Ohio
Tax Cuts 2007
Annual Report

Ted Strickland
Governor

Richard A. Levin
Tax Commissioner

Ohio | Department of Taxation

Ohio Department of TAXATION

The Honorable Ted Strickland
Governor of Ohio
Members of the Ohio General Assembly

Dear Governor, Senators and Representatives,

It is my responsibility and privilege to provide you the 2007 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during Fiscal Year 2007 (July 1, 2006 through June 30, 2007) in compliance with Ohio Revised Code 5703.42. It provides a complete description of the base, rates, and provisions of each of the 21 taxes and the local government funds administered by the department, detailed statistical data concerning each individual tax, and an accounting of department activities during the fiscal year.

My hope is that the contents of this report will be of value and interest to the people of Ohio.

Respectfully,

Richard A. Levin

Richard A. Levin
Tax Commissioner

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Year in Review

The 2007 fiscal year brought a new administration to the Statehouse, a new tax commissioner to the Department of Taxation, and an enormous expansion of a property tax exemption designed to help senior citizens cope with the burden of property taxes.

Left unchanged during 2007: The tax reforms enacted by the Ohio General Assembly in 2005. As a result of the tax cuts contained in the reform package, tax receipts to the state general revenue fund fell slightly during the fiscal year. The department continued its implementation of the tax reform plan that includes the gradual elimination of two major business taxes, the phase-in of the commercial activity tax, and a 21 percent cut in income tax rates.

Impact of tax reforms felt

A recent analysis by the Federation of Tax Administrators (FTA) shows the impact that these ongoing tax reforms had on the 2007 fiscal year. Using U.S. Census Bureau data on state tax collections, the FTA – a non-partisan association of the nation's 50 state tax agencies – concluded that the burden of state taxes was lower in Ohio than in all but 12 other states when measured on a per-capita basis.

The new ranking reflects a significant decline. During fiscal year 2005, Ohio's per capita state tax burden ranked 27th, according to the FTA. By 2007, it had fallen to 38th.

Ohio's state tax burden, ranked on a per-capita basis

year	Ohio Ranking
2005	27th
2006	34th
2007	38th

SOURCE: Federation of Tax Administrators.

This decline in Ohio's tax burden, relative to other states, appears to reflect the impact of the tax cuts at the core of the Ohio tax reform plan.

This plan has been firmly embraced by Governor Ted Strickland. The governor's 2008-09 state budget proposal, unveiled on March 15, 2007, proposed no changes to the ongoing tax reforms, which trimmed an estimated $1.3 billion in tax revenue from the state budget during the 2007 fiscal year. Overall, the state's general revenue fund received $94 million less in tax revenue during FY 2007 than during the previous year – the first such decline since FY 2002.

Additional tax relief for senior citizens

Governor Strickland's budget plan – signed into law on the last day of the fiscal year – took tax relief a step further by dramatically expanding eligibility for the homestead property tax exemption for senior citizens and permanently and totally disabled Ohioans.

Previously, most senior citizen homeowners had been excluded from the homestead exemption because of complex income tests that disqualified many, and a tiered benefit scheme that limited benefits for others.

Under the new rules, all eligible homeowners are able to shield a full $25,000 of the market value of their homestead from all local property taxes, regardless of income. The exact amount of savings varies from community to community, but on average, it was estimated that the typical eligible homeowner would save about $400 per year.

As the end of the fiscal year approached, the challenge for the Department of Taxation was to work with county auditors in signing up the half million additional homeowners who were thought to be eligible during a special sign-up period from July 2 through Oct. 1.

Outreach steps included a new section of the department's Web site devoted to the exemption, complete with a sign-up form and background information. Working closely with the Department of Aging, county auditors and other public officials, the department also distributed more than 200,000 informational brochures at county fairs, public libraries and other public venues.

And as the deadline approached, Tax Commissioner Richard A. Levin made a series of public appearances across Ohio to urge seniors to sign up.

Overall, some 787,704 elderly and disabled Ohioans were signed up for the homestead exemption as of the Oct. 1, 2007 deadline – including 565,614 taxpayers who had not been signed up before.

Living within our means

As tax revenues declined, the department was already taking steps to control its own operating costs during the 2007 fiscal year, including a gradual slimming of its work force through attrition. As of June 30, 2007, the department had 1,370 permanent employees. This represented a decline of 40 from the previous year – the first such decline since the 2002 fiscal year.

As the department looked ahead to 2008, this careful trimming of the work force was expected to continue – in keeping with Governor Strickland's philosophy that state government needs to live within its means while still investing in what matters.

Responsibilities of the Department

The Tax Commissioner

The Ohio Revised Code (Section 5703.05) states that "all powers, duties and functions of the Department of Taxation are vested in and shall be performed by the Tax Commissioner…" The Tax Commissioner is appointed by the Governor, is subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor.

In general, the Tax Commissioner is responsible for the administration of most state-collected taxes and several locally-collected taxes and supervision of the real property tax. The Tax Commissioner is also empowered to make "all tax assessments, valuations, findings, determinations, computations and orders," which the department is, by law, authorized and required to make, as well as to review, re-determine or correct previous assessments, valuations or findings.

Other principal duties of the Tax Commissioner include:

- promulgating rules and regulations and preparing and distributing tax returns and other reporting forms;
- auditing returns, levying assessments and penalties, and granting or denying tax refunds; and
- issuing, revoking or suspending certain licenses and permits.

In addition, the Tax Commissioner has certain specified duties. These include:

- the actual collection of individual income, horse racing, sales, commercial activity, corporation franchise, and excise taxes;
- the operation of a central collection and reporting system for the municipal income taxes on electric companies and telephone companies;
- the maintenance of a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of legislation introduced to change existing laws, and proposed measures providing for other forms of taxation; and
- revenue distribution to local governments, including shares of motor fuel tax revenue, property tax relief reimbursements, and distributions from the Local Government Fund, the Library and Local Government Support Fund, and the Local Government Property Tax Replacement Fund.

To efficiently perform these numerous functions, the Tax Commissioner is authorized by law to create such divisions and sections of employees as are deemed proper. The organization chart contained in this chapter indicates the current structure of the department as of June 30, 2008. In addition to four deputy Tax Commissioners, one of whom is also chief legal counsel, senior management consists of a chief information officer and eight executive administrators.

Executive administrators oversee various operating divisions whose functions are purely tax administration of the various taxes. These operating divisions include:

- Business taxes
- Commercial activity tax
- Estate
- Excise
- Individual income and school district income
- Operations and support
- Personal property
- Public utility
- Sales and use
- Tax equalization

There are also administrative service and support staff sections, including:

- Appeals management
- Audit
- Bankruptcy
- Budget and fiscal
- Chief counsel
- Communications
- Compliance/Taxpayer services
- Employee development and training
- Enforcement
- Forms
- Human resources
- Information services
- Internal audit
- Legislation
- Revenue accounting
- Tax analysis
- Tax appeals
- Tax discovery

The department also has a problem resolution officer on staff, under the direction of the Chief Ethics Officer, who provides additional assurance to taxpayers that their rights are being protected. To further serve Ohio residents and those in other states that have a business or residential nexus with Ohio, the department has located Taxpayer Service Centers in eight major cities throughout Ohio, with two in Columbus and one each in Akron, Cleveland, Cincinnati, Dayton, Toledo, Youngstown, and Zanesville. The department also maintains regional audit centers near New York City, Chicago, and Los Angeles.

At the close of Fiscal Year 2007 there were 1,370 permanent employees and 175 intermittent employees within the department. Expenditures of approximately $133.8 million were made during the fiscal year to fulfill the department's various functions and responsibilities. Further details on the number of employees and expenditures are shown in Tables 1 and 2, in this chapter.

Further details on the organization of the department is contained in the pages that follow. For purposes of this report, the divisions are grouped into four main areas: customer services, compliance services, other tax administration services and support services.

Customer services

The vast majority of Ohio taxpayers make an honest effort to meet their responsibilities under the law. When they need help, they usually turn to the Department of Taxation's customer service divisions.

Taxpayer Services Division

For many taxpayers, the Taxpayer Services Division is the first stop – a single point of contact for taxpayers with questions about individual income, school district income, sales and use, employer withholding, employer school district withholding, corporation franchise, pass-through entity and trust taxes.

This division serves as a multi-channel contact center that responds to taxpayer inquiries by letter, telephone, e-mail, fax machine and in person. This division strives for "first call resolution" to taxpayer inquiries, which range from general and technical taxability issues, tax return issues, filing requirements, business registrations, billings and assessments. The division also serves as the help desk for the Ohio Business Gateway, fields requests for forms, handles inquires about refunds and answers questions from tax practitioners.

During Fiscal Year 2007, the Taxpayer Services Division handled 1,392,199 phone calls and 82,283 e-mail queries. Agents also assisted 85,527 walk-in taxpayers with completing returns, making payments, or answering general tax questions.

TPS has a small central registration unit dedicated to answering business registration-related telephone calls and entering of business registrations into the system for employer withholding, school district withholding and some sales tax vendor licenses. Other responsibilities include maintaining the cumulative vendor accounts, updating of demographic information and the maintenance of the liquor license renewal and safekeeping information.

Taxpayer Service Centers

The Department of Taxation maintains Taxpayer Service Centers in Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, Youngstown and Zanesville. These centers are intended to put a "face" to the department across Ohio.

The service centers constitute a local resource for assistance, and a local presence to implement and enforce the department's various compliance and service programs. The centers offer assistance to walk-in taxpayers throughout the state, as well as support the telephone inquiries across the business and income tax lines and process correspondence arising from numerous billing programs generated by the Compliance Division.

The service centers also act as extensions of the Taxpayer Service and Compliance divisions. The department's call center technology allows for the distribution of calls to service centers when necessary. The centers also assist with compliance programs run by the Compliance Division – specifically, with the correspondence, telephone calls and walk-ins that such compliance programs generate.

Problem Resolution Officer

The problem resolution officer is a special resource for taxpayers. This individual serves as a liaison between the Ohio Department of Taxation and taxpayers when the normal lines of communication break down. The problem resolution officer is authorized by Ohio Revised Code section 5703.52, which states that the officer or additional persons designated for this office "shall receive and review inquiries and complaints concerning matters that have been pending before the department for an unreasonable length of time or matters to which a taxpayer has been unable to obtain a satisfactory response after several attempts to communicate with the employee of the department assigned to the taxpayer's case or the employee's immediate supervisor."

The problem resolution officer works with the appropriate employees and the taxpayer to determine the precise circumstances of their issue and to arrive at the appropriate resolution. Education and explanation regarding the applicable laws and rules is a key part of this process. Most tax situations can be reviewed by the problem resolution officer, except for appeals of final determinations of the Tax Commissioner or cases certified to the Ohio Attorney General for collection. The officer is available to assist taxpayers by mail, telephone or through e-mail received from the department's Web site.

Compliance services

While most people voluntarily comply with Ohio's tax laws, there are exceptions. For these exceptions – and to fairly ensure that compliance is applied equally to all taxpayers – the department bills for unpaid taxes and operates a system of appeals that can either reduce liability or lead to collection for unpaid tax debts.

Compliance Division

The Compliance Division handles billing, assessment and certification for collection as part of the major compliance programs run by the Department of Taxation.

Examples of compliance programs run by this division include the mailing of delinquency notices when taxpayers fail to submit a return or the mailing of a billing notice when taxpayers fail to pay the amount that appears to be due. The Compliance Division runs these and other compliance programs for a range of taxes, including individual income, school district income, employer withholding, school district employer withholding, corporation franchise, sales and use, and pass-through entity taxes.

The division generates bills for actual or potential tax liabilities arising from an audit or from an apparent taxpayer mistake. Such mistakes include the failure to file a return, compute taxes correctly, pay the amount owed, report federal adjusted gross income consistently, or report all income.

When taxpayers do not respond to a billing notice, the Compliance Division then issues an assessment. Assessments are the Tax Commissioner's final notification to a taxpayer of a tax deficiency or delinquency. An assessment informs the taxpayer of their legal rights if the assessment remains outstanding, and that the debt will be certified to the Ohio Attorney General's office for collection if an appeal is not filed in a timely fashion.

The Compliance Division also certifies debts for collection by the Ohio Attorney General and serves as the department's liaison to the Ohio Attorney General's office on issues concerning collection of deficient or delinquent taxes.

The Compliance Division is also responsible for responding to all taxpayer billing, assessment and certification correspondence and reviewing appeals of assessments that did not begin with an audit. This enables taxpayers to resolve certain issues in an informal manner that supports the department's focus on timely, quality customer service.

Office of Chief Counsel

The Office of Chief Counsel is responsible for the tax legal affairs of the Department of Taxation. It is divided into four areas, described below:

Tax Appeals Division – The Tax Appeals Division conducts most of the administrative appeal hearings within the department and issues the Tax Commissioner's final determination in these tax matters, which serves as the department's final assessment of the taxpayer. The Tax Appeals Division had twenty hearing officers and supervisors and three support staff as of June 30, 2007.

Tax Appeals tracks final determinations by calendar year. In calendar year 2006, the division had an opening balance of 1,322 cases and received an additional 2,785 more during the year. A total of 2,449 cases were sent out, for an end-of-year balance of 1,658 cases on hand.

Appeals Management Division – The Appeals Management Division serves as a liaison with the Attorney General's office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General's office. The Appeals Management Division had ten employees as of June 30, 2007.

Case information is tracked on a calendar year basis. As of Dec. 31, 2006, Appeals Management had 610 cases on appeal at the Board of Tax Appeals; two in the state appeals court system; and 14 at the Ohio Supreme Court.

Bankruptcy Division – The Bankruptcy Division is charged with claiming delinquent taxes from both individual and corporate taxpayers who have filed for bankruptcy. The division receives notices of filings each month from bankruptcy courts both in and outside of Ohio, which must be researched for outstanding tax debts. When taxes are owed, the division must file a proof of claim in the appropriate bankruptcy court prior to the bar date, or the date when the court can discharge debts. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. The Bankruptcy Division had eleven employees as of June 30, 2006.

In calendar year 2006, the division received 7,033 notices of bankruptcies filed. It processed a total of 3,926 proofs of claim, which amounted to $170,641,889 in delinquent taxes filed.

Legal Counsels – The Office of Chief Counsel also has nine legal counsels assigned to other department divisions, where they are responsible for drafting and reviewing legislation, rules, and information releases. The counsels also draft formal and informal tax opinions. These legal counsels are assigned to the Personal Property Tax, Office of Chief Counsel, Commercial Activity Tax/Excise, Estate Tax, Sales and Use Tax, Tax Equalization, Compliance, and Individual Income/School District Income Tax divisions.

The counsels issued six formal Tax Commissioner opinions regarding specific tax issues in calendar year 2006, five fewer than the previous year.

Audit Division

The Audit Division provides a single administrative unit within the department to conduct and report audits of all major business taxes, to include sales and use, commercial activity, corporation franchise, pass-through entity, employer withholding, and tangible personal property. The emphasis is on field auditing, which establishes a greater face-to-face contact with taxpayers and provides an opportunity for education during the conduct of an audit. This approach also gives the department the opportunity to learn first-hand the tax administration issues that are most critical to taxpayers.

As of June 30, 2007, the Audit Division included 292 employees. During the fiscal year ending June 30, 2007, the Audit Division completed the following types of audits:

Tax Type	Total Audits
Sales and Use	1,198
Personal Property	1,008
Corporation Franchise	908
Pass-Through Entity	133
Employer Withholding	131
Commercial Activity	1
Other	2
Totals	**3,381**

Enforcement Division

The Department of Taxation's Enforcement Division is comprised of 27 sworn police officers that enforce the criminal provisions of Ohio tax laws. The Enforcement Division came into existence in 1971, when it was organized primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown in size and responsibilities. The Enforcement Division now enforces most of the taxes administered by the department, which include the cigarette tax, other tobacco products tax, motor fuel tax, income and withholding taxes and the sales and use tax.

In July 2002 and again in July 2005, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies, Inc. The Enforcement Division is the only revenue-type division in the world with this distinction. The accreditation means the division has met stringent guidelines related to policies and procedures governing the operation of a law enforcement agency.

While the Enforcement Division is a support branch of the Department of Taxation, it is also a revenue generator for state government. During fiscal years 2003 through 2007, over $19 million was brought in as a direct result of Enforcement's efforts.

Tax Discovery Division

The Tax Discovery Division is charged with creating new tax programs, based on existing tax laws, in order to generate revenue for the state of Ohio. It runs programs within the unit, measures the success of the program, and then either refers the program to the affected operating division or keeps and maintains the program within the Discovery division. In addition, Discovery, which was formed in 2005, can be charged with administering special programs as requested by the Tax Commissioner's office.

For the fiscal year ended June 30, 2007, Tax Discovery generated more than $16.8 million in revenue from conducting specific tax programs in the various taxes administered by the department, mainly in the individual income, employer withholding, and sales and use tax areas.

Tax administration services

Other divisions are less visible to taxpayers, but still vital to the administration of state taxes in Ohio.

A number of these divisions oversee one or several specific taxes. This oversight includes developing rules and procedures for one or more taxes, prescribing forms, processing returns that have been suspended for one or more reasons, and interpreting law and policy to resolve taxpayer issues.

These divisions are:

- Business Tax Division, which is responsible for the corporation franchise and pass-through entity taxes, and the municipal income tax for electric light companies and telephone companies.
- Commercial Activity Tax – single entity responsible for all matters related to this tax.
- Estate Tax – oversees statewide application of this tax, whose returns are filed with county probate courts.
- Excise and Motor Fuel Taxes – "excise" in this case refers to the taxes on alcoholic beverages and tobacco products administered by this division, which also includes motor fuel, horse racing, kilowatt-hour and severance taxes; due to these taxes' specialized nature, the division processes returns, handles taxpayer calls, issues variances and assessments, and conducts audits.
- Individual Income and School District Income Tax (both divisions perform administrative functions for these taxes as part of the Operations and Support Center).
- Personal Property Tax, which is also responsible for the administration of public utility property taxes and public utility excise taxes.
- Sales and Use – in addition to administration of these taxes, also monitors compliance by out-of-state businesses and handles tax matters pertaining to liquor permits.
- Tax Equalization – responsible for overseeing the appraisal of real property for tax purposes by Ohio's county auditors.

The efforts of these divisions are chronicled, to some extent, in the "Taxes Administered" section of this book.

Other divisions are responsible for one or more aspects of taxation that apply to many of Ohio's specific taxes. They are described below.

Operations and Support Center

The Operations and Support Center is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation. This division processed more than 6.7 million tax returns in 2006.

The primary function of the Operations Center is to facilitate voluntary compliance. This is accomplished through:

- receiving and recording tax returns, documents and remittances,
- issuing refunds,
- storing and retrieving tax documents,
- depositing taxpayer payments with banks so that funds are available for distribution to state and local governments.

As part of this mission, the Operations and Support Center has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2006 filing season, these methods included:

- TeleFile, the ability to submit a return by touchtone telephone. This was the department's first electronic filing method; some 232,548 taxpayers took advantage of this when it was first offered for the 1997 tax year.
- The Internal Revenue Service's e-File program, which became available through tax practitioners and software packages starting in 1999.
- Ohio I-File, a Web-based solution introduced in 2003 for the 2002 filing year, that asks taxpayers a series of questions, then compiles a state or school income tax return based on those answers.

For the 2006 tax year, all of these methods combined to account for more than 3.6 million, or 60 percent, of all individual and school district income tax returns filed with the department.

Electronic filing not only allows taxpayers to get their refund faster, but it also substantially reduces both the taxpayer and processing errors generally found on paper-filed returns. The ease and efficiency associated with electronically filed returns – versus the labor-intensive manual process associated with returns filed on paper – is believed to save the citizens of Ohio millions of dollars in processing costs annually.

Forms Printing Division

The Forms Printing Division produces hundreds of forms utilized by tax practitioners and taxpayers to meet their obligations for most taxes administered by the Department of Taxation.

The Forms Printing Division is responsible for composing forms, preparing bid specifications for printing projects, ordering forms for various divisions, distributing forms and maintaining an inventory. The division acts as a forms liaison with third-party vendors and payroll processing companies.

In recent years, the division has revised forms to be scanned and imaged by a full-page scanner for more efficient data capture. The division is also responsible for making sure the most up-to-date forms are available on the department's Web site. The forms section is the most visited section of the department's Web site.

Revenue Accounting

The Revenue Accounting Division ensures that tax dollars are properly deposited and distributed in accordance with the law.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In Fiscal Year 2007, Revenue Accounting distributed more than $4.4 billion as part of the following revenue-sharing efforts, funds and taxes:

- Revenue-sharing funds including the Local Government Fund, the Local Government Revenue Assistance Fund, and the Library and Local Government Support Fund;
- Locally-enacted taxes, including county sales and use taxes, school district income taxes, resort-area taxes, municipal income tax receipts from electric light companies and telephone companies, and Cuyahoga County beer, wine, cigarette and liquor taxes;
- Revenue sharing of state taxes including the motor fuel tax, dealers in intangibles tax and the horse racing tax;
- Property tax relief distributions, including the 10 percent rollback, the 2.5 percent rollback and the homestead property tax exemption;
- Property tax replacement fund distributions, including those associated with the kilowatt-hour tax, the natural gas distribution tax and the commercial activity tax;
- Revenue from income tax check-off programs, including the political party check-off and the scenic rivers, wildlife and Military Injury Relief Fund donation check-offs;
- Revenue from the manufactured home tax and the tangible personal property tax; and
- Litter tax receipts.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the department for the individual income tax, employer withholding tax, sales and use tax, corporation franchise tax, school district income tax, motor fuel and use tax, the International Fuel Tax Agreement, the commercial activity tax and the municipal income tax for electric light companies and telephone companies.

The division also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), payments made through the Ohio Business Gateway (OBG), and Treasurer of State debits and credits. Revenue Accounting reconciles EFT payments, OBG payments, and credit card payments.

Revenue Accounting has the additional responsibility of assisting the Office of Budget and Management with the state Comprehensive Annual Financial Report.

Tax Analysis Division

The Tax Analysis Division serves as the research arm of the Ohio Department of Taxation, providing packaged data, quantitative analysis, revenue forecasts, and policy analysis to internal and external customers. The customers for Tax Analysis products include the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

Each session of the Ohio General Assembly, the division provides revenue estimates for scores of bills that have proposed tax law changes and many proposals that never reach bill form. This activity is augmented by analyses of federal legislation that may impact Ohio state or local government finances.

Tax Analysis provides assistance to the Office of Budget and Management (OBM) in forecasting tax revenues, tracking revenue on a monthly basis and assisting OBM with any updates of its forecasts. Tax Analysis also provides estimates of the Governor's tax proposals in the executive budget and the Tax Expenditure Report, traditionally "Book Two" of the executive budget.

Tax Analysis produces the tax data series that appears posted on the department's Web site – a data series that puts Ohio in the forefront when it comes to scope and quality. The division produces similar data for other publications, including "Property Taxation and School Funding," an educational aid for decision makers. The division also assembles the statistics, tables, graphs, and interstate comparison data for departmental publications such as the "Brief Summary of Major State and Local Taxes in Ohio" and this annual report.

