

Income/Franchise:

Ohio: New Law Removes CAT Minimum Tax, Increases CAT Exclusion and Provides Remote Worker Municipal Income Tax Apportionment

H.B. 33, signed by gov 7/4/23. Recently enacted budget legislation includes, among numerous other tax-related changes, provisions that remove Ohio's commercial activity tax (CAT) minimum tax and increase the taxable gross receipts exclusion from the current first \$1 million to the first \$3 million beginning in 2024 and to the first \$6 million beginning in 2025. The legislation also permits taxpayers to make an election to use a modified Ohio municipal income tax apportionment formula with respect to net profits attributable to the activities of remote employees and owners. Under this election, sales, wages, and property related to activities performed by the remote employee at that employee's "qualifying remote work location" are sourced to that individual's "qualifying reporting location." For such purposes, a "qualifying remote work location" means a permanent or temporary location at which an employee or owner chooses or is required to perform services for the taxpayer, other than a reporting location of the taxpayer or any other location owned or controlled by a customer or client of the taxpayer – and it may include the residence of an employee or owner and may be located outside of a taxing municipality. A "qualifying reporting location" is defined as the reporting location at which an employee or owner performs services for the taxpayer on a regular or periodic basis during the taxable year. If a taxpayer makes this special apportionment election, the taxpayer generally is not required to file a net profit return with an Ohio municipality solely because a qualifying remote employee's or owner's qualifying remote work location is located in the municipality.

URL: <https://www.legislature.ohio.gov/legislation/135/hb33>

See forthcoming Multistate Tax Alert for more details on significant tax-related changes included in this budget legislation, and please contact us with any questions in the meantime.

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