



Ohio Tax Update

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The Streamlined Sales Tax Project

- The Streamlined Sales Tax Project (SSTP) was created by the National Governor's Association and the National Conference of State Legislatures in the fall of 1999 to simplify sales tax collection.
- Forty Four states, the District of Columbia, local governments and the business community have met in an effort to simplify sales and use tax collection and administration by retailers and states.
- The cost of compliance and administrative minimization is achieved through tax law simplification, more efficient administrative procedures, software, rate simplification, state level administration of all sales tax, uniform sourcing (destination), uniform definitions, and state funding of administrative costs.





The Streamlined Sales Tax Project

- **Member States**
- A member state is one that has been determined by the Streamlined Sales Tax Governing Board to have changed their sales tax laws to meet all of the requirements of the agreement
- The member states are: Arkansas, Georgia, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Dakota, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming.
- Ohio and Tennessee are associate member states. These states are in compliance with nearly all parts of the Agreement. Ohio has been accepted as a full member beginning on January 1, 2014.
- The population of the 24 member and associate member states represent 33% of the country's population.



The Streamlined Sales Tax Project

Benefits of the Streamlined Sales Tax Agreement



- **Registration** – Companies that register through the SSTP can register for all member states in one place. In addition those that register through the SSTP have the ability to use the certified sales tax administration software.
- **Certified Service Providers (CSP)** – Currently there are six companies that supply software that have been designated as Certified Service Providers. Remote sellers utilizing software provided by these companies are relieved of any liability for errors that may result in the incorrect calculation of the tax amount. A remote seller may use one of two technology models to collect and report sales tax using CSP software.



The Streamlined Sales Tax Project

- Model 1 – In this model the CSP will perform all of the seller's sales and use tax function, other than the seller's obligation to remit use tax on its own purchases. The software will interface with the seller's sales system, identify which products are taxable, and apply the appropriate rate. The CSP will file the tax return and remit the tax. These services are paid for by the member and associate member states as long as the seller meets the definition of a volunteer seller.
- Model 2 – This model utilizes the software available in Model 1 but the responsibility to file returns and make payment remains with the remote seller. In addition the cost of utilizing the software is not paid for by the states.
- Remote sellers may also use any other software product that they wish, however they will be liable for any incorrect collection of the tax and the cost of the software.



The Streamlined Sales Tax Project

- **State Information** - All member and associate member states have posted product taxability matrices on their website as well as on the streamlined sales tax web page. In addition, current rate tables, rate and boundary files, amnesties and sales tax holidays are all available on the SSTP web page. (www.streamlinedsalestax.org)
- **Amnesty** – Currently amnesty is available in Ohio and Tennessee. To obtain amnesty through the SSTP, the seller must register using the Streamlined Sales Tax Registration System. Amnesty will be granted regardless of “nexus” of the seller. No amnesty is available for taxes collected by the seller but not remitted.





The Marketplace Fairness Act

- The Act passed the Senate on May 6, 2013
- The Act is currently in Congress and will probably not pass as it is currently written, if at all.
- The Act, as currently written would require all remote seller's with aggregate sales in excess of \$1 million to collect tax on sales made in any state who is a member of the Streamlined Sales Tax Agreement. This does not include associate members.
- Additionally, if a state is not a member of the SSTA, but adopts and implements the minimum implementation requirements, it can require remote sellers to collect their use tax.



The Marketplace Fairness Act

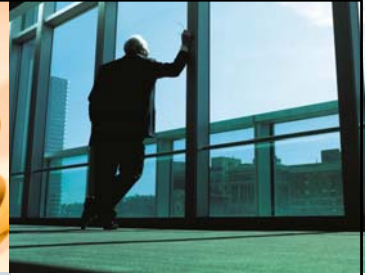


- The minimum simplification requirements are:
- A single entity within the State responsible for all State and local sales and use tax administration, return processing, and audits for remote sales sourced to the State
- Provide a uniform sales and use tax base among the State and local taxing jurisdictions within the State
- Source all remote sales in compliance with the sourcing definition (destination)
- Provide information indicating the taxability of products and services along with any product and service exemptions from sales and use tax in the State and a rates and boundary database
- Software free of charge for remote sellers that calculate sales and use taxes due on each transaction, that files the sales and use tax returns, and is updated to reflect rate changes
- Certification procedures for persons to be approved as certified software providers



