The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio. The tax is measured by taxable gross receipts. The CAT is the successor to Ohio’s corporate franchise tax and tangible personal property tax, both of which have been phased out.

Taxpayers

The CAT applies to persons with taxable gross receipts of more than $150,000 per calendar year. The tax applies to most persons above the $150,000 threshold, regardless of organizational form; sole proprietorships, partnerships, LLCs, and corporations are subject to the tax. Although the tax applies to most kinds of businesses, there are some notable exceptions. Non-profit entities are excluded from the tax. A limited number of other businesses are also excluded from the CAT. Businesses such as certain types of public utilities, insurance companies, financial institutions, and affiliates of insurance companies and financial institutions are subject to other taxes and therefore not considered tax expenditures. Persons that must pay the CAT are persons doing business in Ohio. These persons include, but are not limited to, persons with substantial nexus with Ohio. Substantial nexus with Ohio means a person that owns or uses a part or all of its capital in Ohio, holds a certificate of compliance with Ohio laws authorizing it to do business in Ohio, or has a “bright line presence” in Ohio.

A person has “bright line presence” in Ohio for a reporting period and for the remaining portion of the calendar year when the person:

1. Has at least $500,000 in taxable gross receipts in Ohio during the calendar year.
2. Has at least $50,000 in property in the aggregate in Ohio at any time during the calendar year;
3. Has at least $50,000 in payroll in Ohio during the calendar year;
4. Has at least 25 percent of total property, payroll, or gross receipts within Ohio at any time during the calendar year;
   or
5. Is domiciled in Ohio as an individual or for corporate, commercial, or other business purposes.

The tax is paid on an annual or quarterly basis. An annual minimum tax is due by May 10 of each year. The tiers for the minimum tax are shown in the table below. In addition, taxpayers with receipts above $1 million report and pay the tax on a quarterly basis, with the return and payment due by the 10th day of the second month following the end of the calendar quarter (e.g., taxes for the third quarter of 2017 were required to be filed and paid by November 10, 2017).
### Tax Base

The CAT is measured by taxable gross receipts on business activities within the state, defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross receipts. Certain types of receipts are excluded from the definition of taxable gross receipts, including, but not limited to, cash discounts, certain types of interest, dividends and capital gains income, income in the form of re-payment of principal of a loan, gifts or charitable contributions, and gross receipts from motor fuel.\(^{32}\)

### Tax Rate

The CAT is levied at a rate of 0.26 percent on annual gross receipts in excess of $1 million. Each taxpayer pays an annual minimum tax based upon its taxable gross receipts as shown in the table above.

### Significant Changes Enacted by the 133rd General Assembly

Am. Sub. H.B. 166 (FY 2020-2021’s Biennial Operating Budget) modified the qualifications for the job retention tax credit. This affects multiple taxes, but it is placed in the Commercial Activity Tax section.\(^{33}\) The Bill also extended a temporary law provision of allowing owners of historic rehabilitation tax credit certificates to take against CAT if taxpayer is unable to take against insurance premium, FIT, or income taxes through FY 2020-2021 biennium (June 30, 2021). This provision is placed in the Individual Income Tax Section. Additionally, it amended the exclusion from gross receipts an amount equal to the federal, state, and local cigarette and tobacco taxes paid to include vapor product excise taxes.

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\(^{32}\) Gross receipts from motor fuel are subject to the petroleum activity tax.

\(^{33}\) Affects domestic and foreign insurance premium taxes, financial institution tax, petroleum activity tax, and income tax (pass-through entities that cannot claim the credit against another tax).
Am. Sub. H.B. 197, as mentioned above, made numerous technical and corrective to tax laws as well as streamlining the tax code. In relation to the commercial activity tax, several sections were affected.

**CAT Tax Expenditure Estimates**

The following characteristics are designated as meeting the definition of a CAT tax expenditure: (1) any exclusion, deduction, or credit not contained in R.C. 5751.01 or R.C. 5751.011; or (2) any gross receipts exclusion or deduction contained in R.C. 56751.01 or R.C. 5751.011 that benefits a specific class of taxpayers. In all cases, the exclusion, deduction, or credit must produce a tax savings for taxpayers and an associated loss in GRF tax revenue to be considered a tax expenditure.

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of “overlapping” provisions (i.e., another credit, exemption, or deduction available to the taxpayer for the same or similar purpose) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

The portion of the tax attributable to the School District Tangible Property Tax Replacement Fund, Local Government Tangible Property Tax Replacement Fund, and the Revenue Enhancement Fund are not included in these estimates. The estimates of the tax expenditures are based on various sources. Some of the estimates use data reported to ODT while others were generated using secondary sources, such as economic data reported by the Bureau of the Census. Some of the tax expenditure items in this section reflect tax credits issued by the Ohio Development Services Agency and apply to several taxes. These are reported here (as well as some in the Individual Income Tax section) as the credits taken against the CAT were the majority of the credits taken.

