

Ohio Tax Commissioner Announces
Three Percent Interest Rate On Judgments Issued in 2012

Unless a written contract provides otherwise, the interest rate applicable to a money judgment issued by an Ohio court accrues at a rate determined annually by the Ohio Tax Commissioner.¹ On October 14, 2011, the Tax Commissioner announced that the interest rate applicable to judgments issued in 2012 will be three percent (3%), annually (click here for a .pdf of the Tax Commissioner's 10/14/11 Administrative Journal Entry determining this rate:

http://tax.ohio.gov/divisions/ohio_individual/individual/documents/AdministrativeJournalEntry-InterestRatesforCY2012.pdf).

The annual interest rate on judgments issued in 2011 is 4%. The 3% annual interest rate on judgments issued in 2012 is the lowest rate set by the Tax Commissioner since at least 1983.

(see: http://tax.ohio.gov/divisions/ohio_individual/individual/interest_rates.stm).

By statute, the 3% interest rate on judgments is only applicable “unless a written contract provides a different rate.” Clear contract drafting is therefore crucial to avoid imposition of the default 3% rate in the event a contracting party obtains a judgment on the contract. At the same time, attention must also be given to laws that limit the amount of interest that may be charged in certain situations. For example, ORC § 1109.20 prohibits banks from charging an annual interest at a rate in excess of 25% in a loan contract. As such, a contracting party must be aware of both the floor as well as the ceiling that govern the interest rates applicable to judgments issued by an Ohio court.

¹ ORC §§ 1343.03 and 5703.47.