

## **Commercial Activity Tax - Information Release**

### **CAT 2023-01 - Commercial Activity Tax: Changes to the CAT Exclusion and Annual Minimum Tax**

#### **Introduction**

The purpose of this information release is to provide guidance to commercial activity tax (“CAT”) taxpayers following the recent enactment of Am. Sub. H.B. 33 of the 135th Ohio General Assembly.

#### **Major Tax Changes**

- Effective for tax periods beginning on and after January 1, 2024, the CAT annual minimum tax is eliminated.
- For calendar year 2024, the exclusion amount is increased from \$1 million to \$3 million.
- For calendar year 2025 and thereafter, the exclusion amount is increased to \$6 million.
- Taxpayers with \$3 million or less in taxable gross receipts in 2024 and \$6 million or less in 2025 will not be required to file a return with the Department of Taxation.
- The CAT rate of 0.26% remains unchanged and continues to apply to those taxpayers with taxable gross receipts over \$3 million in 2024, and over \$6 million in 2025 and thereafter.
- Annual filing is eliminated after the 2023 annual return, which is due May 10, 2024. Only quarterly returns may be filed for tax periods beginning on and after January 1, 2024.

#### **Annual Taxpayers**

Currently registered annual taxpayers having \$1 million or less in taxable gross receipts during the calendar year and anticipating having \$3 million or less in taxable gross receipts during 2024 will file a final annual return reporting their taxable gross receipts for 2023, due May 10, 2024. An annual taxpayer that anticipates having \$3 million or less in taxable gross receipts in 2024 should cancel its account effective December 31, 2023 (see the instructions below “How to Cancel a CAT Account”). It is important to note that an annual taxpayer that cancels its CAT account must file its final return due May 10, 2024. After the 2023 annual CAT returns are filed, annual filing is eliminated. All remaining CAT taxpayers must file quarterly for tax periods beginning on or after January 1, 2024.

## Quarterly Taxpayers

Any quarterly taxpayer that anticipates having \$3 million or less in taxable gross receipts during calendar year 2024 should cancel its CAT account effective December 31, 2023. Based on the cancellation date of December 31, 2023, the final CAT return for a quarterly taxpayer is the 2023 fourth quarter tax return due February 12, 2024. If such taxpayer exceeds the exclusion amount in a subsequent calendar year, the taxpayer must reactivate its CAT account and resume filing and paying the CAT at that time.

## The Exclusion and Tax Rate

The CAT rate of 0.26% applies to the taxpayer's taxable gross receipts for the tax period after subtracting the exclusion amount for the calendar year. The full exclusion amount applies to the first calendar quarter return the taxpayer files that calendar year, and any unused exclusion is carried forward to subsequent calendar quarters within the same calendar year.

## Group Taxpayers

The exclusion amount applies to a *taxpayer's* taxable gross receipts. Combined and consolidated elected taxpayer groups are treated as one taxpayer. Combined and consolidated elected taxpayer groups must consider the taxable gross receipts of all members of the group in determining whether the taxpayer group will exceed the exclusion amount of \$3 million in 2024 and \$6 million in 2025 and thereafter. Intermember receipts excluded by consolidated elected taxpayers are not considered when determining whether the taxpayer has exceeded the exclusion amount for the calendar year.

## How to Cancel a CAT Account

A taxpayer may cancel its CAT account via the CAT Cancel Account transaction on the [Gateway](#) (preferred method) or via the [Business Account Update Form](#), which is also available on the department's website. When cancelling a CAT account, taxpayers may provide an effective date up to one year in the future. For example, if a taxpayer cancels its CAT account on September 1, 2023, the taxpayer may provide that the effective date of the cancellation is December 31, 2023. Taxpayers wishing to cancel their CAT accounts upon filing a final return in 2024 may backdate the cancellation effective date to December 31, 2023.



**Important Notes**

The CAT for periods prior to 2024 remains unchanged. Please see [Information Release CAT 2013-05](#) for information regarding the CAT annual minimum tax, exclusion, and rate for periods prior to 2024.

<b>WHO MUST FILE THE COMMERCIAL ACTIVITY TAX</b>	
Calendar Year	Taxpayer’s Taxable Gross Receipts (TGR)
2005 through 2023	TGR > \$150,000 (with bright-line presence)
2024	TGR > \$3,000,000
2025 and thereafter	TGR > \$6,000,000

<b>COMMERCIAL ACTIVITY TAX RATES</b>			
Calendar Year	Total Taxable Gross Receipts	Annual Minimum Tax	CAT
2014 through 2023	\$1 Million or less	\$150	No additional tax
	More than \$1 Million but less than or equal to \$2 Million	\$800	0.26% x (Taxable Gross Receipts - \$1 Million)
	More than \$2 Million but less than or equal to \$4 Million	\$2,100	0.26% x (Taxable Gross Receipts - \$1 Million)
	More than \$4 Million	\$2,600	0.26% x (Taxable Gross Receipts - \$1 Million)
2024	\$3 Million or less	\$0	\$0
	More than \$3 Million	\$0	0.26% x (Taxable Gross Receipts - \$3 Million)
2025 and after	\$6 Million or less	\$0	\$0
	More than \$6 Million	\$0	0.26% x (Taxable Gross Receipts - \$6 Million)

**Contact Us**

Please direct any questions you may have to the Business Tax Division of the Ohio Department of Taxation at 1-888-722-8829. For persons using TTY, please contact the Ohio Relay Service at 1-800-750-0750 and give the operator the Ohio Department of Taxation’s telephone number.