

# Publications

## Ohio Statehouse Update: Top Ten Tax Topics to Watch for in 2013

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With the recent commencement of the 130<sup>th</sup> Ohio General Assembly, 2013 is already shaping up to be a pivotal year for Ohio tax issues. With that in mind, the Vorys state and local tax team and the Vorys governmental relations team present the Top Ten Tax Topics to Watch for in 2013:

### 1. Severance Tax Amendments

Significant amendments to Ohio's severance tax, which is imposed on the removal of natural resources from the ground, were proposed in 2012, and are likely to be reintroduced during 2013. If enacted, these amendments could have a significant effect on the amount of severance tax paid, and the use of those increased severance tax dollars.

### 2. Taxation of "MidStream" Entities

Midstream entities typically gather, transport and process oil, natural gas and other hydrocarbons. Currently, the law is not 100% clear regarding how mid-stream entities are treated for various Ohio tax law purposes. Amendments were proposed to clarify the Ohio tax treatment of these entities in 2012, and are likely to be reintroduced during 2013.

### 3. Real Property Taxation of Oil and Gas Producers

The Utica Shale boom has led to an increased focus on the real property taxation of mineral interests. The Ohio Department of Taxation takes the position that such minerals are not subject to real property tax until there is a producing well, at which point those interests are valued based on a statutory formula. Some county auditors, however, have taken a different approach, and valued and taxed non-producing interests. This development will likely continue to evolve during 2013.

#### 4. Potential Changes to Key Sales and Use Tax Exemptions and Exceptions

Manufacturers, oil and gas producers and others have historically received the benefit of specific exemptions and exceptions for Ohio sales and use tax purposes. As the state continues to evaluate ways to raise revenue, it is possible that these key exemptions and exceptions could be affected.

#### 5. Taxes on Certain Services

As part of larger discussions regarding potentially reducing or eliminating the state personal income tax, proposals have been made to expand the application of the state sales tax to the provision of professional services such as accounting, legal and business consulting, as well as to services provided at establishments such as barbershops and parking facilities. To that end, it is expected that proposed new taxes on services in Ohio will be advanced and debated as part of state tax reform discussions during 2013.

#### 6. Proposed Elimination of Various Tax Expenditures

Also as part of the larger state tax reform discussion, several organizations have been advocating the elimination of state “tax expenditures” – tax credits and tax exemptions made available to particular businesses and industry segments – under the argument that this will increase state tax revenues and create an even playing field for all businesses in Ohio. As tax-related discussions heat up in 2013, it is likely that there will be renewed calls for the state to undertake a comprehensive review in this area with an eye toward reducing or eliminating various state tax expenditures.

#### 7. Commercial Activity Tax Related to the Sale of Motor Fuel

With respect to state Commercial Activity Tax (CAT) reform discussions, the proposed elimination of tax “pyramiding” – the repeated payment of CAT by separate entities at multiple levels in a supply chain – is a major issue to be addressed, in particular for the motor fuel industry. For vertically integrated supply chains (meaning that the same company owns all levels of the supply chain) the CAT is assessed only once, but for supply chains comprised of independently owned companies, the CAT is currently assessed at each level in the chain. To remedy this disparity, proposals to assess the CAT at only one point in the motor vehicle fuel supply chain have been advanced in previous years, and will likely come under serious discussion again in 2013.

#### 8. Municipal Income Tax Reform

Currently, each of the nearly 600 municipalities in Ohio is permitted to impose its own definitions, rules and procedures for collection of municipal income taxes from individuals and businesses, resulting in an administrative quagmire for employers who must learn to navigate and constantly maintain awareness of changes and updates to multiple municipal tax systems. Legislation to establish uniform rules for withholding and taxation among all Ohio municipalities was introduced and briefly debated at the end of 2012, and will likely be re-introduced for further debate and consideration in 2013.

## 9. Board of Tax Appeals Reform

The current case load of the Board of Tax Appeals (the BTA) is at an historic high, and this has led to a significant case backlog. Efforts are currently underway to reform the BTA to attempt to address this case backlog, and legislation may be introduced during 2013.

## 10. Changes to Ohio's Economic Development Incentives

As JobsOhio and its regional networks continue to develop, there could be changes to Ohio's incentives offerings during 2013. Governor Kasich has stated publicly that the state intends to place less emphasis on tax credits and more emphasis on low-interest state loans. There could be significant developments with respect to types of incentives awarded during 2013.

### Join Vorys for a webinar on these and other tax reform topics

Vorys state and local taxation and governmental relations professionals will conduct a joint webinar to discuss this top ten list and other potential tax reform topics on January 28, 2013 at 11:30 am. [Click here to RSVP.](#)

In the meantime, if you have questions or concerns about how proposed tax changes may impact your business, please contact one of the following professionals: Frederick L. Ransier – (614) 464-8226, [flransier@vorys.com](mailto:flransier@vorys.com); Frederick E. Mills – (614) 464-8395, [femills@vorys.com](mailto:femills@vorys.com); Anthony L. Ehler – (614) 464-8282, [tlehler@vorys.com](mailto:tlehler@vorys.com); Scott J. Ziance – (614) 464-8287, [sjziance@vorys.com](mailto:sjziance@vorys.com).