The division provides a number of services to local governments, including dozens of estimates of school district income tax revenues each year and, in conjunction with the Revenue Accounting Division, estimates of the distributions to the three local government funds. The division also provides informal consulting to school districts and other local governments on property tax questions and permissive sales tax questions. Tax Analysis staffers frequently make presentations to county auditors, school officials, and other local governments, discussing such topics as property tax law, school district income taxes, state revenue sharing, tax reform, and the impact of utility property tax law changes.

During the 2007 fiscal year, Tax Analysis Division staff completed two major research projects as part of the department's tax research series: a distributional analysis of the Ohio estate tax and an analysis of tax increment financing reform on school district funding. The division expanded its income tax data series to include more data from income tax returns and was reformatted to present better data on high income taxpayers.

Support Services

Other divisions of the Department of Taxation are in more of a support role. Many of these divisions have analogues in other state agencies and in the private sector.

Budget and Fiscal Division

The Budget and Fiscal Division performs internal financial, accounting, and facilities management functions that help the department run its day-to-day operations. Revenue Accounting, responsible for reconciling and distributing tax revenue, is detailed previously in this chapter. The other two Budget and Fiscal sections are:

Budget and Accounts Payable – This section prepares and monitors the department's operating budget with primary responsibilities that include centralized purchasing, processing payment of invoices and travel expense reimbursement. This section also administers the department's payment cards, travel Visa program, petty cash funds and contracts.

Facilities Management – This section is responsible for managing, equipping, and maintaining the department's office facilities, including safety and security. This section also administers the mail operations, inventory of all fixed assets, central supply services and the vehicle fleet program.

Communications Office

The Communications Office supports the department's mission of helping taxpayers understand their responsibilities through the timely delivery of information to external and internal audiences. The office is the first point of contact for media with questions about the department or requests for interviews. The office also:

- issues news releases and coordinates other events with state and local media to highlight significant events and policy changes at the department.
- manages the department's Web site, **tax.ohio.gov**, with support from Information Services and liaisons throughout the agency.
- oversees several periodicals, including this annual report, the quarterly "Ohio State Tax Report" and other brochures.
- manages content on the department's internal Web site and develops other informational resources for department employees, including a monthly employee newsletter.

Employee Development & Training/Quality Programs Division

The Employee Development and Training/Quality Programs Division provides practical and applied professional skills and career development opportunities for all Ohio Department of Taxation employees. The division works with the department's tax and administrative divisions to assess their ongoing organizational and staff development needs, then presents appropriate and timely training for all department employees.

This division also coordinates:

- the department's Agency Level Efficiency Review Team (ALERT), part of Governor Strickland's new Efficiency Review & Continuous Process Improvement initiative.
- department-wide health and wellness initiatives.
- corporate citizenship and employee recognition programs.
- department activities as part of the three major annual statewide charitable campaigns: Operation Feed, the Combined Charitable Campaign, and the Holiday Food Basket drive.
- department involvement in the statewide Public Practice Continuing Legal Education Coalition, including presenting a minimum of two department Public Practice CLE seminars per year.

Human Resources Division

The Human Resources Division is devoted to employee-related and administrative support services. Personnel duties performed by the division include planning staffing needs, posting vacancies, hiring and compliance with civil service regulations. Labor relations duties include the negotiation and administration of labor-management agreements with the Ohio Civil Service Employees Association and the Fraternal Order of Police. Additional labor-relations duties including the oversight of grievances, arbitration services and work rule compliance. This division also handles payroll services and benefit administration as well as the Equal Employment Opportunity Program.

Information Services Division

The Information Services Division (ISD) supports the Department of Taxation's business program areas through the development and support of computer information systems. This division provides a secure, flexible and appropriately-scaled architecture for the exchange of information with internal and external customers.

Fiscal year 2007 saw ISD bring into service several new and enhanced technologies that made overall significant improvements to the department's information infrastructure. Chief among these were the implementation of virtual servers and the creation of data warehouses for Tax Discovery, as well as the implementation of new scanning and imaging systems that greatly streamlined income tax processing.

Other achievements during the year included the application of best practices to secure Taxation's network of both internal systems and taxpayer data. The division was also involved in the creation of new electronic forms technology and implementing wireless service for auditors and Enforcement.

Internal Audit Division

The mission of the department's Internal Audit Division is to independently examine and evaluate the ongoing control processes of the department and to provide counsel and recommendations for improvements whenever needed. The division also investigates areas with a high potential for risk and offers suggestions and recommendations to minimize the department's exposure.

The Internal Audit Division reports directly to a Deputy Tax Commissioner but has open access to discuss matters directly with the Tax Commissioner. The Internal Audit Division is free of all operational and management responsibilities that might impair an ability to make independent reviews of all aspects of the department's operations. Additionally, the division has been authorized to have free and unrestricted access to all department records, functions, property, and personnel in order to investigate and/or maintain sound internal controls. The division serves as the contact and liaison for representatives from the Auditor of State's office.

Legislation Division

The Legislation Division is the legislative coordinating unit for the Department of Taxation, monitoring all tax-related legislation as it progresses through the General Assembly. The division serves as the primary resource to members of the General Assembly, providing three main services:

- analyzing and reviewing proposed legislation;
- assisting with constituent inquiries or problems; and
- providing briefings or background information concerning tax issues.

The division's staff attends legislative committee hearings and prepares and presents testimony on tax policy issues. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Ohio Department of Taxation's Partners

The Ohio Department of Taxation accomplishes many of its goals through collaborative partnerships with other governmental agencies.

The Internal Revenue Service provides data from federal returns which is used to check the accuracy of Ohio income tax returns. For example, the adjusted gross income reported by taxpayers on their federal returns is routinely compared with the adjusted gross income as reported on the Ohio returns. Discrepancies are researched by the department and taxpayers are contacted, if necessary, to verify their correct income.

Two sections of the Office of the Ohio Attorney General play key roles in the administration of Ohio taxes. The Taxation Section litigates cases for the Tax Commissioner at the Ohio Board of Tax Appeals and the Ohio Supreme Court, as well as at other state and federal courts. The Collections Enforcement Section of the Attorney General's office performs collection activities on delinquent tax accounts.

The state Office of Budget and Management (OBM) receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by OBM based on data provided by the Department of Taxation. The Ohio Department of Development certifies to the Department of Taxation certain credits available to corporations.

Pursuant to provisions of the Ohio Revised Code, the Department of Taxation also withholds income tax refunds from parents who are delinquent in their child support. Those amounts are forwarded to the Ohio Department of Job and Family Services which, in turn, disburses the money to the county child support enforcement agencies.

The Department of Taxation and the Ohio Department of Commerce share information pursuant to provisions of the Ohio Revised Code regarding businesses with liquor permits. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

The partnerships and collaborations established with other agencies support the Department of Taxation by fairly applying the tax law and by assisting in tax collection and litigation. The department, in turn, also helps several governmental agencies accomplish their missions by distributing revenue, monitoring business tax compliance, and withholding some taxpayer refunds pursuant to statute.

Administrative Tables

The tables that follow illustrate various aspects of the Department of Taxation's structure and mission, including its organization, expenditures and staff side. Also in this section are tables illustrating the growth of electronic filing and the number of assessments recorded through the department's compliance programs.

Ohio's Tax Commissioners, 1939 to present

Tax Commissioner Richard A. Levin and four of Ohio's previous tax commissioners. From left to right: Roger W. Tracy, Thomas M. Zaino, Levin, Joanne Limbach and William W. Wilkins.

Tax Commissioner	Began service	Ended service	Appointed by
William S. Evatt	June 3, 1939	Dec. 31, 1944	John W. Bricker
C. Emory Glander	Jan. 1, 1945	Jan. 31, 1951	Frank J. Lausche
John W. Peck	Feb. 1, 1951	Jan. 31, 1954	Frank J. Lausche
Stanley J. Bowers	Feb. 1, 1954	April 14, 1963	Frank J. Lausche
Louis J. Schneider	April 15, 1963	Dec. 29, 1964	James A. Rhodes
Gerald A. Donahue	Jan. 4, 1965	March 12, 1966	James A. Rhodes
Gail W. Porterfield	March 13, 1966	Jan. 10, 1971	James A. Rhodes
Robert J. Kosydar	Jan. 11, 1971	Jan. 12, 1975	John J. Gilligan
Gerald S. Collins	Jan. 13, 1975	Sept. 10, 1975	James A. Rhodes
Edgar L. Lindley	Sept. 11, 1975	Jan. 9, 1983	James A. Rhodes
Joanne Limbach	Jan. 10, 1983	Jan. 13, 1991	Richard F. Celeste
Roger W. Tracy	Jan. 14, 1991	Jan. 11, 1999	George V. Voinovich
James J. Lawrence	Jan. 11, 1999	June 30, 1999	Bob Taft
Thomas M. Zaino	July 1, 1999	Oct. 31, 2003	Bob Taft
J. Patrick McAndrew	Nov. 1, 2003	Jan. 11, 2004	Bob Taft
William W. Wilkins	Jan. 12, 2004	Jan. 7, 2007	Bob Taft
Richard A. Levin	Jan. 8, 2007		Ted Strickland

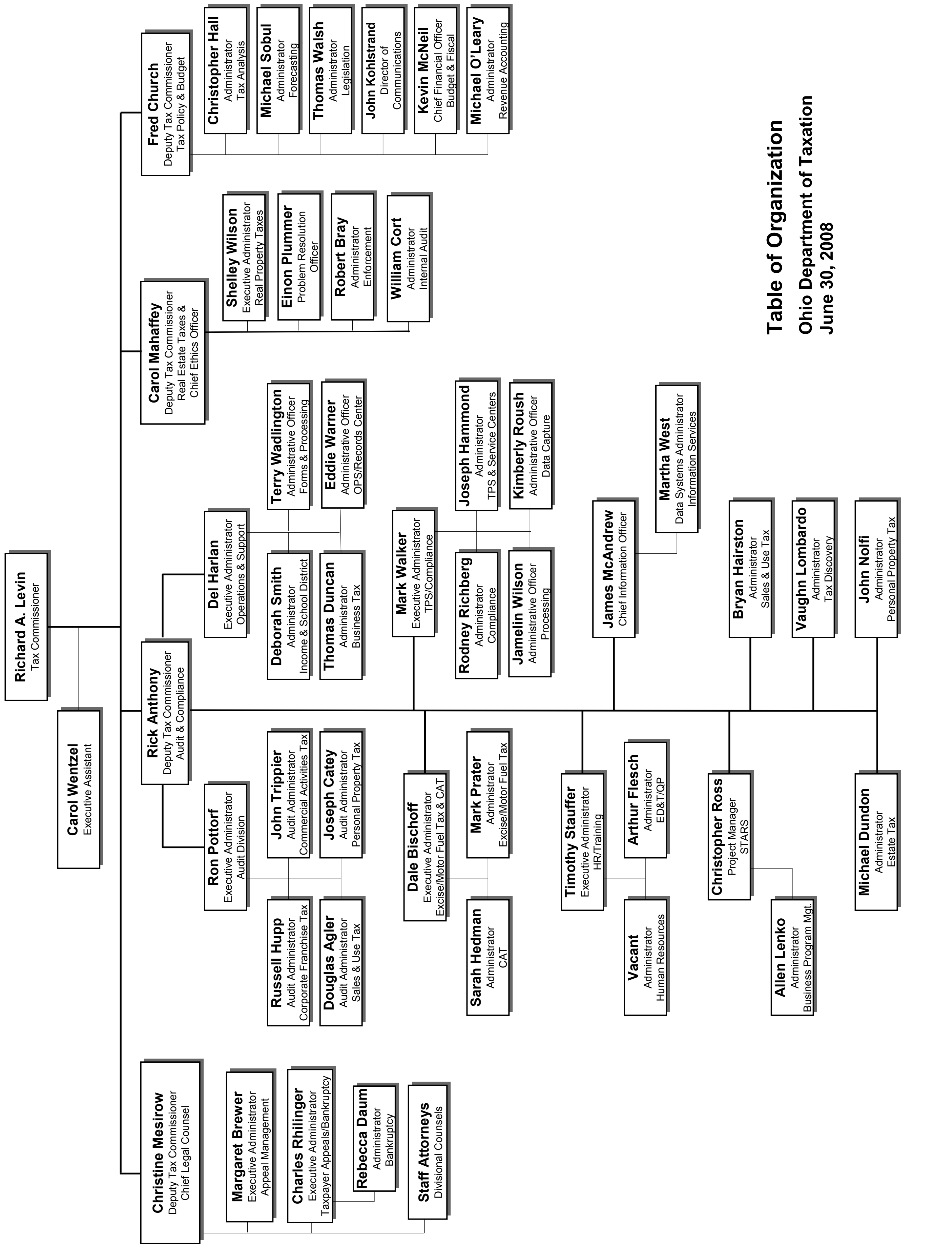


Table of Organization
Ohio Department of Taxation
June 30, 2008
Richard A. Levin
Tax Commissioner
Carol Wentzel
Executive Assistant
Fred Church
Deputy Tax Commissioner
Tax Policy & Budget
Christopher Hall
Administrator
Tax Analysis
Michael Sobul
Administrator
Forecasting
Thomas Walsh
Administrator
Legislation
John Kohlstrand
Director of
Communications
Kevin McNeil
Chief Financial Officer
Budget & Fiscal
Michael O'Leary
Administrator
Revenue Accounting
Carol Mahaffey
Deputy Tax Commissioner
Real Estate Taxes &
Chief Ethics Officer
Shelley Wilson
Executive Administrator
Real Property Taxes
Einon Plummer
Problem Resolution
Officer
Robert Bray
Administrator
Enforcement
William Cort
Administrator
Internal Audit
Rick Anthony
Deputy Tax Commissioner
Audit & Compliance
Del Harlan
Executive Administrator
Operations & Support
Terry Wadlington
Administrative Officer
Forms & Processing
Eddie Warner
Administrative Officer
OPS/Records Center
Deborah Smith
Administrator
Income & School District
Thomas Duncan
Administrator
Business Tax
Mark Walker
Executive Administrator
TPS/Compliance
Joseph Hammond
Administrator
TPS & Service Centers
Kimberly Roush
Administrative Officer
Data Capture
Rodney Richberg
Administrator
Compliance
Jamelin Wilson
Administrative Officer
Processing
James McAndrew
Chief Information Officer
Martha West
Data Systems Administrator
Information Services
Bryan Hairston
Administrator
Sales & Use Tax
Vaughn Lombardo
Administrator
Tax Discovery
John Nolfi
Administrator
Personal Property Tax
Ron Pottorf
Executive Administrator
Audit Division
John Trippier
Audit Administrator
Commercial Activities Tax
Joseph Catey
Audit Administrator
Personal Property Tax
Russell Hupp
Audit Administrator
Corporate Franchise Tax
Douglas Agler
Audit Administrator
Sales & Use Tax
Dale Bischoff
Executive Administrator
Excise/Motor Fuel Tax & CAT
Mark Prater
Administrator
Excise/Motor Fuel Tax
Sarah Hedman
Administrator
CAT
Timothy Stauffer
Executive Administrator
HR/Training
Arthur Flesch
Administrator
ED&T/QP
Vacant
Administrator
Human Resources
Christopher Ross
Project Manager
STARS
Allen Lenko
Administrator
Business Program Mgt.
Michael Dundon
Administrator
Estate Tax
Christine Mesirow
Deputy Tax Commissioner
Chief Legal Counsel
Margaret Brewer
Executive Administrator
Appeal Management
Charles Rhilinger
Executive Administrator
Taxpayer Appeals/Bankruptcy
Rebecca Daum
Administrator
Bankruptcy
Staff Attorneys
Divisional Counsels

Table 1
Department Staff Structure & Number of Employees: Fiscal Year 2007

Administrative Divisions	
Tax Commissioner	10
Human Resources	16
Tax Analysis	8
Employee Dev. & Training	9
Legislation	5
Communications	5
HR/TCA Training	3
Performance Excellence	11
Divisions Total	**67**
Audit	
Administration/Support	26
South Central Region	61
Northwest Region	94
Northeast Region	80
New York	10
Chicago	7
Los Angeles	13
Division Total	**291**
Budget & Fiscal	**26**
Business Tax	**51**
Chief Counsel	**59**
Commercial Activity Tax	**23**
Compliance	**71**
Enforcement	**30**
Estate Tax	**11**
Excise & Motor Fuel Tax	**40**
Facilities Management	**24**
Forms & Printing	**5**
Information Services	**142**
Internal Audit	**2**
Operations	**136**
Personal Income & School District Tax	**62**
Personal Property Tax	**24**
Sales & Use Tax	**46**
Tax Discovery	**12**
Tax Equalization	**23**
Taxpayer Service Centers	
Akron	18
Cincinnati	20
Cleveland	19
Columbus	24
Dayton	17
Toledo	14
Youngstown	17
Zanesville	9
Divisions Total	**138**
Taxpayer Services	**87**
Total Permanent Employees	**1,370**
Intermittent Employees in Pay Status	**175**
Total Employees in Pay Status	**1,545**

Table 2
Expenditures of the Ohio Department of Taxation By Division: Fiscal Year 2007

Division	Personal Service	Maintenance and Equipment	Total
Administrative	$15,143,108	$6,016,100	$21,159,207
Audit	22,154,629	2,458,636	24,613,265
Business & Corporate Franchise Tax	3,349,226	1,105,524	4,454,751
Commercial Activity Tax	1,257,724	495,097	1,752,820
Enforcement	2,172,782	381,760	2,554,543
Estate Tax	829,955	151,451	981,407
Excise & Motor Fuel Tax	2,667,233	720,791	3,388,024
Information Services	17,422,222	6,521,330	23,943,552
Operations	10,531,613	5,633,600	16,165,213
Personal Income & School District Tax	4,042,695	1,695,183	5,737,878
Personal Property Tax	1,932,245	246,274	2,178,519
Sales & Use Tax	3,036,286	1,135,953	4,172,239
Tax Equalization	1,700,453	81,422	1,781,874
Taxpayer Services/Compliance	19,090,054	1,838,666	20,928,720
Total	**$105,330,224**	**$28,481,787**	**$133,812,011**

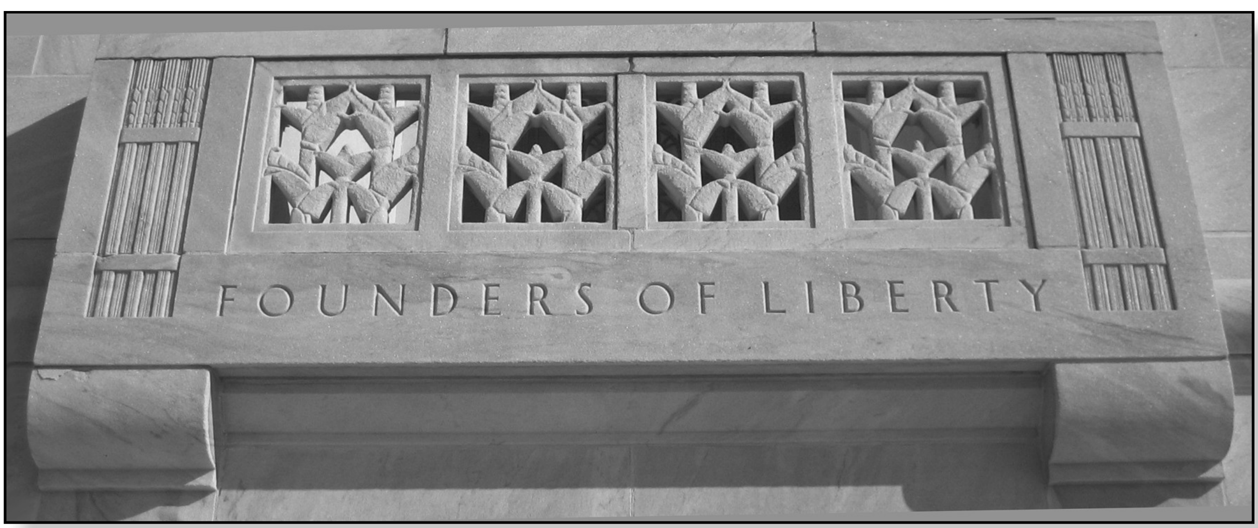


Chart 1
Ohio Department of Taxation: Total Number of Employees
Fiscal Years 1997 - 2007

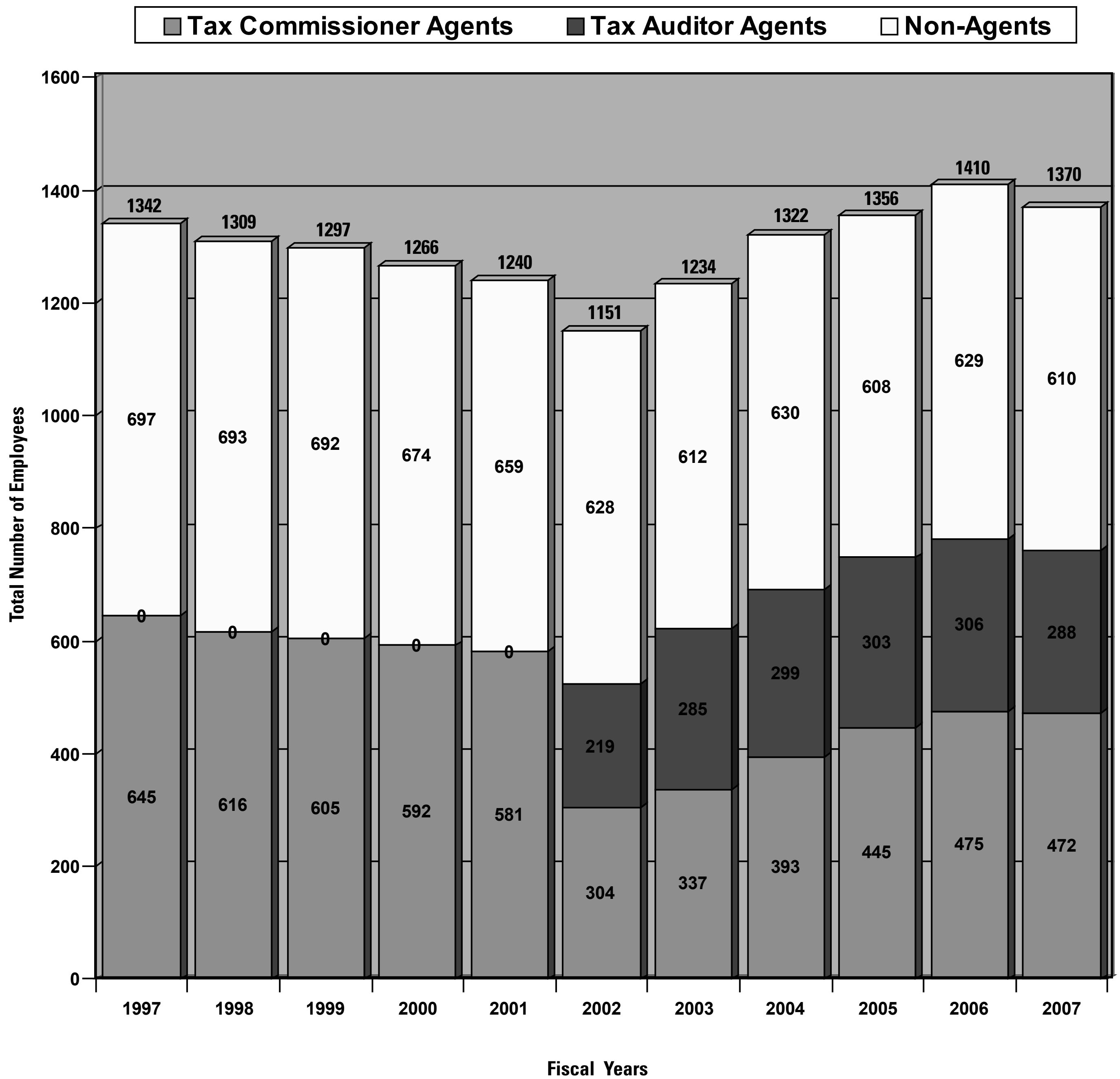
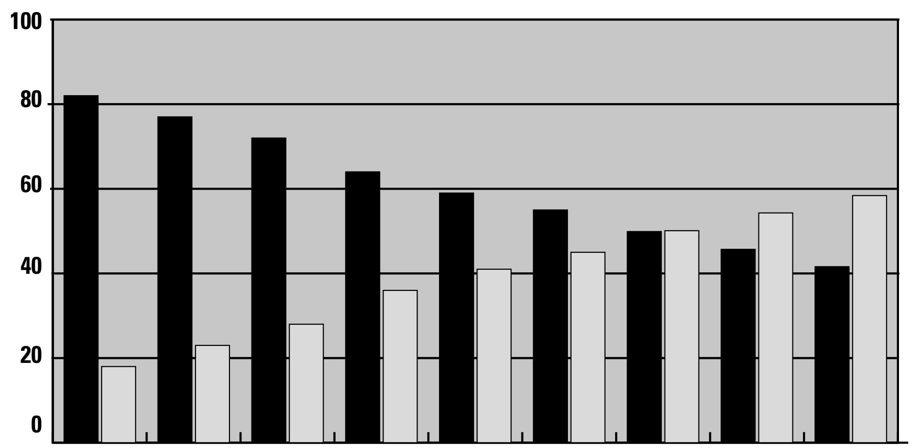


