DEPARTMENT OF TAXATION

Income tax

- Increases the maximum educator expenses income tax deduction from $250 to $300.
- Authorizes a personal income tax deduction of up to $750 per year for contributions to a qualifying pregnancy resource center.
- Repeals the personal income tax credit for tuition paid to a nonchartered nonpublic school.
- Expands the homeschool expense income tax credit by changing the maximum amount of educational expenses the credit can cover, from $250 per return to $250 per student.
- 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.
- Allows pass-through entities (PTEs) that pay an elective tax to allow their investors to circumvent the federal cap on state and local tax (SALT) deductions to claim certain refundable credits available to those investors when calculating the elective tax due.
- Changes the calculation of tax credits allowed to investors in PTEs that pay the elective PTE tax or a composite income tax for all PTE investors from the investors' proportionate share of the tax paid to the lesser of the tax paid or due.
- Establishes that administrative provisions related to Ohio's electing PTE 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 PTE 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

- Clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of an existing deduction for military pay.
- 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.
- Allows a taxpayer who received a valid extension of the tax return due date to file a municipal income tax refund claim within three years after that extended due date.

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

- 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.
- Disallows interest on county sales tax refunds.
- Allows TAX to cancel a sales tax vendor's license obtained while another of the vendor's licenses is suspended.

Lodging taxes

- Authorizes the Fairfield County commissioners to renew a special lodging tax, currently scheduled to expire in 2028, for up to 15 additional years at a time.

Commercial activity tax

- 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

- Expands authority to levy a county cigarette tax for the benefit of an arts and cultural district from only Cuyahoga County to also include Summit County.

Marijuana excise tax

- Levies a 10% excise tax on the illegal sale of marijuana by an unlicensed seller.
- Reallocates a portion of the revenue, including from the existing 10% excise tax on legal sales, to temporarily fund certain dispensary host communities, with all remaining revenue credited to the GRF.
- Requires TAX, upon the request of COM, to share pertinent information about the tax violations of an existing adult use cannabis licensee.

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.

Severance tax

- Reduces the severance tax rate on coal from 10¢ to 8¢ per ton.

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

- Permanently increases the annual cap on the Ohio historic building preservation tax credit, from $60 million to $90 million per fiscal year.
- Increases the percentage of rehabilitation costs certificate owners may claim as credits from 25% to 35% for projects located outside of the state's three largest cities.
- Prohibits DEV from using building vacancy or underutilization as part of the criteria for awarding historic rehabilitation tax credits.
- Repeals the film and Broadway theater capital improvement tax credit.
- Increases the annual film and Broadway theater production tax credit limit from $50 million to $75 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.
- Removes the sunset date for the transformational mixed-use development (TMUD) tax credit program.
- 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 not impose, or to refund or forgive, penalties and interest charged for failure to pay sufficient estimated state, school district, or certain pass-through entity income taxes.

- Extends the time for state recovery of amounts of refunded taxes from local subdivisions from three to six years.
- 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.

Property tax

- Requires reduction of current expense property taxes levied by certain school districts to reduce collections by the amount of the district's carry-over balance in its general operating budget in excess of 30% of its general fund expenditures in the preceding year.
- Modifies the requirements governing when political subdivisions can file property tax complaints and countercomplaints.

- Requires subdivisions that fail to comply with property tax complaint filing requirements to pay the attorney's fees and costs incurred by the property owner in connection with the complaint.
- Authorizes the board of trustees of a state community college to levy a property tax for operating expenses, but only in the county in which its main campus is located.
- Requires revenue from the tax to be used to support college operations in that county.
- Requires that, if voters approve an operating levy, the board of trustees must charge a lower tuition rate to students who reside in the county in which the tax is levied.
- Allows a subdivision to amend an existing community reinvestment area (CRA) agreement to extend the term of a CRA tax exemption to a total of 30 years for an existing building that is expected to be a megaproject or owned or occupied by a megaproject supplier.
- Allows a building to qualify for a longer than typical CRA tax exemption as part of a megaproject so long as it is owned or occupied, as opposed to owned and occupied, by a megaproject operator or supplier.
- Establishes that a subdivision that does not own the property subject to a CRA exemption, with an obligation to pay property taxes on that building, is not a required party to an agreement for commercial and industrial CRA property tax exemptions.
- Permits a municipal corporation, township, and certain churches to temporarily apply for an abatement of delinquent property taxes on property owned by the applicant without regard to current law's payment limitations.
- Authorizes a manufactured home park operator to notify the county auditor that a manufactured home has been damaged or destroyed for purpose of initiating a refund or waiver of taxes on the manufactured home.
- Requires the notice from a manufactured home park operator to include photographic evidence of the damage or destruction.

