

# **Bond Case Briefs**

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## **TAX - OHIO**

### **Willacy v. Cleveland Board of Income Tax Review**

**Supreme Court of Ohio - February 4, 2020 - N.E.3d - 2020 WL 535714 - 2020 -Ohio- 314**

Taxpayer appealed determination of the Board of Tax Appeals affirming city board of income tax review's denial of her claim for refunds of income tax on value of stock options she exercised as a nonresident but received as compensation during her prior employment in city.

The Supreme Court granted taxpayer's petition to transfer appeal.

The Supreme Court held that:

- Taxpayer's exercise of stock options generated taxable "qualifying wages" under municipal law, and
- City's taxation of income from exercise of stock options did not violate due process.

Nonresident taxpayer's exercise of stock options generated taxable "qualifying wages," within the meaning of the municipal ordinances defining "qualifying wages" to include "compensation arising from the...exercise of a stock option," and levying municipal income tax on "all qualifying wages, earned and/or received...by nonresidents of the City for work done or services performed or rendered within the City," and was not nontaxable "intangible income" exempt from taxation under state and municipal law, notwithstanding fact that taxpayer was nonresident retiree at time she exercised stock options, where taxpayer received the stock options as compensation for employment services she provided to former employer in city.

City's taxation of nonresident taxpayer's income from exercise of stock options earned during prior employment in city did not violate due process, though there was time gap between income-producing activity and imposition of tax on compensation for that activity, and taxpayer exercised options as nonresident; income came from work she performed in city, and thus satisfied minimum-connection requirement, and because all the stock-option income was compensation for that work, all the stock-option income was fairly attributable to her activity in city, and while income was not received until some period after income-producing work was performed, and exercise of stock options occurred after taxpayer became nonresident, that income arose from income-producing work in city.