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State & Local Tax Review

Theresa Mullen
Bruner-Cox LLP State & Local Tax Leader
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OHIO UNCLAIMED FUNDS

Ohio Unclaimed Funds

- All businesses that operate in the State of Ohio or hold funds due to Ohio residents are required to file an Annual Report of Unclaimed Funds.
 - Only two exemptions – political subdivisions and 501(c)(3) hospital
 - Filing required for most taxpayers.
 - It does not matter if hospital owns entity; how is entity organized?

Ohio Unclaimed Funds

- Business to Business Exemption.
- Report due date is November 1, 2014 with dormant accounts as of June 30, 2014.
 - Payroll 1 year measurement
 - Patient Accounts 3 years measurement
 - Full list of types of unclaimed funds and dormancy periods on page 26 of instructions (attached)
 - http://com.ohio.gov/documents/unfd_AnnualReportOfUnclaimedFunds.pdf

Ohio Unclaimed Funds

- Unclaimed Report Form OUF-1
- Negative reports required. Non-filing is an audit red flag.
 - Can be filed on Ohio Business Gateway.
- Positive reports require proper notification to the original recipient with a Form OUF-8.
 - 30 day notification prior to submitting funds to Ohio.
 - Review of accounts takes planning
 - Extension available.

Ohio Unclaimed Funds

- Audit Initiative
 - Patient Account unclaimed funds will prompt Ohio Department of Commerce audits. If the taxpayer (i.e. doctor's office) is doing business in Ohio and has not filed a positive or negative report then the risk of an audit has increased even more.
 - For a taxable entity, I recommend a review of patient accounts based on the required 3 year period. For example – at 6/30/14 what patient accounts were “unclaimed” since before 6/30/11?
 - Accounts to clean up?

OHIO WORKERS' COMPENSATION

Ohio Workers' Compensation

- Court Case Settlement
 - Settlement of San Allen case, a class action lawsuit filed in 2007 against the BWC over the pricing of workers' compensation policies that were in place between 2001 and 2008.
 - Under the July 2014 agreement, BWC will pay no more than \$420 million to settle the lawsuit that was filed in 2007 by a group of Ohio businesses claiming that the agency had overcharged taxpayers that paid non-group premiums.

Ohio Workers' Compensation

- Court Case Settlement
 - The lawsuit claimed nearly 270,000 companies had been overcharged.
 - The lawsuit filed in 2007 asked for \$1.3 billion in damages
 - The 8th Ohio District Court of Appeals in May 2014 said the BWC group premium plans in place at the time amounted to an illegal rating system that resulted in employers being overcharged nearly \$860 million over several years.
 - At the end of June, the BWC filed an appeal with the Ohio Supreme Court.
 - The original amount of \$860 million was subsequently reduced to just under \$651 million, according to the final settlement agreement filed with the Court of Common Pleas in Cuyahoga County, Ohio. The July 2014 settlement further reduced the amount to \$420 million.

Ohio Workers' Compensation

- Court Case Settlement
 - The settlement administrator has pre-determined which businesses are eligible to file a claim, and those businesses will receive a claim form in the mail.
 - Any business that receives a claim form and wishes to be considered for repayment should fill out the form and return it no later than October 22, 2014 (postmark date).
 - However, please be aware that eligibility to file a claim form does not guarantee that your business will receive payment from the settlement. The settlement agreement is subject to the final approval of the court.

Ohio Workers' Compensation

- Court Case Settlement
- *How will I know if my business is eligible for repayment?*
- To be eligible for repayment, businesses must meet three criteria:
 - Subscribed to the state workers' compensation fund;
 - Were not group-rated; and
 - Reported payroll and paid premiums in a manual classification for which the non-group effective base rate was “inflated” due to application of the group experience rating plan.
 - 2001 to 2008

Ohio Workers' Compensation

- Court Case Settlement
 - The final approval hearing for the settlement is scheduled for November 19, 2014.
 - <https://cert.gardencitygroup.com/bwk/fs/home>.

