalties and interest charged for failure to pay sufficient estimated state, school district, or certain pass-through entity income taxes.

- Authorizes TAX, without violating the prohibition against divulging personal tax information, to disclose either of the following:
 - The amount of revenue distributed to local governments from any tax or fund administered by TAX.
 - Employer income tax withholding account numbers to permit a current or former employee to prepare the employee's tax return.
- Authorizes TAX to require electronic tax filing and payment without first adopting a rule on the subject.
- Requires taxpayers to provide records for inspection by TAX in an electronic format if the records are kept in such a format.
- Permits TAX to electronically notify, as an alternative to ordinary mail notice, a person applying for a tax refund if the amount to be refunded is less than what the person requested, but only if the person consents to electronic notice.
- Prescribes a process for handling tax notices that are sent by ordinary mail, but returned as undeliverable.
- Removes the requirement that taxpayers submit petitions for reassessment to TAX through personal service or certified mail.
- Modifies the manner by which TAX may serve public utility tangible personal property and excise tax assessments and notices.
- Allows a public utility to submit a 30-day extension request to file a public utility tangible personal property or excise tax report or statement by a manner other than in writing that is approved by TAX.
- Repeals the requirement that TAX adopt a rule defining the term "primarily" for purposes of describing who qualifies for the defunct dealers in intangibles tax.
- Removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of energy-efficient building systems.
- Makes various technical corrections to the laws governing state taxation.

Local Government and Public Library Fund

- Permanently increases, from 1.70% to 1.75%, the percentage of most state tax revenue that the Local Government Fund and Public Library Fund each receives monthly.

Income tax

Refundable child tax credit

(R.C. 5747.051, 5747.08, and 5747.98; Section 801.30)

The bill authorizes a refundable income tax credit of up to \$1,000 for each of a taxpayer's dependents under age seven. The credit is only available to taxpayers who earn less than a specific income limit – generally, \$69,000 for individuals or \$94,000 for married taxpayers.

The credit is based on a percentage of the taxpayer's modified adjusted gross income (MAGI). To qualify, a taxpayer must have a MAGI of at least \$2,500, but not more than the income limit outlined in the table below. A taxpayer's **modified Ohio adjusted gross income** generally equals the individual's federal adjusted gross income, with some additions or subtractions for Ohio-specific items, but before subtracting Ohio's business income deduction.

The credit is capped at \$1,000, and phases-out above specific income thresholds, as outlined in the table below. It is calculated as follows:

- For taxpayers below the phase-out threshold: the lesser of \$1,000 or 5% x (the taxpayer's MAGI – \$2,500).
- For taxpayers above the phase-out threshold: \$1,000 – 5% of (the taxpayer's MAGI, rounded up to the nearest \$1,000 – the phase-out threshold).

Filing status	Phase-out threshold	Income limit
Married filing jointly	\$75,000	\$94,000
Married filing separately	\$37,500	\$56,500
All other taxpayers	\$50,000	\$69,000

The effect of these formulas is to allow the full \$1,000 credit for taxpayers with a MAGI of \$22,500 or more, up to the phase-out threshold. Above the phase-out thresholds, the credit amount decreases as the taxpayer's income increases. For example, an individual taxpayer with a MAGI of \$15,000 could claim a credit of \$625 per child. An individual with a MAGI of \$45,000 could claim the full \$1,000 credit. However, an individual with a MAGI of \$65,000 could claim only a \$250 credit.

The credit is refundable, which means that, if the amount of the credit exceeds the total tax due, the taxpayer will receive a refund of the difference. The credit is allowed for taxable years beginning in and after 2025.

Withholding from gambling winnings

(R.C. 5747.062, 5747.063, and 5747.064; Section 801.120)

Under continuing law, gambling winnings are income subject to the personal income tax. Proprietors such as casino operators, sports gaming proprietors, lottery sales agents, and the

State Lottery Commission are required to withhold an amount of a person's winnings when certain conditions are met, namely winning \$600 or more—the amount that triggers an Internal Revenue Service reporting requirement.¹²⁴ The withheld amount is remitted to the state, similar to the withholding requirement placed upon employers.

Over the past decade, the General Assembly has enacted a series of reductions to Ohio's income tax rate and tax brackets. The bill reduces the withholding rate on lottery, video lottery, sports gaming, and casino winnings income from 4% to 3.5% to keep pace with these reductions.

Withholding from retirement benefits

(R.C. 5747.071; Section 801.130)

The bill authorizes a formal mechanism for private retirement plans to withhold income taxes from a retiree's benefits. Currently, a withholding tax mechanism exists for benefits paid from state retirement systems (e.g., OPERS and STRS). Private retirement plans may withhold taxes on behalf of its retirees, but there is no formal protocol for them to follow.

