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Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Powell and Merrin

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SUMMARY

- Makes technical and corrective changes to the tax laws.
- Makes a few substantive changes in tax laws to correct apparent errors in previous legislation.

DETAILED ANALYSIS

The bill primarily makes various technical corrections to tax-related statutes to address obsolete provisions, typographical or syntactical errors, incorrect cross-references, organization, and effective dates. A few of the bill's changes address more substantive issues.

Substantive issues

The bill makes a few changes to statutes to remedy apparent errors or oversights from previous legislation. The changes could have substantive effects to the extent that the current law is construed strictly as it is written.

R.C. section	Explanation
R.C. 323.154	Homestead exemption: The deadline for applying for the homestead exemption recently was changed from early June to December 31, but this section still requires new applicants to be notified of whether they qualify in October. The bill changes the notification deadline to 30 days after the application is approved or denied. It also changes the deadline for an applicant to appeal the decision to 60 days after being notified.
R.C. 718.01(PP)	Municipal income tax assessments: Current law distinguishes the kinds of actions or notices that are or are not considered to be a formal assessment for an alleged municipal income tax deficiency. (Issuance of an assessment invokes rights, duties, and appeal deadlines.) The bill supplies an apparently omitted word, "not," to clarify that

	correspondence that does not meet the definition of what constitutes an assessment is not an assessment.
R.C. 5721.39(D)	Delinquent property tax certificate interest period: The interest accrual period for a tax certificate bought at public auction is limited to three years, although the holding period is up to six years; by comparison, the interest period for a certificate bought in a private sale is six years, equal to the maximum holding period. The mismatch between the interest period and holding period for auctioned certificates appears to have resulted from a 2008 conference committee amendment extending the holding period but not conforming the interest period (H.B. 562 of 127th General Assembly).
R.C. 5743.05	Cigarette tax refunds: When a taxpayer claims a refund of any state tax other than the cigarette excise tax, and the Department of Taxation determines that the amount to be refunded is at least as much as (“not less than”) the refund amount the taxpayer claimed, the Department pays the amount the Department determined. Under the wording of the cigarette excise tax statute, there is no such directive for when the Department’s calculated refund is not less than the amount the taxpayer claimed; the statute contemplates only instances when the calculated refund is less than the taxpayer’s claimed refund because of an apparently missing “not” in the appropriate phrase. The bill corrects this by supplying the apparently missing “not.”

Obsolete language

The bill removes language that is no longer operative because it refers to a previously repealed provision or the circumstances under which it would operate can no longer exist, as indicated in the following table.

R.C. section	Explanation
R.C. 131.45	Refers to a state sales tax dedicated to school funding that was never levied; it failed as a ballot issue in 1998.
R.C. 133.06, 5705.29(F)	Refers to former R.C. 133.301, which was repealed in 2002 in the wake of <i>DeRolph</i> litigation. The repealed section authorized short-term borrowing by school districts for operating expenses; it was ruled unconstitutional. ¹

¹ Conforming changes in R.C. 5705.13, 5705.35(A), 5705.36, and 5747.51(E).

R.C. section	Explanation
R.C. 133.18, 5705.03, 5705.195	Refers to how assessment percentages for tangible personal property used in business are to be used to compute the tax rate for property tax levies. That class of property has not been taxable since 2008.
R.C. 319.301(E)	Includes phase-in language for the tax reduction factor 20-mill floor and 2-mill floor (for school districts and JVSDs, respectively) that applied only in the first several years the floors were in effect.
R.C. 5705.211	Authorizes a school property tax levy that is premised on a former school foundation funding formula (circa 2006) that no longer is in effect. ²
R.C. 5726.04	Sets two revenue targets for the financial institutions tax during its first few years of operation (2014 – 2016) and corresponding tax rate adjustments if the targeted amounts were not met. (The targets were met and no rate adjustments were necessary.)
R.C. 5727.87, 5751.23 ³	Compensated counties for reductions in property tax collection fee revenue resulting from (1) legislated reductions in public utility tangible personal property assessment rates and (2) the repeal of taxes on business TPP. (The fees are a percentage of tax collections.) Compensation ended in 2011 and 2015, respectively.
R.C. 5733.40	Section is amended to add reference to ‘C’ corporations as a class of investor in a pass-through entity for which the entity does not have to withhold tax (because there is no longer any underlying tax liability for a C corporation since the repeal of the corporation franchise tax). Substitutes this more general reference for the current, and more particular, reference to financial institutions.
R.C. 5735.06	Refers to a “cents-per-gallon” motor fuel tax rate that is no longer defined or operational.
R.C. 5739.01	Refers to several specific dates on which a service first became subject to the sales tax.
R.C. 5739.02(B)(48)	Authorizes a sales and use tax exemption for sales of machinery, equipment, and supplies to certain direct sale businesses; the exemption expired in 2013. ⁴

² Conforming changes in R.C. 319.301(A)(1) and 3317.01.

