



Cincinnati Law Library News

A Monthly Newsletter from the Cincinnati Law Library Association

April 2007

How the New Commercial Activity Tax Affects Ohio Businesses

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Ohio state legislators are working to eliminate taxes that once discouraged potential business, and are developing a new tax designed to better serve business owners. This new tax, the Commercial Activity Tax (CAT), seems appealing and is designed to work, but there are risks for business owners, says Kevin Czerwonka, a partner with the law firm of Vorys, Sater, Seymour and Pease LLP. Legislatures in the region are keeping a close eye on Ohio to see if the CAT is successful and if they should implement such a tax in their own state. *Smart Business* spoke with Czerwonka about the new tax.

What is the CAT?

It is a gross receipts tax levied for the privilege of doing business in Ohio. It was developed when the Ohio General Assembly and Governor Bob Taft and his administration concluded the current tax structure in Ohio was anticompetitive with other states in the region. A personal property tax was in place that acted as a deterrent for business investment in Ohio. For example, if you were a business owner who spent a large sum of money on equipment to create new jobs in Ohio, you would be heavily taxed on the equipment under the personal property tax.

Another tax that contributed to the problem was the corporate franchise tax, which applied primarily to large corporations. It had a high rate but did not produce much revenue for the state. While these taxes acted as a deterrent for business, the state could not simply eliminate such taxes because they provided funds for schools and local government in the state. The CAT was designed as a broad-based, low rate replacement tax that would apply to all types of businesses. Under this design, the CAT would appeal to potential investors and business owners in Ohio.

When does the CAT go into effect?

The tax took effect July 1, 2005. The first taxable period was the last six months of 2005. The return for that period is due February 10, 2006. From that point on, participants with gross receipts of at least \$1 million during the calendar year are required to file on a quarterly basis. Any business with an amount below that will file on an annual basis. Once you are required to file, the tax on the first \$1 million is a flat \$150, similar to a small business exemption. Any gross receipts more than \$1 million are based on the tax rate scale.

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David Whelan, Law Librarian

The breadth of the Internet often clouds the fact that a significant body of content is only available off-line. While recent news articles are freely available – either on the free Internet or in free-to-access databases – the further back you go, the harder it is to find content. Here are some places you might look for newspaper articles before you head down to the

Public Library to use their extensive collection of microfilms.

1. **A news aggregator.** Google News (news.google.com) Yahoo! News (news.yahoo.com) are well-known examples of this resource. They do not produce news content but they search for recent news and provide access to it. You can often search a news aggregator with a keyword and retrieve

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Who is required to file the CAT?

The tax applies to anybody doing business with Ohio customers. It applies to all types of business entities, including corporations, limited liability companies, partnerships and sole proprietors. It applies to anybody who has Ohio gross receipts of more than \$150,000 annually. This means if you are selling goods to Ohio customers, you are required to file. A person also qualifies if they are selling services for the benefit of people in Ohio.

What are the risks with the CAT?

There is a risk of a major spike in the tax rate. The CAT is being phased in over five years as the former two taxes are being phased out. When the tax is fully phased in, the rate is scheduled to be 0.26 percent. This rate was based on projected estimates with the hope that it will generate the same amount of money as the other two taxes. To determine the accuracy of the rate, periodic test checks will be done to compare the amount the CAT actually generates to the amount it was projected to generate.

How can people register for the CAT?

Businesses subject to the CAT must register with the Ohio Department of Taxation. The deadline for registration was Nov. 15, 2005. The department is still accepting registrations, with the focus being more on getting everyone signed up rather than penalizing late registrants. The department is aware that not everyone who is subject to this tax was notified. To register, people must fill out the paperwork. There is a \$20 fee to mail registration forms to the Department of Taxation and a \$15 fee to register electronically.

These fees are later applied as a credit on a business's first return. One can register electronically through the Ohio Business Gateway. This is an online computer system set up for businesses to make various

filings with state agencies. People also can obtain registration materials and find more information about the CAT at www.tax.ohio.gov.