**NOTE:** See page 6 for description of data source codes.
A. Exclusions and deductions

4.01 Exclusion for the first $1 million in taxable gross receipts
   R.C. 5751.03(C); originally enacted 2005, revised 2013.

   The first $1 million of each taxpayer’s annual taxable gross receipts are not subject to the commercial activity tax rate. Instead, the taxpayer pays an annual minimum tax.

   \[
   \begin{array}{lcccc}
   \text{(Dollars in millions)} & \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & $215.3 & $221.1 & $226.6 & $231.4 \\
   \end{array}
   \]

   Data Source Code: A

4.02 Exclusion for qualified distribution center receipts

   Purchases made by a qualified Ohio distribution center, and destined for a location outside Ohio, are excluded from the suppliers’ taxable gross receipts. A qualified distribution center is a facility in which the center’s cumulative costs from its suppliers equals or exceeds $500 million and more than 50 percent of the center’s total cost of qualified property is shipped to a location outside Ohio.

   \[
   \begin{array}{lcccc}
   \text{(Dollars in millions)} & \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & $196.6 & $213.4 & $225.1 & $238.3 \\
   \end{array}
   \]

   Data Source Code: A

4.03 Exclusion for state and federal cigarette excise tax
   R.C. 5751.01(F)(2)(q); originally enacted 2005, amended 2019.

   An amount equal to state and federal excise taxes paid for cigarettes and other tobacco products (including vapor products) are excluded from taxable gross receipts from the sale of such cigarettes or other tobacco products by a wholesale dealer, retail dealer, distributor, manufacturer, or seller.

   \[
   \begin{array}{lcccc}
   \text{(Dollars in millions)} & \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & \text{FY 2020} & \text{FY 2021} & \text{FY 2022} & \text{FY 2023} \\
   \text{Estimate} & $3.5 & $3.5 & $3.4 & $3.5 \\
   \end{array}
   \]

   Data Source Code: A, B
4.04  Exclusion for real estate brokerage gross receipts that are not retained  
*R.C. 5751.01(F)(3); originally enacted 2005.*

In the case where a taxpayer is acting as a real estate broker, any fees not retained by the broker are not included in the broker’s taxable gross receipts.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 2.0</td>
<td>$ 2.2</td>
<td>$ 2.3</td>
<td>$ 2.4</td>
</tr>
</tbody>
</table>

Data Source Code: C

4.05  Exclusion for state and federal alcoholic beverage excise taxes  
*R.C. 5751.01(F)(2)(s); originally enacted 2005.*

An amount equal to state and federal excise taxes paid for beer, or intoxicating liquor is excluded from the taxable gross receipts from the sale of such beer or intoxicating liquor.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1.1</td>
<td>$ 1.1</td>
<td>$ 1.2</td>
<td>$ 1.3</td>
</tr>
</tbody>
</table>

Data Source Code: A, B, C

4.06  Exclusion for professional employer organizations  
*R.C. 5751.01(F)(2)(x); originally enacted 2005.*

Property, money, and other amounts received by a professional employer organization (PEO) from a client employer, in excess of the administrative fee charged by the PEO to the client employer, are excluded from the taxable gross receipts of the PEO.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 16.6</td>
<td>$ 18.1</td>
<td>$ 19.7</td>
<td>$ 21.5</td>
</tr>
</tbody>
</table>

Data Source Code: B, C
4.07 **Exclusion for motor vehicle transfers**  
*R.C. 5751.01(F)(2)(t); originally enacted 2005.*

Receipts realized by a new or used motor vehicle dealer from the sale or transfer of a motor vehicle to another dealer when the sole purpose of the sale or transfer is to meet a specific customer’s preference for a motor vehicle are excluded from the taxable receipts of the motor vehicle dealer.

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 2.2</td>
<td>$ 2.3</td>
<td>$ 2.5</td>
<td>$ 2.6</td>
</tr>
</tbody>
</table>

Data Source Code: A, B, C

4.08 **Exclusion for certain services to financial institutions**  
*R.C. 5751.01(F)(2)(u); originally enacted 2005.*

Receipts from a financial institution for certain services provided to the financial institution, as long as the financial institution and the entity providing those services share a common ownership, are excluded from taxable gross receipts.

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1.5</td>
<td>$ 1.5</td>
<td>$ 1.6</td>
<td>$ 1.7</td>
</tr>
</tbody>
</table>

Data Source Code: B

4.09 **Exclusion for receipts from the sale of agricultural commodities by an agricultural commodity handler**  
*R.C. 5751.01(F)(2)(ii); originally enacted 2013.*

Receipts from the sale of agricultural commodities are excluded from taxable gross receipts of licensed agricultural grain handlers.