³ Conforming change in R.C. 5727.84.

⁴ Conforming changes in R.C. 5739.03 and 5739.05.

R.C. section	Explanation
R.C. 5739.021, 5739.028, 5748.09	Refers to February special election date for a county or transit sales tax ballot issue or a school district income tax. February as a special election date was eliminated in 2015 by H.B. 64.
R.C. 5739.08, 5739.105, 5747.02(C), 5747.41	States that the levy of a state tax does not prevent a local government from levying the same kind of tax. The statement dates to a period when the prevailing judicial doctrine, known as “implied pre-emption,” asserted that the levy of a tax by the state implicitly pre-empted local governments from levying such a tax unless expressly authorized by law. (Doctrine overturned in 1998.) In some instances, the statement appears even when the local tax is expressly authorized.
R.C. 5747.01 ⁵	Refers to adjustments to income to compute taxable income that are no longer operative, including complex trust distributions to beneficiaries, college costs, federal adbacks for health plan beneficiaries, and a former version of the business income deduction. ⁶
R.C. 5747.082	Includes phase-in of electronic filing requirement for tax return preparers based on number of returns; phase-in ended in 2013.
R.C. 5733.46, 5747.75 ⁷	Authorizes a credit for investing in an ethanol production plant; credit expired and could not be claimed after 2015.

Organization

The bill reorganizes the language of the following sections as described below.

R.C. Section	Explanation
R.C. 1545.21	Adds missing paragraph break.
R.C. 5713.30 ⁸	Fixes duplicate division reference; moves text in division (A)(3).

⁵ Conforming changes in R.C. 5747.011, 5747.012, 5747.013, 5747.11, 5747.231, 5748.01, and 5751.01(E)(7).

⁶ Conforming change in R.C. 5703.94

⁷ Conforming changes in R.C. 122.075, 125.831, 901.13, 4301.20, 5733.98, and 5747.98.

⁸ Conforming change in R.C. 929.01.

R.C. 5739.08, 5739.09 ⁹	Separates county lodging tax authority from township and municipal authority; reorders divisions; moves two existing provisions to new sections, one addressing alternative definitions of “hotel” (5739.091) and one addressing use of revenue (5739.092).
R.C. 5751.01	Moves operating provisions and related sub-definitions to new sections (5751.40, 5751.41, 5751.42) to preserve this section’s purpose of defining terms for the chapter.

Cross-references

The bill corrects erroneous cross-references in tax-related statutes as indicated in the following table.

Cross-references

R.C. 133.01, 133.06, 133.18, 135.142, 3316.03, 3316.06, 5703.54, 5705.213, 5705.29, 5705.35, 5705.36, 5705.49, 5709.85, 5709.93, 5713.30, 5715.36, 5727.33, 5727.80, 5733.055, 5733.40, 5739.01, 5739.011, 5739.02, 5739.034, 5739.21, 5743.33, 5743.65, 5747.02, 5747.061, 5747.51(I), 5747.55, 5751.09

Typographical errors

The bill corrects typographical and syntactical errors in tax-related statutes where one or more words are missing, repeated, misplaced, or misspelled or where there is erroneous punctuation, as indicated in the following table.

Missing, repeated, or misplaced word or phrase

R.C. 306.322, 718.021, 1545.041, 4582.024, 4582.26, 5703.04, 5733.042, 5733.052, 5743.05, 5743.62, 5745.14, 5748.08, 5751.01, 5751.08, 5751.51

Misspelled word

R.C. 321.20, 5703.211, 5709.61, 5727.11, 5727.83, 5733.05, 5735.026, 5740.02, 5741.01, 5743.08, 5747.52, 5753.11

Punctuation

R.C. 321.03, 5703.21, 5705.19, 5705.252, 5705.34, 5709.40, 5713.03, 5713.351, 5715.13, 5721.06, 5721.191, 5725.98, 5727.02, 5727.23, 5727.32, 5729.98

⁹ Conforming changes in R.C. 133.07, 305.31, 307.671, 307.672, 307.674, 307.678, 307.695, 351.01, 351.03, 351.141, 1711.15, 1711.16, 4582.56, and 5739.01(M).

Effective date

The bill substitutes a date certain for references to an act’s effective date in various tax-related statutes as shown below. The existing references signal when an act’s amendment to a section is to take effect in instances when that date is not known before the act is passed and signed into law.

Effective date

R.C. 5701.08, 5701.12, 5703.95, 5705.315, 5709.201, 5709.40, 5709.43, 5709.48, 5709.53, 5709.80, 5726.50, 5739.028, 5747.058, 5747.07, 5751.50

HISTORY

Action	Date
Introduced	04-11-19