FINANCIAL INSTITUTIONS TAX

The financial institutions tax (FIT) was enacted in 2012 by Am. Sub. H.B. 510 (129th General Assembly). The tax replaced the corporate franchise tax that had remained on financial institutions after that tax was phased-out for the majority of its taxpayers, and the dealers in intangibles tax. FIT became effective in 2014, based on activity in 2013.

Taxpayers

The FIT applies to each financial institution for the privilege of doing business in the state. A "financial institution" is a bank organization (national or state chartered bank, federal savings association or bank, agency or branch of a foreign bank, bank or savings and loan organizations, trust, corporation organized under 12 U.S.C. 611 or entities licensed as a small business investment company); holding company of a bank organization or a non-bank organizations (an entity that engages in business primarily as a "small dollar lender," which is defined as any person primarily engaged in the business of loaning money to individuals if the loan is for one year or less and does not exceed $5,000).

Various business organizations are not included in the definition of a FIT taxpayer. As this is an exclusion from the definition of a taxpayer, these are not within the tax base and therefore not considered a tax expenditure. These excluded businesses include insurance companies, credit unions, institutions organized exclusively for charitable purposes, diversified savings and loan holding companies and other specifically enumerated business types.

Tax Base and Tax Rate

The tax base is "total Ohio equity capital" of financial institutions. Total equity capital is comprised of all forms of equity, such as common stock, surplus, and retained earnings. However, the equity capital of non-controlling minority interests in consolidated subsidiaries that are not financial institutions are not included. An apportionment ratio based on gross receipts is applied to total equity capital. H.B. 166 (133rd General Assembly) altered the tax base. For tax years 2014 through 2019, total Ohio equity capital is equal to the product of multiplying the total equity capital of the financial institution by an Ohio apportionment factor. For tax year 2020 and thereafter, total Ohio equity capital is equal to the total equity capital of the financial institution, limited to 14-percent of its total consolidated assets, multiplied by an Ohio apportionment factor.

FIT taxpayers are subject to a $1,000 minimum tax. The tax has a three-tier rate structure as follows:

1. 0.8 percent on the first $200 million of total Ohio equity capital.
2. 0.4 percent on the next $1.1 billion of total Ohio equity capital (above $200 million, but less than $1.3 billion);
3. 0.25 percent on the remaining total Ohio equity capital ($1.3 billion and above).

Significant Changes Enacted by the 133rd General Assembly

H.B. 166 (133rd General Assembly) altered the tax base. For tax years 2014 through 2019, total Ohio equity capital is equal to the product of multiplying the total equity capital of the financial institution by an Ohio apportionment factor. For tax year 2020 and thereafter, total Ohio equity capital is equal to the total equity capital of the financial institution, limited to 14-percent of its total consolidated assets, multiplied by an Ohio apportionment factor.

Financial Institutions Tax Expenditure Estimates

Specifically, enumerated deductions and tax credits are listed. Numerous tax credits are awarded by the Ohio Development Services Agency (DSA) that are applicable to a variety of taxes and are displayed either in the Individual Income Tax or the Commercial Activity Tax sections, as those taxes contain the majority of the claims. Various business types that are not included in the definition of a FIT taxpayer are not considered a tax expenditure for this report.[29]

The estimates shown below reflect revenue foregone by the GRF from each tax expenditure. As mentioned above, many of the credits are listed in other sections of this report.

Data are primarily from tax returns and other taxpayer filings with ODT and data from DSA.

NOTE: See page 6 for descriptions of data source codes.

[29] R.C. 5726.041

A. Tax credits

3.01 New markets tax credit[30]

R.C. 5725.33, 5726.54, 5729.16; originally enacted 2009, revised 2013, 2015, 2017.

Taxpayers with an equity investment in a qualifying community development entity may claim a non-refundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, 7.0 percent in the third year and 8.0 percent in each of the four following years (for a total credit of 39 percent).

	(Dollars in millions)			
Estimate:	FY 2020	FY 2021	FY 2022	FY 2023
	$ 8.7	$ 7.5	$ 5.6	$ 5.6

Data Source Code: A, B

3.02 Credit for venture capital loan loss[31]

R.C. 150.07, 5707.031, 5725.19, 5726.53, 5727.241, 5729.08, 5733.49, 5747.80; originally enacted 2003, revised 2005, 2006, 2013.

A tax credit is available to certain investors incurring specified losses in the Ohio Venture Capital Loan Program.

	(Dollars in millions)			
Estimate:	FY 2020	FY 2021	FY 2022	FY 2023
	$ 14.9	$ 14.2	$ 14.3	$ 14.3

Data Source Code: A, B

[30] This credit is also available to the foreign and domestic insurance premium taxes. Estimates for all taxes affected are displayed in this tax expenditure item.

[31] This credit is available to under the foreign and domestic premium tax, the public utility tax for natural gas and combined companies and the individual income tax. Estimates for all taxes affected are displayed in this tax expenditure item. Additionally, the dealers in intangibles tax and the corporate franchise tax still have references to this credit, though those taxes have been repealed and no further credits can be taken against them.