

# BREAKING NEWS

## SALT WATCH

### Governor Kasich Signs Ohio Budget Bill and News on the Mobile Workforce Front

#### Governor Kasich Signs Ohio Budget Bill

On Friday, June 30, 2017, Governor John Kasich signed Ohio's main operating budget, House Bill 49, for FY 2018-2019. The bill contains several important tax provisions, including the following:

- For tax years beginning in 2017, reduces the number of personal income tax brackets by eliminating the bottom two brackets (\$0-\$5,000 and \$5,000-\$10,000). Taxpayers with Ohio adjusted gross income less exemptions and less taxable business income of \$10,500 or less will owe no Ohio personal income tax.
- Increases the maximum income tax deduction for contributions to a federally tax-advantaged college savings plan or disability expense savings account from \$2,000 to \$4,000 annually for each beneficiary.
- Modifies rules for situsing sales and use tax for direct mail to conform with the Streamlined Sales and Use Tax Agreement. This change is a codification of the process currently in place for sourcing direct mail related transactions.
- Provides for a sales tax "holiday" in August 2018 during which sales of certain clothing, school supplies and instructional materials will be exempt from sales and use taxes.
- Includes a provision to require out-of-state sellers to collect and remit Ohio tax if the seller has gross receipts in excess of \$500,000 in Ohio and if the seller uses in-state software to make sales or enters into an agreement for a content distribution network to enhance the delivery of its website to consumers.
- Employers that apply for a Job Creation Tax Credit (JCTC) will now be able to include compensation paid to certain employees who work from home for the purposes of qualifying and complying with the terms of the JCTC agreement.



## Governor Kasich Signs Ohio Budget Bill and News on the Mobile Workforce Front (cont.)

- Requires the Tax Commissioner to administer a temporary tax amnesty program from January 1, 2018 to February 15, 2018 for delinquent taxes, including the commercial activity tax, state income tax, and state and local sales and use taxes, among others. GBQ will provide additional details and analysis of the amnesty program in an upcoming SALT Watch.
  - Beginning in tax year 2018, the municipal income tax “throwback” rule on sales of tangible personal property will be eliminated. As provided under current law, a sale of tangible personal property will be sourced to a municipality only under the following two conditions: (1) the sale is both shipped from and delivered within the municipality; or (2) the property is delivered to a location within the municipality from a point outside the municipality and the taxpayer regularly has employees in the municipality engaged in sales solicitation.
  - Businesses subject to municipal net profits taxes can elect to file a single annual or estimated tax return through the Ohio Business Gateway. The election, which would renew annually until terminated by the taxpayer, will allow a business to file one return to report and pay tax to all municipalities in which the business earned net profits. The provision applies to businesses only, not to individuals. This provision, or “centralized collection” as it is more commonly known, will begin for a taxable year beginning on or after January 1, 2018. The Department of Taxation would administer these business taxes.
  - Note that there were no significant changes to the Ohio CAT in this bill. Also, notable vetoes by Governor Kasich included a sales and use tax provision that would have exempted automatic data processing and electronic information services provided in the delivery of another nontaxable service.
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## Governor Kasich Signs Ohio Budget Bill and News on the Mobile Workforce Front (cont.)

### Mobile Workforce Act Again Passes in U.S. House

On June 20, 2017, the U.S. House of Representatives passed H.R. 1393, the Mobile Workforce State Income Tax Simplification Act of 2017, via voice vote. The bill now heads to the Senate for consideration. H.R. 1393 was sponsored in the House by Rep. Mike Bishop (R-Mich.) and Hank Johnson (D-Ga.). Last year, this bill also passed the House but failed to advance in the Senate.

A companion Senate bill, S. 540, has been introduced in the Senate by Sen. John Thune (R-S.D.) and Sherrod Brown (D-Ohio). Under this bill, employees would only be subject to another state's taxes if they worked there more than 30 days per calendar year. The bill would implement a 30-day safe harbor from personal income tax and withholding obligations for traveling employees and their employers. An employee's earnings would still be subject to full tax in their state of residence. The exemption would not apply to professional athletes, professional entertainers and other public figures.

The AICPA along with other CPA groups have praised lawmakers for the passing of this bill. The nonresident withholding rules are complex and difficult to track. With each state having different rules, the administrative burden of tracking employees is immense. A uniform national standard would be welcomed by employers and employees.

GBQ SALT professionals are available to assist taxpayers with understanding the applicability of both pieces of legislation discussed above. In particular, the changes to Ohio's municipal income tax rules and reporting requirements may significantly impact your business. Contact your GBQ SALT professional for more information.

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