H.B. 150
133rd General Assembly

Version: As Introduced
Primary Sponsor: Rep. Merrin

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Summary

- Reduces, from 0.8% to 0.4%, the rate of the financial institutions tax (FIT) that applies to an institution’s first $200 million of taxable equity capital.
- Limits the tax base upon which the FIT is computed for financial institutions that report total equity capital in excess of 14% of total assets.
- Exempts newly formed banks from the FIT.
- Imposes a limit on the application fee charged by the Division of Financial Institutions to charter a new state bank.

Detailed Analysis

Financial Institutions Tax (FIT)

The bill makes several changes to the state’s financial institutions tax (FIT), including reducing the rate of the tax, exempting newly formed banks, and limiting the tax base for certain highly capitalized institutions.

The FIT is a tax on banks and other kinds of financial institutions. The tax is based on the portion of an institution’s equity capital attributable to its Ohio operations, as measured by the relative amount of its gross receipts that arise from activities in Ohio. The rate of the tax is tiered according to an institution’s Ohio equity capital, as follows: 0.8% on the first $200 million, 0.4% on the next $1.1 billion, and 0.25% for equity capital in excess of $1.3 billion. The minimum tax is $1,000. All revenue from the tax is credited to the General Revenue Fund.

Rate reduction

The bill reduces the tax rate that applies to the lowest tier of Ohio equity capital. In 2020, the rate is reduced to 0.6%. Then, in 2021, the rate is reduced further to 0.4%, so that the
three tiers of the tax are consolidated into two, and a rate of 0.4% applies to all Ohio equity capital up to $1.3 billion.¹

**Limitation on tax base**

For tax years beginning in 2020 or thereafter, the bill limits the tax base upon which the FIT is computed for any financial institution having total equity capital in excess of 14% of its total assets. Total equity capital in excess of 14% of an institution’s total assets would not be included in the FIT base. In other words, if total equity capital exceeds 14% of total assets, only the amount of equity capital equal to 14% of assets would be apportioned to Ohio on the basis of the institution’s gross receipts and multiplied by the applicable tax rates.²

An institution’s total assets are derived from information that must be filed with federal regulatory authorities (i.e., FR Y-9 or call reports), as is an institution’s total equity capital.

**Exemption for de novo banks**

The bill also exempts “de novo” banks from the tax. A de novo bank is any bank that has been operating for less than three years. To qualify for the exemption, a bank must have started its operations in the year in which the bill takes effect or in any future year.³

**Technical amendment**

The bill strikes language in the FIT law that is no longer operative. This language is part of the original enactment of the FIT, and provided for offsetting adjustments in the initial top-tier tax rate if revenue proved to be substantially more or less than specified targets at two junctures within the first few years the tax was in effect. (No rate adjustments were necessary.)⁴

**Application fee to charter a state bank**

The bill prohibits the state’s Division of Financial Institutions from charging an application fee to charter a new state bank that exceeds the fee charged by the federal Comptroller of the Currency to charter a federal bank. Currently, the Comptroller of the Currency does not charge any fee to charter a federal bank. The Division is authorized to charge “reasonable” fees for applications that consider the Division’s direct and indirect costs of processing the applications.⁵

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1 R.C. 5726.04.
2 R.C. 5726.04 and Section 3.
3 R.C. 5726.01 and Section 3.
4 R.C. 5726.04(E).
5 R.C. 1121.29.
### History

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