

## Gross Receipts:

### Ohio: Proceeds from Sales of Repossessed Property and Repayments of Defaulted Loans are Not Taxable Gross Receipts under CAT

*Case No. 2020-700*, Ohio Bd. of Tax App. (5/13/24). In a case involving an Ohio-registered credit service organization (CSO) that guaranteed car title loans, the Ohio Board of Tax Appeals (Board) held that proceeds from sales of repossessed vehicles and repayments of defaulted loans assigned to the CSO may be excluded from its gross receipts for state commercial activity tax (CAT) purposes, because they represented the borrower's repayment of outstanding principal and interest, which is not taxable as a gross receipt under Ohio CAT statutes. In these situations, the Board noted that none of the original loan and security agreement terms changed when the loans in default were assigned to the CSO, and rejected the Ohio Tax Commissioner's argument that the CSO was merely collecting against its receivables as a result of fulfilling the guarantee of the loans and thus the proceeds at issue constituted taxable gross receipts under Ohio CAT statutes. Regarding the fees paid by borrowers entering into a credit service agreement with the CSO (*i.e.*, charged "CSO fees") that were stipulated as taxable gross receipts under the Ohio CAT, the Board held that based on the provided facts, all such CSO fees must be sourced to Ohio (rather than just 10% of the CSO fees, as argued by the CSO), because submitted documents showed that all borrowers were located in Ohio when receiving the CSO services. Please contact us with any questions.

**URL:** <https://ohio-bta.modria.com/casedetails/518959>

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