

Income/Franchise:

Ohio Supreme Court Affirms that Certain Services Must be Sourced In-State for CAT Purposes

Case No. 2023-1056, Ohio (12/9/24). In a case involving a healthcare organization that performs various dialysis services, the Ohio Supreme Court (Court) affirmed [see Case No. 2019-848, Ohio BTA (7/24/23) and *State Tax Matters*, Issue 2023-30, for more details on the underlying Ohio Board of Tax Appeals ruling] that the company's receipts from certain laboratory testing services and administrative services must be situated entirely to Ohio for Ohio commercial activity tax (CAT) purposes because while some of the underlying costs and activities occurred outside Ohio (*e.g.*, at out-of-state laboratories and locations), the benefits of such services were received by patients in Ohio. In doing so, the Court explained that while certain underlying laboratory testing and administrative services might have aided the company in providing its dialysis services, "those functions do not constitute a healthcare service provided in Ohio or received by patients in Ohio." The Court reasoned that "whether we apply the statute (which looks at the location where the purchaser received the benefit of his or her purchase) or the rule (which looks at the location where the service was performed), we get the same result" in this case. That is, according to the Court: i) the company provides dialysis services in Ohio, ii) such services are performed entirely in Ohio, and iii) the benefits to the purchasers of such services are received entirely in Ohio. Please contact us with any questions.

URL: <https://www.supremecourt.ohio.gov/rod/docs/pdf/0/2024/2024-Ohio-5685.pdf>

URL: <https://ohio-bta.modria.com/download?BID=1207120>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230728_6.html

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