

## Publications

### Ohio Supreme Court Doubles Down on Applying a Plain and Ordinary Meaning to Sales Tax Exemptions

#### Related Attorneys

Anthony L. Ehler  
David A. Froling  
Hilary J. Houston  
Steven L. Smiseck

#### Related Services

Property Tax Management  
State and Local Taxation  
Taxation

**AUTHORED ARTICLE** | 8.19.2025

By: **Hilary Houston**

On August 13, 2025, the Ohio Supreme Court overturned the Ohio Board of Tax Appeals (BTA) and the Ohio Tax Commissioner in *Claugus Fam. Farm, L.P. v. Harris, 2025-Ohio-2807*, Slip Opinion No. 2025-Ohio-2807, thereby allowing sales tax exemption for a Mercedes-Benz Geländewagen, an offroad luxury vehicle. In *Claugus Fam. Farm*, the Court refused to read “directly” back into R.C. 5739.02(B)(42)(n), an Ohio sales tax exemption for farming vehicles, after the Ohio Legislature intentionally removed the direct-use requirement in 2011. Instead, consistent with its decision in *Stingray Pressure Pumping, L.L.C. v. Harris, 2023-Ohio-2598*, the Court applied a plain and ordinary meaning to the farming tax exemption. Emphasizing the words of R.C. 5739.02(B)(42)(n), the Court held that a vehicle's primary use in farming, rather than incidental or non-farming uses, is the critical factor in determining eligibility for the tax exemption.

The Court also pushed back on the BTA's and Tax Commissioner's narrow interpretation of “business” in the context of farming. The Tax Commissioner's rule, Ohio Adm. Code 5703-9-23(A)(1) defines “farming” in part “as a business.” As then cited by the Court, R.C. 5739.01(F) defines “business” as “any activity engaged in by any person with the object of gain, benefit, or advantage, either direct or indirect.” The Court focused on the use of the word “object” within the definition and held that “even if that aim [of gain, benefit, or advantage] falls short because taxpayer fails to generate a profit despite its activities, the taxpayer can still be said to be in business.” The Court also highlighted the fact that the term “business” does not include the word “profit.” Based on the taxpayer's implementation of a forest management plan and near-term removal of invasive species from its forest with long term goal of harvesting high quality timber, the Court concluded that the taxpayer's activities evidence it is engaged in farming as a business, regardless of a lack of immediate profit.

The Court further held that the absence of use or mileage logs does not disqualify a taxpayer from claiming exemption under R.C. 5739.02(B)(42)(n), as the statute does not impose such a requirement. According to the Court, “[i]t is not this court’s function to amend the statutory provision by inserting requirements that the legislature did not prescribe.” The Court rejected the argument that occasional non-farming uses, such as driving to a post office, negates the exemption. Instead, the Court applied a primary use test, as dictated by statute and that exists precisely for determining whether an exemption applies when exempt and non-exempt uses exist. Testimony before the BTA detailed how the taxpayer used the Mercedes for farming purposes, including transporting tools, chemicals, and workers through the forest’s rough terrain to implement a forest management plan of eliminating invasive species and facilitating timber growth. Without evidence to rebut the taxpayer’s testimony, the Court found the primary purpose of the Mercedes to be farming.

This decision underscores the importance of legislative intent and statutory language in determining tax exemptions. It also highlights the Court’s role in ensuring that additional requirements not prescribed by the legislature are not imposed on taxpayers. Lastly, the decision underscores the Court’s view that testimonial evidence on a point of proof required by statute cannot simply be ignored by the trier of fact. Testimony is evidence and it can be accorded weight sufficient to satisfy a party’s burden of proof. Indeed, when no evidence to the contrary is present, that testimony should carry the day.