Ohio Workers' Compensation

- “Another Billion Back”
 - Governor Kasich and BWC Administrator proposal
 - Proposal includes additional investment in safety training and research
 - 2nd wave of refunds proposed
 - Eligibility:
 - Private employers must be in an active, reinstated, combined or debtor in possession status as of September 5, 2014; public taxing districts must also have been in an active or reinstated status as of September 5, 2014.
 - BWC must be in receipt of the January 1, 2014 – June 30, 2014 payroll report and premium payment for private employers and public employers must have made their January 1, 2013 – December 31, 2013 payment in full, which includes the remaining 55% premium payment for public employers that only paid an initial 45% by May 15, 2014.

Ohio Workers' Compensation

- “Another Billion Back”
 - Upon approval of the plan, the BWC is expected to start mailing rebate checks to eligible employers in mid-October, 2014, with all checks expected to be mailed by early November, 2014.

OHIO COMMERCIAL ACTIVITY TAX

Ohio Commercial Activity Tax

- Non-Profit Exemption - Nonprofit organizations are excluded persons for Commercial Activity Tax (CAT) purposes and are not subject to CAT
- Solely for CAT purposes, a “nonprofit organization” is an entity that meets all of the following requirements:
 - 1) The entity is organized other than for the pecuniary gain or profit of its members, directors, officers, or other private persons, unless otherwise permitted by law.
 - 2) No part of the entity's net earnings are distributable to its members, directors, officers, or other private persons, unless otherwise permitted by law. If all of the entity's members are nonprofit organizations, distributions to its members does not deprive the entity of the status of a nonprofit organization.
 - 3) The entity is operating consistent with its organization

Ohio Commercial Activity Tax

- However – with common ownership and a consolidated election – nonprofit are to be included in the CAT consolidated election.
 - The nonprofit's receipts are not taxable but the eliminations between the entities (for-profit and non-profit) are permitted.
 - Contrast with a combined group, there are no eliminations permitted.
 - With a consolidated election filed now – organizational charts are required.

OHIO MUNICIPAL TAX WITHHOLDING

Ohio Municipal Tax Withholding

- Ohio Revised Code 718.011 outlines a “12 day” rule for city income tax withholding for employees.
 - Traveling Medical Professionals(Doctors/Nurses)
 - Currently there is safe harbor that generally prevents compensation earned by a nonresident on 12 or few days within a municipality from being subjected to tax and withholding.
 - Pending legislation
 - If travel to a location outside employer’s city – then on the 13th day withholding must occur for work in the destination city for the 1st 12 days and any future days.

Ohio Municipal Tax Withholding

- “12 day” rule
 - For purposes of the 12-day calculation, “Day” means any part of a 24-hour day.
 - Decision Tree Attachment
 - Frequent municipal review item

OHIO REAL ESTATE

Ohio Real Estate

- When purchasing property that was taxable and will now become exempt – all taxes must be current before an exemption application can be accepted.
 - 2014 billings were for 2013 tax.
 - 2014 tax invoices to be sent for payment due by 2/15/15 and 7/15/15

Ohio Real Estate

- Large Appraisal – every 6 years
 - Ashland
 - Ashtabula
 - Athens
 - Butler
 - Clermont
 - Fulton
 - Greene
 - Knox
 - Madison
 - Montgomery
 - Noble
 - Summit
 - Wayne

Ohio Real Estate

- Update on values – every 3 years
 - Auglaize
 - Clinton
 - Darke
 - Defiance
 - Delaware
 - Franklin
 - Gallia
 - Geauga
 - Hamilton
 - Hardin
 - Harrison
 - Henry
 - Jackson
 - Licking

Ohio Real Estate

- Update on values – every 3 years
 - Mahoning
 - Mercer
 - Morrow
 - Perry
 - Pickaway
 - Pike
 - Preble
 - Putnam
 - Richland
 - Seneca
 - Shelby
 - Trumbull
 - Van Wert
 - Wood

Ohio Real Estate

- With the economy improving – the previous decreasing values may readjust. There are many factors that go into an appraisal.
 - Neighborhood analysis
 - Comparative sales
 - Field review (age of roof, etc.)
 - Review and analyze cost tables.

Ohio Real Estate

- Formal appeal to the County Board of Equalization can be filed January 1, 2015. Due by March 31, 2015.
- Form DTE 1
 - Notarized
- Informal complaint can also be made.

Questions?

Theresa Mullen

Bruner-Cox LLP State & Local Tax Leader

theresa.mullen@brunercoc.com

(330)266-4129