Local Government Fund

- Permanently increases, from 1.70% to 1.75%, the percentage of most state tax revenue that the Local Government Fund receives monthly.
- Terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations.

Public Library Fund

- Discontinues dedicating a share of GRF tax revenue to the Public Library Fund, instead funding public libraries through a direct GRF appropriation.

Income tax

Educator expenses tax deduction

(R.C. 5747.01(A)(31); Section 801.20(C))

The bill increases, from $250 to $300, the amount of unreimbursed expenses incurred each year for professional development and classroom supplies Ohio teachers may deduct from state income tax. This deduction supplements a federal income tax deduction for such expenses, which, in 2022, also increased from $250 to $300.[151] This deduction applies to expenses that exceed what the teacher may claim under the federal deduction. The increase applies to taxable years ending on or after the bill's 90-day effective date.

Pregnancy resource center donation deduction

(R.C. 5747.01(A)(44); Section 801.20(D))

The bill authorizes a personal income tax deduction for contributions, up to $750 per year, to a pregnancy resource center that meets the following criteria:

- It is a private, not-for-profit entity.
- Its primary purpose is to promote childbirth.
- It provides services, without charge, to pregnant women and parents with children less than 12 months old.
- It is not associated with abortion-related activities.
- It does not discriminate on the basis of race, religion, color, age, marital status, national origin, disability, or gender.[152]

The tax deduction applies to contributions made on and after the bill's 90-day effective date.

Nonchartered nonpublic school tuition credit

(R.C. 5747.08, 5747.75, repealed, and 5747.98; Section 820.80)

Beginning in 2026, the bill repeals a nonrefundable personal income tax credit available to taxpayers with one or more dependents who attend a nonchartered nonpublic school. The amount of the credit equals the lesser of tuition paid or $1,000 (if the taxpayer's federal adjusted gross income (FAGI) is less than $50,000) or $1,500 (if the taxpayer's FAGI equals or exceeds $50,000).

Homeschool expense credit

(R.C. 5747.72)

The bill expands the nonrefundable personal income tax credit for expenses incurred in homeschooling a taxpayer's dependent, from the current maximum of $250 per return to $250

[151] 26 U.S.C. 62.

[152] R.C. 5180.71.

per homeschooled dependent. So, for example, if a taxpayer has three homeschooled dependents and incurs $1,000 in educational expenses for them during the year, the taxpayer would be able to deduct $750, instead of being limited to $250 under current law.

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.[153] 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

[153] See 26 U.S.C. § 6041.

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.

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.

Pass-through entity investor taxation

(R.C. 5747.08(I), 5747.38, and 5747.39; Sections 757.60 and 801.180)

The bill changes the law with respect to two taxes that pass-through entities (PTEs) may pay for the benefit of their investors. Those are a composite tax, in which a PTE files a single return for the income tax due from all its investors on the PTE's income and an elective tax designed to increase the PTE owners' federal tax deductions for state and local taxes (SALT). The federal SALT deduction is typically capped at $10,000 but because of the order in which federal taxes are computed, state taxes paid by a PTE are not subject to that cap.

When a PTE files a composite return, its investors will often not need to file their own income tax returns. If an investor has other income or another investor elects to file a return,

however, the investor will need to file an income tax return with the state on the investor's own behalf. When that happens, the investor may claim the amount the PTE paid on the investor's behalf on the investor's own return as a credit. This avoids duplicate payment of taxes, once on the composite return made on behalf of all the PTE's investors and once on the investor's own return. Under current law, the credit equals the investor's proportionate share of the tax paid by the PTE on behalf of the investor. The bill changes that amount to the lesser of the investor's share of the tax due on the composite return or the tax actually paid.