The bill's rules for private retirement benefit withholding are similar to those that exist for public retirement benefits. Beginning in 2026, a retiree may request that their retirement plan withhold taxes from the retiree's benefits. Upon receiving such a request, the plan must begin withholding no later than the following year. The plan must file withholding returns with TAX and is subject to penalties and interest for failing to remit withheld taxes. The plan must also provide retirees with an annual statement showing the amount of taxes withheld.

The bill also explicitly allows retirement systems and plans to withhold school district income taxes. Currently, the rules for withholding taxes from public retirement benefits only reference state income taxes.

Resident and nonresident credit computation

(R.C. 5747.05; Section 757.10)

Under continuing law, Ohio residents and nonresidents with income earned in Ohio are subject to Ohio's individual income tax on all income. A resident taxpayer is allowed a "resident" credit for the lesser of income subject to taxation in another state, or the amount of tax paid to another state on that income. If the income is from a state that imposes no tax, a resident receives no credit. A nonresident taxpayer is allowed a "nonresident" credit for all income not earned or received in Ohio.

Also under continuing law, the first \$250,000 of business income earned by taxpayers filing single or married filing jointly, and included in federal adjusted gross income, is 100% deductible. For taxpayers who file married filing separately, the first \$125,000 of business income included in federal adjusted gross income is 100% deductible.

¹²⁴ See 26 U.S.C. § 6041.

The bill clarifies that income used as the basis for computing the resident and nonresident tax credits is income calculated after taking the business income deduction, conforming the law with current administrative practice.

Withholding tax bulk file program

(R.C. 5747.01(KK) and (LL), 5747.07, and 5747.073; Section 801.150)

The bill establishes a formal income tax withholding “bulk file” program within TAX. Beginning in 2026, payroll service companies may enroll in the program to file employee income tax withholding returns, in bulk, on behalf of their employer clients. TAX currently allows such companies to submit withholding returns through bulk file uploads, but the procedures and requirements for the option are not codified.

Under the program, a payroll service company must register with TAX as a “bulk filer” before filing withholding tax returns on behalf of its clients. TAX will prescribe the program conditions, including standards of conduct and format requirements. TAX must also maintain a list of approved bulk filers on its website.

Bulk filers must file all withholding returns electronically, regardless of the number of clients or returns. Both the bulk filer and the employer may be held liable for unpaid or late taxes. TAX may collect unpaid taxes from a bulk filer, and charge penalties and interest, in the same manner it would against an employer.

Each bulk filer must also file quarterly reports with TAX that identify the company’s clients and each client’s contact information. In addition, an employer must notify TAX when it engages a bulk filer to submit withholding returns on its behalf. Employers must also maintain their withholding registration with TAX. If a bulk filer’s registration is rescinded for any reason, the employer immediately becomes responsible for withholding taxes on behalf of its employees.

Electing pass-through entity taxation

(R.C. 5747.40; Section 757.20)

Under continuing law, Ohio’s personal income tax applies to an individual investor’s distributive share of a business structured as a pass-through entity (PTE). S.B. 246 of the 134th General Assembly (effective June 2022) levied an income tax directly on PTE income. The tax was optional but was designed to allow a PTE investor to fully deduct state income taxes for federal tax purposes. This is because entity-level taxes may generally be fully deducted, while individual investors could be limited by federal tax if they took the taxes as an itemized deduction.

S.B. 246 not only levied this tax, it created a system to administer the tax nearly identical to the procedures that had already applied to a separate tax – Ohio’s withholding tax for a PTE with nonresident investors. Those administrative provisions, now applicable to the electing PTE tax, expressly do not apply to PTEs with exclusively Ohio investors. This limitation made sense before S.B. 246 because those provisions only applied to the nonresident PTE withholding tax. But now, since those provisions apply to the electing PTE tax, that limitation is out of place as PTEs with exclusively Ohio resident investors are eligible for that tax. Thus, the bill scales back that limitation and no longer applies it to the electing PTE tax. This ensures that the administrative provisions can adequately apply to both taxes.

The bill states that this is a clarification of law rather than a change.

Pass-through entity tax estimated payment dates

(R.C. 5747.43; Section 801.90)

Beginning for taxable year 2026, the bill moves the due date for payment of the second and third estimated tax payments for electing and withholding PTE taxes up by one month. This results in those payments generally being due on June 15 and September 15, respectively, aligning the PTE tax payment schedule with the personal income, school district income, and fiduciary income tax payment schedules.

