

This Week in State Tax (TWIST)

January 12, 2026



Ohio: State Supreme Court denies CAT refund for product delivered to Ohio warehouse

The Ohio Supreme Court recently held that a taxpayer was not entitled to a refund of Commercial Activity Tax (CAT) paid on gross receipts earned from the sale of products received by the customer at a distribution center in Ohio and subsequently shipped by the customer out-of-state.

The taxpayer is a contract manufacturer of various brands of personal care products. The taxpayer was contracted by one of its customers to produce bars of soap; these products were manufactured at the taxpayer's facility in Kansas, shipped to a third-party distribution center in Ohio, and subsequently shipped by the customer to out-of-state retailers. From 2010 to 2014, the taxpayer sourced the receipts generated from the sale of the products to Ohio and paid the CAT on gross receipts derived from those sales. The taxpayer later filed a refund with the Tax Commissioner, claiming that the CAT was not owed because the soap was eventually shipped out of Ohio by the customer for subsequent sale by retailers. The Commissioner denied the claim, stating that the receipts were correctly sourced to Ohio on the taxpayer's initial return. In the Commissioner's view, the transaction comprised two separate sales: (1) the taxpayer's sale to its customer, and (2) the customer's subsequent sale to its out-of-state retailers. The taxpayer appealed to the Board of Tax Appeals (BTA).

At an evidentiary hearing, the taxpayer contended that its customer would direct a third-party courier to pick up the soap from the taxpayer and transport the goods to the Ohio distribution center to be stored until retailers placed orders for the soap, typically about two months after arriving at the distribution center. The bills of lading prepared by the taxpayer showed a destination of Ohio. The taxpayer was not aware at the time of shipment where its customer would ultimately ship the product. In preparing the CAT refund claim, the taxpayer learned that over 96 percent of the sold products were subsequently shipped out of Ohio. Based on this evidence, the BTA determined that the Commissioner erroneously denied the taxpayer's refund claim, disagreeing with the "separate sale" characterization, and stating that the delivery to Ohio was but one portion of the taxpayer's delivery process. The Commissioner appealed the BTA decision to the state Supreme Court.

The task of the court was to determine whether the BTA decision was reasonable under Ohio law. For CAT purposes, sales of tangible personal property are sitused to Ohio if the property is received in the state by the purchaser. Sales of tangible personal property delivered by motor carrier are sitused to the place at which such property is received after all transportation has been completed. Ultimately, the court agreed with the Commissioner's central argument that the BTA incorrectly treated the taxpayer's customer's sale to retailers as part of a single transaction rather than two separate transactions. As the taxpayer's customer received the soap

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in Ohio, the receipts should be sourced to Ohio. The court also emphasized that, unlike many other state laws, Ohio does not look to the “ultimate destination” of a sale of tangible personal property, but instead sources based on where the goods are received. Please contact [Dave Perry](#) with questions on [VVF Invest, L.L.C., v. Harris, Slip Opinion No. 2025-Ohio-5680](#).

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