The bill makes a near-identical change with respect to a credit for investors in PTEs that pay the elective PTE tax. The credit currently equals the investor's proportionate share of the elective tax levied on the PTE's qualifying taxable income. The bill changes the credit to the lesser of the amount due or paid under that elective tax. The bill also changes the elective PTE tax by allowing a PTE that elects to pay it to claim certain refundable credits available to its investors as if the PTE were the investors. Those are the credits for taxpayers filing an individual return after a PTE has filed a composite return for the taxpayer and the electing PTE credit. Under current law, any credits or deductions available to a PTE's investors are disregarded when calculating the PTE's elective tax liability.

The bill expresses that the changes regarding credits being the lesser of the amount due or paid, rather than simply the amount due, do not change the law in any way, and only clarify them as they already existed. The bill's changes allowing credits available to investors to be included in calculation of the elective PTE tax apply to taxable years ending on or after January 1, 2025.

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 PTE. S.B. 246 of the 134th General Assembly (effective June 2022) levied an income tax directly on PTE income. As discussed above, the tax was optional but was designed to allow a PTE investor to fully deduct state income taxes for federal tax purposes to avoid the SALT cap.

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

Military pay exemption

(R.C. 718.01; Section 801.190)

Continuing law requires municipal corporations to exempt from municipal income tax the military pay and allowances of members of the U.S. Army, Navy, Air Force, Coast Guard, or Marine

Corps, their respective reserve components, or the national guard. The bill clarifies that pay to members of the U.S. Space Force may be deducted from municipal income tax as part of this existing deduction for military pay by defining "armed forces" in reference to federal law. That definition encompasses the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard.

This clarification applies to taxable years ending on or after the bill's 90-day effective date.

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.[154] 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.

Refund and assessment periods

(R.C. 718.12, 718.19, 718.90, and 718.91)

Current law prohibits a taxpayer from filing a municipal income tax refund claim more than three years after the date the tax was originally due or paid, whichever is later. For a taxpayer that files for and receives an extension but pays all amounts due by the original due date of the return, the taxpayer is only able to file a refund claim within three years after the original due date of the return. In contrast, to pursue a taxpayer for an alleged underpayment, under continuing law municipalities have until three years after the date the tax was due, including any extension, or the return was filed, whichever is later. The bill equalizes these due dates, allowing a taxpayer who received a valid extension to file a municipal income tax refund claim within three years after that extended due date. The bill also applies the same date commencement to the three-year deadline for tax administrators or the Tax Commissioner to make municipal income tax assessments.

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[154] R.C. 718.80, not in the bill.

Electric and telephone company municipal income tax

Electric light and local exchange telephone companies having property, payroll, or sales sitused 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 rate applicable to other state tax delinquencies, i.e., the rounded federal short-term rate plus 3%.[155]

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.

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[155] R.C. 5703.47, not in the bill.

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.

Sales and use tax

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.[156]

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[156] R.C. 122.175 and 5739.031, not in the bill.

County sales tax refunds

(R.C. 5739.132; Section 801.170)

Under current law, when a person overpays state or local, i.e., county or transit authority, sales or use tax, that person is entitled to a refund with statutory interest calculated from the date of the overpayment. The bill eliminates interest on refunds of county sales and use tax but continues to allow interest for refunds of state and transit authority taxes. The change applies to refunds allowed on and after the bill's 90-day effective date.

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.[157] 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 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.

Lodging taxes

Special lodging tax extension

(R.C. 5739.09)

All counties, townships, municipal corporations, convention facilities authorities, and lake facilities authorities are authorized to levy lodging or "bed" taxes for certain purposes. The rates of these general taxes are subject to various limitations. Along with these, several additional levies have been authorized that are narrowly tailored to permit certain counties, municipalities, and convention facilities authorities to levy increased lodging tax rates and use the revenue for alternative purposes. The bill authorizes the Fairfield County commissioners to renew one such special lodging tax, levied to finance a municipal educational and cultural facility, for up to 15 additional years at a time. Currently, the tax is scheduled to expire in 2028 and cannot be extended further.

Commercial activity tax

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).

