RL & RING ASSOCIATES
5150 Bradenton Avenue
Suite C
Dublin, Ohio 43017
office (614) 389-2967
fax (866) 289-2142

Dear Client,

In 2005, the Ohio Department of Taxation (ODT) created a new annual tax on most business activities in the state. It is, as the ODT states, "an annual tax imposed on the privilege of doing business in Ohio, measured by taxable gross receipts from most business activities." This letter seeks to address the major issues related to the tax and how it can affect you. As part of addressing these issues, we will seek to answer major questions about the CAT tax.

Who is affected: As stated above, this tax is measured by taxable gross receipts from *most business activities*. The ODT defines those entities to whom CAT applies as follows:

> "The CAT applies to most businesses including but not limited to *retail, wholesale, service, manufacturing and other general businesses regardless of the type* of business organization such business operates. For example, *sole proprietorships, partnerships, LLC's, S-corporations, corporations, disregarded entities (SMLLC, QSSS, etc.), trusts, and all other type of associations* with taxable gross receipts of more than $150,000 in the calendar year are subject to the CAT."
>
> As further clarification on this rule, some people who are not in the state of Ohio may still have to register and file. These are listed as people who have any one of the following apply to them at any time during the calendar year:
>
> - Property in this state is at least $50,000
> - Payroll in this state is at least $50,000
> - Taxable gross receipts sitused to Ohio are at least $500,000 (goods delivered)
> - 25% of total property or total payroll or total gross receipts is within this state
> - The person is domiciled in this state
>
> There are some organizations to whom CAT does not apply. This list includes, but is not limited to:
>
> - Non-profit organizations
> - Businesses with less than $150,000 of taxable gross receipts (unless they are part of a "consolidated elected taxpayer" or "combined taxpayer")
>
> **Note:** the remainder of the list can be found as part of the CAT FAQ's document on the Resources page of our website, rlringcpa.com.

How this affects you: Additionally, taxable gross receipts are defined by the ODT. Following is an abbreviated list, the remainder of which can also be found in the CAT FAQ's document.

- Gross rents and royalties from real property located in Ohio
- Gross rents and royalties from personal property in Ohio to the extent the personal property is located or used in Ohio
- Gross receipts from the sale of real property located in Ohio

(over)

- Gross receipts from the sale of personal property if the property is received in Ohio by the purchaser
- Gross receipts from the sale of transportation services by a motor carrier in proportion to the mileage traveled by the carrier during the tax period in this state to the mileage traveled by the carrier everywhere
- Gross receipts from the sale of all other services, and all other gross receipts not otherwise addressed in the proportion that the purchaser's benefit in this state with respect to what was purchased bears to the purchaser's benefit everywhere with respect to what was purchased

When you must file: Returns are filed either on a quarterly or annual basis.

For annual filers, payments are due May 10. For quarterly filers, payments are due as follows:

1st quarter	May 10
2nd quarter	Aug. 10
3rd quarter	Nov. 10
4th quarter	Feb. 10

Penalties for not filing: If a taxpayer doesn't register, they will likely be required to pay a penalty. If your registration is not received timely, a penalty may be imposed up to $100 per month, not to exceed $1,000. Additionally, there are penalties for failing to timely file and pay the tax, including proceedings to revoke a person's privilege or franchise to conduct business in this state. For example, a late filed return is subject to a penalty of up to 10% of the tax due or $50, whichever is greater.

> **Note**: by voluntarily disclosing their liabilities, taxpayers may avoid penalties for failing to file returns and for failing to pay liabilities timely. A taxpayer is eligible for the CAT voluntary disclosure program if the taxpayer enters into and executes the CAT voluntary disclosure agreement (VDA) prior to any contact from ODT through any audit, compliance, or criminal investigation programs.

The Take Away: If you have already registered and are currently paying your CAT, then you have no worries. If you believe that you meet the above requirements and are not currently paying or are registered to pay your CAT tax, decide today to avoid the penalties listed above and give us a call or visit rlringcpa.com/resources/, scroll down to 'Government Tax Links' and click on Ohio Business Gateway Registration and Login to register your business today.

Please remember: This or any article does not constitute or replace the advice of a qualified professional. If you have any questions regarding your taxes or would like assistance in preparing your tax returns, please feel free to call our office at (614) 389-2967.

For additional tips and related information, be sure to visit our blog and our website rlringcpa.com.

Best wishes for a joyful and prosperous New Year,

RL Ring & Associates, Ltd.