

State budget changes

Ohio's budget brings changes to businesses in and out of the state

INTERVIEWED BY ADAM BURROUGHS

With Ohio's new budget come pro-business changes that aim to simplify tax filing and draw in revenue from out-of-state sellers that have in many ways eluded sales tax collection.

"It's clear from the provisions in this budget that Ohio is working to improve and modernize its tax laws to help private companies and attract more business to the state," says Mary Jo Dolson, CPA, partner, State and Local Taxes, at Skoda Minotti.

Smart Business spoke with Dolson about Ohio's budget bill and the changes it brings.

How is Ohio's recent budget bill expected to impact businesses from a tax perspective?

Businesses will appreciate the state's attempt to simplify tax filing with its municipal reform. For example, one provision gives businesses that file in multiple cities the option to file one municipal net profit tax return through the Ohio Business Gateway that reflects all activity in all cities. This will greatly reduce the filing burden because businesses that opt in file one return to the state, which handles everything, rather than the individual municipalities.

The process for opting in opened on Oct. 19, and March 1, 2018, is the deadline to register. Businesses can file their 2018 returns through the Gateway, but they can't file municipal withholding payments. Only C corps, S corps, and/or partnerships are currently permitted to take advantage of this program.

Another provision of the budget's municipal reform is a major change to the complicated throwback rule. Cities can no longer require that businesses 'throw back' sales of tangible personal property attributable to a state and/or city where the business is not filing to the city from which the goods were shipped. Under current law,

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if a business is not filing in the state and/or city where the goods were shipped, the business is required to treat those sales as sales for the city from which the goods were shipped. This is a very pro-business change to city taxation in Ohio. Business owners should talk with their accountant or tax adviser to fully understand how the change affects their business.

How does the current budget affect the state's sales tax?

There is no sales tax increase, but there are other changes. For instance, the sales tax holiday has been preserved and is approved for August 2018.

But the most significant change in the budget bill is the way in which the state deals with out-of-state or remote sellers that sell into Ohio. With the new budget bill provision, remote sellers with \$500,000 in sales in Ohio that either utilize in-state computer software to make Ohio sales or utilize a third party to provide content distribution network are required, effective Jan. 1, 2018, to begin charging and collecting Ohio sales tax.

This 'cookie nexus' follows a trend happening across the country. Revenue-hungry states are looking to capture sales tax that's escaping collection through online retailing with more diligent enforcement and the creation of laws that compel online

retailers to collect and remit sales tax.

What pending federal legislation could impact taxpayers?

While many states have adopted legislation similar to Ohio that requires taxpayers to collect sales tax on internet transactions, federal legislation introduced this year is designed to prevent states from imposing nexus standards, such as Ohio's previously mentioned 'cookie nexus.' Instead, it seeks to require a physical presence in the state before a taxpayer can be required to comply with a state's sales tax laws. Similar legislation has been introduced in the past, but was never enacted. It's not clear how this legislation will fare or what it will mean for Ohio's provision targeting out-of-state sellers.

Mobile workforce legislation is also making its way through Congress. It indicates that states cannot require businesses to comply with state withholding laws until an employee travels in state for at least 30 days. This would make a law that varies by state uniform and easier for businesses to comply with.

The laws are ever changing and each impacts a business for better or worse. Now is a good time for companies to talk with their accountant or tax adviser to understand how new and pending legislation will affect their business. ●