[157] R.C. 5739.30(B)(2), not in the bill.

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 taxes for arts and cultural districts

(R.C. 5743.021)

The bill allows any charter county to, with voter approval, enact a cigarette tax for the benefit of an arts and cultural district. Current law allows Cuyahoga County to enact such a tax through population requirements only it meets. The bill's change allows Summit County to also enact a cigarette tax for an arts or cultural district and leaves Cuyahoga County's authority unchanged.

Marijuana excise tax

Levy and distribution

(R.C. 3780.02, 3780.03, 3780.10, 3780.18 (repealed), 3780.19 (repealed), 3780.22, 3780.23 (repealed), 3780.24, 3780.25, 3780.26, and 3780.30; Section 801.60)

Beginning July 1, 2025, the bill imposes a 10% excise tax on the illegal sale of marijuana by an unlicensed seller, matching the rate and revenue allocation of the excise tax levied on sales of adult-use marijuana from licensed dispensaries under continuing law.

Revenue from the adult-use tax, under current law, is distributed as follows:

- 36% to DEV's Cannabis Social Equity and Jobs Program;

- 36% for the benefit of municipal corporations or townships that have adult-use dispensaries, based on the percentage of tax attributable to each municipal corporation or township;
- 25% to support the efforts of the Department of Mental Health and Addiction Services (OMHAS) to alleviate substance abuse and related research;
- 3% to support the operations of the Division of Cannabis Control and to defray the cost of TAX in administering the tax.

The bill reduces and sunsets allocations of the tax revenue for local governments that host adult use marijuana dispensaries and repeals allocations for DEV's Cannabis Social Equity and Jobs Program and OMHAS' substance abuse alleviation and research programs, which the bill also sunsets. It also discontinues the 3% administrative earmark. For host communities, the bill reduces the allocation from 36% of adult-use marijuana tax revenue to 20%. The reduced amount is allocated for five years and then eliminated. To qualify for funding, a municipality or township must have within its territory, as of June 30, 2025, at least one adult-use dispensary or location for which a provisional dispensary license has been issued. If, during the five years these allocations are made, a host community ceases to have a dispensary operating in its territory, the allocation to that community ends. All remaining unallocated receipts are credited 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.

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.[158]

[158] E.g., R.C. 5739.072, 5747.12, and 5751.091, not in the bill.

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.

Severance tax

Coal tax rate

(R.C. 5749.02(A)(1); Section 801.210)

The bill reduces the severance tax rate on coal from 10¢ to 8¢ per ton. The reduction applies to calendar quarters ending on or after the bill's 90-day effective date. Under continuing law, revenue from this severance tax is credited to DNR's Mining Regulation and Safety Fund.

The bill does not modify the rate of two other severance tax coal levies that apply to only certain coal – one a variable rate tax on coal produced from an area under a reclamation permit and the other a 1.2¢ per-ton tax on surface-mined coal.

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

Tax credits

Historic building rehabilitation tax credit

(R.C. 149.311)

The bill permanently increases the annual cap on the Ohio historic building preservation tax credit, from $60 million to $90 million per fiscal year. The cap was previously temporarily increased to $120 million 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 equal to a percentage 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. The bill increases the percentage of qualified rehabilitation expenditures that may be claimed as a credit from 25% to 35% for projects located in the unincorporated area of a township or in a municipal corporation with a population less than 300,000. This applies to all areas in the state outside of its three largest cities.

The bill also prohibits DEV from considering building vacancy or underutilization when ranking applications and awarding credits.

Film and theater capital improvement tax credit

(Repealed R.C. 122.852, 5726.59, 5747.67, and 5751.55; conforming amendments in R.C. 122.85, 5726.98, 5747.98, and 5751.98)

The bill repeals the film and Broadway theater capital improvement tax credit. Current law authorizes a refundable and transferable commercial activity tax (CAT), financial institutions tax (FIT), or income tax credit for a motion picture or Broadway theatrical production company that completes a capital improvement project in Ohio with a positive economic impact. Eligible projects include the construction, acquisition, repair, or expansion of facilities or equipment that will be used in motion picture or Broadway productions or for postproduction.