School district income tax

Repeal of school district income tax on estates

(R.C. 5747.021, 5748.01, 5748.02, 5748.021, 5748.03, 5748.04, 5748.08, 5748.081, and 5748.09; Section 801.100)

The bill repeals the school district income tax on estates. Under continuing law, school districts may levy income taxes with voter approval. Currently, state law requires that school districts use one of two tax bases: a “traditional” tax base, which generally applies to an individual’s adjusted gross income and to the taxable income of estates, or an “earned income” tax base, which applies only to individuals’ wages and self-employment earnings.

Under the bill, beginning in 2026, school district income taxes with a “traditional” tax base may no longer tax estates. (School districts with an “earned income” tax base already do not tax estates.) Currently, similar to the state income tax, taxes with a “traditional” base apply to an estate’s income received during the year, such as earnings from investments like stocks, bonds, or rental property. They do not apply to the estate’s assets or its net value.

Notices to TAX

(R.C. 5748.02, 5748.021, 5748.04, 5748.08, and 5748.09; Section 801.70)

Under continuing law, when seeking to levy a school district income tax, a district’s board of education must adopt a series of resolutions or ordinances to place the levy on the ballot. The first of these must be certified to TAX, which produces estimated rates for the district. Based on those rates, the board may adopt another resolution detailing the proposed levy and certify it to the county board of elections for placement on the ballot. The bill requires the board of education to send a copy of this final resolution to TAX after it has been certified to the board of elections.

Also under continuing law, the repeal of certain school district income taxes may be initiated by a voter petition submitted to the board of elections. The bill requires a board of elections that determines such a petition to be valid to send a copy of it to TAX.

Municipal income tax

Discretionary interest penalty

(R.C. 718.88)

Under continuing law, a business may elect to have TAX serve as the sole administrator of each municipal income tax the business is liable for on the basis of its net profits.¹²⁵ Generally, each taxpayer that makes this election must file a declaration of estimated taxes and remit the estimated amounts to TAX four times each year. In the event of an underpayment, TAX must charge the taxpayer an interest penalty on the underpayment under current law. The bill makes this penalty discretionary.

Extension request

(R.C. 718.85)

Under continuing law, a municipal net profit taxpayer who has made the election described above and who has requested an extension for filing their federal income tax return is entitled to an automatic extension of the net profit tax filing deadline from April 15 to November 15. A taxpayer who has not made the federal request may still request that TAX extend their municipal income tax filing deadline, however, TAX may grant only a six-month extension. The bill extends this extension filing period for such taxpayers to seven months, matching the extension period afforded to taxpayers who request a federal income tax extension.

Electric and telephone company municipal income tax

Electric light and local exchange telephone companies having property, payroll, or sales situated to an Ohio municipal corporation is subject to that municipality's income tax. Unlike municipal income taxes levied on individuals, the utility income taxes are paid to and totally administered by TAX. The bill makes a number of administrative changes related these taxes.

Electronic payments

(R.C. 5745.03(A) and 5745.04(E))

The bill requires companies to remit all municipal income tax payments and estimated payments electronically. Current law only requires electronic payments for payments of \$1,000 or more.

Underpayment penalty

(R.C. 5745.09)

The bill makes discretionary the current mandatory interest penalty charged to companies that underpay their estimated payments. The penalty for underpayment equals the

¹²⁵ R.C. 718.80, not in the bill.

rate applicable to other state tax delinquencies, i.e., the rounded federal short-term rate plus 3%.¹²⁶

Late payment penalty

(R.C. 5745.08)

The bill modifies the discretionary interest penalty that, under current law, may be imposed on late estimated payments of the tax. Specifically, the bill extends the penalty beyond estimated payments to cover any delinquent municipal utility tax payments. Second, the bill changes the penalty from up to twice the underpayment interest amount described above to a flat 15% of the amount of unpaid tax.

Filing extensions

(R.C. 5745.03(B) and (C))

The bill requires TAX to automatically grant a filing extension to a company if it has been granted a federal filing extension. Under current law, the company must file an application, with a copy of the federal extension request, to receive the municipal extension. The bill further expands the length of that extension from six to seven months.

The bill also requires TAX to grant a seven-month filing date extension without requiring a federal extension if the company submits a request before the return due date.

Required documentation

(R.C. 5745.03(D))

The bill removes the requirement for a company to include in its annual return to TAX statements of the company's:

- Location of incorporation;
- Location of principal office or place of business in Ohio; and
- Officers' and statutory agent's names and addresses.

Income apportionment

(R.C. 5745.13, repealed)

The bill eliminates requirements imposed on TAX to (1) notify a company that its income apportioned to a municipal corporation will be adjusted and (2) notify each affected municipal corporation if the adjustment exceeds \$500 in tax.