Table 3
Income & School District Income Tax Return Filing: 1998 - 2006

Tax Return Year	1998	1999	2000	2001	2002	2003	2004	2005	2006[1]
1040 Paper	3,195,691	2,967,340	2,645,743	2,585,136	2,430,889	2,259,825	2,118,800	1,742,348	1,523,984
EZ Paper	1,133,422	1,130,605	1,203,655	814,473	663,406	593,326	491,338	678,362	683,055
Total Paper	**4,329,113**	**4,097,945**	**3,849,398**	**3,399,609**	**3,094,295**	**2,853,151**	**2,610,138**	**2,420,710**	**2,207,039**
1040 ELF	645,300	879,837	1,141,239	1,396,931	1,616,387	1,837,659	2,069,667	2,348,393	2,575,570
1040 TEL	365,881	421,483	468,930	621,810	534,787	435,883	375,944	292,217	227,173
WEB File	-0-	-0-	-0-	-0-	118,444	213,815	303,896	346,302	405,071
Total Electronic	**1,011,181**	**1,301,320**	**1,610,169**	**2,018,741**	**2,269,618**	**2,487,357**	**2,749,507**	**2,986,912**	**3,207,814**
Total IT Returns	**5,340,294**	**5,399,265**	**5,459,567**	**5,418,350**	**5,363,913**	**5,340,508**	**5,359,645**	**5,407,622**	**5,414,853**
Paper%	81.1%	75.9%	70.5%	62.7%	57.7%	53.4%	48.7%	44.8%	40.8%
Electronic%	18.9%	24.1%	29.5%	37.3%	42.3%	46.6%	51.3%	55.2%	59.2%
SD100 Paper	434,817	424,168	418,509	387,114	361,426	351,214	336,504	321,717	307,221
SD 100 ELF	46,467	73,481	85,619	116,203	127,252	151,649	183,777	224,825	266,247
SD 100 WEB							27,479	41,142	56,171
Tot. SD Elec.							**211,256**	**265,967**	**322,418**
Total School District Returns	**481,284**	**497,649**	**504,128**	**503,317**	**488,678**	**502,863**	**547,760**	**587,684**	**629,639**
Paper%	90.4%	85.2%	83.0%	76.9%	64.0%	69.8%	61.4%	54.7%	48.8%
Electronic%	9.6%	14.8%	17.0%	23.1%	26.0%	30.2%	38.6%	45.3%	51.2%
Total IT & SD	**5,821,578**	**5,896,914**	**5,963,695**	**5,921,667**	**5,852,591**	**5,843,371**	**5,907,405**	**5,995,306**	**6,044,492**
Paper Total	4,763,930	4,522,113	4,267,907	3,786,723	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260
Electronic	1,057,648	1,374,801	1,695,788	2,134,944	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232
Total Paper %	**82%**	**77%**	**72%**	**64%**	**59%**	**55%**	**49.9%**	**45.7%**	**41.6%**
Total Electronic %	**18%**	**23%**	**28%**	**36%**	**41%**	**45%**	**50.1%**	**54.3%**	**58.4%**

1 Totals for 2006 through Nov. 5, 2007.

Chart 2
Paper vs. Electronic Returns: 1998 - 2006



	1998	1999	2000	2001	2002	2003	2004	2005	2006
Paper	4,763,930	4,522,113	4,267,907	3,786,723	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260
Electronic	1,057,648	1,374,801	1,695,788	2,134,944	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232
Paper%	82%	77%	72%	64%	59%	55%	49.9%	45.7%	41.6%
Electronic%	18%	23%	28%	36%	41%	45%	50.1%	54.3%	58.4%

Table 4
Personal Property Tax Assessments[1]: Calendar Years 2005 - 2006

Type of Tax	Amount of Assessments Calendar Year 2005	Calendar Year 2006
Tangible Personal Property		
Single-County Corporations and Individual Unincorporated Businesses	$11,138,440	$10,308,501
Inter-County Corporations	118,029,735	150,596,229
Total Tangible Personal Property	**$129,168,175**	**$160,904,730**
Dealers in Intangibles	$3,393,341	$4,304,713
Total Personal Property and Dealers	**$132,561,516**	**$165,209,443**

1 Resulting from audits or delinquent returns.

Table 5
Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection: Fiscal Years 2006 - 2007

Tax Category	Assessments Levied[1] FY 2006 Amount	FY 2006 Number	FY 2007 Amount	FY 2007 Number	Unpaid Assessments Certified for Collection[2] FY 2006	FY 2007
Sales & Use	$507,993,278	241,439	$731,947,073	218,296	$246,819,553	$353,362,751
Motor Vehicle Fuel	6,986,834	143	8,493,194	207	5,076,616	1,672,641
Motor Fuel Use	1,659	8	104	1	$3,616	-
Cigarette	2,535,588	10	227,359	18	462,676	71,099
Other Tobacco Products	704,844	55	2,422,483	143	676,225	1,240,040
Alcoholic Beverage[3]	61,796	14	84,282	28	37,854	-
Severance	329,919	101	274,029	55	76,948	49,265
Horse Racing	-	-	-	-	-	-
Replacement Tire Fee	73,918	5	275,567	14	86,584	234,506
IFTA[4]	608,628	178	375,161	114	212,290	298,530
Kilowatt Hour	207,110	11	108,131	5	-	-
Natural Gas Distribution	-	-	-	-	-	-
Master Settlement Agreement[5]	29,750	15	$128,580	26	$29,423	12,035
Total	**$519,533,324**	**241,979**	**$744,335,963**	**218,907**	**$253,481,785**	**$356,940,867**

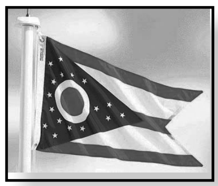
1 Represents only assessments levied and not assessments collected.
2 Data do not relate to current assessments shown in "Assessments Levied" column. It represents those assessments certified for collection after taxpayers have exhausted all avenues of appeal, and may be from a prior fiscal year.
3 Beer, wine, and mixed beverages.
4 International Fuel Tax Agreement.
5 Master Settlement Agreement (tobacco).

Table 6
Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Year 2003 - 2007

Tax	Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporation Franchise	$57,203,517	7,755	$57,968,371	4,363	$496,524,746	83,419	$312,324,996	24,892	$114,545,460	18,723
Individual Income	$32,785,324	20,989	$74,387,712	85,759	$155,353,096	132,765	$162,714,937	109,424	$147,482,953	95,090
Total	**$89,988,841**	**28,744**	**$132,356,083**	**90,122**	**$651,877,842**	**216,184**	**$475,039,933**	**134,316**	**$262,028,413**	**113,813**

Revenue From Taxes Administered by the Tax Commissioner

The Tax Commissioner's primary responsibility is the administration of state and some local taxes, which yielded approximately $27.3 billion in net collections during the period of this report. Ohio's 2007 fiscal year was the period from July 1, 2006 through June 30, 2007. A breakdown of the collections from these taxes is shown in Table 1 for both state-collected taxes, represented by fiscal year, and locally-collected taxes, on a calendar year basis.



It should be noted, however, that taxes imposed by one level of government may be collected by another, and that taxes collected by one level of government may be shared with another. For this reason, the tax collection figures attributed to the state or local governments in the table do not necessarily indicate amounts available for expenditure by either the state or local governments. In addition, some state taxes (specifically, the foreign and domestic insurance taxes, motor vehicle license tax, and liquor gallonage tax) are not administered by the Tax Commissioner but by other state agencies.

Figures for both gross and net tax collections from state-collected taxes are shown in Table 1. Gross collections are equal to total taxes collected, including taxes which were later refunded. Net tax collections are equal to gross collections, less all refunds.

The source for the state-collected taxes in Table 1 is the Office of Budget and Management for both gross and net collections. These figures will differ from data shown elsewhere in this report, which generally represent taxes reported as shown on returns filed during the fiscal year, rather than actual collections during the fiscal year.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately $24.9 billion during the fiscal year. This was an increase of nearly $0.5 billion from the previous fiscal year. Receipts from locally-collected taxes were approximately $2.5 billion in the 2006 calendar year.

Table 2 shows state General Revenue Fund revenue sources for Fiscal Year 2007. Excluding federal aid, total revenue amounted to approximately $20.4 billion. As the table shows, the largest single revenue source was the individual income tax, with approximately $8.9 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than $7.4 billion. From the 2006 to the 2007 fiscal years, income tax revenue increased by approximately 1.1 percent, while sales tax collections remained roughly equal.

Over the period of the last ten years, the individual income and sales taxes have been the predominant tax sources for the state. The income tax demonstrated continuous growth, although growth was lethargic earlier this decade. Ohio's other major taxes have experienced quite disparate growth patterns, largely due to tax law changes. Sales tax revenues demonstrated long-term growth until FY 2006, when the state sales tax rate decreased from 6 percent to 5.5 percent (this decrease contrasts to FY 2004, when the rate increased from 5 percent to 6 percent).

Corporation franchise tax revenues actually declined earlier this decade, followed by a robust recovery in recent years; however, a scheduled five-year phase-out for most of this tax began in tax year 2006, ensuring future revenue decline.

In FY 2007, the cigarette tax produced almost as much revenue as the corporation franchise tax. This is because the cigarette tax rate increased several times in recent years: from 24 cents per pack to 55 cents per pack beginning in FY 2003; and from 55 cents per pack to $1.25 per pack beginning in FY 2006.

The decrease in public utility excise tax revenue is partially offset by the creation of the kilowatt-hour tax in May 2001, which replaced the excise tax for electric and rural electric companies. The kilowatt-hour tax generated $559.7 million in revenue in FY 2007, but the General Revenue Fund received only about $326.9 million of this amount. The remaining $232.8 million was distributed directly to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.6 percent of total General Revenue Fund taxes in FY 2007. Most of the remaining 2.4 percent is comprised of foreign and domestic insurance taxes, which are administered by the Ohio Department of Insurance.

The first pie chart at the end of this chapter illustrates the General Revenue Fund tax sources for the fiscal year. The largest source, individual income tax, accounted for approximately 45.7 percent in FY 2007.

The total revenue from all state tax sources amounted to approximately $24.4 billion. The second pie chart shows the taxes that comprise this total.

Further statistical information on most of these taxes is contained in other Department of Taxation publications. Some of these publications are available by contacting the Tax Analysis Division, at (614) 466-3960, or they can be viewed at the Department of Taxation's Web site (**tax.ohio.gov**).

Table 1
Collections for Taxes Administered by the Ohio Tax Commissioner[1]

State-Collected Taxes	Gross Tax Collections FY 2006	Gross Tax Collections FY 2007	Net Tax Collections[2] FY 2006	Net Tax Collections[2] FY 2007	Percent Change, 06-07
State Sales and Use	$7,733,104,084	$7,781,271,507	$7,673,042,357	$7,730,587,499	0.75%
Local Sales and Use	1,589,068,231	1,681,832,728	1,589,068,231	1,681,832,728	5.84%
Resort Area Excise	672,227	772,161	672,227	772,161	14.87%
State Personal Income	10,898,901,005	10,940,715,865	9,623,196,951	9,722,927,924	1.04%
Municipal Income Tax for Electric Light Companies	36,700,417	36,618,389	36,700,417	36,618,389	-0.22%
Corporation Franchise[3]	1,309,521,936	1,302,582,439	1,105,863,100	1,125,654,284	1.79%
Motor Vehicle Fuel	1,811,166,960	1,738,651,157	1,787,614,357	1,715,079,711	-4.06%
Public Utility Excise	187,233,025	172,114,993	187,210,705	171,264,380	-8.52%
Kilowatt-Hour Excise	557,340,967	559,739,638	557,166,445	559,739,638	0.46%
Natural Gas Distribution	69,076,996	69,278,451	69,076,996	69,278,451	0.29%
Cigarette Excise	1,086,712,875	996,572,328	1,084,142,830	986,251,518	-9.03%
Local Cigarette Excise[4]	3,744,903	13,523,100	3,729,018	13,234,387	254.90%
Dealer in Intangibles	34,582,394	31,688,318	33,582,794	31,276,002	-6.87%
Motor Fuel Use	72,709,897	66,885,059	71,189,374	65,633,923	-7.80%
Alcoholic Beverage Excise[5]	58,412,366	57,219,571	58,412,366	57,219,571	-2.04%
Replacement Tire Fee	7,385,885	7,302,429	7,295,299	7,234,255	-0.84%
Local Alcoholic Beverage[5,6]	5,853,668	5,530,693	5,847,332	5,530,693	-5.42%
Horse Racing	12,868,648	12,116,102	12,868,648	12,116,102	-5.85%
Severance	7,676,830	7,014,934	7,676,830	7,014,934	-8.62%
School District Income	235,995,378	287,556,626	221,269,681	271,181,352	22.56%
Commercial Activity Tax[7]	273,866,043	599,478,167	273,385,934	594,948,144	117.62%
Total State-Collected Taxes	**$25,992,594,733**	**$26,368,464,659**	**$24,409,011,893**	**$24,865,396,046**	**1.87%**

Locally-Collected Taxes	Tax Collections CY 2005	Tax Collections CY 2006	Percent Change, 05-06
Tangible Personal Property[8]	$1,695,986,799	$1,345,184,777	-20.68%
Public Utility Property[9]	755,171,101	745,800,863	-1.24%
Estate[10]	272,683,861	359,431,099	31.81%
Total Locally-Collected Taxes	**$2,723,841,761**	**$2,450,416,739**	**-10.04%**

1 Sources: For state-collected taxes, Office of Budget and Management. For locally-collected taxes, Department of Taxation.
2 Gross tax collections less refunds.
3 For most taxpayers, the corporation franchise tax is being phased-out over a five year period, beginning in tax year 2006.
4 Collected for Cuyahoga County. A new additional levy of 30 cents per pack took effect on February 1, 2007.
5 Excludes tax on liquor since it is administered by the Ohio Department of Commerce, Division of Liquor Control.
6 Collected for Cuyahoga County.
7 The commercial activity tax is being phased-in over a five-year period, beginning in fiscal year 2006.
8 The tangible personal property tax is being phased-out over a four-year period, beginning in tax year 2006.
9 Consists of tangible personal property taxes levied for collection in the following year.
10 Consists of fiscal year 2006 and 2007 data, respectively (rather than CY 2005 and CY 2006 data).

Table 2
General Revenue Fund Sources: Fiscal Year 2007

(Excluding Federal Aid)

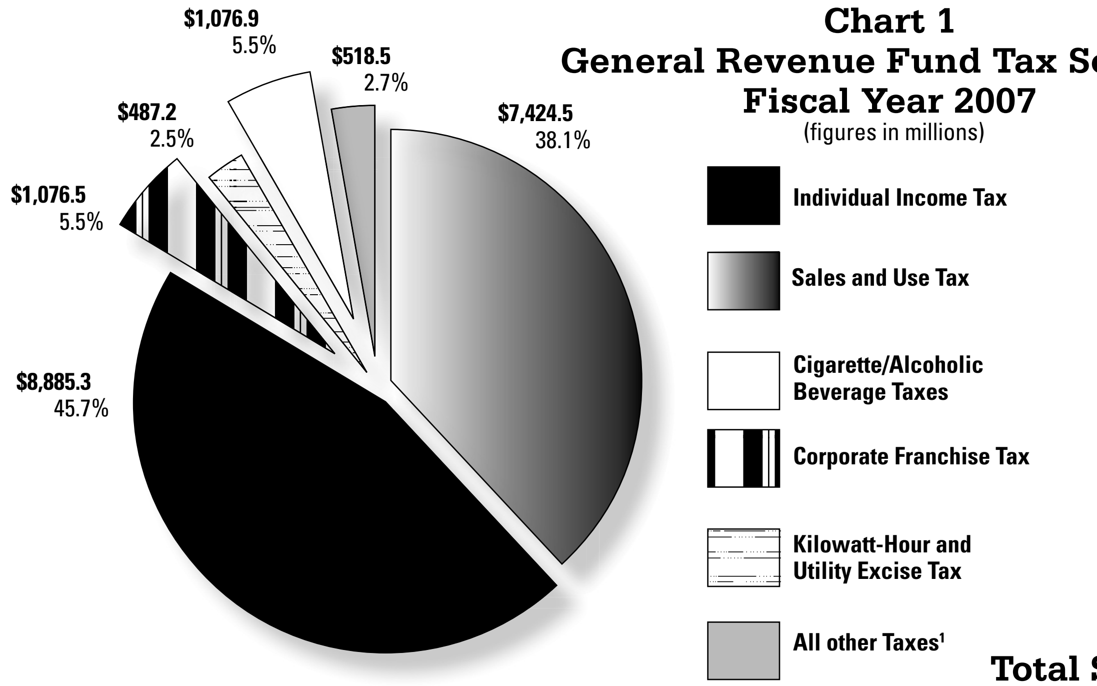
Revenue Source	FY 2007 Collections
Personal Income Tax	$8,885,326,714
Sales and Use Tax	7,424,468,533
Corporation Franchise Tax	1,076,517,231
Public Utility Excise Tax	160,232,317
Kilowatt-Hour Excise Tax	326,929,075
Cigarette Tax	986,251,469
Alcoholic Beverage Taxes (including liquor gallonage)	90,628,316
Total	**$18,950,353,655**
Miscellaneous:	
Domestic Insurance Tax	$169,484,597
Estate Tax	72,109,429
Foreign Insurance Tax	256,177,642
Dealers in Intangibles Tax	20,761,450
Total	**$518,533,117**
Non-Tax Revenue:	
Earnings on Investment	$176,190,872
Liquor Profits	135,000,000
Miscellaneous[1]	648,221,174
Total	**$959,412,046**
GRAND TOTAL	**$20,428,298,818**

1 Includes certain transfers into the general revenue fund, licenses and fees, and other income.

NOTE: All amounts are after refunds.

Source: Ohio Office of Budget and Management.

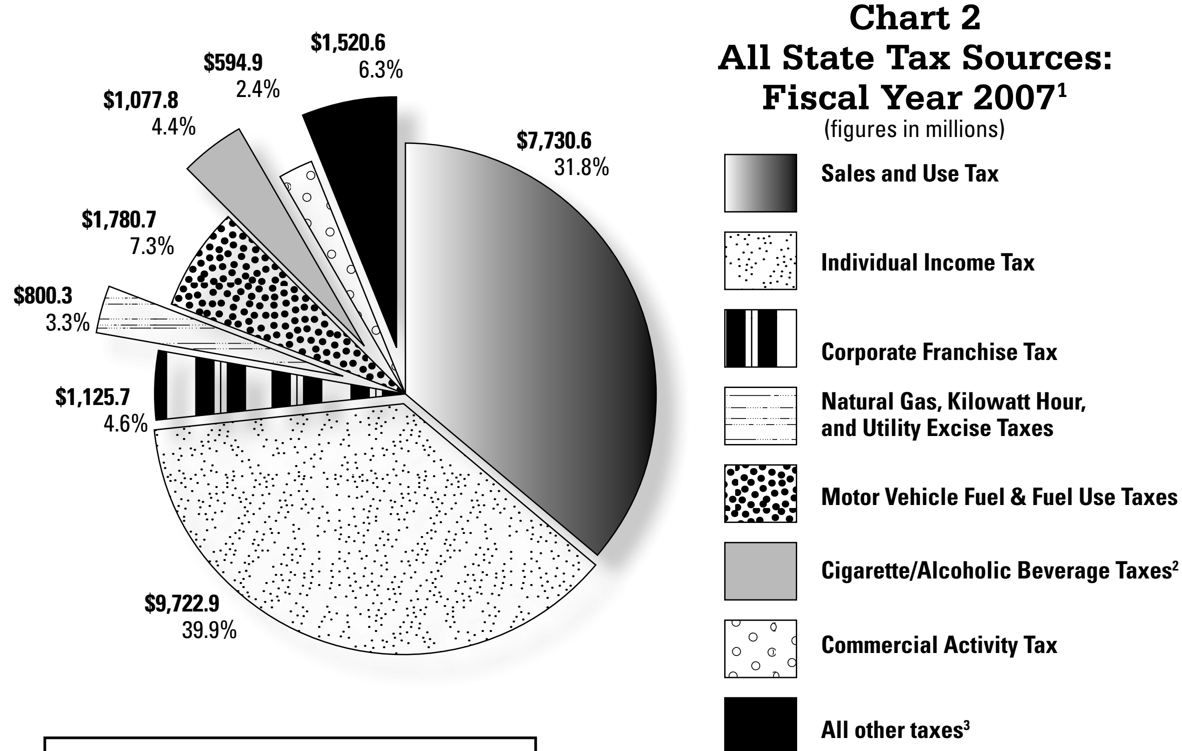
Chart 1
General Revenue Fund Tax Sources: Fiscal Year 2007
(figures in millions)



Total $19,468.9 million

1 This figure is comprised of domestic insurance, foreign insurance, estate, and dealers in intangibles taxes.

Chart 2
All State Tax Sources: Fiscal Year 2007[1]
(figures in millions)



All other taxes	
Dealers in Intangibles	$31,276,002
Replacement Tire	7,234,255
Horse Racing	12,116,102
Severance	7,014,934
Estate	359,431,099
Foreign Insurance	278,043,393
Motor Vehicle License	655,929,070
Domestic Insurance	169,559,537
Total	**$1,520,604,393**

Total $24,353.5 million

1 Includes revenue distributed to non-General Revenue Fund accounts.
2 Includes tax on liquor of approximately $34.3 million which is administered by the Department of Commerce, Division of Liquor Control.
3 This figure is comprised of the following state tax revenue sources shown in the chart at left.