Generally, the credit equals 25% of either the company's actual qualified expenditures, or the amount of such expenditures estimated on the company's application, whichever is less. Qualified expenditures are expenditures for goods and services purchased and consumed directly for a capital improvement project, and include the purchase of goods or services directly for use in a capital improvement project, as well as any accounting and auditing expenses incurred to

comply with reporting requirements. They do not include expenses on the basis of which a motion picture and theater credit has been awarded.

The credit is capped at $5 million per project, $5 million per county, and $25 million per fiscal year overall. If DEV does not issue the full $25 million allotment in a particular fiscal year, the excess allotment can be carried forward to the next fiscal year. Additionally, DEV may reduce the maximum amount for any fiscal year and increase the maximum amount for the film and theater production tax credit (described below) by a corresponding amount.

Film and theater production tax credit cap and application review

(R.C. 122.85)

Continuing law allows a refundable tax credit for companies that produce all or part of a motion picture or Broadway theatrical production in Ohio and incur at least $300,000 in production expenditures. The credit currently equals 30% of the company's actual or budgeted expenditures, whichever is less, for goods, services, and payroll involved in the production. A company can claim the credit against the CAT, FIT, or income tax. To obtain a credit, a company must first submit an application to DEV.

The bill increases the annual film and Broadway theater production tax credit limit from $50 million to $75 million per fiscal year. Under current law, film and theater tax credits equaling $50 million, plus any amounts not awarded from the previous fiscal year's cap and any amounts transferred from the capital projects credit allotment, can be awarded each fiscal year. The bill continues to allow amounts available but not awarded in the previous fiscal year to be carried forward but the transfer from the capital improvement credit is eliminated with that credit (described above). Under continuing law, $5 million of the cap is reserved for Broadway theatrical productions each fiscal year and any unawarded amount carried forward to the next year remains reserved for Broadway.

The bill also 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. 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, are eliminated. 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.

Transformational mixed-use development credits

(R.C. 122.09)

The bill removes the sunset date for the awarding of transformational mixed-use development (TMUD) tax credit. The Tax Credit Authority is currently authorized to award up to $100 million in tax credits annually through the end of FY 2025. The bill does not change the annual award cap.

A TMUD credit may be claimed against insurance premium tax liability and is based on capital contributions to TMUDs. Those are multi-purpose construction projects that meet certain minimum building height, square footage, or payroll criteria and that are expected to have a transformational economic impact on the surrounding area. Credits are awarded by the Tax

Credit Authority through an application process initiated either by the property owner or an insurance company that contributes capital to the project. The amount of the credit depends, in part, on the development costs associated with the TMUD if the applicant is the property owner, or the amount of the capital contribution if the applicant is an insurance company and, in part, on the increase in tax collections at the project site and the surrounding area. More than one person may apply for, and receive a tax credit for the same project, but the total amount of tax credits awarded for a TMUD project must not exceed 10% of the development costs incurred by the property owner.

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 and avoidance

(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 general 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 not impose, at all, or 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.

State recovery of refunded local taxes

(R.C. 5703.052)

Under continuing law, when a local government receives revenue from a tax or fee collected by TAX that turns out to have been illegally or erroneously collected, the taxpayer is

entitled to a refund that is paid out of the state Tax Refund Fund. To recover the amount of local tax refunded, TAX takes that amount out of the next distribution of taxes to that local government. However, if that recovery amount is greater than 25% of the distribution, the Commissioner may spread the recovery over multiple distributions. Under current law, this recovery period cannot exceed three years. The bill extends the recovery period to not more than six years.

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).[159]

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.

[159] 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.[160] 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.

Property tax

School district reductions for excess carry-over

(R.C. 323.131, 3317.01, 4503.06, 5705.31, 5705.316; Section 757.110)

The bill reduces the current expense property taxes levied by a school district that has a carry-over balance in its general operating budget above a particular threshold. Under continuing law, taxing units, including school districts, are required to certify their operational revenues and expenditures to the county auditor on or about the first day of each fiscal year, i.e., July 1. The bill requires each city, local, and exempted village school district, with certain exceptions, to make this certification by July 15 of each year to the county auditor of each county in which the district has territory. Each county budget commission or, if the district crosses county boundaries, joint budget commission must then convene to review these certifications by the following August 15. (A county budget commission is a local body that reviews local government revenue estimates and budgets. It is generally comprised of the county auditor, county treasurer, and, under the

[160] 26 U.S.C. 179D.

bill, the president of the board of county commissioners. A joint county budget commission is comprised of the officers of each participating county.)

