TAX IMPACT OF OHIO'S 2024-2025 FISCAL YEAR BUDGET

On July 3, 2023, Governor Mike DeWine signed Ohio House Bill 33, vetoing 44 items from the Ohio General Assembly's version. The Bill introduces a range of tax-related changes that will impact many areas of Ohio including government, health care, schools, behavioral health and more, in addition to the taxes administered by the Ohio Department of Taxation.

We will highlight the key provisions of the bill and how they might affect you and your tax obligations.

Personal Income Tax

The new legislation brings about a reduction in personal income tax rates, which will be phased in over two years. The number of tax brackets is reduced by consolidating the two lowest tax brackets from the 2022 tax rates. Non-business income will be taxed at the following rates:

Non-Business Income Level	2023 Tax Rate	2024 Tax Rate
$0 - $26,050	0%	0%
$26,051 - $100,000	2.75%	2.75%
$100,001 - $115,300	3.688%	3.5%

$115,301 and higher	3.75%	3.5%

Business income will remain taxable at a flat 3%.

Starting in 2024, you can make deductible contributions to a tax-advantaged home ownership savings account. The lifetime maximum deduction is $25,000, with an annual deduction limit of $10,000 for couples and $5,000 for individuals. Family members including parents, spouses, siblings or grandparents can also take advantage of this deduction.

Pass-Through Entity Taxes

State and local pass-through entity (PTE) taxes paid by an electing PTE on behalf of an owner to other states will be included in the calculation of the owner's Ohio income tax resident credit. PTE taxes levied by another state that the entity deducted from its Federal adjusted gross income are required to be added back to the Ohio adjusted gross income. This change applies to taxable years ending on or after January 1, 2023, and taxpayers have the option to apply the changes to tax years ending after January 1, 2022.

Municipal Income Taxes

- A modified business apportionment formula will be available for taxable years ending on or after December 31, 2023. A business may elect to apportion the property used, payroll earned or sales generated by a qualifying remote employee or owner to a qualifying "reporting location" assigned by the employer.
- Beginning in 2024, municipal corporations must exempt the income of individuals under 18 years of age from municipal income taxation. This change aims to reduce the tax burden on young individuals.
- Net operating losses (NOLs) will no longer be limited to 50%, allowing a business to deduct the total amount of its NOL in 2023.
- The due date for business tax returns that received an automatic six-month extension for filing the Federal income tax return will be extended an additional one month for taxable years ending on or after January 1, 2023.

The extension will extend most entity returns to November 15th.
- When a taxpayer files an extension with a municipality, they may not receive a notice for inquiries until after the return is filed or the extended due date has passed. If a notice is received, the taxpayer is entitled to reasonable reimbursement of costs incurred in addressing the inquiries or notices up to $150.

Sales and Use Tax

- Beginning October 1, 2023, baby products such as child diapers, creams and wipes, car seats, cribs and strollers will be exempt from sales tax. This exemption aims to alleviate the financial burden on families.
- A sales tax holiday in August 2024 will still occur with an increased value of $500, for qualifying items; however, the length was not extended to 14 days, as originally drafted. The length will be determined by the Tax Commissioner in consultation with the Director of Budget and Management, and the County Commissioners Association. The details of the August 2023 sales tax holiday can be found on our website.

Credits and Incentives

- The Ohio Research and Development tax credit calculation has been modified and the record retention requirements have been extended
- Income limits for taking the nonpublic school tuition credit were increased and the credits have been increased for those with lower taxable incomes.
- Film and theater production credits have been increased
- A refundable production company tax credit has been established for in-state capital improvement projects to encourage and develop the solid film and theater industries in Ohio.
- Welcome Home Ohio (WHO) Program was created to develop and preserve affordable housing development.
- A non-refundable Ohio low-income housing tax credit (LIHTC) has been authorized for the development of low-income rental housing.
- Single-family housing development credit has been authorized for

investment in the development and construction of affordable single-family housing.

Tax Administration Provisions

The tax commissioner is now authorized to send tax notices by ordinary mail or electronically through email, text message or other forms of electronic communication. This change aims to streamline and modernize the tax administration process.

Commercial Activity Tax (CAT)

The gross receipts exclusion has been increased from $1 million to $3 million in 2024 and $6 million in 2025. The tax rate above the exclusion amount will remain at 0.26%. While several proposed amendments to the CAT tax were removed by Governor DeWine via line-item veto, the changes that have been enacted will provide some relief for businesses. The Governor indicated that he was not philosophically opposed to the amendments, however, found fault with some of the technical drafting which he believed could lead to confusion and/or loopholes in the future.

If you have any questions or need assistance, please don't hesitate to reach out to your BMF Advisor. We are here to help you navigate these changes and ensure your compliance with the new tax laws.