Alcoholic Beverage Taxes

Responsibility for administering Ohio's taxes on alcoholic beverages is split between the Ohio Department of Taxation and the Ohio Department of Commerce's Division of Liquor Control. This chapter covers only the role of the Department of Taxation, which is for the administration of taxes on beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume.

Tax payments from excise taxes on beer, wine, cider and mixed beverages were approximately $57.1 million in Fiscal Year 2007. These payments are made to the General Revenue Fund, except for 5 cents of the tax on each gallon of wine, which is designated for the research and study of grapes and grape products under the direction of the Ohio Grape Industries Committee.

The Department of Taxation also administers county permissive taxes on beer, wine, cider and mixed beverages. State law authorizes counties to levy a tax of up to 32 cents per gallon on wine and mixed beverages, 24 cents per gallon on cider, and 16 cents per gallon on beer in order to operate or service the debt of a sports facility operated by the county or a development corporation.

Cuyahoga County enacted such levies at the maximum rates effective Aug. 1, 1990; it remains the only county with a permissive tax.

Taxpayer

The excise taxes on alcoholic beverages are paid by the manufacturers, importers, and wholesale distributors who sell and distribute in and to Ohio.

Type of Product	Code Section	Taxpayer
Bottle and canned beer	4301.42	Manufacturer, bottler, canner, or wholesale dealer
Wine	4301.43	Manufacturer, wholesale dealer, or retail dealer
Mixed Beverages	4301.43	Manufacturer, wholesale dealer, or retail dealer
Beer in barrels	4305.01	Manufacturer or consignee

Tax Base (Ohio Revised Code 4301.01)

The base is comprised of beer, wine, cider, and mixed beverages up to 21 percent alcohol by volume.

Type of Product	Definition
Beer	Brewed or fermented from malt products and containing not less than 0.5% and not more than 12% alcohol by volume
Mixed Beverages	Mixture of wine or distilled spirits with carbonated or noncarbonated flavoring materials and containing not less than 0.5% and not more than 21% alcohol by volume
Wine (including sparkling wine and vermouth)	Fermented juices of grapes, fruits or other agricultural products and containing not less than 0.5% and not more than 21% alcohol by volume; wine is subject to the excise tax if the alcoholic content by volume is 4.0% or more and not greater than 21%
Cider	Fermented juices of apples including flavored, sparkling, or carbonated cider containing more than 0.5% and not more than 6.0% alcohol by weight

Rates

Excise tax rates on each alcoholic beverage vary by type and alcohol content.

State rates:

Type of Product	Code Section	Measure	Rate
Beer in bottles or cans	4301.42	6 oz. or fractional part thereof	0.84 cent(s)[1]
Wine (containing alcohol 4.0 - 14% by volume)	4301.43 – 4301.432	Gallon	32 cents
Wine (containing alcohol 14 - 21% by volume)	4301.43 – 4301.432	Gallon	$1.00
Vermouth	4301.43 – 4301.432	Gallon	$1.10
Sparkling and carbonated wine and champagne	4301.43 – 4301.432	Gallon	$1.50
Cider	4301.43	Gallon	24 cents
Mixed Beverages	4301.43	Gallon	$1.20
Beer in barrels	4305.01	31 gallons	$5.58

1 The rate on bottles and cans having less than 12 ounces is 0.14 cent(s) per ounce.

Cuyahoga County Rates:

Type of Product	Code Section	Measure	Rate
Wine and mixed beverages	4301.421	Gallon	Up to 32 cents
Beer	4301.421	Gallon	Up to 16 cents
Cider	4301.421	Gallon	Up to 24 cents

Exemptions, Credits and Refunds (R.C. 4301.23, 4303.332, 4303.333, 4307.05, 4307.07)

- A member of the clergy or an official of a religious group will receive an exemption on sacramental wine purchased for use in religious rites.
- Any sale made to the federal government or any of its agencies is exempt by federal law.
- A taxpayer who makes sales of alcoholic beverages for resale outside Ohio will receive a refund for the amount of tax paid.
- Any licensed Ohio brewer whose total production, wherever produced, does not exceed 31 million gallons in a calendar year will receive a credit against their excise tax the following year, and a refund on any excise tax paid during the current year, on up to 9.3 million gallons of beer distributed in Ohio.
- Any licensed Ohio wine producer whose production does not exceed 500,000 gallons in a calendar year will be granted an exemption from the excise tax during the following year and a refund on any excise tax paid during the current year.

Filing and Payment Dates (R.C. 4303.33, 4301.422)

Beer Permit Holders:

Advance Payment – On or before the 18th day of each month for that month's estimated tax liability.

Monthly Payment – On or before the 10th day of the month for the previous month's liability.

Wine and Mixed Beverage Permit Holders:

Monthly Payment – On or before the 18th day of each month for the previous month's liability.

County Permissive Levies:

Monthly Payment – On or before the last day of the month for the previous month's liability.

Discounts and Additional Credits

(R.C. 4303.33, 4301.422)

Discounts and additional credits are available for collection and timely payment of tax liability by permit holders.

Beer Permit Holders:

Advance Pay Credit – Three percent of the amount of tax received by the 18th day of the month for which the tax is paid.

Discount – A discount is offered on the balance of tax due (after the advance payment) if received by the 10th day of the following month. It is the smaller of the following: 3 percent of 10 percent of the advance payment or 3 percent of the net amount of tax due after deducting the advance payment.

Wine and Mixed Beverage Permit Holders:

Three percent discount on the amount of monthly payment if the payment is received on or before the 18th day of the month for the previous month's tax liability.

County Permissive Levies:

Taxpayers filing timely returns and making timely payments receive a 2.5 percent discount on the tax liability due.

Disposition of Revenue (R.C. 924.51-.55, 4301.43, 4301.432, 4301.46, 4305.01, 4301.423)

State Levies:

All of the excise tax levied on wine, beer, cider and mixed beverages is paid into the General Revenue Fund except for 5 cents per gallon of the excise tax on wine, which is paid into the Grape Industries Special Account to provide funds for research, development, and marketing of grape products in Ohio.

County Permissive Levies:

The Local Excise Tax Administrative Fund receives 2 percent of all collections for the Department of Taxation's administrative expenses. The remaining revenue collected is distributed to the county in the month following collection.

Administration (R.C. 4307.04)

The Tax Commissioner administers alcoholic beverage taxes on beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume. The Division of Liquor Control, in the Ohio Department of Commerce, administers the liquor gallonage tax. The Division of Liquor Control is also responsible for issuing, suspending, and revoking all permits to manufacture, distribute, and sell alcoholic beverages.

Ohio Revised Code Citations

Chapters 924, 4301, 4303, 4305, 4307, 4309.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (FY 2008-2009 biennium budget bill, effective July 1, 2007).

R.C. 4301.43:

Enacted a two-year continuation of 2 cents of the overall 5 cent per gallon credit to the Ohio Grape Industries Fund on tax paid on wine, vermouth, and sparkling and carbonated wine and champagne.

R.C. 4303.071, 4303.232:

Created two new permit types to allow small wineries (those producing less than 150,000 gallons of wine) to sell directly to retailers (B2a permit) or directly to consumers (S permit). Both the B2a and S permit types can be obtained by either in-state or out-of-state small wine manufacturers.

Table 1
Alcoholic Beverage Taxes Payments and Credits: Fiscal Year 2007

Type of Beverage	Gross Tax	Credits and Discounts	Net Tax Receipts
Beer:			
Advance tax payments	$41,297,856	$1,222,656	$40,075,200
Payment with return	7,020,861	57,789	6,963,072
	$48,318,717	**$1,280,445**	**$47,038,272**
Wine and mixed beverages:			
Payment with return	$10,405,369	$303,491	$10,101,878
Total	**$58,724,086**	**$1,583,936**	**$57,140,150**

Source: Department of Taxation, as reported on tax returns.

Table 2
Alcoholic Beverage Taxes Liability as Reported on Returns: Fiscal Years 2005 - 2007

Type of Beverage	Amount of Tax Liability		
	2005	2006	2007
Beer	$47,697,154	$49,622,845	$48,084,924
Wine 14% or less Alcohol	4,320,690	4,546,619	4,645,980
Wine > 14-21% Alcohol	1,111,829	1,200,710	1,209,550
Mixed Beverages	3,046,523	3,206,023	3,317,637
Vermouth	89,708	102,187	80,755
Sparkling Wine	870,063	877,231	887,375
Cider	32,752	32,187	35,716
Total	**$57,168,719**	**$59,587,802**	**$58,261,937**

Source: Department of Taxation, as reported on tax returns.

Amounts represent tax liability as opposed to tax payments reported on Table 1.

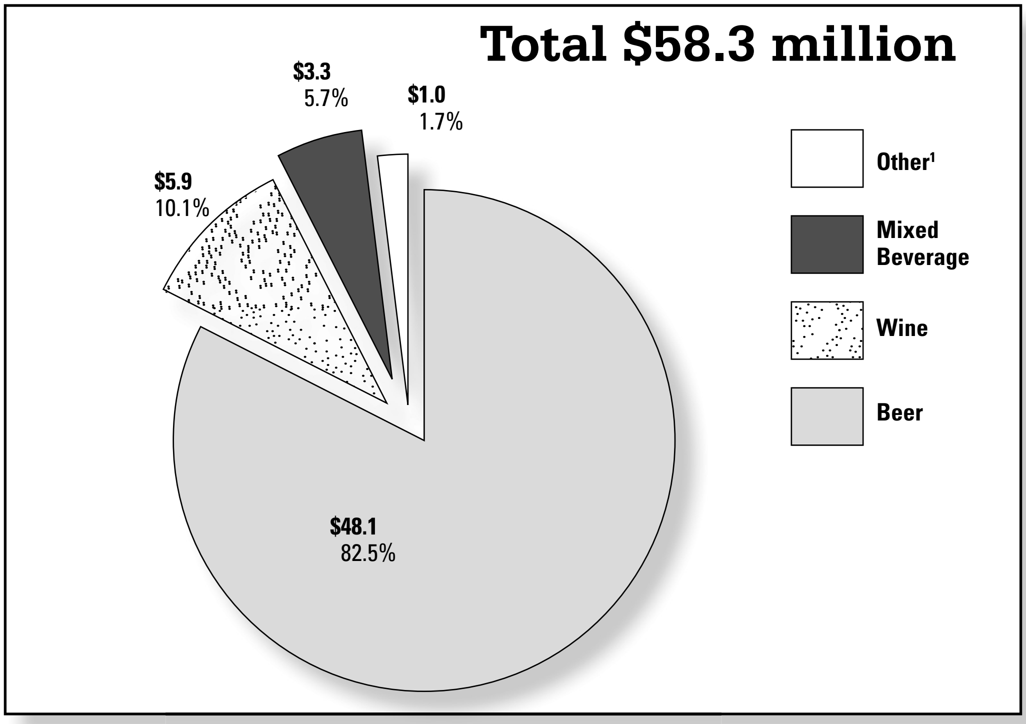
Table 3
Cuyahoga County Beer and Wine Liabilities as Reported on Returns: Fiscal Years 2005 - 2007

Type of Beverage	2005	2006	2007
Beer	$4,913,129	$4,870,856	$4,510,208
Wine	1,236,114	1,209,091	1,168,965
Total	**$6,149,243**	**$6,079,947**	**$5,679,173**

Source: Department of Taxation, as reported on tax returns.

Amounts represent tax liability as opposed to tax payments reported on Table 1.

Chart
Alcoholic Beverage Tax Liabilities By Beverage
(State Only)
Fiscal Year 2007
(figures in millions)



1 Other includes vermouth, sparkling wine, and cider.

Cigarette and Other Tobacco Products Tax

Ohio has levied an excise tax on cigarettes since 1931. The current rate, $1.25 per pack, was set by the Ohio General Assembly effective July 1, 2005.

The tax is paid primarily by wholesale dealers through the purchase of stamps (tax indicia) that are affixed to packs of cigarettes. Individual consumers are responsible for paying the tax on cigarettes that are not taxed at the wholesale dealer level.

In Fiscal Year 2007, total receipts from the sale of stamps were over $955.2 million, an amount that does not include other tobacco products. This amount was credited to the state General Revenue Fund.

An excise tax on "other tobacco products" – including cigars, chewing tobacco, snuff, smoking tobacco and other tobacco products – was enacted effective Feb. 1, 1993. The 17 percent tax is levied on the wholesale price of other tobacco products manufactured in Ohio or imported into Ohio. In FY 2007, total net receipts were over $31 million. This amount was credited to the state General Revenue Fund.

In 1986, the Ohio General Assembly authorized county governments to levy a permissive tax of up to 4.5 cents per pack for the purpose of funding the operation or servicing the debt of a sports facility operated by the county or a development corporation. Cuyahoga County voters approved such a levy effective Aug. 1, 1990, with revenue devoted to facilities used by the Cleveland Indians, Cavaliers and Browns.

In 2006, the General Assembly authorized qualified counties to levy an additional permissive tax of up to 30 cents per pack for the purpose of funding a regional arts and cultural district. Voters in Cuyahoga County approved this additional levy, effective Feb. 1, 2007.

The total permissive tax levied on cigarettes in Cuyahoga County is currently 34.5 cents per pack of 20 cigarettes. The levies produced revenues of more than $12.9 million during FY 2007 for sports facilities and the regional arts and cultural district.

The Department of Taxation administers and collects both the state tax and the permissive taxes. For the permissive taxes, collection is made through sales of tax indicia for cigarettes to be sold in Cuyahoga County. The revenues are distributed to Cuyahoga County in the month following their collection. The Department of Taxation retains 2 percent of the collections for administrative expenses.

All state cigarette tax exemptions and credits also apply to the county levies.

Taxpayer (Ohio Revised Code 5743.01)

Cigarettes:

Wholesale Dealers – Those who purchase cigarettes directly from manufacturers, producers, importers, or other wholesalers, who then sell cigarettes to retailers for the purpose of resale.

Persons – Individuals, companies, or any other person who have cigarettes in their possession on which the excise tax has not been paid.

Other Tobacco Products:

Distributors – Includes all manufacturers, wholesalers or retailers who are licensed as other tobacco product distributors.

Persons - Any person who receives untaxed other tobacco products in this state on which the excise tax has not been paid.

Tax Base

- The sale of cigarettes in Ohio (R.C. 5743.02, 5743.021).
- The use, consumption, or storage for consumption of cigarettes in Ohio (R.C. 5743.32).
- The receipt or import of other tobacco products for resale (R.C. 5743.51).

Rates

Ohio Revised Code Section	Tax Rate Per Pack of 20	Tax Rate Per Pack of 25
5743.02 (Sales)		
5743.32 (Use)	125.0 cents	156.25 cents
5743.024 (County)	4.5 cents	5.625 cents
5743.021 (County)	30.0 cents	37.5 cents

The rate on other tobacco products is 17 percent of the wholesale price (R.C. 5743.51, 5743.63).

Method of Tax Payment

All cigarette wholesale dealers are required to purchase stamps from the Treasurer of State. Dealers are required to pay for stamps at the time of purchase unless they have been authorized to make purchases on credit. The Tax Commissioner may authorize wholesale dealers to purchase stamps on credit, payable within 30 days. Credit sales are allowed only during the months of July through April of each fiscal year.

Any person in possession of unstamped cigarettes (for example, a consumer who makes an out-of-state purchase), is required to pay the tax by direct payment to the Department of Taxation.

Exemptions

Cigarettes sold in interstate or foreign commerce or to the U.S. government or its agencies. (R.C. 5743.05)

Special Provisions

Permissive Cigarette Tax:

Counties may, with voter approval, levy a permissive cigarette tax of up to 2.25 mills per cigarette (4.5 cents per pack of 20 cigarettes). The levy must be for the purpose of servicing the debt of a sports facility. Cuyahoga County currently levies this tax. (R.C. 5743.024)

Qualifying counties may, with voter approval, levy an additional permissive tax of up to 1.5 cents per cigarette (30 cents per pack of 20 cigarettes). The levy must be for the purpose of funding a regional arts and cultural district. Cuyahoga County currently levies this tax. (R.C. 5743.021)

Discounts:

As a consideration for affixing and canceling cigarette stamps, wholesale dealers receive a discount of 1.8 percent of the face value of stamps. (R.C. 5743.05)

Other tobacco products taxpayers receive a 2.5 percent discount for timely payment of the tax. (R.C. 5743.52)

Monthly Reports to be Filed:

Manufacturers, importers and brokers shipping cigarettes and other tobacco products into Ohio are required to register and file monthly reports with the Tax Commissioner. (R.C. 5743.072, 5743.15 and 5743.66)

Authorized Sales:

The identities of all entities authorized to make cigarette and other tobacco products sales – to include registered manufacturers, importers and brokers of cigarettes and other tobacco products, as well as all licensed cigarette wholesalers and distributors of other tobacco products – are subject to public disclosure. The Tax Commissioner must maintain and post this list on a Web site on the Internet. (R.C. 5743.20)

Unstamped Cigarette Prohibitions:

No person can possess or trade unstamped cigarettes (that is, cigarettes in packages that do not display the stamp indicating that the tax has been paid). It is a crime for any person to possess, transport, distribute or otherwise trade 1,200 or more unstamped cigarettes without the consent of the Tax Commissioner. (R.C. 5743.10, 5743.111, and 5743.112)

Authorized Recipients of Cigarettes:

All cigarettes coming into Ohio can only be transported or shipped to an "authorized recipient of tobacco products" (such as licensed cigarette dealers). All other exchanges of cigarettes must be made in "face-to-face" transactions. It is an offense, punishable by a fine of up to $1,000, to transport, or cause to be shipped, cigarettes to a person other than an "authorized recipient of tobacco products." (R.C. 2927.023)

Cigarettes Legal for Sale in Ohio:

The office of the Ohio Attorney General maintains a list, on its Web site, of all cigarette brands that may be sold in Ohio. This list represents brands that are produced by manufacturers that are certified to be in compliance with the tobacco Master Settlement Agreement. It is illegal to sell in Ohio any brand of cigarette not on this list. (R.C. 1346.04 – 1346.10)

Master Settlement Agreement Reports:

Persons who pay the cigarette or other tobacco products excise taxes are required to report the quantity of all cigarettes and roll-your-own cigarette tobacco sold in Ohio for each brand not covered by the tobacco Master Settlement Agreement. A penalty of up to $250 per month may be imposed for failing to file this report. (R.C. 5743.03)

Filing and Payment Dates

Wholesale dealers are required to file a semi-annual return even though they may have paid all their tax through the purchase of stamps. Any payment due on cigarettes not previously taxed is included. Others who have untaxed cigarettes file a monthly use tax return along with payment of the tax.

Type of Return	Filing Date	Code Section	Taxpayer
Semi-annual	By July 31 for the preceding January - June period; by January 31 for the preceding July - December period.	5743.03	Wholesale dealers
Monthly	By the 15th of each month for the preceding month.	5743.33	Persons with untaxed cigarettes
	By the last day of each month for the preceding month.	5743.52	Distributors or importers of tobacco products
Quarterly	April 30, July 31, October 31, and January 31 for the previous quarter's liability.	5743.52	Distributors or importers of tobacco products

Disposition of Revenue

Tax Rate	Revised Code Section	Disposition of Revenue
6.25 cents per cigarette effective July 1, 2005	5743.02	State General Revenue Fund
17 percent of wholesale price of other tobacco products	5743.51	State General Revenue Fund
County levy: Up to 1.725 cent(s) per cigarette	5743.024	2.0 percent to Local Excise Tax Administrative Fund and the remainder to the county

Administration

Both state and county taxes on cigarettes and other tobacco products are administered by the Department of Taxation.

Ohio Revised Code Citations

Chapter 5743.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (FY 2008 - 2009 biennium budget bill, effective July 1, 2007).

Amended R.C. 5743.20 to allow the Department of Taxation to post a list of registered manufacturers, importers and brokers of other tobacco products to the department's Web site.

Recent Information Releases

XT-2007-01 – "Excise and Motor Fuel Tax Division Information Release – Cuyahoga County Cigarette Tax Increase," January 2007.

XT 2006-01 – "Excise and Motor Fuel Tax Division Information Release – Tobacco Requirements," July 2006.

Table 1
Cuyahoga County Cigarette Tax Receipts: Fiscal Years 2003 - 2007

Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2003	$4,455,341	$80,196	$4,375,145
2004	4,350,822	78,315	4,272,507
2005	4,329,850	77,937	4,251,913
2006	3,721,103	66,980	3,654,123
2007	12,167,370	219,013	11,948,357

Source: Treasurer of State

Table 2
Cigarette Tax Receipts: Fiscal Years 2003 - 2007

Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2003	$548,764,842	$9,877,767	$538,887,075
2004	540,376,592	9,726,779	530,649,813
2005	561,492,445	10,106,864	551,385,581
2006	1,010,469,343	18,188,448	992,280,895
2007	972,740,773	17,509,334	955,231,439

Source: Treasurer of State

Table 3
Other Tobacco Products Tax Receipts: Fiscal Years 2003 - 2007

Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2003	$26,382,986	$643,520	$25,739,466
2004	27,394,131	682,290	26,711,841
2005	28,370,283	672,118	27,698,165
2006	30,589,487	761,678	29,827,809
2007	31,786,206	782,286	31,003,920

Source: Treasurer of State

Commercial Activity Tax

The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio, measured by gross receipts. The CAT is paid either quarterly or annually and is applicable to all business types that operate in Ohio, regardless of whether such business is located within Ohio. The revenue from the CAT partially replaces revenue from the corporation franchise tax and the tangible personal property tax, which are being phased out as part of tax reform legislation enacted in 2005. The CAT was enacted in 2005 as part of House Bill 66, the same tax reform measure.

In Fiscal Year 2007, the CAT produced $594.9 million in total revenue. Of this amount, $416.4 million, or 70 percent, was deposited in the School District Property Tax Replacement Fund and $178.5 million, or 30 percent, was placed in the Local Government Property Tax Replacement Fund. No revenues were deposited into the General Revenue Fund.

