Ohio Administrative Code

Rule 5703-33-05 Reporting of total equity capital.

Effective: May 10, 2020

(A) Ohios financial institutions tax ("FIT") has been designed based upon the following fundamental concepts:

(1) The tax return will be reported on a consolidated basis at the highest level of ownership rather than on a separate entity basis.

(2) The equity of the consolidated reporting group will be based upon the generally accepted accounting principle basis reported to the appropriate federal regulatory agency rather than on a tax basis.

(1) Bank organizations that are owned through a holding company structure report the equity of the holding company and all of the entities over which the bank holding company exercises significant influence on the FR Y-9. A financial institution that is required to file the FR Y-9C pursuant to federal reserve board regulations, shall report the total equity capital from the FR Y-9C on its Ohio financial institution annual tax return. A financial institution that is a small bank holding company pursuant to federal reserve board regulations, is required to file the Parent Company Only Financial Statement for Small Bank Holding Companies, the FR Y-9SP report. The FR Y-9SP report is prepared according to the equity method of accounting, as prescribed by generally accepted accounting principles, and includes the equity for all investments in subsidiaries, associated companies, and those corporate joint ventures over which the bank holding company exercises significant influence. Although the report is labeled as Parent Company Only, the total equity capital that is being reported on it includes the equity in all of the entities over which it exercises significant influence. Therefore, it is the total equity capital from the FR Y-9SP that is reported on the Ohio financial institution annual tax return and only one Ohio annual return needs to be filed for the group.

(2) Special statutory treatment is afforded to bank organizations owned directly by a grandfathered unitary savings and loan holding company, as defined by division (J) of section 5726.01 of the

Revised Code. In these situations the total equity capital is taken from the call report filed by the financial institution owned by the grandfathered unitary savings and loan holding company rather than the FR Y-9 filed by the grandfathered unitary savings and loan holding company.

(3) Since a diversified savings and loan holding company is excluded from the definition of financial institution, the equity capital is taken from the next highest level of ownership, which could be either a bank organization or a holding company of a bank organization, and will include the equity capital from all entities included in the call report or FR Y-9, as applicable.

(C) Some bank organizations are not owned through a holding company structure and are not required to file an FR Y-9. These organizations are required to file a call report rather than the FR Y-9 and it is the total equity capital from the call report that is reported on the Ohio financial institution annual tax return. Only one Ohio annual return needs to be filed for the group of entities included in the call report

(D) Small dollar lenders do not file an FR Y-9 or a call report. They will report their total equity capital on a separate entity basis.

(E) In order to determine the total Ohio equity capital, a single, gross receipts apportionment factor is applied to the total equity capital. An apportionment factor is a tax concept rather than a generally accepted accounting principle concept. The gross receipts used for the apportionment must be reflective of all of the entities whose equity is included in the total equity capital being reported.

(F) .

(1) In order to determine a financial institutions total Ohio equity capital for tax years beginning on or after January 1, 2020, a financial institutions total equity capital, to which the apportionment factor is applied, is limited to fourteen per cent of the financial institutions total assets. For purposes of this limitation, total assets are the financial institutions total consolidated assets reported as of the end of the taxable year as follows, subject to audit and adjustment by the tax commissioner:

(a) For a reporting person that is a bank holding company and that files a FR Y-9C, the total consolidated assets of the financial institution as reported on the FR Y-9C, including the total assets of all entities consolidated for purposes of filing the FR Y-9C;

(b) For a reporting person that is a bank holding company and that files a FR Y-9SP, the total consolidated assets of the financial institution as reported on the FR Y-9SP, including the total assets of all entities that would be consolidated for purposes of filing a FR Y-9C if the bank holding company were required to file a FR Y-9C. The total consolidated assets as reported on Schedule SC-M of the FR Y-9SP may be used if the total consolidated assets as reported reflect the actual amount of total consolidated assets of the financial institution;

(c) For a reporting person that is a bank organization and that files a call report, the total consolidated assets of the financial institution as reported on the call report, including the total assets of all entities consolidated for purposes of filing the call report;

(d) For all other reporting persons, the total consolidated assets of the financial institution in accordance with generally accepted accounting principles. If the financial institution consists of a single entity, the total consolidated assets will only comprise of that entitys total assets.

(2) Examples of the total equity capital limitation applicable to tax years beginning on or after January 1, 2020:

(a) Reporting person, A, is a large bank holding company that files a FR Y-9C. As FR Y-9C for the period ending December 31, 2019 showed total equity capital of $950,000,000 and total consolidated assets of $10,500,000,000. To determine whether the limit on total equity capital will reduce the amount apportioned to Ohio for purposes of the FIT, A will multiply its total consolidated assets by 14% and then compare that amount to its total equity capital: 0.14 x $10,500,000,000 = $1,470,000,000. Because 14% of As total consolidated assets ($1,470,000,000) is greater than As total equity capital ($950,000,000), the limitation on total equity capital will not impact A for tax year 2020. A will apply its apportionment factor to its total equity capital of $950,000,000 to determine its total Ohio equity capital.

(b) Reporting person, B, is a small bank holding company that files a FR Y-9SP. Bs FR Y-9SP for the period ending December 31, 2019 showed total equity capital of $40,000,000 and total consolidated assets of $250,000,000. To determine whether the limit on total equity capital will reduce the amount apportioned to Ohio for purposes of the FIT, B will multiply its total consolidated assets by 14% and then compare that amount to its total equity capital: 0.14 x $250,000,000 = $35,000,000. Because 14% of Bs total consolidated assets ($35,000,000) is less than Bs total equity capital ($40,000,000), Bs total equity capital for purposes of determining the FIT for tax year 2020 will be reduced to equal 14% of its total consolidated assets, or $35,000,000. B will apply its apportionment factor to $35,000,000 to determine its total Ohio equity capital for tax year 2020.

(G) "FR Y-9" has the same meaning as defined in division (I) of section 5726.01 of the Revised Code.