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news articles as well as press releases and news wires.

2. The newspaper's Web site. Many newspapers offer their most current content for free, whether it's the New York Times (www.nytimes.com) or the Cincinnati Post (www.cincypost.com). After a few days, they will archive the content and it may be irretrievable through Google News. Some of the archived results may require a small fee to retrieve them, and some will be free. If you know an article appeared in a particular newspaper, this can be a good way to find it.

3. Newsbank. This is an easy to use database that is free with your red Public Library of Cincinnati and Hamilton County library card (www.cincinnati.library.org/resource/s/newsbank.asp). Newsbank has a collection of full-text Ohio newspapers, and you can quickly search multiple newspapers to see when a story appeared in the paper. Some will go back to the early 1990s.

4. Proquest. This database is also accessible thanks to the Public Library and your library card (www.cincinnati.library.org/resource/s/proquest.asp). It goes well beyond newspapers and carries numerous periodicals full-text Wall Street Journal and New York Times, and abstracts of the National Law Journal.

These are cost-effective resources for non-legal research. Each has its pros and cons, and is better suited to some searches than others. Taken together, they can be a powerful supplement to your other research services.

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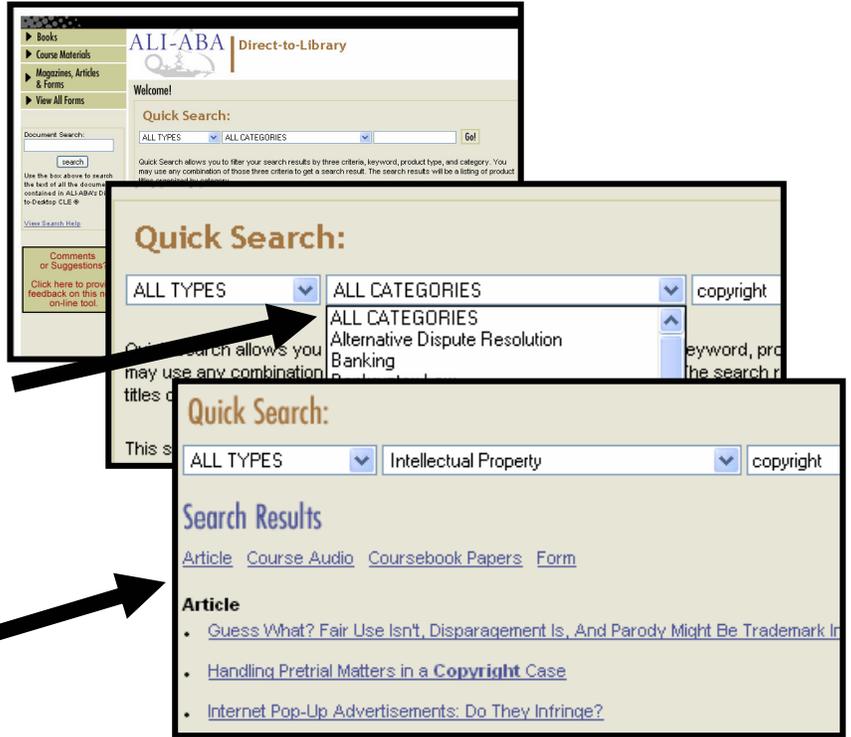
Julie Koehne, Assistant Law Librarian

Here is a quick **how to** on accessing ALI-ABA Direct-to-Library and performing a search.

Click on the [ALI-ABA Direct-to-Library](#) link on our interactive desktop here at the Law Library for access. This will open the website to get started.

Click on the drop down menus in the "Quick Search" box and select the TYPE of material and the category. As an example, use "ALL TYPES" in the first box and select the category "Intellectual Property" in the second box.

Type "copyright" in the keyword box then click **Go!**. Matching results will appear in a list, and can be viewed by media type.



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