The bill also eliminates a notified municipal corporation's authority to challenge the redetermination by requesting TAX to make a further review and conduct proceedings in support of the request.

¹²⁶ R.C. 5703.47, not in the bill.

Sales and use tax

Nonresident purchases of watercraft

(R.C. 5739.027)

The bill requires that, when a nonresident purchases a watercraft or outboard motor in Ohio and intends to remove the property out of state, the sales tax collected from the transaction must equal 6%. Currently, the purchaser pays the lesser of the tax due (a) in the county of purchase or (b) in the location to which the property will be removed.

The new rate somewhat parallels the tax collected when a motor vehicle is sold to a nonresident. For those transactions, the purchaser pays the lesser of (a) the tax due in the location to which the vehicle will be removed or (b) 6%.

Watercraft and outboard motors tax remittance

(R.C. 1548.06)

Under continuing law, sales and use taxes on the sale of titled watercraft and outboard motors are paid at the time owners receive their title from the appropriate clerk of courts. The bill requires clerks to remit sales and use tax from the sale of titled watercraft and outboard motors to the Registrar of Motor Vehicles instead of directly to TAX. The bill also requires TAX to consult with DPS on the form of the remittance reports that must accompany the collected taxes. Under current law, TAX is solely responsible for determining the form of the remittance reports.

Interest on direct pay refunds

(R.C. 5739.07; Section 801.160)

The bill eliminates interest on sales and use tax refunds for payments that were made pursuant to a direct payment permit. Those permits allow a purchaser to pay sales and use tax directly to the state instead of to the vendor who makes the sale. Direct payment permits are issued by TAX, upon application, if direct payment of the tax will improve compliance and efficiency or if the purchaser is awarded a sales and use tax exemption for a data center project.¹²⁷

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.¹²⁸ A vendor with a suspended vendor's license is prohibited from obtaining another vendor's license from TAX or seemingly the county auditor that issued the suspended license during the suspension period. The bill clarifies that the prohibition on duplicate licenses applies to those obtained from any

¹²⁷ R.C. 122.175 and 5739.031, not in the bill.

¹²⁸ R.C. 5739.30(B)(2), not in the bill.

county auditor – as opposed to just the auditor that issued the suspended license. The bill also allows TAX to cancel any duplicate vendor’s license obtained by a vendor during the suspension period.

Criminal penalties

(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.

Commercial activity tax

Net operating loss tax credit

(R.C. 5751.53 and 5751.98)

The bill modifies a commercial activity tax (CAT) credit for certain net operating losses (NOLs) accrued under the defunct corporation franchise tax. Under continuing law, corporations subject to the CAT may claim the credit for NOLs that accrued under that tax, but that the corporation could not claim when that tax was phased-out for most taxpayers between 2006 and 2010.

Under continuing law, the NOL credit is nonrefundable, so cannot exceed the corporation's tax liability. However, the credit can be carried forward indefinitely, until it is fully used. Current law specifies that any remaining credit will become refundable in 2030. The bill requires, instead, that the credit remain nonrefundable in 2030, with the same unlimited carry-forward as allowed in continuing law.

Elimination of TPP replacement payment funds

(R.C. 5709.93 and 5751.02)

The bill eliminates two separate funds used to reimburse local governments for their revenue loss from the state's repeal of the tax on business tangible personal property (TPP). Currently, revenue from the CAT is credited to the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund as necessary to make those payments.

Under the bill, the reimbursement payments will be made directly from the GRF. Any CAT revenue that is currently credited to the reimbursement funds will, like most CAT revenue, be credited to the GRF. The change does not affect the amount or frequency of any TPP replacement payments.

Petroleum activity tax

Collection of licensing fees

(R.C. 5736.09; Section 757.30)

The bill expressly allows TAX to issue an assessment to collect unpaid petroleum activity tax (PAT) licensing fees. Current law only explicitly allows TAX to issue PAT assessments for unpaid taxes.

The PAT is levied on motor fuel suppliers' gross receipts from fuel sales in the state. As part of the tax, suppliers are required to obtain an annual license. Under the bill, if a supplier fails to pay a license fee, TAX may issue an assessment to collect the fee. The bill allows TAX to issue such assessments beginning on the bill's 90-day effective date and, under the statute of limitations period authorized under continuing law, those assessments may seek to collect fees unpaid during the preceding four years.

Cigarette, tobacco, and nicotine taxes

Cigarette tax increase

(R.C. 5743.02, 5743.025, and 5743.32; Section 801.80(A))

The bill increases the cigarette excise tax, from \$1.60 per pack to \$3.10 per pack. Under continuing law, the cigarette tax is levied primarily on wholesale dealers of cigarettes, who purchase tax stamps that are affixed to cigarette packs. Revenue from the tax continues to be entirely dedicated to the GRF.

