

FEBRUARY 4, 2020**MUNICIPAL INCOME TAXATION OF STOCK OPTIONS -
WILLACY OHIO SUPREME COURT**

<https://www.supremecourt.ohio.gov/rod/docs/pdf/0/2020/2020-Ohio-314.pdf>

Consistent with prior Ohio authorities, the Ohio Supreme Court issued an opinion today (see link above) concluding that a Sherwin Williams employee who relocated to Florida was properly subject to City of Cleveland income taxes against the full income amount on the exercise of stock options. The stock options at issue were exercised five and six years after the retired employee relocated to Florida and the share value had increased four-fold during that interim period. The employee initiated the action and was requesting a refund. The Ohio Supreme Court affirmed the Ohio Board of Tax Appeals and there was one dissent.

The Ohio municipal approach of subjecting the full amount of the retired employee's stock option income to taxation differs from the Ohio Department of Taxation approach that has calculated the Ohio allocable share of income based on (a) the stock option spread (i.e., excess of share value over strike price) on the relocation date or (b) a percentage of the stock option income on the exercise date using Ohio work days during the vesting period.

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