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1.7</td>
<td>$ 2.6</td>
<td>$ 2.1</td>
<td>$ 2.2</td>
</tr>
</tbody>
</table>

Data Source Code: B, C
## COMMERCIAL ACTIVITY TAX

### 4.10 Exclusion for qualified supply chain receipts

*R.C. 5751.01(F)(2)(jj), 5751.42; originally enacted 2015, amended 2016, 2020.*

Receipts from members of a qualified integrated supply chain are excluded from taxable gross receipts.

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 2.2</td>
<td>$ 2.2</td>
<td>$ 2.2</td>
<td>$ 2.3</td>
</tr>
</tbody>
</table>

Data Source Code:  A, B, C

### B. Tax credits

### 4.11 Credit for increased research and development\(^{34}\)


Taxpayers may claim a non-refundable credit equal to 7.0 percent of the increased qualified research and development expenses incurred in Ohio.

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 47.0</td>
<td>$ 49.2</td>
<td>$ 51.4</td>
<td>$ 53.5</td>
</tr>
</tbody>
</table>

Data Source Code:  A, B

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\(^{34}\) This credit was originally applicable to the corporate franchise tax under R.C. 5733.351. This tax has been phased out. The credit is now applicable to both CAT and to FIT and the revenue estimates reflect the amounts attributable to both.
4.12 **Credit for job creation**  

A qualifying business may be granted a refundable tax credit for job creation through an agreement with the Ohio Tax Credit Authority (OTCA). The credit is an agreed upon percentage of a taxpayer’s “excess payroll,” which is the taxpayer’s “Ohio employee payroll” less “baseline payroll.” “Ohio employee payroll” is compensation paid by an employer that is subject to Ohio income tax withholding requirements. “Baseline payroll” means “Ohio employee payroll,” except the measurement period is the 12 months immediately preceding the agreement (i.e., date OTCA approved the taxpayer’s application or the date OTCA received a recommendation from the Chief Investment Officer of JobsOhio, whichever occurs first).

(Dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate</td>
<td>$ 107.9</td>
<td>$ 110.8</td>
<td>$ 107.4</td>
<td>$ 111.5</td>
</tr>
</tbody>
</table>

Data Source Code: A, B, C

4.13 **Credit for job retention**  

A qualifying business may be granted a non-refundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a an agreed upon percentage of the taxpayer’s “Ohio employee payroll.”

(Dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate</td>
<td>$ 33.2</td>
<td>$ 38.9</td>
<td>$ 37.6</td>
<td>$ 39.2</td>
</tr>
</tbody>
</table>

Data Source Code: A, B, C

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35 This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (as long as the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.

36 This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (as long as the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.
4.14  **Credit for net operating loss carry-forwards and other deferred tax assets**  
*R.C. 5751.53; originally enacted 2005.*

Beginning in calendar year 2010 and for each calendar year beginning prior to January 1, 2030, qualifying taxpayers may claim a non-refundable tax credit equal to 8.0 percent of the taxpayer’s corporate franchise tax net operating loss carry-forwards and other deferred tax items.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.3</td>
<td>7.8</td>
<td>8.3</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Data Source Code: A, C

4.15  **Research and development loan program credit**\(^{37}\)  
*R.C. 166.21, 5733.352, 5747.331, 5751.52; originally enacted 2003, revised 2005, 2013, and 2014.*

Borrowers in the Research and Development Loan Fund Program are eligible for non-refundable and limited transferable credits against the commercial activity tax or personal income tax for qualified payments made on loans issued from the fund by the Director of Development Services.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
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<tr>
<td></td>
<td>1.8</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Data Source Code: A

C. **Tax expenditures with revenue impact below $1 million**

4.16  **Exclusion for tax differential of CAT/PAT for dyed diesel for railroads**  
*R.C. 5751.01(F)(2)(kk); originally enacted 20015.*

4.17  **Exclusion for pre-1972 trusts**  
*R.C. 5751.01(E)(7); originally enacted 2005.*

4.18  **Exclusion for horse racing taxes and purses**  
*R.C. 5751.01(F)(2)(y); originally enacted 2005.*

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\(^{37}\) The credit is applicable to the individual income tax as well as the commercial activity tax. It is also still referred to in corporate franchise tax law, however as that tax has been repealed, no further credits may be taken against it.
4.19 Exclusion for receipts from the sale of uranium from a qualifying uranium enrichment zone
   R.C. 5751.01(F)(2)(gg); originally enacted 2011, Revised 2020.

4.20 Exclusion for receipts realized by an out-of-state disaster business
   R.C. 5703.94, 5751.01(F)(2)(ll); originally enacted 2018.

4.21 Exclusion for receipts realized from administering anti-neoplastic drugs
   R.C. 5751.01(F)(2)(v); originally enacted 2005.