

Legal Connections



LEGAL EXPERTISE FOR THE BUSINESS COMMUNITY

SEPTEMBER 29 - OCTOBER 5, 2023

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OHIO CUTS INCOME AND COMMERCIAL ACTIVITY TAX

On July 4, 2023, Governor Mike DeWine signed the Ohio Biennial Budget Bill. The \$86 billion budget is balanced while making dramatic changes to the personal income tax and commercial activity tax. Senate President Matt Huffman described this as one of the largest tax cuts in Ohio history.



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Under the Budget Bill, in 2023, there will be three tax brackets and the highest rate will be 3.75% (for non-business income over \$115,300). In 2024, there will be only two tax brackets and the highest rate will be 3.50% (for non-business income over \$100,000).

Business income will still be taxed at 3.00% for amounts over \$125,000 (filing single) or \$250,000 (filing jointly).

Commercial Activity Tax (CAT)

The Budget Bill makes significant changes to the CAT, including eliminating it for many small businesses. In 2024, taxable gross

receipts of \$3 million (or less) will be exempt from tax. Starting in 2025, this exclusion will increase to \$6 million. The new CAT exclusion is a substantial change from the current exclusion of \$150,000. The tax rate remains at 0.26%.

As a result, the CAT will be reduced for everyone – including many businesses outside of Ohio that have Ohio sales. It is estimated that 90% of businesses that currently pay the CAT will have no future CAT liability. However, many of those businesses will still have to file quarterly CAT returns, unless they take the steps necessary to cancel their CAT accounts.

Other Tax Changes

- Sales Tax Holiday: The tax holiday

returns next August for a potentially longer period and greater tax savings. The holiday will apply to all tangible personal property of \$500, except for motor vehicles, alcohol, tobacco, and some other items.

- No Sales Tax on Baby Items: Starting October 1, 2023, sales tax exempt items will include baby diapers, wipes, car seats, cribs, and strollers.
- Sports Gaming Tax: The tax imposed on sports gaming proprietors immediately doubled from 10% to 20%.
- Taxes on Minors: Starting in 2024, the Budget Bill exempts workers under the age of 18 from Ohio

Personal Income Tax

Since 2004, Ohio has been steadily cutting its personal income tax rates and reducing the number of tax brackets. Back then, there were nine tax brackets, and the highest marginal rate was 7.50%.

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THE ADVANTAGES OF MEDIATING BUSINESS DISPUTES BEFORE AND AFTER LITIGATION

Business disputes are a frequent occurrence. It is best to resolve them timely, cost effectively, and privately. Business disputes that result in litigation can harm a company's reputation and financial stability.

Mediating those disputes prior to litigation, or very early in the litigation process, can be extremely advantageous for businesses. Here are some of the advantages:

Mediation is cost effective.

Mediation can typically achieve a successful result in a matter of hours or days, where litigation takes months or years to reach a judgment. There is no comparison between the two in terms of cost. Litigating business disputes is extremely expensive.

Mediation is an informal process.



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Litigation can be an uncomfortable process. Mediation is more relaxed. It is a simple process without evidentiary rules. The informality of mediation allows for honest, frank discussions with the mediator by both parties.

Mediation is a useful tool to resolve business disputes. It can prevent litigation. It can bring an end to litigation. Mediation is successful when all parties are willing to negotiate.

Mediation provides confidentiality.

Mediation is a strictly confidential process. No one except the parties will know about the nature of the dispute or the outcome.

Mediation requires compromise by both parties.

Although businesses may have to compromise a little more than the company would like, the opposing party has to compromise as well. Through mediation, the parties develop a better understanding of the opposing side's perspective. Frequently, this process reveals the underlying reasons for the dispute, and can even preserve the relationship between the parties.

Mediation provides more control over the eventual resolution of the dispute.

With litigation, the parties allow a judge or a jury to make a decision. With mediation, the parties have more control in crafting a resolution that is more likely to produce results that are mutually agreeable.

Find the right mediator.

Experienced mediators can help the parties find their way to a resolution that they can live with. Finding the

right mediator is crucial to success. The best mediators are those who listen well, allow the parties to fully express themselves, and permit both sides to retain their core values.

Nothing to lose and everything to gain.

Businesses have nothing to lose by mediating disputes. Even if the dispute does not settle, you will come away with a better understanding of the opposing party and their point of view.

CONCLUSION

I have been mediating cases both pre and post litigation for fifteen years. I successfully settle approximately 95% of the cases I mediate. This is because all parties recognize the value of resolving the case.

Mediation just makes good business sense.

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