Tables in this chapter provide information by industrial classification and by taxpayer size. The information was taken from the returns due and filed in Fiscal Year 2007. Manufacturing taxpayers accounted for the largest share of tax liability, reporting $172.3 million or 30.6 percent of the total; manufacturers accounted for 9.3 percent of all taxpayers. The retail sector produced the largest number of taxpayers at 13 percent, and had the second-largest share of liability at 18.4 percent of the total. Taxpayers with taxable gross receipts over $100 million accounted for over one-half (55.2 percent) of total CAT liability and just 0.4 percent of the taxpayer population. In contrast, taxpayers whose receipts were $1 million and below reported only 3.6 percent of total tax liability but made up 75.1 percent of all taxpayers.

Taxpayer (Ohio Revised Code 5751.01)

The CAT is paid by any person with taxable gross receipts of $150,000 or more in a calendar year. The term "person" includes sole proprietors, partnerships and corporations. It also applies to service providers such as medical professionals, attorneys, and accountants, as well as persons engaged in the sale or rental of most types of real property. The tax also applies to out-of-state businesses that either: (a) have at least $500,000 in taxable gross receipts in Ohio; (b) have at least $50,000 in real or personal property in Ohio; (c) expend at least $50,000 in payroll for work in Ohio; (d) have at least 25 percent of their total property, payroll, or gross receipts in Ohio; or (e) are domiciled in Ohio.

Certain entities are exempt from the CAT, including nonprofit organizations (which are non-persons for CAT purposes), and certain other types of entities liable for another Ohio tax, such as financial institutions that pay the corporation franchise tax; insurance companies that pay the Ohio insurance tax; affiliates of financial institutions and insurance companies; dealers in intangibles that pay the Ohio dealers in intangibles tax; and certain receipts by public utilities that are subject to the public utility excise tax. Receipts from the sale of certain types of motor fuel were exempt from a taxpayer's gross receipts until June 30, 2007. In addition, there is an exception for distribution centers whose annual costs to their suppliers for goods shipped into their facility equal or exceed $500 million and that ship more than 50 percent of their goods out of state. Qualified distribution centers must apply for this exemption and are subject to a $100,000 annual fee (this replaced a temporary exception for qualified foreign trade zone areas that expired Dec. 31, 2006).

Tax Base (R.C. 5751.001(F))

The base of the CAT is gross receipts, defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income. Examples are sales, performance of services, and rentals or leases. A taxpayer's method of accounting for gross receipts shall be the same as the taxpayer's method of accounting for federal income tax purposes (i.e., accrual or cash basis).

Rates (R.C. 5751.03 and 5751.031):

Generally, businesses with annual taxable gross receipts of $150,000 or less are not subject to the CAT. Businesses with annual taxable gross receipts in excess of $150,000 are subject to an annual minimum tax of $150. In addition, businesses with annual taxable gross receipts in excess of $1 million are subject to the annual minimum tax of $150, and pay tax on receipts above $1 million on a quarterly basis (with a $250,000 quarterly exclusion) at the following tax rates:

Jan. 1 to March 31, 2006: 0.0598 percent.

April 1, 2006 to March 31, 2007: 0.104 percent

April 1, 2007 to March 31, 2008: 0.156 percent

April 1, 2008 to March 31, 2009: 0.208 percent

April 1, 2009 and thereafter: 0.26 percent

For the first reporting period, July 1 to Dec. 31, 2005, the annual minimum tax rate on businesses with taxable gross receipts in excess of $150,000 was $75, and the rate component of the tax on businesses with taxable gross receipts in excess of $500,000 was 0.06 percent.

Credits (R.C. 5751.98)

Eligible taxpayers may begin accumulating one or all of the following credits against their CAT liability beginning Jan. 1, 2008, and may begin claiming the credit beginning July 1, 2008 (on the return due Nov. 9, 2008):

- Job Creation Tax Credit.
- Job Retention Tax Credit.
- Credit for Qualified Research Expenses.
- Credit for Research and Development Loan Payments.

In addition, a credit for unused franchise tax net operating loss deductions will be available starting with the 2010 calendar year.

Filing and Payment Dates (R.C. 5751.051)

All businesses liable for the CAT must register prior to filing a return.

All taxpayers are subject to the annual minimum tax of $150, which is due by Feb. 9 of each year.

Taxpayers with taxable gross receipts of $1 million or more must file quarterly returns on the Ohio Business Gateway. The due date is 40 days from the end of each calendar quarter (i.e., May 10, Aug. 9, Nov. 9, and Feb. 9).

Taxpayers with taxable gross receipts of less than $1 million file on an annual basis on or before Feb. 9 of each year. The return reflects the prior year's activity, but with each return, taxpayers pay the annual minimum tax for the current (privilege) year.

Disposition of Revenue (R.C. 5751.20)

School District Tangible Property Tax Replacement Fund:

In Fiscal Year 2007, 70 percent of the revenue generated by the CAT was dedicated to the School District Tangible Property Tax Replacement Fund.

Local Government Tangible Property Tax Replacement Fund:

In Fiscal Year 2007, 30 percent of the revenue generated by the CAT was dedicated to the Local Government Tangible Property Tax Replacement Fund.

Current law maintains this distribution until FY 2011. Beginning in Fiscal Year 2012, the CAT revenue apportioned to the Local Government Tangible Property Tax Replacement Fund will be drawn down at an average rate of 3.5 percent annually and deposited into the General Revenue Fund. Starting with Fiscal Year 2019, the General Revenue Fund will receive 30 percent of CAT distributions, and the remaining 70 percent will be allocated to the School District Property Tax Replacement Fund.

Administration:

The Tax Commissioner administers the CAT and distributes the revenue to the various funds.

Ohio Revised Code Citations

Chapter 5751.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (FY 2008-2009 biennium budget bill, effective July 1, 2007).

Extended for fiscal years 2019 and thereafter, the provision that 70 percent of the CAT revenues are to be deposited into the School District Tangible Property Tax Replacement Fund. Changed the distribution from the lesser of one-fourth of the amount determined or the balance of the School District Tangible Property Tax Replacement Fund to simply one-fourth of the amount determined for each distribution period. (R.C. 5751.20)

Amended Substitute House Bill 67, 127th General Assembly (effective Match 31, 2007).

Eliminated the provision that would allow the CAT rate to increase automatically if targeted revenues are not met. Maintained the provision that would allow the rate to decrease if revenues exceed target. (R.C. 5751.032)

Amended Substitute House Bill 699, 126th General Assembly (effective March 29, 2007).

Created an exemption from gross receipts from certain hedging transactions. Changed the handling of receipts of a dealer in intangibles subject to the dealer in intangibles tax and a member of a consolidated elected taxpayer group. Authorized the use of an alternative method for situsing receipts from services if the alternative method is applied in a reasonable, consistent, and uniform manner that is supported by the taxpayer's business records at the time the service was provided or within a reasonable time thereafter. (R.C. 5751.01, 5751.011, 5751.033)

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

Added a new chapter, R.C. 5751, establishing the CAT.

Sub. H.B. 530, 126th General Assembly (various effective dates).

Excluded certain pre-income tax trusts from the CAT unless the trustee makes an election for the trust to be subject to the CAT. Excluded from gross receipts reimbursements of tax liability made between members of a consolidated elected taxpayer group or a combined taxpayer group. Excluded from gross receipts any taxes that are required to be collected by a taxpayer from a consumer. Excluded certain gross receipts that a supplier receives from shipments of property to a qualified distribution center (QDC). Established the registration procedure and the criteria that must be met in order to qualify as a QDC. Extended the time allowed for a taxpayer that has gone out of business to file a final CAT return. Changed the date that the temporary exclusion extended to qualified foreign trade zones expired from

June 30, 2007 to Dec. 31, 2006. (R.C. 5751.01, 5751.011, 5751.04, 5751.051, 5751.10)

Recent Information Releases:

CAT 2007-02 – "Commercial Activity Tax: Pre-Income Tax Trusts, Explained with Revocation Procedures", February 2007, revised March 2007, revised May 2007.

CAT 2007-01 – "Commercial Activity Tax: Rule Estimation and Statutory Estimation Procedures, Compared," January 2007.

CAT 2006-10 – "Commercial Activity Tax: Changes in Ownership," October 2006, revised January 2007.

CAT 2006-09 – "Commercial Activity Tax: Records Retention Requirements," September 2006, revised October 2006, revised January 2007.

CAT 2006-08 – "Commercial Activity Tax: Situsing Receipts from Periodic Payments for Mobile Property," October 2006, revised January 2007.

CAT 2006-07 – "Commercial Activity Tax: Qualified Distribution Centers," June 2006, revised July 2006, revised September 2006.

Chart
Commercial Activity Tax Disposition of Revenue: Fiscal Year 2007

(figures in millions)

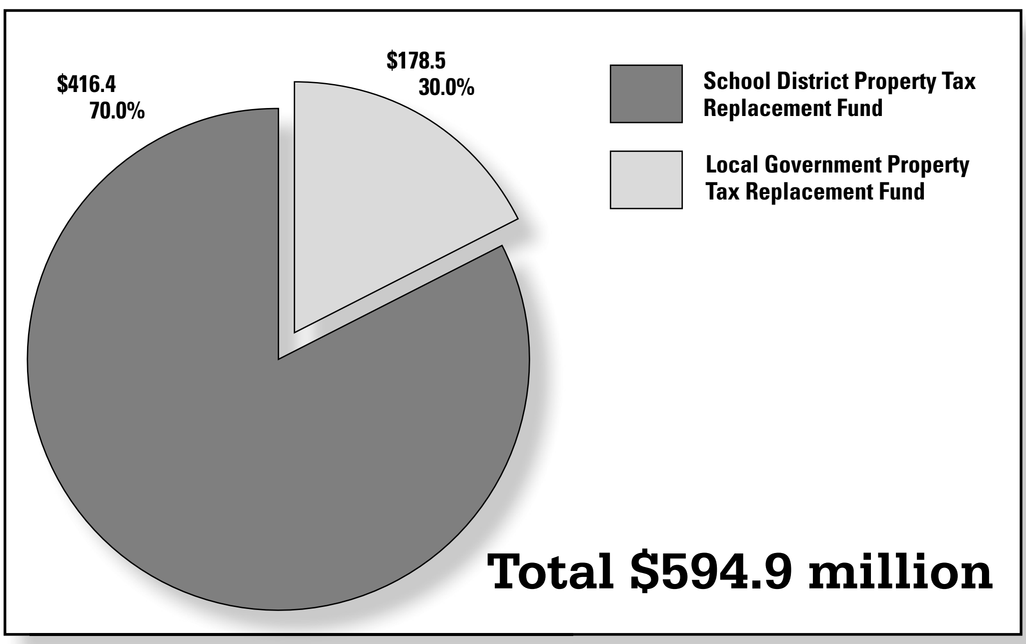


Table 1
Fiscal Year 2007 Tax Returns: by Industrial Classification[1]

(Dollar amounts are in thousands)

Industrial Classification	NAICS Code Ranges	Number of Taxpayers	Taxable Gross Receipts	Exclusion[2]	Net Taxable Gross Receipts	Tax at 0.104% Rate	Annual Minimum Tax[3]	Total Tax Due: 0.104% Tax and Minimum
Agriculture, Forestry, and Fishing	111100-115310	5,756	$4,239,643	$2,058,153	$2,181,489	$2,269	$863	$3,131
Mining	211110-213110	760	4,472,586	433,284	4,039,302	4,201	112	4,313
Utilities (excluding telecommunications)	221100-221300	134	16,497,086	74,502	16,422,585	17,079	20	17,100
Construction	236110-238900	18,018	36,662,810	8,940,671	27,722,138	28,831	2,696	31,527
Manufacturing	311110-339900	15,874	173,624,816	10,195,260	163,429,556	169,967	2,366	172,333
Wholesale Trade	423100-425120	9,164	71,436,618	5,629,854	65,806,764	68,439	1,354	69,793
Retail Trade	441110-454390	22,266	107,852,064	11,606,706	96,245,358	100,095	3,327	103,423
Transportation and Warehousing	481000-493100	4,948	14,460,135	2,505,447	11,954,688	12,433	739	13,172
Information (including telecommunications)	511110-519100	1,679	22,211,583	887,795	21,323,788	22,177	250	22,427
Finance and Insurance	522110-525990	6,630	10,006,817	2,105,793	7,901,024	8,217	996	9,213
Real Estate, and Rental & Leasing of Property	531110-533110	14,386	16,139,083	5,831,380	10,307,703	10,720	2,188	12,908
Professional, Scientific and Technical Services	541110-541990	15,314	31,202,437	7,072,588	24,129,848	25,095	2,322	27,417
Management of Companies (Holding Companies)	551111-551112	899	24,736,298	630,037	24,106,261	25,071	130	25,201
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	4,193	8,423,597	1,892,256	6,531,340	6,793	633	7,426
Education, Health Care and Social Assistance	611000-624410	12,830	20,261,834	7,045,575	13,216,259	13,745	1,946	15,691
Arts, Entertainment, and Recreation	711100-713900	1,699	2,317,938	701,749	1,616,188	1,681	256	1,937
Accomodation and Food Services	721110-722410	8,774	12,520,805	4,115,861	8,404,944	8,741	1,328	10,069
Other Services	811110-812990	8,798	7,122,434	3,639,391	3,483,042	3,622	1,346	4,968
Unclassified	n/a	19,038	15,124,071	6,637,911	8,486,161	8,826	2,822	11,647
TOTAL		**171,160**	**$599,312,652**	**$82,004,215**	**$517,308,438**	**$538,001**	**$25,696**	**$563,696**

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2007. This is because the table reflects reported tax liability, not actual payments made. In addition, the table reflects information from tax returns on the computer system as of the dates when the August 2006, November 2006, February 2007 and May 2007 return data was extracted; any subsequently filed tax returns or subsequent corrections made to the tax returns are not reflected in this table.

2 On a quarterly basis, each taxpayer's first $250,000 in taxable gross receipts is excluded from the 0.104% tax, resulting in an annual exclusion of $1 million per taxpayer.

3 The annual minimum tax is $150.

Table 2
Fiscal Year 2007 Tax Returns, by Taxable Gross Receipts[1]

(Dollar amounts are in thousands)

Size of FY 2007 Taxable Gross Receipts[2]	Number of Taxpayers	Taxable Gross Receipts	Exclusion[3]	Net Taxable Gross Receipts	Tax at 0.104% Rate	Annual Minimum Tax[4]	Total Tax Due: 0.104% Tax and Minimum Tax
Less than $1,000,000	128,475	$42,125,810	$41,229,660	$896,151	$932	$19,382	$20,314
$1,000,000 - 1,999,999	17,272	24,894,559	16,614,948	8,279,611	8,611	2,573	11,184
2,000,000 - 2,999,999	7,414	18,114,891	7,102,537	11,012,354	11,453	1,102	12,554
3,000,000 - 3,999,999	3,798	13,135,197	3,578,649	9,556,547	9,939	555	10,494
4,000,000 - 4,999,999	2,341	10,444,501	2,205,220	8,239,281	8,569	345	8,914
5,000,000 - 9,999,999	5,424	37,881,044	5,089,840	32,791,204	34,103	795	34,898
10,000,000 - 24,999,999	3,615	55,908,295	3,424,696	52,483,599	54,583	530	55,113
25,000,000 - 49,999,999	1,369	46,836,868	1,298,510	45,538,359	47,360	200	47,560
50,000,000 - 99,999,999	716	50,395,541	687,308	49,708,233	51,697	105	51,802
$100,000,000 and above	736	299,575,947	772,847	298,803,100	310,755	108	310,863
TOTAL	**171,160**	**$599,312,652**	**$82,004,215**	**$517,308,438**	**$538,001**	**$25,696**	**$563,696**

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2007. This is because the table reflects reported tax liability, not actual payments made. In addition, the table reflects information from tax returns on the computer system as of the dates when the August 2006, November 2006, February 2007 and May 2007 return data was extracted; any subsequently filed tax returns or subsequent corrections made to the tax returns are not reflected in this table.

2 These categories reflect aggregate taxable gross receipts (before exclusion) as reported by taxpayers on returns that were due and filed during fiscal year 2007. For example, a taxpayer whose taxable gross receipts were $5 million, $6 million, $4 million, and $7 million, on returns filed in August 2006, November 2006, February 2007 and May 2007, respectively, would have total fiscal year 2007 taxable gross receipts of $22 million, and thereby be included within the $10-$25 mllion category.

3 On a quarterly basis, each taxpayer's first $250,000 in taxable gross receipts is excluded from the 0.104% tax, resulting in an annual exclusion of $1 million per taxpayer.

4 The minimum tax is $150 (due in February 2007).

Corporation Franchise Tax

Ohio is in the process of phasing out the corporation franchise tax for most taxpayers in favor of the new commercial activity tax (CAT).

The corporation franchise tax is a business privilege tax that dates back to 1902. Current law requires most taxpayers to compute the tax on both net worth and net income and pay on the base that produces the higher tax (see exhibits 1 and 2 for examples of these calculations). The net worth rate is 4 mills; the net income rate is 5.1 percent on the first $50,000 of net income and 8.9 percent on remaining net income.

The corporation franchise tax for financial institutions is computed differently: financial institutions pay no tax based on net income but pay 13 mills based on net worth. In addition, financial institutions must follow a different apportionment formula than general corporations.

All corporations except family farm corporations and financial institutions are also subject to a litter tax based on either net worth or net income.

In Fiscal Year 2007, the corporation franchise tax generated about $1,125.6 million in total revenue. Of that amount, about $1,076.5 million, or 95.6 percent, was distributed to the General Revenue Fund. The Local Government Fund received $41.5 million or 3.7 percent; and $5.9 million or 0.5 percent was distributed to the Local Government Revenue Assistance Fund. The amount distributed to each fund was established by House Bill 66, the biennium budget bill for FY 2006-2007.

The tables in this chapter provide data from the 2006 tax year taken from reports due and filed in 2006. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits, the 20 percent phase-out factor, and the manufacturing grant, was $1,238.8 million. After tax credits, the manufacturing grant, and the 20 percent phase-out factor, the liability was $827.4 million.

Data on financial institutions are reported separately from general corporations and are shown in the final table. Financial institutions reported tax liability before credits of $164.4 million for the 2006 tax year.

Of the total tax liability before credits for general corporations, about 83 percent came from net income taxpayers. Of all corporation franchise taxpayers, approximately 21 percent paid tax on net income, 29 percent paid tax on net worth, and the remaining 50 percent paid the minimum tax.

Of financial institutions, banks filed 63 percent of all returns and paid 73 percent of the total tax liability. Savings and loans filed 25 percent of returns and paid 23 percent of the total liability. Other types of financial institutions accounted for the balance of returns and tax liability.

Franchise Tax Phase-Out:

For most taxpayers, the franchise tax is being phased out in 20 percent increments during the 2006 through 2010 franchise tax report years (for business activities in the taxable years ending in 2005 through 2009). As a result, the 2009 franchise tax report, based on the taxpayer's taxable year ending in 2008, will be the last franchise tax report for most taxpayers.

The phase-out of the franchise tax does **not** apply to:

- financial institutions and certain affiliates of financial institutions when such affiliates are engaged in financial institution-type activities;
- certain affiliates of insurance companies when such affiliates are engaged in insurance-type activities; and
- securitization companies.

Those entities remain subject to the franchise tax unless otherwise exempt under Ohio Revised Code 5733.09, and they will not be subject to the CAT.

The phase-out applies to all other franchise taxpayers. During the phase-out, a corporation will pay either the minimum tax ($50 for small companies and $1,000 for large companies), or its computed tax, whichever is greater. In computing its corporation franchise tax, a corporation may take any nonrefundable credits first (except for the pass-through entity tax credit). The remaining liability is then reduced each year by a percentage: 20 percent for 2006, 40 percent for 2007, 60 percent for 2008, and 80 percent for 2009. The pass-through entity tax credit (which is not subject to the phase-out), the manufacturer's grant and the refundable tax credits are then taken after making that calculation. For most corporations, there will be no franchise tax payable for tax year 2010 and forward.

Most corporations may continue to claim any unused net operating loss carry forwards on their franchise tax report during the phase-out period. However, certain companies with Ohio net operating losses in excess of $50 million will be allowed to claim a portion of their unused net operating losses and other net deferred tax assets as a credit against the commercial activity tax. That portion of the net operating losses on which the taxpayer claims the CAT credit cannot be deducted on the franchise report. But net operating losses *not* in excess of $50 million can continue to be deducted during the franchise tax phase-out period.

Additionally, taxpayers subject to the franchise tax phase-out and the CAT phase-in may not claim their unused nonrefundable franchise tax credits or credit carry forwards as a credit against the CAT. Exceptions to that general rule include the following three nonrefundable credits: the job retention credit, the credit for qualified research expense, and the research and development loan repayment credit.

Taxpayer (Ohio Revised Code 5733.01)

The Ohio corporation franchise tax is imposed on both domestic and foreign corporations for the privilege of doing business in Ohio. It is paid by corporations that:

- are organized for-profit;
- own capital or property in Ohio;
- hold a charter or certificate of compliance authorizing business operations in Ohio; or
- have nexus with Ohio.

Unless exempted, both domestic and foreign for-profit corporations and nonprofit agricultural cooperatives (such as Chapter 1729 or like corporations) are subject to the corporation franchise tax. Business trusts defined in R.C. 1746.01 and having nexus with Ohio are also subject to the corporation franchise tax.

Tax Base R.C. 5709.65, 5733.04, 5733.05, 5733.051, 5733.056)

The franchise tax is levied on the value of a corporation's issued and outstanding shares of stock. Generally a corporation must determine the value of that stock under both the net income base and the net worth base, and pay on the base that produces the greater tax.

Financial institutions are not subject to tax on the net income base but are subject to the tax on the net worth base at a higher rate than other taxpayers.

Qualifying holding companies pay tax on the net income base only.

Net Worth Base (R.C. 5733.05(C)):

The net worth base value of issued and outstanding shares of stock is determined by subtracting from book net worth those items excluded by statute (see **Exemptions and Exclusions**). The tax is calculated by multiplying this adjusted net worth by the net worth apportionment ratio and by the net worth tax rate of four mills (0.004). For financial institutions, the tax is determined by multiplying the taxpayer's adjusted net worth by the taxpayer's Ohio apportionment ratio and by the net worth rate of 13 mills (0.013). See Exhibit 1 for more information.

Net Income Base (R.C. 5733.05(B)):

The net income base value of issued and outstanding shares is calculated by making certain deductions from and additions to federal taxable income before net operating loss deductions and special deductions for the taxable year (see **Exemptions and Exclusions**). The adjusted income is then allocated (nonbusiness income) or apportioned (business income) in and outside Ohio as follows:

- **Allocable Income (for taxable years ending after June 25, 2003)** – Unless the Tax Commissioner requires an alternative method of allocation or approves the taxpayer's requested alternative method, only nonbusiness income is allocated in and outside Ohio. (R.C. 5733.051)
- **Apportionable Income (for taxable years ending after June 25, 2003)** – All income is presumed to be apportionable business income unless the taxpayer shows otherwise or the Tax Commissioner approves or requires an alternative method of apportionment. Business income is apportioned to Ohio according to a weighted three-factor formula: property, payroll, and sales (see Exhibit 2).
- **Net Income** – Ohio taxable (net) income is equal to the sum of nonbusiness income allocated to Ohio and business income apportioned to Ohio less Ohio net operating losses carried forward from an earlier year.

