



M2K Advisors



# TAXATION IN OHIO

# Commercial Activity Tax (CAT) (1/3)

Ohio is unique when it comes to business taxes, because, unlike most states, it doesn't have corporate income tax or franchise tax. Instead, Ohio has the commercial activity tax ('CAT'), which is based on a business's gross receipts from business activities in Ohio.

CAT applies to partnerships, all types of businesses and entities (for example, sole proprietorships, LLCs, and all types of corporations) on their taxable gross receipts in a calendar year. Gross receipts include most business types of receipts from the sale of property or performance of a service without any deductions for costs of goods sold or other expenses. The term doesn't include:

- Interest income (other than from installment sales)
- Dividends
- Capital gains
- Wages reported on IRS Form W-2
- Gifts

## Background and the recent amendments

From its initiation in July 2005 until 2023, the Commercial Activity Tax (CAT) in Ohio allowed taxpayers to exclude their initial \$1 million from Ohio gross receipts. For the portion exceeding \$1 million, a 0.26% rate was applied. Preceding 2024, taxpayers with less than \$3 million in Ohio sales were obligated to file and pay the CAT, and there was an annual minimum tax applicable on a graduated scale.



# Commercial Activity Tax (2/3)

Starting in 2024, the filing and payment obligation for the CAT will be waived for taxpayers with less than \$3 million in Ohio sales. In 2025, this exemption threshold will further rise to include taxpayers with less than \$6 million in Ohio sales. The 0.26% rate will persist for Ohio receipts surpassing the adjusted exclusion amount.

Before 2024, an annual minimum tax applied to CAT taxpayers. Till 2023, the annual minimum tax applied on a graduated basis as follows:



Taxable gross receipts (USD)	Annual minimum tax (USD)
1 million or less	150
More than 1 million up to 2 million	800
More than 2 million up to 4 million	2,100
More than 4 million	2,600

Effective for tax periods beginning on or after January 1, 2024, the CAT annual minimum tax is eliminated.

# Commercial Activity Tax (3/3)



## Due Date

Taxpayers filing as a USD 150 annual minimum taxpayer would typically file an annual CAT return. Taxpayers with more than USD 1 million in Ohio receipts would file CAT returns on a calendar quarterly basis. After the filing of 2023 annual CAT returns, which are due on May 10, 2024, CAT annual filings will be eliminated. Beginning from 2024, only quarterly filings will be allowed.

### Quarters



## Filing Requirements

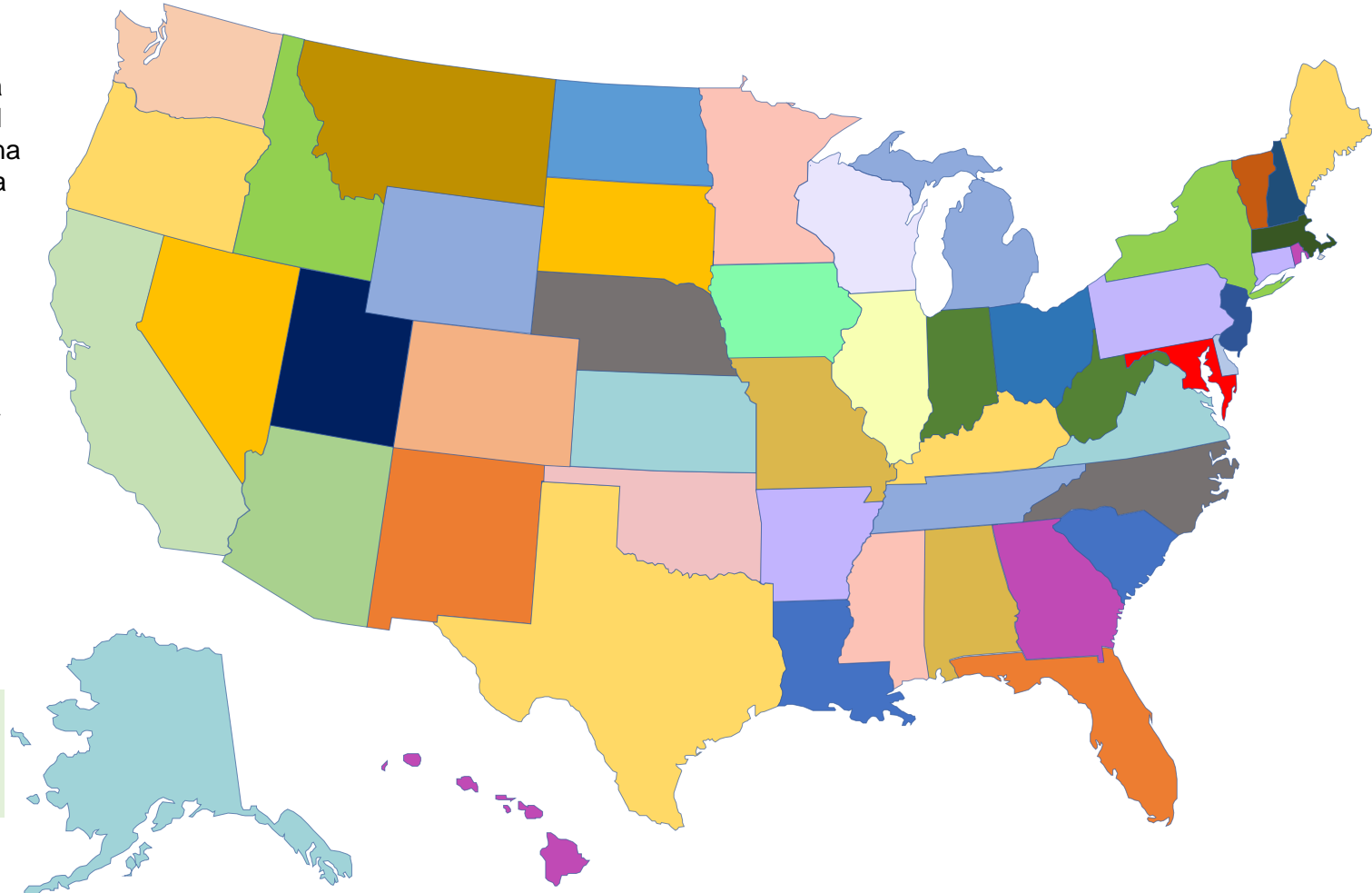
The Ohio Department of Taxation requires that the Commercial Activity Tax return (CAT 12) to be submitted using the Ohio Business Gateway.



# Upcoming Series

Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink [USA PUBLICATIONS](#) for the completed alerts.

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