If a budget commission determines that a district's carry-over balance in its general operating budget from the preceding fiscal year is more than 30% of its general fund expenditures made in that year, the commission must reduce the rates of property tax levied by the district for current expenses so as to reduce collections by the amount of the excess carry-over balance. The reduction applies to that following tax year only. The reduction mechanism does not apply to an island school district or a joint state school district, i.e., the College Corner Local School District.

In order to provide a reduction for real property for tax year 2025, and tax year 2026 for manufactured and mobile homes, the bill requires each budget commission to convene no later than October 31, 2025, to perform the review of each district's carry-over balance.

Notice on tax bill

The bill requires that tax bills for a property or manufactured home, the tax liability of which has been reduced due to a school district's excess carry-over balance, include a notice stating the reason for the reduction and that the reduction applies only to the current tax year.

20-mill minimum levy requirement

The bill exempts a school district whose levies have been reduced by this mechanism from the requirement that it levy at least 20 mills in property and income taxes to receive state foundation aid, so long as the reductions are the sole cause of the district levying less than the required amount.

Limitations on property tax challenges

(R.C. 5715.19 and 5717.01; Section 757.90)

The bill modifies a recent law that imposed limits on the filing of property tax complaints by parties other than property owners. Among other changes, H.B. 126 of the 134th General Assembly limited the situations in which political subdivisions can file property tax complaints or appeal the decisions of a board of revision (BOR) regarding those complaints.

Filing of property tax complaints

Sale requirement

Under current law, as enacted in H.B. 126, political subdivisions may only file a property tax complaint with respect to property the subdivision does not own if (a) the property was sold in an arm's length transaction before the tax year for which the complaint is filed and (b) that sale price was at least 10% and $500,000 more than the auditor's current valuation. The $500,000 threshold increases each year for inflation, beginning in tax year 2023. These limits also apply to third party property owners in the county who do not own or lease the property in question ("third party complainants").

The bill further narrows this sale requirement, by specifying that a conveyance fee statement for the sale must have been filed with the county auditor within the two years

preceding the year for which the complaint is filed. Current law requires that the property was sold before that year but does not expressly include any limit on when that sale occurred.

Resolution

Existing law also requires that, before filing a complaint, a subdivision must adopt a resolution authorizing the complaint. The bill specifies that such a resolution is also required if the complaint is filed by a third party complainant who is "acting on behalf of a subdivision." A person is considered to be "acting on behalf of a subdivision" if the person is an official or employee of the subdivision or was directed to file the complaint by an official or employee.

Under the bill, all third party complainants must submit an affidavit, with the complaint, certifying whether the person is or is not acting on behalf of a subdivision. The falsification of such an affidavit is a first degree misdemeanor.

Penalty for illegal filing

Under continuing law, if a subdivision files a complaint that does not meet the sale and resolution requirements, the BOR will dismiss the complaint. The bill adds that, in such cases, the BOR must also order the subdivision to pay any attorney's fees and costs incurred by the property owner in connection with the complaint. The amounts must be paid to the property owner, through the BOR. If the subdivision fails to pay the amount due, the BOR may refer the case to the county prosecuting attorney for collection.

Application

The bill's new complaint filing limits and penalty apply to complaints filed on or after the bill's 90-day effective date.

Countercomplaints

Under continuing law, if a property tax complaint alleges a change in value of at least $50,000 in fair market value ($17,500 in taxable value), a school district may join the case by filing a countercomplaint. The bill provides that a school district may only file such a countercomplaint if the original complaint was filed by the owner or lessee of the property. Essentially, the bill prohibits school districts from filing countercomplaints when the original complaint is filed by another political subdivision or by a third party complainant. This change applies to countercomplaints filed with respect to tax year 2022 and after.