Rates (R.C. 5733.06)

Franchise Tax Rates:

Net Worth – Net worth taxable value is taxed at the rate of four mills (0.004). The maximum tax on the net worth base for taxpayers other than financial institutions is $150,000 per taxpayer.

Net Income – Net income is taxed at the rate of 5.1 percent on the first $50,000 of Ohio taxable income and 8.5 percent on Ohio taxable income in excess of $50,000. Corporations that meet the ownership requirements to file a combined report must share the $0 to $50,000 tax

Exhibit 1
Corporation Franchise Tax
Net Worth Tax Base

Ohio Taxable Value = Net Value of Stock[1] × [(Property factor × .20)[2] + (Payroll factor × .20)[2] + (Sales Factor × .60)][2]

1 Excludes value of pollution control, coal conversion, and energy conversion facilities property, qualified property in an enterprise zone, and land devoted exclusively to agriculture. See Exhibit 2 for explanation of factors.

2 Net income base apportionment ratio adjusted to include nonbusiness property, payroll, and sales excluded from the net income base apportionment factors.

Exhibit 2
Corporation Franchise Tax
Net Income Tax Base

(does not apply to financial institutions)

Ohio Taxable Income[1]	=	Business Income Apportioned to Ohio	+	Nonbusiness Income Allocated to Ohio	—	Ohio Net Operating Loss Carry Forward Deduction

1. Net Income Apportionment Formula:

Ohio Apportioned Net Income = Apportionable Income × [(Property Factor ×.20) + (Payroll Factor×.20) + (Sales factor × .60)]

2. The factors are computed as follows[2]:

$$\textbf{Property Factor}^3 = \frac{\text{Average cost of owned or rented real and tangible personal property used in business in Ohio}}{\text{Average cost of such property used everywhere}}$$

$$\textbf{Payroll Factor}^4 = \frac{\text{Total compensation paid in Ohio}}{\text{Total compensation paid everywhere}}$$

$$\textbf{Sales Factor}^5 = \frac{\text{Sales in Ohio}}{\text{Sales everywhere}}$$

1 Also includes income (or deducts a loss) from a transferor corporation and includes positive adjustments (or deducts negative adjustments) for related entities and related members.

2 The net income base factors do not include property, payroll, or sales relating to nonbusiness income.

3 Excludes from both the numerator and the denominator the original cost of:
(a) property within Ohio with respect to which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate; and
(b) property used exclusively during the taxable year for qualified research. Excludes from only the numerator the original cost of qualifying improvements to land or tangible personal property at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

4 Excludes from both the numerator and the denominator compensation paid in Ohio to employees engaged in qualified research. Excludes from only the numerator compensation paid to certain new employees at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

5 For sales of tangible personal property, sales inside and outside of Ohio are determined by the final destination of the property sold; other sales are sitused according to where the purchaser received the benefit of that which was purchased. Sales derived from nonbusiness allocable income are not included in this factor. Interest and dividends likewise are not included in the sales factor.

bracket to which the 5.1 percent rate applies, regardless of whether or not they actually file a combined return. Financial institutions are not subject to tax on the net income basis.

Minimum fee – For taxable years ending after June 25, 2003, the minimum tax liability for certain large taxpayers is $1,000, and for taxpayers other than large taxpayers, the minimum fee is $50. The phase-out factor has no effect on the franchise tax minimum fee.

For franchise tax report years 2006, 2007, 2008, 2009, and 2010, taxpayers subject to the phase-out will pay 80 percent, 60 percent, 40 percent, 20 percent, and 0 percent, respectively, of the franchise tax after nonrefundable credits that they would otherwise be required to pay. Nevertheless, the nonrefundable credit for tax paid by a qualifying pass-through entity is not subject to the phase-out percentages and thus this credit remains recoverable at 100 percent over the course of the phase-out.

Litter Tax Rates (R.C. 5733.066 and 5733.065):

Tier I litter tax – The Tier I litter tax applies to all corporations except family farm corporations and financial institutions. The Tier I litter tax is computed on both the net income base and net worth base and paid on the base that produces the greater tax. The rates are:

Net Worth – 0.14 mills (0.00014) on the taxable value (adjusted net worth) of the corporation, or

Net Income – 0.11 percent (0.0011) on the first $50,000 of Ohio taxable income plus 0.22 percent (0.0022) on taxable income in excess of $50,000.

The maximum Tier I litter tax charged any taxpayer or group of combined taxpayers is $5,000.

Tier II litter tax – In addition to the Tier I tax, the Tier II litter tax applies to taxpayers that manufacture or sell litter stream products in Ohio. Like the Tier I litter tax, the Tier II litter tax applies to both the net income base and the net worth base and is paid on the base that produces the greater tax. The rates are:

Net Worth – 0.14 mills (0.00014) on the taxable value of the corporation, or

Net Income – 0.22 percent (0.0022) on Ohio taxable income in excess of $50,000.

The maximum Tier II litter tax charged any taxpayer or group of combined taxpayers is $5,000.

Litter stream products include general beverages, beverage containers and packaging, take-out food packaging, tobacco products, candy, and gum.

Financial Institutions Rate:

Financial institutions are subject to tax on the net worth base at a rate of 13 mills (0.013).

Exemptions, Exclusions, Deductions and Additions

Corporations not Subject to the Franchise Tax (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10):

- Nonprofit corporations (except certain agricultural and consumer cooperatives);
- Municipal corporations;
- Public utilities subject to public utility excise tax;
- Credit unions;
- Dealers in intangibles;
- Corporations required to file annual reports with the Ohio Superintendent of Insurance;
- Subject to certain restrictions, "real estate investment trusts," "regulated investment companies," and "real estate mortgage investment conduits" as defined in the Internal Revenue Code (I.R.C.);
- Corporations electing treatment as an "S" corporation under the I.R.C. and their qualified subchapter S subsidiaries (QSSS);
- Limited liability companies (LLCs), if treated as a partnership for federal tax purposes; and
- Corporations in Chapter 7 bankruptcy proceedings except for the portion of the current tax year such corporation had the power to exercise its corporate franchise unimpaired by such proceedings.

Additions and Deductions in Determining Net Worth (R.C. 5709.25, 5709.35, 5709.50, 5709.65, 5915.29, 6111.36 and 5733.056):

- Add to book net worth (assets minus liabilities) the "qualifying amount" (see R.C. 5733.05(D)(1); this adjustment does not apply to financial institutions).
- Deduct from book net worth:
  - Certified Ohio civil defense structures;
  - Land in Ohio devoted exclusively to agriculture;
  - Qualified improvements to property located in an enterprise zone (generally does not apply to financial institutions); and
  - Appreciation and goodwill (applies only to financial institutions).

Adjustments in Determining Ohio Net Income (R.C. 5709.35, 5733.04, 5733.042, 5733.053, 5733.054, 5733.055, and 5733.058):

- Deduct certain income from sources outside the United States;
- Deduct the "dividends received" deduction provided by section 243 of the I.R.C.;.
- To the extent not otherwise deducted, deduct dividends received from public utilities, insurance companies, and financial institutions in which the taxpayer has the ownership interests as described by statute (in addition, receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
- Deduct gains and add losses from the sale of capital assets and I.R.C. section 1231 assets to the extent such gains and losses occurred prior to becoming a taxpayer;
- Deduct interest on Ohio public and purchase obligations and gains from the sale of Ohio public obligations (losses from sales of Ohio public obligations are added to net income);
- Deduct wage and salary expense not otherwise deducted for federal tax purposes because of the targeted jobs tax credit and/or the work opportunity tax credit;
- Deduct net interest income on federal government obligations;
- Deduct Ohio net operating loss carried forward from the prior 20 years (there is no Ohio net operating loss carry back provision);
- Deduct amounts contributed to an individual development account program;
- Deduct net income attributable to an "exempted investment" in a public utility (net loss from exempted investment in a public utility is added to net income);
- Deduct taxable temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July 1, 2005; see R.C. section 5751.53(H)(3));
- Add the amount claimed as a credit for taxes paid by a qualifying pass-through entity to the extent that the amount was deducted or excluded from the corporation's federal taxable income;
- Add interest and intangibles expense paid to certain related members;
- Add income (and deduct losses) earned by a transferor corporation that merges into the taxpayer in a tax-free reorganization;

- Add depreciation expense adjustment for I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 depreciation and miscellaneous federal tax adjustments as required. Deduct one-fifth of this add back in each of the five subsequent years. Deduct any miscellaneous federal tax adjustments as required;
- Add distributive or proportionate share of pass-through entity expenses paid to, losses incurred from transactions with, and excess inventory costs paid to related members for taxable years ending after June 29, 2005; and
- Add deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July 1, 2005; see R.C. section 5751.53(H)(2)).

Credits and Grants

Credit for Recycling and Litter Prevention Donations (R.C. 5733.064):

Taxpayers may claim a nonrefundable credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships that qualify for grants from the litter control and recycling special account. This credit is limited to the lesser of cash donations or 50 percent of the additional tax liability from litter tax rates.

Enterprise Zone Day Care and Training Credits (R.C. 5709.65(A)):

Taxpayers that locate in an enterprise zone and hold a Tax Incentive Qualification Certificate issued by the Ohio Department of Development may claim a nonrefundable credit equal to:

- The amount reimbursed to specified employees for the cost of day care services up to a maximum of $300 per child; and
- The amount reimbursed to specified employees for training costs up to a maximum of $1,000 per employee.

Credit for Savings and Loan Association Fees (R.C. 5733.063):

Savings and loan associations are permitted a nonrefundable credit against the tax due that is equal to the annual assessment the association paid to the Division of Savings and Loan Associations under R.C. 1155.13, less the amount the association paid in supervisory fees during the taxable year to the Federal Savings and Loan Insurance Corporation (or the amount it would have paid if insured).

Credit for Taxes Paid by a Qualifying Pass-Through Entity (R.C. 5733.0611):

A corporation that is a qualifying investor in a qualifying pass-through entity can claim a nonrefundable credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

New Jobs Credit (R.C. 5733.0610):

A taxpayer may claim a refundable credit for new jobs created pursuant to an agreement with the Tax Credit Authority created under R.C. 122.17. The credit equals a designated percentage of the total Ohio income tax withheld from new employees during the taxable year. The percentage is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to ten years. Amended Substitute House Bill 699 (see **Recent Legislation**) changed the definition of "full time employee" to include employees on active duty reserve or Ohio National Guard service and the definition of "new employee" and the conditions under which the Department of Development can reduce the taxpayer's credit percentage.

For taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise tax report for which the refundable new jobs credit will apply is the 2008 report. The franchise tax credit then automatically converts to a refundable credit against the CAT. Additionally, credit certificates issued on or before May 31, 2008 must be claimed against the franchise tax and credit certificates issued after May 31, 2008 must be claimed against the CAT, regardless of the taxable year or tax period to which the credit certificate relates.

Credit for Grape Production Property (R.C. 5733.32):

A taxpayer may claim a nonrefundable credit equal to 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

Credit for Eligible New Employees in an Enterprise Zone (R.C. 5709.66):

A taxpayer that is issued a tax credit certificate for an eligible employee may claim a $1,000 nonrefundable credit for each taxable year covered under the enterprise zone agreement during which the eligible employee is employed by the taxpayer.

Technology Investment Tax Credit (R.C. 5733.35):

Investors that provide capital to certain qualifying small, Ohio-based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25 percent of the taxpayer's at-risk investment. The credit must be approved by the state Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to all taxpayers cannot exceed $10 million.

Grant for Purchases of New Manufacturing Machinery and Equipment:

For taxable years ending on or after July 1, 2005, the manufacturer's credit converts to a grant administered by the Ohio Department of Development. Because the taxable year for the 2007 franchise report and reports thereafter will end after July 1, 2005, only the grant is available on the franchise tax form for tax years 2007 and thereafter. The qualifying purchase period for the credit and the grant ended on June 30, 2005.

The nonrefundable grant equals 7.5 percent of the amount by which the cost of qualifying equipment purchased during a calendar year for use in an Ohio county exceeds the taxpayer's "base investment" for that county. The grant rate for investments in certain eligible areas (inner city areas, distressed areas, labor surplus areas, situational distress areas, and certain Ohio counties) is 13.5 percent. One-seventh of the credit/grant may be claimed in each of the seven tax years following the purchase year. For those taxpayers that are subject to the franchise tax phase-out the 1⁄7 grant amounts are phasing out in the same years and by the same percentages as the franchise tax. The grant will end with the final (2009) franchise tax report because the unused 1⁄7 grant amounts cannot be applied against the CAT.

Day Care Credit (R.C. 5733.37):

A nonrefundable tax credit equal to 50 percent of the start-up expenses of a day care center established on the taxpayer's site and used by the taxpayer's employees (the maximum credit is $100,000) may be claimed for tax years 1999 through 2003. No new credit is generated for tax year 2004 and thereafter. Unused credits may be carried forward for five taxable years. Therefore, the credit carry forward period for this credit expires with the 2008 report.

Credit for Qualifying Affiliated Groups (R.C. 5733.068):

If as a result of the related entity and related member adjustments, an affiliated group would pay over $3.5 million more franchise tax than the members of the group otherwise would have paid had the members of the group not made the related entity and related member adjustment, then the members of the affiliated group may claim a nonrefundable credit equal to the difference between the additional tax and $3.5 million. However, the credit is limited to $1.5 million for the affiliated group (even if the additional tax exceeds $5 million).

Job Training Credit (R.C. 5733.42):

This nonrefundable credit applies to taxpayers that incurred "eligible training costs" and received a tax credit certificate from the Ohio Director of Job and Family Services with respect to an "eligible training program" for "eligible employees." The credits cannot exceed $20 million per calendar year and are granted to qualified applicants through means of a lottery-based allocation. Except for carry forward amounts, this credit expires with the 2008 report.

Credit for Maintaining Railroad Crossing Warning Devices (R.C. 5733.43):

Railroad companies can claim a nonrefundable credit for maintaining signs, signals, gates, and other electrical warning devices at public highway-railway crossings in Ohio at common grade. The credit equals 10 percent of the annual maintenance costs for each active grade-crossing warning device in Ohio and cannot exceed $200 for each device.

Job Retention Credit (R.C. 5733.0610(B)):

This nonrefundable credit applies to manufacturers that on or after Jan. 1, 2002 make a capital investment of at least $200 million (or under certain conditions $100 million) at a single Ohio site during three consecutive calendar years. To qualify, the taxpayer must employ an average of 1,000 full-time employees at the site during each of the 12 months preceding application. In addition, the taxpayer must retain at least 1,000 full-time employees at the site for the entire term of the credit agreement.

The credit is determined in an agreement between the taxpayer and the Ohio Tax Credit Authority and equals a percentage (not to exceed 75 percent) of the Ohio income tax withheld from the wages paid to the taxpayer's employees at the project site. The credit is limited to a term of ten years.

For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the R.C. 5733.0610(B) nonrefundable job retention credit applies is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after July 1, 2008 for the remaining years of the taxpayer's agreement with the Ohio Tax Credit Authority.

Ethanol Plant Investment Credit (R.C. 5733.46 and 901.13):

This nonrefundable credit equals 50 percent of the taxpayer's investment in a R.C. 901.13 certified ethanol plant in the calendar year preceding the tax year. The credit is limited to $5,000 per taxpayer per plant. The credit began in tax year 2003.

Credit for Qualified Research Expense (R.C. 5733.351):

This nonrefundable credit equals 7 percent of the amount by which the taxpayer's "qualified research expense" (see I.R.C. section 41) in Ohio during the taxable year exceeds the taxpayer's average annual qualified research expenses in Ohio for the three preceding years. For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the nonrefundable credit for qualified research expense will apply is the 2008 report. The credit then automatically converts to a nonrefundable credit against the CAT and any unused franchise tax credit carry forward can be applied toward the CAT for tax periods beginning after June 30, 2008, provided that the total number of carry forward years under the franchise tax and the CAT does not exceed seven.

Lottery Commission Withholding Credit (R.C. 5747.062(B)(2)):

This refundable credit equals the amount the Ohio Lottery Commission withheld from payments to the taxpayer.

Credit for Small Telephone Companies (R.C. 5733.57):

For tax years 2005 through 2009 certain small telephone companies can claim a credit equal to a percentage of the amount by which the telephone company's tax before credits exceeds the public utility gross receipts tax that would have been charged had the public utility gross receipts tax continued to apply to the taxpayer.

Nonrecurring 9-1-1 Charges Credit for Telephone Companies (R.C. 5733.55):

Beginning in tax year 2005, a telephone company is allowed a nonrefundable credit equal to the amount of the company's eligible nonrecurring 9-1-1 charges. A telephone company must claim this credit for the taxable year in which the 9-1-1 service becomes available for use.

Credit for Providing Programs to Aid the Communicatively Impaired (R.C. 5733.56):

For tax year 2005, telephone companies can claim a nonrefundable credit for providing telephone service to aid the communicatively impaired in accessing the telephone network. If, in its taxable year ending in 2004, the taxpayer generated this credit and the taxpayer was unable to utilize the credit or a portion of the credit on its 2005 report, the unused 2005 credit amount can be carried forward and claimed as a nonrefundable credit in 2006 and subsequent years. In addition, for tax years 2006, 2007 and 2008, telephone companies can claim a refundable credit for providing telephone service to aid the communicatively impaired in accessing the telephone network. The credit equals the telephone company's costs incurred for providing the telephone service program to aid the communicatively impaired during the taxable year ending prior to the tax year.

Research and Development Loan Repayment Credit (R.C. 5733.352):

The amount of the credit equals the borrower's qualified research and development loan payments during the calendar year immediately preceding the tax year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development. For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise tax report year for which the nonrefundable research and development loan repayment credit will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after Jan. 1, 2008, and any unused franchise tax credit carry forward can be applied toward the CAT as provided in R.C. section 5751.52.

Ohio Historic Preservation Credit (R.C. 149.311):

This refundable credit applies to owners of certain historic buildings in Ohio for the expenditures paid or incurred to rehabilitate such buildings. The credit, if approved by the Ohio Department of Development, equals 25 percent of the owner's "qualified rehabilitation expenditures" paid or incurred during the twenty-four or sixty-month rehabilitation period shown on the taxpayer's tax credit certificate issued by the Department of Development. The historic building's owners can claim the credit against their franchise tax, dealer in intangibles tax or income tax liability. Franchise taxpayers that are issued the certificate may claim the credit even if the taxpayer is no longer subject to the franchise tax (because of the franchise tax phase-out).

Credit for Selling Alternative Fuel in Ohio (R.C. 5733.48):

For tax years 2008 and 2009 retail service stations in Ohio may claim a nonrefundable credit for selling E85 blend fuel or blended biodiesel. For tax year 2008 the credit equals 15 cents per gallon of alternative fuel sold at a retail dealer's Ohio service station during any part of calendar year 2007 that is included in the dealer's taxable year ending in 2007. For tax year 2009 the credit equals 15 cents per gallon of alternative fuel sold at a retail dealer's Ohio service station during any part of calendar year 2007 that is included in the dealer's taxable year ending in 2008, plus 13 cents per gallon of alternative fuel sold and dispensed during any part of calendar year 2008 that is included in that taxable year. Dealers must calculate the credit separately for each Ohio retail service station owned or operated by the retail dealer. Alternative fuel sales are credit eligible only when sold and dispensed from a metered pump. The credit may also be claimed against the individual income tax.

Special Provisions

- Corporations ceasing business in Ohio may be subject to an "exit tax" on unreported Ohio net income recognized in the two calendar years prior to the tax year. (R.C. 5733.06(H))
- A transferee corporation in a tax-free reorganization is required to include in its income the income of the transferor if the transferor is not subject to the franchise tax. (R.C. 5733.053)
- A corporation claiming the credit for its proportionate share of taxes paid by a qualifying pass-through entity must add to federal taxable income the amount claimed as a credit, to the extent such amount was deducted or excluded from the corporation's federal taxable income. (R.C. 5733.04(I)(14))
- Qualifying pass-through entities (partnerships, S corporations, and LLCs treated as partnerships for federal income tax purposes) doing business in or having nexus with Ohio:
    - are required to pay tax on the qualifying investors' share of the entity's Ohio profits.
    - are subject to a 5 percent withholding tax on the sum of the individual's distributive shares of the entity's Ohio income and gain.
    - are subject to an 8.5 percent tax on the sum of the non-individual's distributive shares of Ohio income and gain. For the pass-through entity's taxable year ending in 2007, the pass-through entity's tax rate on its Ohio income that passes through to its qualifying investors that are subject to the franchise tax phase-out is 3.4 percent. The tax is due only if the adjusted qualifying amount exceeds $1,000. (R.C. 5733.40, 5733.41, 5733.04(I)(14), 5733.0611, 5747.41 through 5747.453, 5747.01(A)(16) and 5747.059)

- The net worth tax for financial institutions differs substantially from the net worth tax for regular corporations. (R.C. 5733.056)
- Each taxpayer must include in its adjusted qualifying amounts, allocable and apportionable income or loss, property, compensation, and sales, the taxpayer's proportionate or distributive share of such items for any pass-through entity in which the taxpayer has a direct or indirect ownership interest. (R.C. 5733.057)
- If more than half of a taxpayer's capital stock (with voting rights) is owned or controlled directly or indirectly by another corporation or by a related interest, the Tax Commissioner may permit or require the combining of net income to calculate the tax base. A qualifying controlled group of taxpayers may elect to file a combined report if each has non-dividend income from Ohio sources. This election may not be changed by the taxpayer without the Tax Commissioner's consent. The combination provisions do not apply to the net worth base. (R.C. 5733.052)

- Intangible expenses and costs paid to certain related members are added to income. (R.C. 5733.042)

Filing and Payment Dates (R.C. 5733.02, 5733.021, 5733.022 and 5733.13)

Jan. 31:

If by Jan. 31 of the tax year the corporation does not file the annual report and make full payment of the tax due, then by that date the corporation must file form FT 1120E and pay one-third of that estimated liability. If the estimated tax liability is the minimum fee, the corporation must make full payment by Jan. 31.

March 31:

By March 31 of the tax year the corporation must either file its franchise tax report and pay the remaining tax due or the corporation must file a request for extension (form FT 1120ER) and pay the second one-third of its estimated tax liability.

May 31:

By May 31 of the tax year a corporation must either file the annual report and pay the remaining tax due or file a request for additional extension (form FT 1120EX) and pay the remaining one-third of its estimated tax liability. A corporation filing this extension must file its annual report and pay any remaining tax liability by the 15th day of the month following the extended due date for filing its federal corporation income tax return.

The interest rate on both underpayments and overpayments is based on the average federal short-term rate in effect in July of the previous year plus three percentage points. For calendar year 2007, the rate was 8.0 percent. The rate is also 8.0 percent in calendar year 2008.

Taxpayers are required to pay by electronic funds transfer (EFT) if, for the second preceding tax year, the taxpayer's total franchise tax liability after reduction for nonrefundable credits exceeded $50,000. Taxpayers that are required to pay by EFT must register through the Treasurer of State.

