



This Week in State Tax (TWIST)

September 28, 2026



Ohio: Case involving taxability of certain finance-related services remanded to BTA for further review and analysis

The Supreme Court of Ohio recently remanded a sales tax refund case to the Board of Tax Appeals (BTA), stating that the Court was “not sure what the [BTA] decided,” and that the opinion lacked “sufficient clarity” to allow for meaningful appellate review. The case involved a taxpayer who provided services to merchants and financial institutions to facilitate electronic transactions; two services were at issue: (a) debit authorization services used by banks and merchants to determine whether a customer has sufficient funds for a transaction; and (b) disbursement authorization services allowing customers to make electronic payments to a merchant. Also at issue were several services ancillary to each of the primary services that were also billed to the customers.

The taxpayer collected tax on the transactions and later sought a refund, claiming its services were not taxable automatic data processing (ADP) under Ohio law or were otherwise non-enumerated services and not subject to tax. The Tax Commissioner denied the refund claim as lacking sufficient evidence to establish eligibility for exclusion from tax, and the taxpayer appealed to the BTA. In its opinion (October 10, 2024), the BTA held that consistent with the *Marc Glassman v. Levin* decision of the Buckeye high court, the debit authorization service was not taxable as the true object was a formulaic yes/no answer as to whether the customer had sufficient funds in its account for a transaction. It did not address the taxability of the ancillary services related to debit authorization, saying that each individual service required a separate analysis under the State Supreme Court decision in *Cincinnati Federal Savings and Loan* (released after the Tax Commissioner final ruling on the refund). As to the disbursement authorization question, the Board disagreed with the taxpayer that the disbursement services should be considered exempt personal or professional services. Beyond that, however, it remanded the dispute to the Commissioner for consideration in light of *Cincinnati Federal*.

The taxpayer appealed the BTA decision to the Ohio Supreme Court arguing the disbursement authorization service is nontaxable and that the ancillary services for both the debit authorization and the disbursement authorization service are nontaxable. The taxability of the debit authorization service itself was not at issue as the Commissioner did not appeal the BTA finding that it was nontaxable.

The Supreme Court first noted it could not address the merits of whether the disbursement authorization service was taxable or not due to the lack of analysis, saying, “We are not sure what the [BTA] decided.” The BTA had found that disbursement authorization service shared similarities with the debit authorization service, but had also found the disbursement service was not an exempt personal or professional service. The Court noted, as well, that the Commissioner and the taxpayer disagreed as to what the BTA concluded in its opinion. It determined the taxability of disbursement authorization services required remand to the BTA and offered guidance for that

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review. First, the BTA should determine whether the service meets the definition of ADP under Ohio law and then address the degree to which the service involves personal or professional interaction. The BTA should also consider the various aspects of the disbursement authorization service such as transmitting and organizing payment data and movement of funds. As to the services ancillary to disbursement authorization, it reiterated its holding in *Cincinnati Federal* and charged the BTA with responsibility to determine the true object of each separately stated ancillary service and determine its taxability. Finally, the Court urged the BTA to expedite its consideration and decision, noting “the refund claim concerns tax periods dating back more than a decade.”

For further questions or information on [CheckFree Services Corp. v. Harris](#), please contact [Dave Perry](#).

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