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Eighth Circuit: No federal jurisdiction on out-of-state challenge to Ohio state tax

The U.S. Court of Appeals for the Eighth Circuit today affirmed a federal district court, and concluded that the federal court lacked subject matter jurisdiction over a Missouri company's challenge to the imposition of Ohio Commercial Activity Tax on goods manufactured and shipped into Ohio.

The case is *Diversified Ingredients, Inc. v. Testa*, No. 16-2791 (8th Cir. January 23, 2017). Read the Eighth Circuit [decision](#) [PDF 73 KB]

Overview

The Ohio Department of Taxation assessed a Missouri corporation as owing over \$561,000 in unpaid tax, penalties, and interest under Ohio's Commercial Activity Tax (CAT). The CAT is an annual tax imposed on the privilege of doing business in Ohio and is based on a company's gross receipts situated to the state. The company filed suit in federal district court seeking an order enjoining Ohio from asserting jurisdiction to assess and collect the CAT on its sales of goods manufactured and shipped from outside Ohio to locations within the state. The company argued that Public Law 86-272 precluded Ohio from taxing receipts from sales of goods delivered to locations within Ohio. The district court dismissed the action, finding it was barred by the Tax Injunction Act and by the principles of comity that bar federal courts from entertaining claims for relief that would affect state tax administration. The Eighth Circuit today affirmed.

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