ACAA Public Policy Agenda

# 2026 ACTION PLAN

## ISSUE BRIEF: R&D LEGISLATION

**Background**

In the State of Ohio, the Commercial Activity Tax ("CAT") is an annual privilege tax on businesses for the right to do business in the state, measured by taxable gross receipts sourced to Ohio. The tax rate is a flat 0.26% (0.0026) on taxable gross receipts that exceed the annual exclusion amount. Currently, the State of Ohio's Research and Development Tax Credit (R&D Tax Credit) is nonrefundable against the CAT equal to 7% of the net excess of total investment in qualifying research expenses for the taxable year and the average investment of the previous three years' qualified research expenses. The most recent State Operating Budget changed the CAT exclusion amount (threshold), raising it from $3 million to $6 million (among other minor changes). The change was lauded by businesses and elected officials alike because the new threshold now excludes most small businesses from paying the CAT altogether.

**Problem**

As a consequence of the higher CAT threshold enacted in the last State Operating Budget, businesses with gross receipts under $6 million are no longer able to utilize the state-level R&D tax credit, rendering it obsolete for most companies in Ohio.

**Solution**

- The Ohio Legislature could provide flexibility for small businesses and enable them to continue utilizing the R&D tax credit by allowing them to leverage the credit against their aggregate tax liability instead of the CAT (for example, taxes owed on business income).
- We encourage state legislators and other key stakeholders to support State Representatives Jack Daniels and Jim Thomas in passing House Bill 756 to improve the utility of Ohio's R&D tax credit for small businesses across the state.
- Click here to review testimonies of regional stakeholders in support of this bill.

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