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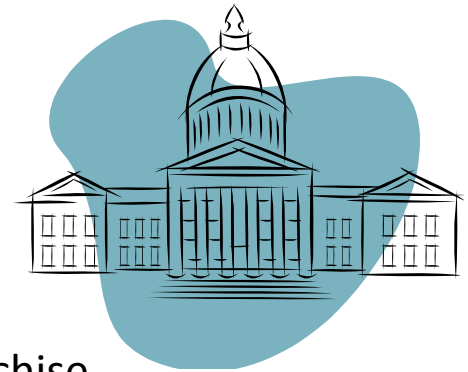
The Marketplace Fairness Act

- Relieve remote sellers from liability if the liability is the result of an error or omission made by the certified software provider
- Relieve certified software providers of liability for incorrect collection, remittance or non-collection if the liability is the result of misleading or inaccurate information provided by the remote seller.
- Relieve remote sellers and certified software providers from liability if the liability is the result of incorrect information or software provided by the State
- Provide remote sellers and certified software providers with 90 days notice of a rate change by the State or locality



The Marketplace Fairness Act

- The Act also provides for the following limitations:
- No effect on nexus
- The Act does not subject a seller to any other taxes such as franchise, income or occupation
- No effect on the ability of a seller to utilize a certified service provider of its choice
- No effect on intrastate sales
- No effect on the Mobile Telecommunications Sourcing Act.





House Bill 59

- Income Taxes
 - 10% cut in the personal income tax rates, which will be phased in over 3 years
 - 8.5% in 2013
 - 9% in 2014
 - 10% in 2015
 - Income tax brackets will not be indexed to inflation and the personal/dependent exemptions will be suspended for three years, starting in 2013.
 - Only households with Ohio taxable income of less than \$30,000 will be eligible to take the \$20 personal exemption credit.
 - Owners/investors of a small business that is structured as a pass-through entity (LLC, S-Corp, etc.) will be able to deduct 50% of the first \$250,000 in income from pass through entity sources.
 - A new Earned Income Tax Credit will be available to lower income households.



House Bill 59

- Commercial Activity Tax (CAT)

The CAT rate (0.26%) and the \$1 million exclusion are intact; however the minimum tax will change from \$150 to a tiered amount, based on Ohio gross receipts of the business.

\$1 million or less = \$150

\$1 million to \$2 Million = \$800 + 0.26% > \$1 million

\$2 million to \$4 million = \$2,100 + 0.26% > \$1 million

More than \$4 million - \$2,600 + 0.26% > \$1 million



House Bill 59

- Sales and Use Tax
 - The state portion of the sales and use tax rate increased from 5.5% to 5.75% on September 1, 2013.
 - Digital products, such as electronically downloaded books, music and videos are now subject to sales tax.
 - Magazine subscriptions are now subject to sales tax.





House Bill 59

- Motor fuel Receipts Tax

- Motor fuel refineries and terminals will no longer be subject to CAT, but will need to pay a new Motor Fuels Receipts Tax at a rate of 0.65%. This change goes into effect starting on July 1, 2014.
- Only the first sale of motor fuel in Ohio will be subject to the new Motor Fuels Receipts Tax.
- Motor fuel retailers will no longer be subject to the CAT on receipts from motor fuel.





House Bill 59

- Real Property Tax
 - The 10% and 2.4% “rollbacks” (reductions) will be eliminated for new and replacement levies passed in November 2013 and beyond. Existing levies and renewals are not impacted. The State subsidy payments to schools and other local governments will continue but will not increase if new local real estate millage is added.
 - The homestead exemption will be limited to home owners aged 65 years or older with income less than \$30,000 beginning with applications for tax year 2014. there is a grandfather clause however, so if you are currently an eligible participant, you will not be impacted.



House Bill 59

- Tobacco Tax
 - “Little Cigars” will now be taxed at a rate equal to that levied on cigarettes.





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Questions?