Appeals of BOR decisions

The bill expands an existing law, also enacted in H.B. 126, that prohibits political subdivisions from appealing BOR decisions on property they do not own to the Board of Tax Appeals (BTA). Under the bill, these appeal limitations also apply to third party complainants. In addition, the bill expressly prohibits a subdivision from appealing a BOR decision regarding a complaint filed by a third party complainant. This latter prohibition applies to appeals of BOR decisions issued on or after July 21, 2022 (H.B. 126's effective date). The limit on third party complainants applies to appeals of BOR decisions issued after the bill's 90-day effective date.

Private payment agreements

Continuing law prohibits a political subdivision from entering into a private payment agreement with a property owner whereby the owner agrees to pay the political subdivision to dismiss, not file, or settle a complaint or countercomplaint. The bill extends this prohibition to any agreement that a property owner would enter into with a person who is acting on behalf of a political subdivision. This prohibition applies to complaints filed on or after the bill's 90-day effective date.

State community college tax operating levy

(R.C. 3358.08 and 3358.11)

The bill authorizes a state community college to submit to certain of its voters a property tax levy to pay for its operating expenses. Specifically, the district, even though it may encompass territory in several counties, must submit the question only to voters in the county in which the district's main campus is located. The tax may be levied for any specified number of years, or for a continuing period of time, and may be renewed or replaced before its expiration. If county voters approve the levy, then the district may only use revenue from the tax to support its operations in that county and the district's board of trustees must charge a lower tuition rate to students who reside in that county.

Under continuing law, a state community college district is a political subdivision created by the Chancellor of Higher Education upon receiving a proposal from a technical college district or a state university or upon a proposal by boards of county commissioners or initiative petition. The purpose of the district is to establish, own, and operate a state community college. It is governed by a board of trustees consisting of nine members appointed by the Governor. The territory of the district is composed of the territory of a county, or of two or more contiguous counties. The district must have a population of at least 150,000.[161]

The tax levy authorized by the bill is nearly identical to the operating levy authorized under continuing law for community college districts, except a community college district is not able to limit its levy to only a portion of its territory.[162] Community college districts and state community college districts perform similar functions but there are some administrative differences between the two, such as how they are formed and how trustees are appointed.

Constitutional consideration

The Ohio Constitution requires that land and improvements must be taxed by uniform rule.[163] This has long been interpreted to mean, in part, that a taxing authority may not levy a

[161] R.C. 3358.01, 3358.02, and 3358.03, not in the bill.

[162] R.C. 3354.12, not in the bill.

[163] Article XII, Section 2, Ohio Constitution.

property tax within only a portion of its territory.[164] Accordingly, limiting a state community college district, whose territory may span multiple counties, to imposing an operating levy in only one of those counties may conflict with the uniform rule.

Community reinvestment area agreements and exemptions

(R.C. 3735.67 and 3735.671; Section 801.220)

The bill allows counties, home-rule townships, and municipal corporations, through their legislative authorities, to amend existing community reinvestment area (CRA) agreements to extend a tax exemption to a total of 30 years when a megaproject becomes involved. Typically, a new or remodeled commercial structure in a CRA can receive a tax exemption on the value of a new structure or the increased value of a remodeled structure for up to 15 years.

Structures on the site of a megaproject and owned and occupied by a megaproject operator or off the site of a megaproject and owned and operated by a megaproject supplier, however, can receive exemptions for up to 30 years. In any case, CRA exemptions for commercial and industrial property must be governed by an agreement between the local government that created the CRA and the property owner. Those agreements establish the length and percentage of exemption, often subject to school district approval.

The bill changes two aspects of the CRA law with respect to megaprojects. First, it establishes that the structures in question need only be owned or occupied, rather than owned and occupied as under current law, by a megaproject operator or supplier to be eligible for a 30-year exemption. Second, the bill allows an existing CRA agreement to be modified to the maximum 30-year term when a megaproject operator or supplier is expected to become the owner or occupier of the building in question. In other words, a building with a 15-year CRA exemption can become subject instead to a 30-year CRA exemption if a megaproject operator or supplier is expected to own or occupy the building at some time after the initial CRA agreement was executed.