The increase applies beginning on October 1, 2025, including packs of cigarettes in a wholesaler's inventory on that date.

Tobacco product tax increase

(R.C. 5743.01(Q), 5743.51, 5743.62, and 5743.63; Section 801.80(B))

The bill also increases the excise tax on tobacco-based products other than cigarettes, which also funds the GRF. Currently, the tax equals 17% of the product's wholesale price, with an enhanced rate of 37% for little cigars. There is also a limit on the 17% tax on premium cigars, which is adjusted for inflation each year. For FY 2025, that limit is 64¢ per cigar.

Under the bill, the tax rate for all other tobacco products would increase to 42%, beginning on October 1, 2025. The tax limit on premium cigars would also increase accordingly, beginning in 2027, to \$1.58 per cigar.

Nicotine product tax increase and expansion

(R.C. 5743.01(S), 5743.51, 5743.62, and 5743.63; Section 801.80(A) and (B))

Since 2019, the state has levied a GRF tax on vapor products, which are products containing nicotine that are used in electronic smoking devices. Currently, the tax equals 10¢ per milliliter or gram of the product, depending on whether the product is liquid or nonliquid. The bill increases this rate to 20¢ per milliliter or gram, beginning on October 1, 2025.

The bill also expands the tax to include products that contain nicotine, but that are not consumed through an electronic smoking device. The expansion does not include any nicotine-based products that are regulated as drugs by the federal Food and Drug Administration, i.e., approved smoking cessation products.

Cigarette tax stamp discount

(R.C. 5743.05; Section 801.80(C))

Under continuing law, cigarette wholesalers receive a tax discount as a commission for affixing tax stamps to cigarette packs. Currently, the discount equals 1.8% of the face value of the stamps. The bill modifies this discount to equal 3¢ per stamp.

Prompt-payment discount

(R.C. 5743.52 and 5743.62; Section 801.140)

Under current law, distributors of tobacco products or vapor products are provided a discount of 2.5% of the amount of excise tax due when the distributor timely files their monthly return and pays their tax liability. The bill discontinues this discount, beginning in 2026.

Criminal penalties

(R.C. 5743.99)

The bill increases the penalty for a repeat violation of engaging in cigarette, tobacco product, or vapor product commerce without holding a TAX license, from a fourth degree to third degree misdemeanor.

Marijuana excise tax

Rate and distribution

(R.C. 3780.02, 3780.03, 3780.10, 3780.18 (repealed), 3780.19 (repealed), 3780.22, 3780.23, 3780.25, 3780.26, and 3780.30; Section 801.60)

Beginning July 1, 2025, the bill increases the rate of the excise tax on adult use marijuana from 10% to 20%. The bill also imposes a 20% excise tax on the illegal sale of marijuana by an unlicensed seller.

The bill repeals allocations of the tax revenue under current law for local governments that host adult use marijuana dispensaries and for the state cannabis social equity and jobs program, which the bill also sunsets. Instead, revenue from the tax is reallocated as follows:

- 25% for grants to fund the construction and renovation of county jails.
- 14% for substance abuse prevention, treatment, and recovery programs and administration of the 9-8-8 suicide prevention and mental health crisis hotline. 25% of the current 10% tax is allocated to similar purposes.
- 14% for training of peace officers and state troopers, up to \$40 million per fiscal year.
- 16% for construction and renovation of peace officer training facilities.
- 8% for safe driver programs.
- 5% for local drug task forces, up to \$14.25 million per fiscal year.
- 5% temporarily to the Attorney General for administering requests for expungements, up to \$14.25 million per fiscal year and only through FY 2030.
- 4% for Ohio investigative unit operations.
- 4% for Ohio poison control programs and laboratory testing.
- 2.5% to fund the costs of TAX and COM in administering the tax and nonmedical marijuana program. 3% of the current 10% tax is dedicated to administrative expenses.

The remaining unallocated 2.5% of receipts and receipts exceeding any of the above limits are directed to the GRF.

Tax information exchange

(R.C. 3780.06)

The bill requires TAX, on the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee. Under current law, COM is only allowed to request this information for applicants seeking a license. This information may include information about tax law violations or resulting penalties.

Sports gaming tax

Rate increase and revenue allocation

(R.C. 5753.021 and 5753.031; Section 801.50)

The bill doubles the sports gaming tax rate, from 20% to 40% of sports gaming receipts, beginning July 1, 2025. Under continuing law, the tax is levied on the “sports gaming receipts” of online and in-person sports gaming businesses, other than those that offer gaming through lottery terminals. A business’ sports gaming receipts include the total amount the business receives as wagers, less winnings paid, voided wagers, and beginning in 2027, a portion of the promotional gaming credits wagered by patrons.

