



SALT WATCH

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Governor Kasich Signs Ohio Budget Bill

House Bill No. 153, Ohio's highly anticipated biennial budget bill, was signed by Ohio Governor John Kasich on Thursday, June 30, 2011, effectively closing the large multi-billion dollar deficit without raising taxes.

While many different issues were prevalent in the bill itself (cuts in local funding for many agencies and programs, privatization of turnpike and prisons, etc.), the tax issues highlighted include the repeal of Ohio's estate tax, an investment tax credit, a new job retention tax credit, and more notably, amnesty programs available to taxpayers starting later this year.

The following discussion details the tax amnesty opportunities and summarizes a number of other relevant tax issues:

Tax Amnesty Opportunities

Consumer's Use Tax

Amnesty will be available for Ohio consumer's use tax for taxpayers not registered for the tax prior to June 1, 2011. The amnesty program will run from October 1, 2011 through May 1, 2013 for all use tax owed since January 1, 2009.

The Tax Commissioner has the authority to allow payment plans for periods no longer than seven years for taxpayers who take advantage of the use tax amnesty program. If all delinquent use tax is paid for the amnesty period, the Commissioner also agrees to waive all associated penalty and

interest, as well as all delinquent use taxes due prior to January 1, 2009. Taxpayers not taking advantage of use tax amnesty may be assessed back to January 1, 2008.

For taxpayers already registered for Ohio consumer's use tax prior to June 1, 2011, the Commissioner does not have the authority to waive penalty and interest. Furthermore, taxpayers who received a use tax assessment on or before the effective date of the bill are not eligible for the amnesty program.

Once the Ohio Department of Taxation issues formal guidance on the use tax amnesty program, GBQ will publish an additional SALT Watch regarding the details.

Other Ohio Taxes

The following Ohio taxes are available for amnesty under the budget bill:

- Personal income tax
- Sales tax
- Corporate franchise tax
- Commercial activity tax
- Local sales and use tax
- Estate tax
- Motor fuel tax
- Cigarette tax
- Natural gas company excise tax
- Dealers in intangibles tax

The amnesty period for these taxes will start May 1, 2012 and end June 15, 2012. Taxpayers making payment of delinquent taxes under the amnesty program will only be liable for one-half of the interest due on the



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liability. Additional details are expected to be forthcoming for the Ohio Department of Taxation.

Other Relevant Budget Bill Highlights

Personal Income Tax Reduction

The final year of the five-year, twenty-one percent income tax reduction was maintained. During previous Governor Ted Strickland's tenure, freezing the final year of the reduction had been proposed. However, Governor Kasich remained committed to his plan of no tax increases and left the reduction intact.

Estate Tax Repeal

The Ohio estate tax has been repealed for the estates of Ohio individuals who pass away on or after January 1, 2013.

Commercial Activity Tax Job Retention Tax Credit

From July 1, 2011 through December 31, 2013, a refundable Ohio CAT credit will be available to businesses with annual payroll of at least \$20 million. The business must either retain at least 500 full-time employees for the entire term of the credit or maintain an annual payroll of at least \$35 million for the entire term of the credit.

Investment must be at least \$5 million over three years at a site in the same local jurisdiction as the business' principal place of business.

Small Business Investment Credit

There is a non-refundable personal income tax credit available to Ohio taxpayers investing in a small business enterprise with an operating presence in Ohio when the investment is held for two years or more.

A small business enterprise is defined as an entity with total assets of less than \$50 million or annual sales of less than \$10 million, with at least 50 full-time employees in Ohio or more than 50% of its employees in Ohio.

The credit is 10% of the qualifying investment, but is capped at \$1 million per individual. Unused credits may be carried forward up to seven years.

Data Center Business Sales Tax Exemption

A sales tax exemption has been created for the purchase of equipment used to operate a computer data center business. Capital investment of at least \$100 million is required, as well as annual payroll within the data center of at least \$5 million. However, eligible businesses must be approved by the Ohio Tax Credit Authority to determine the amount of exemption available.

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Action Items

Several specific carve-outs have also been created related to taxes, jobs, and investing. The SALT team is available to answer questions related to any specific items found in the budget.

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