



This Week in State Tax (TWIST)

December 16, 2024



Ohio: State High Court Holds Benefit of Dialysis Services is in Buckeye State

The Ohio Supreme Court ruled that a dialysis service is performed entirely at the location where a patient receives treatment for purposes of the Ohio Commercial Activity Tax. The taxpayer treated patients out of various physical offices, some of which were in Ohio; it also performed related activities, such as laboratory testing and administrative services, at various locations outside Ohio. The taxpayer initially sourced to Ohio all receipts earned at its Ohio locations. It later filed refund claims based on the position that a share of the revenue should be sourced to the states where the lab and administrative activities occurred. Both the Tax Commissioner (Commissioner) and the Board of Tax Appeals rejected the refund requests, and the taxpayer appealed the matter to the state supreme court.

Under Ohio law, receipts from the sale of services are situated to Ohio “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.” In making this determination, “the physical location where the purchaser ultimately uses or receives the benefit of what was purchased shall be paramount.” Regulations further specify that “If a healthcare service is provided partly in this state and outside this state, a reasonable allocation for the services performed in Ohio must be made.” The taxpayer argued that the Commissioner was (a) bound by its own reasonable interpretation of the statute, (b) the service was provided “partly in this state and outside this state,” and (c) a reasonable allocation for the services performed in Ohio would permit siting services performed at out-of-state labs or administrative offices to those states. The court rejected this argument, noting that the statute clearly points to the location where the purchaser benefited from the purchased service, not to where the service was performed. Although the regulation considers where the service was performed, it does so only if the service was provided both within and without the state; here, the service was dialysis, and it was provided entirely within Ohio. Contact [Brandon Erwine](#) for questions about [Total Renal Care, Inc. v. Harris](#).

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