Disposition of Revenue (R.C. 4981.09, 5733.12, 5733.122)

Traditionally, after necessary deposits to the Attorney General Claims Fund and the Litter Control Tax Administration Fund, the General Revenue Fund received 95.2 percent of franchise tax collections, with the balance directed to the Local Government Fund (4.2 percent) and the Local Government Revenue Assistance Fund (0.6 percent). But, since Fiscal Year 2002, state contributions to local government funds had been frozen in some form; during FY 2007, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount as in the prior fiscal year.

In House Bill 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January 2008, all franchise tax revenue will be directed to the General Revenue Fund after deposits with the Attorney General Claims Fund and the Litter Control Tax Administration Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

The amount appropriated annually for administration of the litter tax is credited to the Litter Control Tax Administration Fund.

Administration

The corporation franchise tax is administered by the Department of Taxation. Some tax credits and grants are administered by the Ohio Department of Development. Tax payments are payable to the Treasurer of State but are received by the Department of Taxation.

Ohio Revised Code Citations

Chapters 122, 1733, 4981, 5703, 5709, 5733, 5751 and 5915.

Recent Legislation

Am. Sub. H.B. 119, 127th General Assembly (FY 2008-2009 biennium budget bill).

- Extended the nonrefundable credit available to electric companies for burning Ohio coal to generate electricity. The credit now applies to Ohio coal burned before Jan. 1, 2010 (under prior law the credit applied to Ohio coal burned before Jan. 1, 2008). For tax years 2006, 2007, 2008 and 2009 electric companies compute the credit at the rate of $1 per ton of Ohio coal burned.

- Created a credit for selling alternative fuel in Ohio (see **Credits and Grants**).
- Amended the job retention credit. Capital investment project payments made by a developer that is not related to the "eligible business" will count toward the eligible business's $100 million or $200 million of required payments for the project if (1) the developer leases project site property to the eligible business for a term of not less than twenty years and (2) the project is a mixed use development project that includes the eligible business's headquarters operations and at least two of the following: office, hotel, research and development, or retail facilities. If the eligible business leases project site property from the developer, the term of the credit cannot exceed the lesser of fifteen years or one-half the term of the lease, including any permitted renewal periods. (Whether payments for the capital investment project must equal or exceed $100 million or $200 million depends on the average wage of all full-time employment positions at the project site.)
- Amended the new jobs credit by providing that a pass-through entity (PTE) can claim the credit itself (against the PTE's CAT liability) or, if the PTE elects, pass through the credit to the PTE's owners in the same proportion as income is distributed. Prior law required PTEs to pass through the credit to the PTE's owners in the same proportion as income is distributed. The election, if made, is irrevocable.
- Amended the definition of "full-time employee" to include an individual who is employed for consideration and who otherwise meets the definition of "full-time employee" but is on family or medical leave under the federal Family and Medical Leave Act.

Sub. H.B. 149, 126th General Assembly (effective April 4, 2007).

Granted a refundable credit to owners of historic buildings for the expenditures paid or incurred to rehabilitate certain historic buildings in Ohio (see **Credits and Grants**).

Am. Sub. H.B. 699, 126th General Assembly (effective March 29, 2007).

- Extended the job training credit through franchise tax year 2008.
- For the job retention credit, changed the definition of "full-time employment position" to include employees on active duty reserve or Ohio National Guard service, and the conditions under which the Ohio Department of Development can reduce the taxpayer's credit percentage.

Am. Sub. H.B. 157, 127th General Assembly (I.R.C. Conformity provision).

This new law amended the R.C. 5701.11 definition of "Internal Revenue Code as amended" and thereby adopted all the changes to the Internal Revenue Code enacted by Congress from Dec. 28, 2006 through Dec. 21, 2007, which was the effective date of House Bill 157's amendment of R.C. 5701.11. Due to this amendment, franchise tax taxpayers may or may not have "miscellaneous federal tax adjustments," depending on their taxable year ending date.

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005 for taxable years ending on or after July 1, 2005).

Phase-Out of the Corporation Franchise Tax – The corporation franchise tax phases out for most corporations over a five-year period starting in 2006. A corporation will continue to compute its corporation franchise tax liability during that five years, but will pay a smaller percentage of the tax computed each year until the tax is totally phased out in 2010. Financial institutions and their affiliates engaged in financial institution-type activities, as well as affiliates of insurance companies engaged in insurance-type activities, and securitization companies are not subject to the phase-out.

Credit for Losses on Loans to the Ohio Venture Capital Program –

If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is less than or equal to the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the amount shown on the credit certificate.

If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is greater than the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the sum of: (1) the franchise tax (including the litter taxes) after all nonrefundable credits are deducted; and (2) 75 percent of the amount by which the refundable credit exceeds the tax after all nonrefundable credits.

Chart 1
Percentage of Corporations and Tax Liability by Tax Base: Tax Year 2006

Total Number of Corporations: 90,611
Total Reported Tax Liability, Before Credits and Manufacturing Grants: $1,224.8
(figures in millions)
(excludes litter tax)
(excludes financial institutions)

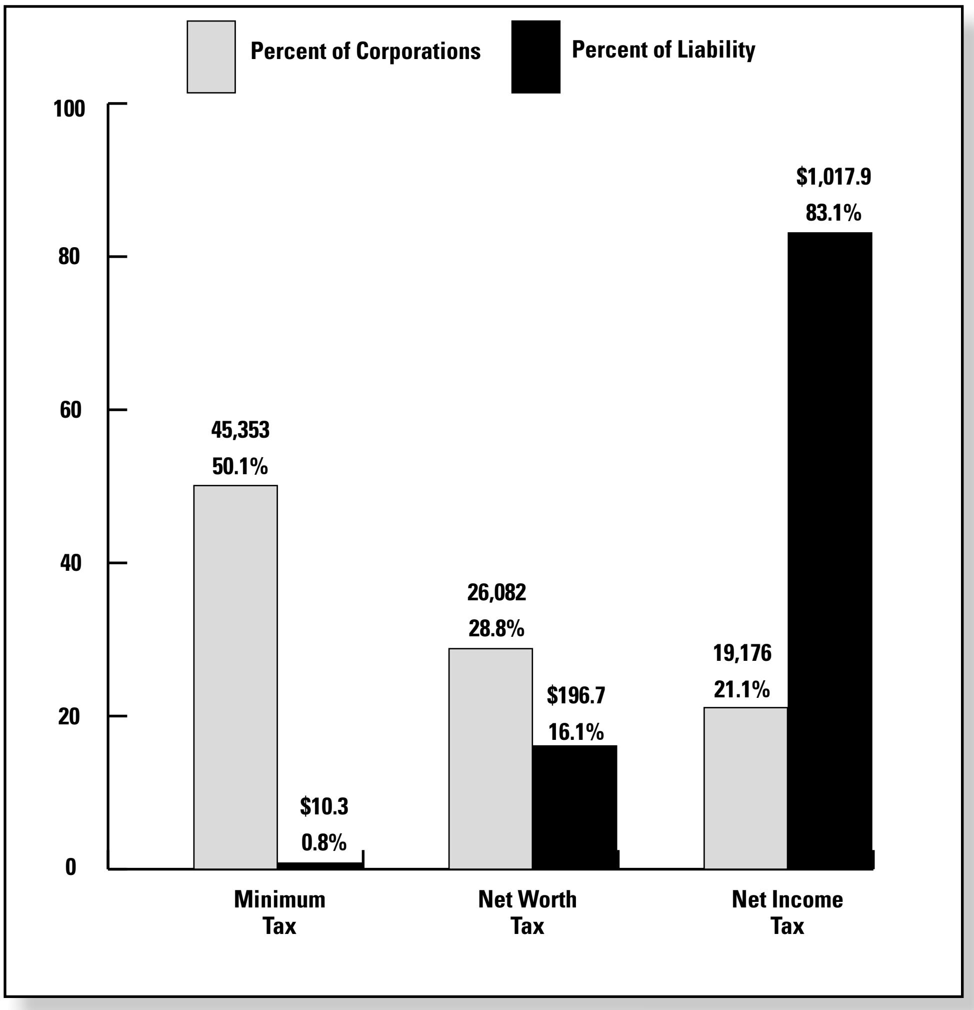
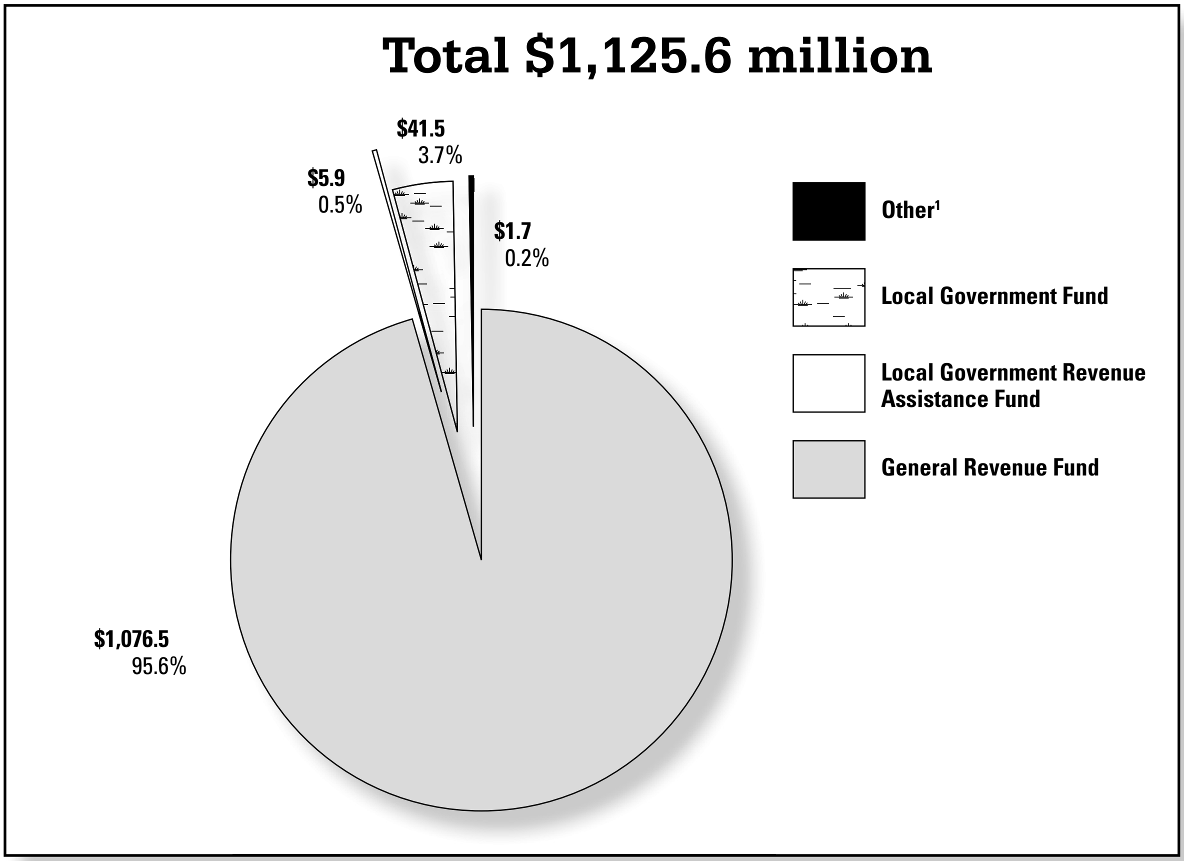


Chart 2
Distribution of Revenue from Corporation Franchise Tax: Fiscal Year 2007
(figures in millions)



1 Includes litter fund and Attorney General revenues.

Table 1
Corporation Franchise Tax Collections: Fiscal Years 2003 - 2007

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
2003	$1,015,027,341	$206,770,271	$808,257,070
2004	1,060,594,780	190,009,406	870,585,374
2005	1,282,059,637	170,495,325	1,111,564,312
2006	1,309,521,936	203,658,836	1,105,863,100
2007	1,302,582,440	176,928,156	1,125,654,284

Table 2
Corporation Franchise Tax
Number Of Corporations by Tax Base and Industry:
Tax Year 2006

	Number of Corporations by Tax Base			
Industry	Minimum	Net Worth	Net Income	Total
Agriculture & Forestry	560	471	312	1,343
Mining	208	165	149	522
Construction	4,161	2,522	1,559	8,242
Manufacturing	3,566	3,578	2,327	9,471
Transport, Communication, Utility	2,690	1,256	1,114	5,060
Wholesale Trade	2,424	1,922	1,540	5,886
Retail Trade	6,969	5,676	3,866	16,511
Finance, Insurance, Real Estate	6,791	3,401	2,544	12,736
Services	15,479	6,598	5,267	27,344
Unknown[1]	2,505	493	498	3,496
TOTAL	**45,353**	**26,082**	**19,176**	**90,611**

1 Industry classification was not indicated by the taxpayer.

Table 3
Corporation Franchise Tax
Number Of Corporations by Tax Base and
Tax Liability Class:
Tax Year 2006

			Number of Corporations by Tax Base			
Tax Liability Class			Net Minimum	Net Worth	Net Income	Total
Minimum			45,353	--	--	45,353
$51	-	1,000	--	13,798	5,979	19,777
1,001	-	2,000	--	3,901	2,947	6,848
2,001	-	3,000	--	1,947	1,712	3,659
3,001	-	4,000	--	1,080	866	1,946
4,001	-	5,000	--	724	694	1,418
5,001	-	10,000	--	1,570	1,916	3,486
10,001	-	15,000	--	650	927	1,577
15,001	-	20,000	--	400	598	998
20,001	-	25,000	--	258	432	690
25,001	-	30,000	--	196	314	510
30,001	-	35,000	--	156	253	409
35,001	-	50,000	--	341	529	870
50,001	-	100,000	--	455	748	1,203
100,001	-	200,000	--	606	559	1,165
200,001	-	500,000	--	--	404	404
500,001	-	1,000,000	--	--	152	152
Over		$1,000,000	--	--	146	146
		TOTAL	**45,353**	**26,082**	**19,176**	**90,611**

Table 4
Corporation Franchise Tax
Reported Tax Liability by Tax Base and Industry: Tax Year 2006

	Before 20% Reduction Factor Applicable To Most Taxpayers							After 20% Reduction Factor	
	Tax Liability Before Litter Tax and Credits, By Tax Base								
Industry	Minimum	Net Worth	Net Income	Total	Litter Tax[1]	Total Liability Before Credits and Grant	Total Non-Refundable and Refundable Tax Credits[2]	Manufacturing Grant	Tax Liability After Tax Credits and Grant[2]
Agriculture & Forestry	$70,750	$783,694	$2,448,604	$3,303,048	$60,324	$3,363,372	$288,689	$1,367	$2,469,549
Mining	40,800	1,471,875	5,554,052	7,066,727	124,422	7,191,149	1,142,717	1,133,484	3,713,898
Construction	797,050	7,422,589	25,917,814	34,137,453	557,611	34,695,064	482,113	452,978	27,069,093
Manufacturing	1,224,250	54,555,870	353,868,628	409,648,748	3,554,994	413,203,742	53,279,054	27,833,742	256,943,927
Transport, Communication, Utility	816,600	12,109,800	180,647,837	193,574,237	925,580	194,499,817	45,146,507	925,302	116,991,409
Wholesale Trade	695,000	12,798,713	83,554,200	97,047,913	1,290,899	98,338,812	10,639,193	1,414,600	68,572,676
Retail Trade	2,024,250	46,358,834	188,768,285	237,151,369	3,430,687	240,582,056	19,754,009	6,152,115	169,075,739
Finance, Insurance, Real Estate	1,330,400	25,506,329	59,241,568	86,078,297	1,457,871	87,536,167	6,427,892	2,113,128	63,114,899
Services	2,845,900	31,114,070	111,467,839	145,427,809	2,261,905	147,689,714	6,506,791	1,822,974	111,652,750
Unknown[3]	436,850	4,552,038	6,424,562	11,413,450	247,319	11,660,769	1,571,011	150,480	7,803,190
TOTAL	**$10,281,850**	**$196,673,812**	**$1,017,893,389**	**$1,224,849,051**	**$13,911,612**	**$1,238,760,662**	**$145,237,976**	**$42,000,170**	**$827,407,131**

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

2 Does not reflect non-refundable credit for taxes paid by qualifying pass-through entities.

3 Industry classification was not indicated by taxpayer. The liability of corporations appearing in the Unknown category has been reduced from previous years due to updated industry code data.

NOTE: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 20 percent reduction in effect for tax year 2006.

Table 5
Corporation Franchise Tax
Reported Tax Liability by Tax Base and Tax Liability Class: Tax Year 2006

	Before 20% Reduction Factor Applicable to Most Taxpayers							After 20% Reduction Factor Applicable to Most Taxpayers	
	Tax Liability Before Litter Tax and Credits By Tax Base								
Tax Liability Class	Minimum	Net Worth	Net Income	Total	Litter Tax[1]	Total Liability Before Credits and Grant	Total Nonrefundable and Refundable Tax Credits[2]	Manufacturing Grant	Tax Liability After Tax Credits and Grant[2]
Minimum	$10,281,850	--	--	$10,281,850	--	$10,281,850	$3,048,755	$480	$7,231,439
$51 - 1,000	--	$4,907,372	$2,453,347	7,360,719	$233,207	7,593,925	284,737	24,086	5,892,948
1,001 - 2,000	--	5,574,570	4,284,312	9,858,882	281,695	10,140,577	220,806	73,240	7,821,615
2,001 - 3,000	--	4,761,443	4,120,761	8,882,204	262,184	9,144,388	435,334	103,875	6,804,810
3,001 - 4,000	--	3,723,929	3,020,612	6,744,541	196,956	6,941,497	160,893	95,022	5,317,933
4,001 - 5,000	--	3,243,008	3,120,930	6,363,938	183,071	6,547,009	205,679	109,708	4,953,680
5,001 - 10,000	--	11,082,544	13,712,884	24,795,428	699,176	25,494,604	2,696,868	461,804	17,389,780
10,001 - 15,000	--	8,005,475	11,403,425	19,408,900	539,178	19,948,078	1,785,632	465,907	13,849,732
15,001 - 20,000	--	6,917,619	10,338,842	17,256,461	477,120	17,733,581	1,281,808	421,508	12,641,956
20,001 - 25,000	--	5,752,809	9,644,582	15,397,391	423,091	15,820,482	669,641	415,532	11,679,620
25,001 - 30,000	--	5,358,450	8,586,311	13,944,761	379,592	14,324,353	898,763	552,019	10,168,201
30,001 - 35,000	--	5,031,715	8,225,795	13,257,510	358,033	13,615,543	1,148,221	473,539	9,427,720
35,001 - 50,000	--	14,248,849	22,093,105	36,341,954	973,289	37,315,243	4,849,727	1,435,364	23,981,095
50,001 - 100,000	--	32,189,797	53,549,639	85,739,436	2,194,763	87,934,199	6,140,333	3,468,702	61,771,739
100,001 - 200,000	--	85,876,232	79,507,882	165,384,114	3,875,644	169,259,758	28,710,360	10,476,347	99,818,192
200,001 - 500,000	--	--	125,472,764	125,472,764	1,703,691	127,176,455	13,246,650	6,183,884	84,347,426
500,001 - 1,000,000	--	--	105,354,630	105,354,630	570,738	105,925,368	12,103,625	4,533,504	69,937,622
Over $1,000,000	--	--	553,003,568	553,003,568	560,184	553,563,752	67,350,144	12,705,647	374,371,621
TOTAL	**$10,281,850**	**$196,673,812**	**$1,017,893,389**	**$1,224,849,051**	**$13,911,612**	**$1,238,760,662**	**$145,237,976**	**$42,000,170**	**$827,407,131**

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities.

NOTE: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 20 percent reduction in effect for tax year 2006.

Table 6
Corporation Franchise Tax
Number of Manufacturing Corporations by Tax Base and Industry: Tax Year 2006

	Number of Corporations by Tax Base			
Industry	**Minimum**	**Net Worth**	**Net Income**	**Total**
Food	197	182	150	529
Tobacco Manufacturers	5	0	6	11
Apparel and Other Textiles	77	45	24	146
Lumber and Wood Products	100	111	57	268
Paper	79	96	35	210
Printing and Publishing	185	186	77	448
Chemicals	271	255	195	721
Petroleum and Coal	44	30	33	107
Rubber and Plastics	220	238	144	602
Leather Products	10	7	5	22
Stone, Clay & Glass Products	102	111	82	295
Primary Metal	134	167	107	408
Fabricated Metal	733	877	554	2,164
Machinery (non-electrical)	412	360	224	996
Electrical Machinery	316	280	180	776
Transportation Equipment	137	142	101	380
Miscellaneous Manufacturing	544	491	353	1,388
TOTAL	**3,566**	**3,578**	**2,327**	**9,471**

Table 7
Corporation Franchise Tax
Number of Manufacturing Corporations by Tax Base and Tax Liability Class: Tax Year 2006

		Number of Corporations by Tax Base		
Tax Liability Class	Minimum	Net Worth	Net Income	Total
Minimum	3,566	--	--	3,566
$51 - 1,000	--	1,238	342	1,580
1,001 - 2,000	--	574	282	856
2,001 - 3,000	--	319	178	497
3,001 - 4,000	--	205	94	299
4,001 - 5,000	--	133	84	217
5,001 - 10,000	--	297	295	592
10,001 - 15,000	--	146	135	281
15,001 - 20,000	--	96	117	213
20,001 - 25,000	--	62	69	131
25,001 - 30,000	--	36	53	89
30,001 - 35,000	--	45	42	87
35,001 - 50,000	--	98	104	202
50,001 - 100,000	--	132	162	294
100,001 - 200,000	--	197	135	332
200,001 - 500,000	--	--	126	126
500,001 - 1,000,000	--	--	55	55
Over $1,000,000	--	--	54	54
TOTAL	**3,566**	**3,578**	**2,327**	**9,471**

Table 8
Corporation Franchise Tax
Reported Tax Liability for Manufacturing Corporations by Tax Base and Industry Classifications: Tax Year 2006

Industry	Tax Liability Before Litter Tax and Credits, by Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax[1]	Total Liability Before Credits and Grant	Total Nonrefundable and Refundable Tax Credits[2]	Manufacturing Grant	Tax Liability After Tax Credits and Grants[2]
Food	$73,500	$3,602,457	$28,886,156	$32,562,113	$330,667	$32,892,780	$3,864,371	$2,343,793	$20,701,282
Tobacco Manufacturers	1,200	0	11,051,723	11,052,923	34,261	11,087,184	800,000	56,525	8,033,462
Apparel and Other Textiles	31,400	386,236	1,152,969	1,570,605	30,020	1,600,625	4,015	46,860	1,237,369
Lumber and Wood Products	32,550	749,879	2,299,138	3,081,567	66,309	3,147,876	616,441	285,469	1,732,926
Paper	35,300	2,519,200	1,851,722	4,406,222	83,425	4,489,647	2,716,563	300,506	752,973
Printing and Publishing	42,500	906,999	3,097,630	4,047,129	89,208	4,136,337	916,796	241,493	2,333,915
Chemicals	127,550	9,165,030	99,760,486	109,053,066	511,282	109,564,348	4,646,337	3,089,244	80,769,804
Petroleum and Coal	16,450	834,963	79,561,790	80,413,203	62,010	80,475,213	415,767	7,999,087	55,999,413
Rubber and Plastics	86,050	3,394,507	7,313,376	10,793,933	246,742	11,040,675	2,202,508	857,593	6,166,250
Leather Products	2,400	99,830	209,654	311,884	8,871	320,755	0	0	257,084
Stone, Clay & Glass Products	26,950	2,096,948	6,754,936	8,878,834	143,080	9,021,914	2,233,061	1,856,360	3,553,836
Primary Metal	38,050	3,854,460	17,717,276	21,609,786	218,877	21,828,663	8,207,445	1,669,960	8,396,468
Fabricated Metal	174,400	5,102,515	24,503,645	29,780,560	491,357	30,271,917	4,191,310	2,200,168	18,474,482
Machinery (non-electrical)	157,400	4,376,474	7,800,065	12,333,939	243,953	12,577,892	2,089,260	825,858	7,483,243
Electrical Machinery	131,700	5,716,513	13,469,232	19,317,445	297,792	19,615,237	2,144,637	2,337,712	11,597,001
Transportation Equipment	66,700	5,510,883	26,083,578	31,661,161	302,775	31,963,936	15,021,093	1,589,200	11,003,978
Miscellaneous Manufacturing	180,150	6,238,976	22,355,252	28,774,378	394,365	29,168,743	3,209,450	2,133,914	18,450,441
TOTAL	**$1,224,250**	**$54,555,870**	**$353,868,628**	**$409,648,748**	**$3,554,994**	**$413,203,742**	**$53,279,054**	**$27,833,742**	**$256,943,927**

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities.

