

OHIO HOUSE BILL 33 BRINGS SIGNIFICANT CHANGES TO COMMERCIAL ACTIVITY TAX



The Ohio Department of Taxation has released [additional guidance](#) for Ohio's Commercial Activity Tax (CAT) following the enactment of House Bill 33. These changes, which largely come into effect for tax periods beginning in January 2024, will have a notable impact on businesses in Ohio. We've summarized the key tax highlights below.

Major Tax Changes

Elimination of CAT Annual Minimum Tax

Effective from January 1, 2024, the CAT annual minimum tax will no longer apply.

Increased Exclusion Amount

In 2024, the exclusion amount is raised significantly from \$1 million to \$3 million. For subsequent years, starting in 2025, the exclusion amount is further increased to \$6 million.

No Return Requirement for Smaller Businesses

Taxpayers with taxable gross receipts of \$3 million or less in 2024 and \$6 million or less in 2025 will no longer be required to file a return with the Department of Taxation.

Unchanged Tax Rate

The CAT rate remains steady at 0.26%. This rate continues to apply to those taxpayers with taxable gross receipts exceeding \$3 million in 2024, and exceeding \$6 million in 2025 and beyond.

Shift to Quarterly Filing

Annual filing will be eliminated after the 2023 annual return, which must be filed by May 10, 2024. Starting from January 1, 2024, businesses will only be able to file quarterly returns.

Guidance for Annual Taxpayers

For currently registered annual taxpayers who expect to have \$3 million or less in taxable gross receipts during 2024, they will need to file a final annual return for 2023 by May 10, 2024. Those anticipating this level of gross receipts for 2024 should also cancel their CAT account by December 31, 2023. However, even after canceling their account, they must still file their final return in May 2024.

After the 2023 annual CAT returns are filed, all annual filing requirements will cease. All remaining CAT taxpayers, regardless of their gross receipts, must file quarterly returns for tax periods starting on or after January 1, 2024.

Guidance for Quarterly Taxpayers

Quarterly taxpayers who anticipate having \$3 million or less in taxable gross receipts during 2024 should also cancel their CAT account by December 31, 2023. The final CAT return for such quarterly taxpayers will be the 2023 fourth-quarter tax return, due by February 12, 2024. If a taxpayer exceeds the exclusion amount in a subsequent calendar year, they must reactivate their CAT account and resume filing and paying the CAT at that time.

The Exclusion and Tax Rate

The CAT rate of 0.26% applies to a taxpayer's taxable gross receipts for the tax period, after deducting the exclusion amount for that calendar year. The full exclusion amount is applied to the first calendar quarter return of that year, and any unused exclusion carries forward to subsequent calendar quarters within the

same year.

Group Taxpayers

Combined and consolidated elected taxpayer groups are considered as one taxpayer. Such groups must collectively evaluate the taxable gross receipts of all their members to determine whether they exceed the exclusion amount, which is \$3 million in 2024 and \$6 million in 2025 and beyond. Intermember receipts excluded by consolidated elected taxpayers are not considered when determining whether the group has exceeded the exclusion amount for the calendar year.

Taxpayers have two ways to cancel their CAT account:

1. Use the CAT Cancel Account option on the [Gateway](#) (which is the recommended method).
2. Use the [Business Account Update Form](#) found on the department's website.

When you cancel your account, you can choose a date in the future for the cancellation to take effect. This date can be up to one year ahead. For example, if you decide to cancel your CAT account on September 1, 2023, you can pick a future date, like December 31, 2023, for the cancellation to happen. This flexibility lets businesses plan when they want their CAT account to be canceled.

These changes in Ohio's CAT regulations, effective from 2024 onwards, bring both relief and new requirements for businesses of varying sizes. Smaller businesses will benefit from reduced filing obligations, while larger enterprises will continue to pay CAT at the established rate. Understanding these changes and their implications is crucial for businesses operating in Ohio.