The bill allocates the increased revenue, i.e., 50% of total collections, to a newly created Sports Facilities Construction and Sports Education Fund (see “**Major sports facilities and youth sports education funding**,” above). The bill also doubles the amount of sports gaming tax revenue from the existing 20% rate allocated to problem sports gaming (from 2% to 4% of such collections), and proportionally reduces the amount of that share allocated to education funding (from 98% to 96%).

Public utility excise tax

Refunds applied to tax debt

(R.C. 5727.42)

Continuing law levies a 6.75% excise tax on the gross receipts of certain public utilities, namely a telegraph, pipe-line, water-works, or water transportation company. Any such utility may request a refund of any amounts it overpays. However, current law bars a refund to a utility that has a delinquent claim for this excise tax.

The bill removes this prohibition and instead requires the refund to first be applied to the outstanding excise tax debt. The bill also allows the refund to be applied to any other outstanding debt for a tax or fee administered by TAX, including related penalties and interest.

The bill's changes results in a mechanism that mirrors tax debt application provisions applicable to other state taxes.¹²⁹

Financial institution tax

Online forms

(R.C. 5726.03)

Under continuing law, each taxpayer subject to the financial institutions tax is required to file a written annual report in a form that TAX may prescribe. TAX, as a matter of practice, requires taxpayers to file the report and pay the tax electronically and not on paper forms, but current law continues to require TAX to post those forms on its website. The bill removes this online posting requirement.

Insurance premium tax

Certification of nonpayment

(R.C. 5729.10)

Under continuing law, a foreign insurance company that fails to pay insurance premium taxes is subject to a collection action upon certification of the delinquency to the Attorney General. The bill requires the Treasurer of State to make this certification, replacing the Superintendent of Insurance's authority to do so under current law.

Replacement tire fee

Eliminate discount

(R.C. 3734.904; Section 801.110)

The bill eliminates, beginning January 1, 2026, the 4% discount for wholesale distributors of replacement tires or retail dealers who timely file and pay the replacement tire fee administered by TAX.

The replacement tire fee is \$1 per new tire sold. Revenue from this fee is used to defray the cost of regulating scrap tires, abate accumulations of scrap tires, and fund loans and research grants related to scrap tire recycling.

Corporation franchise tax

Statutory agent

(R.C. 1701.04, 1701.07, and 1703.041)

The bill removes a requirement placed on corporations to include the name and address of the corporation's statutory agent in its annual report filed with TAX under the now-defunct corporation franchise tax. The corporation franchise tax was repealed for most businesses in

¹²⁹ E.g., R.C. 5739.072, 5747.12, and 5751.091, not in the bill.

2009 and for financial institutions in 2013, meaning corporations are no longer required to file a report with TAX.

Tax credits

Historic owner-occupied property rehabilitation tax credit

(R.C. 149.312, 149.311, 5747.08, 5747.761, and 5747.98)

The bill authorizes a new, refundable, income tax credit for the rehabilitation of historic owner-occupied residential properties, potentially offsetting the lesser of 25% of qualified rehabilitation expenditures or \$120,000. To be considered owner-occupied, the property must either be occupied as the owner's primary residence during the rehabilitation period, or within six months after that period ends.

The new credit largely mirrors the existing historic rehabilitation tax credit and uses many of its definitions, including those for historic building and qualified rehabilitation expenditures. The new credit is also administered with many of the same procedures for application and approval. There are, however, several key differences, aside from the new credit being limited to owner-occupied residential property. Specifically, all the following differences apply:

- The bill's credit has a maximum cumulative fiscal year award of \$10 million. The existing historic rehabilitation credit allows up to \$60 million in awards per fiscal year, rising to \$120 million under the bill.
- The bill's credit's maximum per project award is \$120,000. The existing credit's per project award is, generally, \$5 million.
- The bill's credit is fully refundable, but the existing credit is only partially refundable with an allowed carry forward for unclaimed amounts.
- The bill's credit is only claimable against the income tax, as opposed to the existing credit, which is claimable against the income tax, financial institutions tax, and insurance company taxes.
- The bill's credit does not require a cost-benefit analysis to determine that a rehabilitation will result in a net revenue gain in the state, nor for DEV to consider the regional distribution, and potential economic impact, of awards throughout the state, as the existing credit does.
- The bill's credit does not require award of a credit to be a major factor in completing or increasing the level of rehabilitation, as the existing credit does.