The bill also changes the CRA law with respect to commercial and industrial projects, generally. Recall that those projects receive CRA exemptions only pursuant to a negotiated agreement with the subdivision that designated the CRA. The bill establishes that no political subdivision other than the designating board of township trustees, the board of county commissioners, or legislative authority of the municipal corporation needs to be a party to a CRA agreement unless that subdivision is a fee simple owner of the property in question that would otherwise be obligated to pay real property taxes for the property.

The bill's megaproject-specific changes apply to all CRA agreements entered on or after January 1, 2025. The bill's general change for all commercial and industrial CRA projects applies regardless of when the agreement was or is executed.

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[164] See *Exchange Bank v. Hines, 3 Ohio St. 1, 15 (1853)* ("The uniformity must be coextensive with the territory to which it applies. If a State tax, it must be uniform over all the State; if a county, town, or city tax, it must be uniform throughout the extent of the territory to which it is applicable.").

Temporary abatements

(Sections 757.60 and 757.70)

The bill establishes a temporary procedure by which a church that acquired property in May 2022 and any municipal corporation or township may apply for a tax exemption for the property and abatement of any unpaid taxes, penalties, and interest that became a lien on the property from before the church, municipality, or township acquired it. The application for exemption and abatement must be filed with TAX within 12 months after the bill's 90-day effective date.

Continuing law generally only allows a tax exemption if the property in question is exempt from taxation on the tax lien date, which is January 1 each year, and all taxes, penalties, and interest have been paid in full before the property was acquired by the exempt user. Delinquent taxes accruing after that point may be abated, but only if they are delinquent for less than three years.[165]

Manufactured home tax waivers or refunds

(R.C. 4503.0611)

The bill adds manufactured home park operators to the group authorized to notify the county auditor that a manufactured home has been damaged or destroyed to initiate a refund or waiver of taxes on the home. A notice submitted by an operator must include photographic evidence. Under continuing law, the manufactured home's owner or two disinterested people who reside in the same township or municipal corporation as the manufactured home may provide notice, without photographic evidence. Continuing law also allows the county auditor to submit the required form on the auditor's own initiative following an inspection and investigation if no reporting form has been received.

The bill does not change the amount of taxes that may be waived or refunded. Under continuing law, the auditor must determine the reduction in the manufactured home's market value due to the damage or destruction. The ratio determined by comparing the reduced value to the initial value is the same ratio by which the taxes are reduced if the damage or destruction occurred in the first half of a year. If in the second half of the year, one-half of the ratio is applied to determine the reduction.

Local Government Fund

Allocation amount

(R.C. 131.51(A); Sections 387.10 and 387.20)

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

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

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[165] R.C. 5713.08 and 5713.081, not in the bill.

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.[166]

Reductions for traffic camera fines

(R.C. 5747.502)

The bill terminates LGF reductions for townships and counties that have employed traffic cameras to issue citations. H.B. 54 of the 136th General Assembly, the most recent biennial transportation budget, prohibited counties and townships from using those cameras, but it also preserved reductions in the LFG distributions to counties and townships that have employed them. As a result, under the transportation budget, outstanding LGF reductions from previous county and township traffic camera reductions are set to be deducted until they are fully withheld. The bill eliminates those reductions as of its 90-day effective date.

Public Library Fund

Allocations

(R.C. 131.51(B) and (C); Sections 387.10 and 820.20)

Beginning for FY 2026, the bill no longer dedicates a 1.70% share of GRF tax revenue to the Public Library Fund (PLF), instead funding public libraries through a direct GRF appropriation ($490 million in FY 2026 and $500 million in FY 2027). Under current law, OBM transfers this 1.70% share to the PLF monthly, while, under the bill, OBM transfers 1⁄12 of the PLF's appropriation for the fiscal year from the GRF to the PLF.

Similar to trends with the LGF, the budget enacted by the 135th General Assembly in 2023 increased the percentage the PLF receives from the GRF to 1.70%, beginning with FY 2024. Prior to that, the permanent 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.[167]

Under continuing law, money in the PLF is distributed monthly to each county's public library fund according to a formula, administered by TAX, which is predominately based on each county's share of the PLF in the preceding calendar year, plus an inflation factor. Each county distributes its share among libraries according to a locally approved formula or, in some counties, a statutory formula.

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[166] 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).

[167] 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).