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Ohio Supreme Court Clarifies Meaning of Ultimate Destination for CAT

Over the course of a few weeks, the Ohio Supreme Court has released a pair of decisions that offer guidance on how to determine the situs of gross receipts for purposes of calculating the Commercial Activity Tax (CAT) as well as the standard a taxpayer must meet when requesting a refund. *VVF Intervest, LLC v. Harris*, Slip Opinion No. 2025-Ohio-5680 (Dec. 24, 2025) and *Jones Apparel Group/Nine West Holdings v. Harris*, Slip Opinion No. 2026-Ohio-74 (Jan. 14, 2026).

Both cases involve sellers whose products were initially shipped to Ohio and subsequently shipped outside the state. Additionally, both cases address how to properly interpret R.C. 5751.033(E), which provides instructions on how to determine the situs of gross receipts. According to the court's interpretation of the statute, Ohio taxes sales of property when that is where it is "ultimately received after all transportation has been completed."

The *VVF Intervest* case involved an initial shipment of the product to the purchaser's Ohio distribution center and a subsequent second shipment of the product by the purchaser to the purchaser's customer locations outside of the state.

The *VVF Intervest* decision states that a statute's sentences must be read together, not in isolation. In doing so, the statute "requires that the situsing inquiry focus on the reception or acceptance of property by the purchaser, not a purchaser." Situs is tied to receipt and "refers to the purchaser's act of taking possession after transportation has been completed." The Court stated the statute "does not speak in terms of an ultimate-delivery location in relation to end users. Rather, it concentrates the analysis on where the purchaser ultimately received the property from the taxpayer."

The focus on the purchaser's receipt of the product resulted in a situs of gross receipts to Ohio, not where the purchaser may have subsequently sent it as a result of a subsequent sale. "The statutory analysis does not follow the goods indefinitely; it stops when the seller's delivery obligation is fulfilled and the purchaser receives the property." The Court held that the chain of transportation associated with the sale to the purchaser was broken, and the statute does not allow for the combination of separate transactions when determining situs.

In *Jones Apparel*, the purchaser's subsequent shipment of goods outside of Ohio from its distribution center was not the result of a separate sales transaction with a customer, but rather a shipment to the purchaser's non-Ohio retail location. Unlike in *VVF Intervest*, there was no secondary transaction in *Jones Apparel*. While the *Jones* Court acknowledged that the taxpayer showed it was reasonable to believe that all the products shipped to Ohio would not remain in the state, the taxpayer did not meet its burden of providing a sufficiently reliable calculation of the percentage of product that was ultimately shipped to non-Ohio retail stores. The *Jones* Court decided that contemporaneous documentation was not necessary, but held that quantitative evidence supporting the refund claim was required and not adequately provided. As such, the Court held the taxpayer's interpretation of the situsing statute was correct but still denied the refund claim due to a lack of quantitative supporting evidence and documentation.

What this means to you

Taken together, these decisions help to clarify the meaning of "ultimate destination" in the state's commercial activity tax statute and the required documentation to support a refund claim. Due to its central location, Ohio is a major distribution center hub. Companies that ship goods through the state should analyze the impact of these decisions on their sourcing of sales and the technical requirements of a refund claim.

Contact us

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