Historic building rehabilitation tax credit cap

(R.C. 149.311)

The bill permanently increases the annual cap on the Ohio historic building preservation tax credit, from \$60 million to \$120 million per fiscal year. The cap was previously temporarily increased, by the same amount, for FYs 2023 and 2024.

The Ohio historic preservation tax credit offers owners and long-term lessees of qualifying historically designated buildings state tax credits of up to 25% of qualified rehabilitation expenses, up to \$5 million. The tax credit is partially refundable and can be applied against the financial institution, foreign and domestic insurance premium, or income tax.

Film and theater tax credit application review

(R.C. 122.85)

Continuing law provides a refundable, tax credit of 30% on production cast and crew wages plus other eligible in-state spending on producing a motion picture or a Broadway theater production. A producer may apply to receive the credit from DEV, which, in general, may award up to \$50 million in credits per fiscal year.

The bill replaces the current process for reviewing and approving applications for these credits, which is executed in two rounds, with a rolling review and award process. The bill also eliminates most of the review criteria that currently apply, requiring ranking based on economic impact and the likelihood a project will help develop a permanent film and theater workforce. The bill retains, however, a requirement that priority be given to awarding the credit to television and miniseries productions due to their long-term nature.

Housing tax credits reporting

(R.C. 175.16 and 175.17)

The bill modifies the reporting requirements for a recipient of a state-funded low-income housing tax credit or a single-family housing development tax credit, which may both be awarded against the domestic or foreign insurance premium tax, financial institutions tax, or income tax. First, the bill makes TAX the sole recipient of required annual reports from taxpayers who are awarded these credits. Under current law, these reports must be delivered to both TAX and INS for the low-income housing tax credits and, for single-family housing development tax credits, OHFA, which must forward them to TAX and INS. Under the bill, TAX must share the submitted reports with INS.

Tax administration

Tax penalty abatement

(R.C. 5703.901, with conforming changes in R.C. 128.99, 718.89, 3734.904, 3734.907, 3769.088, 4305.13, 4305.131, 5703.261, 5703.262, 5703.263, 5726.03, 5726.21, 5727.08, 5727.25, 5727.26, 5727.60, 5727.82, 5727.83, 5727.89, 5728.09, 5728.10, 5733.022, 5733.062, 5735.062, 5735.12, 5735.121, 5736.05, 5739.032, 5739.102, 5739.12, 5739.122, 5739.124, 5739.133, 5741.121, 5741.122, 5743.051, 5743.081, 5743.082, 5743.51, 5743.56, 5745.041, 5745.08, 5747.072, 5747.082, 5747.09, 5747.15, 5743.43(C), 5747.44, 5749.06, 5749.15, 5751.06, 5751.07, and 5753.05; Section 801.40)

The bill grants TAX general authority to abate, that is to refund or forgive, penalties charged to taxpayers. The new authority applies to all penalties, including interest penalties, or other charges TAX imposes to enforce any tax or fee that TAX administers. Alongside the new

grant of authority, the bill eliminates several current and specific grants of authority that allow TAX to abate penalties charged on some of the taxes it administers.

The bill particularly allows TAX to refund or forgive penalties and interest charged for failure to pay sufficient estimated state, school district, or certain PTE income taxes during a taxable year. This authorization applies to taxable years beginning in 2025 or after.

Disclosure of tax information

(R.C. 5703.21)

The bill permits an agent of TAX to publish or disclose the amount of revenue distributed to a political subdivision from any tax or fund administered by TAX.

The bill additionally authorizes disclosure of an employer's state income tax withholding account number for the purpose of allowing a current or former employee to complete the employee's income tax return. TAX may require the employee to provide evidence of current or past employment before making that disclosure.

This disclosure authority is created in exception to the prohibition in continuing law against TAX agent disclosure on taxpayer transactions, property, or business.

Electronic tax filing and payments

(R.C. 5703.059 and 5747.42)

Current law authorizes TAX to require electronic tax filing and payment, but only if it first adopts a rule with those requirements. The bill gives TAX authority to require electronic filing and payment without first adopting rules.

Electronic records inspection

(R.C. 5703.19)

The bill requires taxpayers to provide books, accounts, records, or memoranda in an electronic format at the request of TAX if those records are kept electronically or available in an electronic format. Under continuing law, TAX's employees have the authority to demand to inspect the books, accounts, records, and memoranda of any person subject to Ohio's tax laws.

Tax refund adjustment notices

(R.C. 5703.70)

The bill adds an alternative method for TAX to use to notify a person when the person's requested tax refund is less than requested. Under current law, when TAX determines that the amount of a refund to which an applicant is entitled is less than the amount claimed, TAX must give the applicant notice in writing, sent via ordinary mail. The bill allows the notice to be sent electronically as an alternative, if the person consents to electronic delivery. If the notice is sent electronically, it must be sent to the person or the person's authorized representative through secure electronic means associated with the person's or representative's last known email address.

