



# This Week in State Tax (TWIST)

January 27, 2025



## Ohio: BTA Affirms Power Company is Not Subject to Municipal Net Profits Tax

The Ohio Board of Tax Appeals (Board) recently ruled that a locally instituted Joint Economic Development Zone (JEDZ) was not authorized to impose a municipal net income tax on an electric light company. Under Ohio law, a township and municipal corporation may designate a JEDZ, governed by a board of directors, to aid in facilitating commercial and economic development. The board of directors are authorized to levy an income tax within its boundaries under Chapter 718 of the Revised Code of Ohio. The tax imposed is generally apportioned and applies to a taxpayer engaged in a business or profession in the municipal corporation, unless “the taxpayer is an electric company . . . that is subject to . . . and required to file reports under Chapter 5745.” Chapter 5745 provides special rules for the taxation of an “electric light company” by one or more municipalities but makes no mention of taxation by a JEDZ. The taxpayer, an electric light company that filed returns under Chapter 5745, objected to the imposition of tax by a JEDZ. A municipal board of review found in favor of the taxpayer, and the JEDZ appealed to the state Board of Tax Appeals.

The dispute centered on the interaction between chapters 718 and 5745. The Board held that R.C. 718.02 specifically exempts the taxpayer from imposition of a municipal net profits tax by a JEDZ. The JEDZ argued that that R.C. 718.02 was an apportionment statute and that Chapter 5745 merely provides an alternative computation method for taxation of an electric company, and does not operate to deprive a JEDZ of taxing jurisdiction. The taxpayer argued that a JEDZ is only authorized to impose taxes under the provisions of Chapter 718 and could not impose taxes under the separate provisions of Chapter 5745. The Board ruled that Chapter 5745 was “more than simply an apportionment formula.” Rather, it provided an entirely separate structure for taxation that did not provide for taxation by a JEDZ. In particular, the Board noted that Chapter 5745 provides for central administration by the Tax Commissioner and prohibits a municipality from requiring a separate local filing. Thus, permitting a JEDZ to require a separate local filing would contradict this provision. Because Chapter 5745 is the exclusive method by which municipal taxes can be imposed on an electric light company, and Chapter 5745 does not provide for taxation by a JEDZ, a JEDZ is not permitted to impose tax on such a company. Please contact [Brandon Erwine](#) with questions about [Clinton-Grandview Heights JEDZ v. City of Grandview Heights](#).

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