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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

H.B. 150

133rd General Assembly

Final Analysis

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Version: As Passed by the General Assembly

Primary Sponsor: Rep. Merrin

Effective date: April 12, 2021

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SUMMARY

- Authorizes a financial institutions tax (FIT) reduction of up to $1 million per year for newly formed banks.
- Allows mortgage lenders to exclude the principal balance of mortgage loans from the lenders' commercial activity tax (CAT) gross receipts.

DETAILED ANALYSIS

Financial Institutions Tax (FIT) reduction for de novo banks

The act authorizes a financial institutions tax (FIT) reduction of up to $1 million for "de novo" banks. A de novo bank is defined as any bank that has been operating for less than three years. A bank is not "de novo" if it was formed, acquired, or converted by an existing or former FIT taxpayer or if it is the result of a merger with such a taxpayer. To qualify for the reduction, a de novo bank must have started its operations in or after 2021. A bank is considered to have started operations in the year the bank was issued a charter, certificate of authority, or equivalent document authorizing its banking operations.

Under the act, if a de novo bank's tax liability before the reduction would equal $1 million or less, the bank will owe no tax for that year, including no minimum tax. If the bank's tax liability before the reduction exceeds $1 million, the bank will owe the difference between its pre-reduction tax liability and $1 million.[1]

[1] R.C. 5726.01, 5726.02, 5726.04, and 5726.06; Section 3.

FIT: background

The FIT is a tax on banks and other kinds of financial institutions. The tax is based on the portion of an institution's equity capital attributable to its Ohio operations, as measured by the relative amount of its gross receipts that arise from activities in Ohio. The rate of the tax is tiered according to an institution's Ohio equity capital, as follows: 0.8% on the first $200 million, 0.4% on the next $1.1 billion, and 0.25% for equity capital in excess of $1.3 billion. The minimum tax is $1,000. All revenue from the tax is credited to the General Revenue Fund.

CAT exclusion for mortgage lenders

The act also authorizes mortgage lenders to exclude (deduct) gross receipts from the sale or transfer of mortgage loans and mortgage-backed securities from the lenders' commercial activity tax (CAT) base. The exclusion equals the amount of such receipts that represent the principal balance of mortgage loans. Under the act, a mortgage lender includes any lender registered as such with the Superintendent of Financial Institutions.[2]

Separate from the exclusion authorized in the act, continuing law also allows a CAT exclusion for mortgage brokers (which are distinct from mortgage lenders under the law). The mortgage broker exclusion is for the funds the broker uses to finance a table-funded loan or warehouse lending loan, other than money the broker receives as fees or other consideration for the transaction.[3] (Table-funded loans involve a lender taking assignment of a loan from the broker originating the loan and more or less simultaneously advancing the money for the closing. Warehouse lending loans involve the loan originator providing funds for a mortgage through a line of credit the originator obtains from a lender – the warehouse – and repaying the debt once the originator sells the loan into a secondary market.)

HISTORY

Action	Date
Introduced	03-19-19
Reported, H. Financial Institutions	01-30-20
Passed House (93-3)	02-12-20
Reported, S. Insurance & Financial Institutions	12-02-20
Passed Senate (31-0)	12-22-20
House concurred in Senate amendments (81-1)	12-22-20

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[2] R.C. 5751.01(F)(2)(mm); Section 3.

[3] R.C. 5751.01(F)(2)(w).