Undeliverable tax notices

(R.C. 5703.37)

The bill prescribes a process for handling tax notices that are sent by ordinary mail, but that are returned as undeliverable. The process mirrors an existing process for undeliverable tax notices that were sent by certified mail.

In 2023, the most recent biennial budget bill, H.B. 33 of the 135th General Assembly, allowed TAX to send any tax notice by ordinary mail or electronically, rather than by certified mail. However, the law does not specify how to treat ordinary mail that is returned as undeliverable. The bill requires that such mail be treated the same as undeliverable, certified mail. The process involves, in some situations, a follow-up mailing, and a requirement that TAX try to determine an alternative address for the taxpayer. If those measures fail, the notice becomes final 60 days after it was first returned.

Petitions for reassessment

(R.C. 128.46, 718.90, 3734.907, 3769.088, 4305.131, 5726.20, 5727.26, 5727.47, 5727.89, 5728.10, 5735.12, 5736.09, 5739.13, 5743.081, 5743.56, 5745.12, 5747.13, 5749.07, 5751.09, and 5753.07)

Continuing law authorizes TAX to issue assessments against taxpayers to enforce and collect delinquent taxes. Similar assessment procedures apply across all taxes and fees administered by TAX. One step in the assessment process is that a taxpayer that receives an assessment may file a petition containing the taxpayer's objections and requesting that TAX make a reassessment based on them. Current law generally requires that these petitions for reassessment be submitted to TAX through personal service or certified mail. The bill removes these service requirements, potentially authorizing different or additional manners of submission.

Public utility taxes: service of notices

(R.C. 5727.38, 5727.42, and 5727.47)

The bill expands the options TAX has for serving assessments and appeal notices to taxpayers for public utility TPP taxes and the public utility excise taxes. Current law requires those assessments and notices to be served by mail. The bill adds to that option other methods provided in continuing law governing other notices or orders served by TAX. Those other options are personal service, certified mail, authorized delivery service, ordinary mail, and secure electronic notification (but only with the person's consent).¹³⁰

Public utility taxes: extension request

(R.C. 5727.48)

The bill allows a public utility additional options to request a 30-day extension, authorized under continuing law, to file a report or statement required for public utility TPP or excise taxes.

¹³⁰ R.C. 5703.37.

Under current law, the extension application must be filed in writing. The bill instead requires the public utility to request the extension in the form and manner prescribed by TAX.

Dealers in intangibles rule requirement

(R.C. 5725.01)

Although the dealers in intangibles tax was repealed beginning in 2014, certain related requirements still exist under current law. One such requirement is for TAX to adopt a rule defining the term “primarily” for purposes of describing who is subject to the tax as a person engaged in a business that “consists primarily of lending money, or discounting, buying, or selling” various evidences of indebtedness or securities. The bill repeals that rulemaking requirement for the defunct tax.

Energy-efficient building federal tax deduction

(R.C. 9.239)

The bill removes TAX from a procedure through which the designer of a public building may request allocation of a federal income tax deduction for the design and installation of certain energy-efficient systems.¹³¹ The designer may still request such an allocation under the bill, but only from the public entity that owns the building.

Technical corrections

(R.C. 5747.01, 5747.02, 5747.10, and 5725.23; Section 801.20)

The bill makes the following technical corrections to the laws governing state taxation:

- Corrects two erroneous cross-references in the income tax law.
- Removes an outdated reference to the intangible property tax, which is no longer levied.

Local Government and Public Library Fund

Allocation amount

(R.C. 131.51)

The bill permanently increases, from 1.70% to 1.75%, the percentage of state tax revenue deposited to the General Revenue Fund each month that is then transferred to the Local Government Fund (LGF) and Public Library Fund (PLF).

The budget enacted by the 135th General Assembly in 2023 increased the percentage each fund receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent

¹³¹ 26 U.S.C. 179D.

percentage was 1.66%, beginning in FY 2014, though the General Assembly had authorized several temporary increases ranging from 1.68% to 1.70% between FY 2014 and FY 2021.¹³²

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 some counties, a statutory need-based formula. A smaller portion of the LGF is paid directly to townships, smaller villages, and municipalities.

¹³² Section 387.20 of H.B. 110 of the 134th General Assembly (2021), Section 387.20 of H.B. 166 of the 133rd General Assembly (2019), Section 387.20 of H.B. 49 of the 132nd General Assembly (2017), and Section 375.10 of H.B. 64 of the 131st General Assembly (2015).