NOTE: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 20 percent reduction in effect for tax year 2006.

Table 9
Corporation Franchise Tax
Reported Tax Liability For Manufacturing Corporations by Tax Base and Tax Liability Class: Tax Year 2006

	Before 20% Reduction Factor Applicable to Most Taxpayers							After 20% Reduction Factor Applicable to Most Taxpayers	
	Tax Liability Before Litter Tax and Credits, By Tax Base								
Tax Liability Class	Minimum	Net Worth	Net Income	Total	Litter Tax[1]	Total Liability Before Credits and Grant	Total Nonrefundable and Refundable Tax Credits[2]	Manufacturing Grant	Tax Liability After Tax Crediits and Grant[2]
Minimum ($50 or $1,000)	$1,224,250	--	--	$1,224,250	--	$1,224,250	$273,116	$60	$948,917
$51 - 1,000	--	$503,336	$151,861	655,197	$21,757	676,954	59,442	14,757	487,077
1,001 - 2,000	--	820,641	424,317	1,244,958	36,885	1,281,843	112,684	47,555	881,423
2,001 - 3,000	--	780,674	429,531	1,210,205	36,449	1,246,654	132,558	58,333	824,572
3,001 - 4,000	--	710,647	325,285	1,035,932	33,077	1,069,009	99,761	67,926	707,769
4,001 - 5,000	--	598,843	379,682	978,525	28,916	1,007,441	124,595	59,236	644,411
5,001 - 10,000	--	2,096,130	2,126,263	4,222,393	121,931	4,344,324	558,170	256,374	2,729,523
10,001 - 15,000	--	1,775,531	1,673,922	3,449,453	98,580	3,548,033	344,435	232,127	2,322,414
15,001 - 20,000	--	1,678,472	2,015,352	3,693,824	105,238	3,799,062	834,352	164,001	2,129,466
20,001 - 25,000	--	1,391,400	1,542,240	2,933,640	82,771	3,016,411	313,923	260,511	1,888,549
25,001 - 30,000	--	984,983	1,442,975	2,427,958	69,087	2,497,045	345,762	251,146	1,469,931
30,001 - 35,000	--	1,453,503	1,363,294	2,816,797	83,914	2,900,711	312,996	260,649	1,809,613
35,001 - 50,000	--	4,090,860	4,332,048	8,422,908	235,129	8,658,037	1,991,481	691,339	4,450,296
50,001 - 100,000	--	9,743,934	11,570,630	21,314,564	563,527	21,878,091	3,075,362	1,596,864	13,284,957
100,001 - 200,000	--	27,926,916	19,489,517	47,416,433	1,126,932	48,543,365	16,916,665	5,998,548	17,528,035
200,001 - 500,000	--	--	38,680,408	38,680,408	499,885	39,180,293	7,465,764	4,246,430	20,866,820
500,001 - 1,000,000	--	--	38,392,813	38,392,813	190,252	38,583,065	7,176,365	3,393,658	21,312,639
Over $1,000,000	--	--	229,528,490	229,528,490	220,664	229,749,154	13,141,623	10,234,228	162,657,516
TOTAL	**$1,224,250**	**$54,555,870**	**$353,868,628**	**$409,648,748**	**$3,554,994**	**$413,203,742**	**$53,279,054**	**$27,833,742**	**$256,943,927**

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities.

NOTE: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 20 percent reduction in effect for tax year 2006.

Table 10
Corporation Franchise Tax
Numbers of Financial Institutions and Reported Tax Liability by Type of Institution: Tax Year 2006

Tax Liability Class	Number of Corporations By Type				Tax Liability Before Credits By Type				Refundable & Non-Refundable Tax Credits
	Banks	Savings & Loans	Other[1]	Total	Banks	Savings & Loans	Other[1]	Total	
Minimum ($50 or $1000)	13	2	12	27	$10,050	$100	$9,150	$19,300	$950
$51 - 1,000	7	1	13	21	1,319	50	1,642	3,011	--
1,001 - 2,000	2	--	3	5	3,151	--	5,548	8,699	--
2,001 - 3,000	3	--	1	4	6,969	--	2,549	9,518	--
3,001 - 4,000	--	2	--	2	--	6,370	--	6,370	--
4,001 - 5,000	3	--	1	4	13,659	--	4,788	18,447	--
5,001 - 10,000	9	1	--	10	74,823	7,859	--	82,682	--
10,001 - 15,000	7	--	1	8	78,443	--	12,388	90,831	--
15,001 - 20,000	3	1	--	4	53,120	18,163	--	71,283	3,420
20,001 - 25,000	5	1	1	7	109,057	21,931	24,180	155,168	3,397
25,001 - 30,000	2	--	4	6	56,782	--	106,945	163,727	26,622
30,001 - 35,000	4	1	--	5	131,230	30,014	--	161,244	3,729
35,001 - 50,000	13	6	3	22	559,928	252,340	146,881	959,149	16,686
50,001 - 100,000	48	22	3	73	3,724,153	1,628,953	207,766	5,560,872	271,782
100,001 - 200,000	49	20	2	71	7,144,927	2,690,147	259,566	10,094,640	308,381
200,001 - 500,000	50	25	1	76	15,733,730	7,842,768	279,169	23,855,667	782,245
500,001 - 1,000,000	16	8	1	25	11,452,559	6,018,031	573,260	18,043,850	262,084
Over $1,000,000	16	7	1	24	82,291,656	19,246,746	3,519,945	105,058,347	8,761,460
TOTAL	**250**	**97**	**47**	**394**	**$121,445,556**	**$37,763,472**	**$5,153,777**	**$164,362,805**	**$10,440,756**

1 Primarily credit agencies that accept deposits.

Dealers in Intangibles Tax

Since 1931, Ohio law has provided for the taxation of shares in and capital employed by dealers in intangibles. The rate has been set at 8 mills since 1987.

During the 2007 calendar year, tax assessments on dealers in intangibles resulted in collections of nearly $19.4 million, with approximately $12.1 million distributed to local governments and $7.3 million to the state General Revenue Fund.

In 2001, the Ohio General Assembly broadened the tax to include "qualifying dealers" – generally dealers in intangibles that are subsidiaries of a financial institution or an insurance company. During 2007, qualifying dealers generated an additional $12.5 million for the General Revenue Fund.

Taxpayer (Ohio Revised Code 5725.01)

Firms having an office in Ohio and engaged in:

- Lending money;
- Discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness; or
- Buying or selling bonds, stocks, or other investment securities.

Tax Base (R.C. 5725.13-15)

The tax base for dealers in intangibles is either:

- Shares of stock of incorporated dealers in intangibles and unincorporated dealers in intangibles with capital stock divided into shares; or
- Capital employed in Ohio by an unincorporated dealer in intangibles with capital stock not divided into shares.

For dealers in intangibles with offices in more than one state, the tax base is allocated to Ohio based on gross receipts from offices in Ohio as compared to gross receipts from all offices.

Rates (R.C. 5707.03)

The rate on fair value of shares or capital employed is eight mills (0.008).

Exemptions (R.C. 5725.01 and 5725.26)

The following are excluded from the definition of a dealer in intangibles:

- Institutions used exclusively for charitable purposes;
- Insurance companies; and
- Financial institutions.

Credits (R.C. 150.07, 150.10, 5707.031)

Starting with tax year 2006, qualifying dealers in intangibles may claim a refundable or nonrefundable venture capital credit against the dealer's tax due. The credit amount and tax year in which the venture capital credit may be claimed shall be listed on a tax credit certificate issued by the Ohio Venture Capital Authority.

Beginning in tax year 2008, any dealer in intangibles that incurs expenses rehabilitating historic buildings is eligible to claim a credit against their dealer in intangibles tax liability. If the dealer elects to take this credit, it cannot be applied against the liability of any other tax. The credit amount and tax year in which the historic preservation credit can be claimed shall be listed on a tax credit certificate issued by the Ohio Department of Development.

Filing and Payment Dates

(R.C. 5725.10, 5725.14, 5725.16, 5725.22)

Second Monday in March – Returns must be filed by this date unless a time extension (not to exceed 30 days) is allowed by the Tax Commissioner.

First Monday in May – Tax Commissioner certifies the assessment of the shares or property representing capital to the Treasurer of State.

The Treasurer of State issues a tax bill within 20 days of certification by the Tax Commissioner with payment due 20 to 30 days from the date the bill is mailed. Taxes are collected by the Treasurer of State.

Disposition of Revenue (R.C. 5725.24)

All tax paid by dealers in intangibles that are subsidiaries of a financial institution or insurance company ("qualifying dealers") is paid into the state General Revenue Fund.

For non-subsidiary dealers in intangibles:

- Three mills of receipts are credited to the state General Revenue Fund.
- Five mills of receipts are distributed to the county where the firm's capital was employed (determined on the basis of gross receipts), placed in each county's undivided local government funds and distributed among the local subdivisions by the county budget commission.

Administration (R.C. 5725.14)

Returns are filed with the Tax Commissioner, who determines the taxable values.

Ohio Revised Code Citations

Chapters 5707, 5719, and 5725.

Recent Legislation

Substitute House Bill 149, 126th Ohio General Assembly (effective April 4, 2007).

The historic building preservation credit was enacted.

This refundable franchise tax credit, dealer in intangibles credit and income tax credit applies to owners that rehabilitate certain historic buildings located in Ohio. The credit equals 25 percent of the taxpayer-owner's "qualified rehabilitation expenditures" paid or incurred during the 24-month or 60-month rehabilitation period as shown on the taxpayer's rehabilitation tax credit certificate issued by the Ohio Department of Development.

Amended Sub. H.B. 66, 126th General Assembly (effective July 1, 2005).

Created a qualifying dealer in intangibles tax venture capital credit as listed on an Ohio Venture Capital Credit tax credit certificate. The amount of the venture capital credit and the tax year in which it may be claimed will be listed on the tax credit certificate. The qualifying dealer in intangibles may elect to take either a refundable or nonrefundable credit. (R.C. 150.07, 150.10, 5727.241)

Also, as a result of a requirement set forth in Am. Sub. H.B. 66 and R.C. 5725.01(B)(2), the Tax Commissioner promulgated Ohio Adm. Code 5703-3-32, effective December 2005, which defined the term "primarily" as used in R.C. 5725.01.

Table 1
Dealers in Intangibles Taxes Levied: Calendar Years 2003 - 2007

Distribution	2003	2004	2005	2006	2007
Local Share	$7,176,496	$10,587,846	$11,265,677	$12,094,989	$12,105,259
State Share[1]	4,305,900	6,352,710	6,759,411	7,256,993	7,263,155
TOTAL	**$11,482,396**	**$16,940,556**	**$18,025,088**	**$19,351,982**	**$19,368,414**

1 Does not include taxes levied on qualifying dealers in intangibles, amounting to $24,299,670 in 2003, $23,044,589 in 2004, $17,970,397 in 2005, $11,125,886 in 2006 and $12,499,308 in 2007.

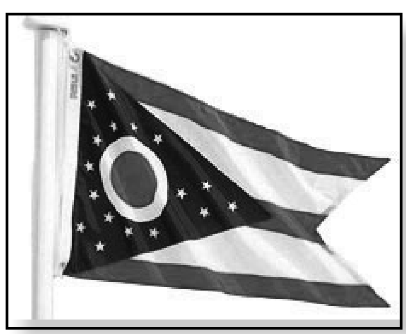


Table 2
County Share of Intangible Property Taxes Assesed on Dealers in Intangibles: Calendar Year 2007

County	County Share of Assesed Taxes	County	County Share of Assesed Taxes
ADAMS	$1,281	LUCAS	$390,849
ALLEN	53,364	MADISON	9,357
ASHLAND	10,768	MAHONING	187,455
ASHTABULA	29,095	MARION	37,891
ATHENS	9,824	MEDINA	168,228
AUGLAIZE	15,628	MEIGS	1,398
BELMONT	10,126	MERCER	11,052
BROWN	2,725	MIAMI	31,175
BUTLER	191,971	MONROE	5,387
CARROLL	380	MONTGOMERY	597,097
CHAMPAIGN	5,039	MORGAN	0
CLARK	36,675	MORROW	734
CLERMONT	52,979	MUSKINGUM	54,522
CLINTON	4,058	NOBLE	0
COLUMBIANA	16,476	OTTAWA	2,465
COSHOCTON	10,724	PAULDING	56
CRAWFORD	15,409	PERRY	1,069
CUYAHOGA	3,351,227	PICKAWAY	9,262
DARKE	12,506	PIKE	2,236
DEFIANCE	23,638	PORTAGE	39,114
DELAWARE	32,144	PREBLE	4,108
ERIE	30,459	PUTNAM	1,251
FAIRFIELD	49,922	RICHLAND	72,648
FAYETTE	7,885	ROSS	17,268
FRANKLIN	2,990,044	SANDUSKY	10,412
FULTON	1,731	SCIOTO	39,884
GALLIA	39,220	SENECA	7,101
GEAUGA	5,972	SHELBY	14,296
GREENE	41,533	STARK	265,618
GUERNSEY	29,467	SUMMIT	621,444
HAMILTON	1,341,344	TRUMBULL	64,262
HANCOCK	54,879	TUSCARAWAS	41,917
HARDIN	4,837	UNION	16,092
HARRISON	0	VAN WERT	8,926
HENRY	16,389	VINTON	3
HIGHLAND	9,694	WARREN	129,804
HOCKING	16,848	WASHINGTON	30,830
HOLMES	581	WAYNE	46,499
HURON	33,318	WILLIAMS	14,640
JACKSON	136,283	WOOD	11,912
JEFFERSON	34,843	WYANDOT	2,039
KNOX	28,553		
LAKE	107,839	**Total Local Revenue** (5 mills)	**$12,105,259**
LAWRENCE	14,921		
LICKING	69,797	**State General Revenue** (3 mills)[1]	**$7,263,155**
LOGAN	29,532		
LORAIN	153,030		

1 Does not include $12,499,308 in taxes levied on qualifying dealers in intangibles.

Estate Tax

The Ohio estate tax was enacted in 1968 to replace a state inheritance tax, but its roots can be traced back to 1893, when the Ohio General Assembly first enacted an inheritance tax during the McKinley administration.

Under current law, the estates of residents with a net taxable value of $338,333 or less are effectively exempt from the Ohio estate tax through a $13,900 credit. A 6 percent tax rate applies to any net taxable value above that mark, up to $500,000. A 7 percent rate applies to any net taxable value over $500,000.

Ohio's estate tax generated $359.4 million in revenue for Fiscal Year 2007. Most of the revenue – about $287.3 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.

Taxpayer

Administrator, executor, or other estate representative in possession of the property subject to tax.

Tax Base

Resident:

The net taxable estate is the value of a decedent's gross estate, less deductions (Ohio Revised Code 5731.15-17). In general, the gross estate equals the aggregate market value at time of death, or on the alternate valuation date (see **Special Provisions**) of all property, wherever situated, held by the decedent. Excepted are real and tangible personal property situated outside of Ohio, and "qualified farm property," which may be valued according to its actual "qualified use" (R.C. 5731.01, 5731.011, 5731.03-13).

The "net taxable estate" equals the gross estate less the following deductions:

- marital deduction, where there is a surviving spouse;
- funeral expenses and costs of administering the estate;
- outstanding and unpaid claims against the estate at time of the decedent's death;
- unpaid mortgage or other indebtedness against property where the value of that property is included in the gross estate valuation; and
- charitable contributions.

Nonresident:

The nonresident estate tax base is comprised of real and tangible personal property located or having a situs in Ohio, and intangible personal property used in business within Ohio unless exempt pursuant to R.C. 5731.34.

Tax on nonresident estates is determined by: (1) calculating tax which would be due from the estate, at a rate applicable to resident estates, if the decedent had died a resident of Ohio with all property situated or located in Ohio; and (2) multiplying the resultant amount by a fraction representing the ratio of gross estate value attributable in Ohio to gross estate value wherever situated.

Rates (Ohio Revised Code 5731.02)

Rates are set according to "taxable estate" brackets, as shown in the tables below.

For dates of death on or after January 1, 2002:

A credit of up to $13,900 against estate tax liability means that estates with a net taxable value up to $338,333 are effectively exempt from the tax. Other brackets, along with the effect of this credit, are shown below.

Net taxable estate	Tax before credit	Tax after credit
Over $338,333 but not over $500,000	$13,900 plus 6% of the excess over $338,333	6% of the excess over $338,333
Over $500,000	$23,600 plus 7% of the excess over $500,000	$9,700 plus 7% of the excess over $500,000

For dates of death on or after January 1, 2001 but before January 1, 2002:

A credit of up to $6,600 against estate tax liability means that estates with a net taxable value up to $200,000 are effectively exempt from the tax. Other brackets, along with the effect of this credit, are shown below.

Net taxable estate	Tax before credit	Tax after credit
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000	5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000	$5,000 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000	$17,000 plus 7% of the excess over $500,000

For dates of death on or after July 1, 1983 but before January 1, 2001:

A credit of up to $500 against estate tax liability means that estates with a net taxable value up to $25,000 are effectively exempt from the tax. Other brackets, along with the effect of this credit, are shown below.

Net taxable estate	Tax before credit	Tax after credit
Over $25,000 but not over $40,000	2% of the net taxable estate	2% of the excess over $25,000
Over $40,000 but not over $100,000	$800 plus 3% of the excess over $40,000	$300 plus 3% of the excess over $40,000

Net taxable estate:	Tax before credit	Tax after credit
Over $100,000 but not over $200,000	$2,600 plus 4% of the excess over $100,000	$2,100 plus 4% of the excess over $100,000
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000	$6,100 plus 5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000	$11,100 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000	$23,100 plus 7% of the excess over $500,000

Filing Requirements (R.C. 5731.21)

For dates of death prior to Jan. 1, 2001, estates with gross values over $25,000 were required to file an estate tax return.

For dates of death on or after Jan. 1, 2001 through Dec. 31, 2001, estates with gross values over $200,000 were required to file an estate tax return.

For dates of death on or after Jan. 1, 2002, estates with gross values over $338,333 are required to file an estate tax return.

Deductions and credits

Marital Deduction:

A marital deduction is allowed in an amount equal to the net value of any asset passing from the decedent to the surviving spouse to the extent that the asset is included in the value of the gross estate. (R.C. 5731.15)

Other deductions:

Other expenses that may be deducted from a gross estate in order to arrive at a "net taxable estate" include funeral expenses and costs of administering the estate; outstanding and unpaid claims against the estate at time of the decedent's death; unpaid mortgage or other indebtedness against property where the value of that property is included in the gross estate valuation; and charitable contributions.

Credits:

For estates with dates of death from July 1, 1983 through Dec. 31, 2000: $500 or the full amount of the tax, whichever was less.

For estates with dates of death from Jan. 1, 2001 through Dec. 31, 2001: $6,600 or the full amount of the tax, whichever was less.

For estates with dates of death on or after Jan. 1, 2002: $13,900 or the full amount of the tax, whichever is less. (R.C. 5731.02)

Special Provisions

- The Ohio additional tax (R.C. 5731.18) was a pick-up tax that captured any unused portion of the allowable federal estate tax credit for state estate taxes paid. The additional tax came into play where the federal credit allowed for state estate taxes actually exceeded the Ohio basic estate tax assessed. In those instances, the additional tax picked up the difference between the federal estate tax credit for state estate taxes and the basic state estate tax liability (inclusive of any estate taxes paid to Ohio, any other U.S. state, territory, or the District of Columbia). For dates of death occurring on or after July 1, 2005, House Bill 66, 126th General Assembly, constructively repealed the Ohio additional tax (see **Recent Legislation**).
- An alternate valuation date (R.C. 5731.01) may be elected, which is the date six months after the decedent's death, or, in the case of the property's earlier disposition, on such dates of disposition. If the alternate valuation date is elected, the election is required to be made within one year from the time the return is required to be filed.
- Under certain conditions, an extension of time to pay Ohio estate tax because of undue hardship (R.C. 5731.25) applies. An estate may receive an extension of the time to pay the estate tax, not to exceed one year beyond the time the tax would otherwise be due, if conditions exist as defined in R.C. 5731.25. In the case of continuing undue hardship, the estate may apply for an additional extension(s). The total of all extensions granted may not exceed 14 years.
- A qualified farm property valuation and recapture provision (R.C. 5731.011) applies to some estates. Under certain conditions, an estate may elect to have farm property that passes to a qualified heir valued at its agricultural use value. A prospective supplemental tax lien remains on the property for four years when this election is used. The lien is equal to the tax savings realized due to the election and becomes effective if the farm property is disposed of (other than to another qualified heir), or ceases to be devoted exclusively to agricultural use within the four-year limitation.

Filing and Payment Dates

Tax Return – To be filed within nine months of the decedent's death with the probate court of the county in which the estate is administered, unless an extension is granted. However, an automatic six-month extension is granted to all estates. (R.C. 5731.21)

Tax Payment – Due within nine months of the decedent's death, regardless of any extension of time to file, to the treasurer of the county in which the decedent resided. (R.C. 5731.23)

Disposition of Revenue (R.C. 5731.48-5731.51)

For estates with dates of death on or after Jan. 1, 2002, 80 percent of gross estate tax revenues is distributed to the municipal corporations or townships in which the tax originates and 20 percent (less costs of administration) is distributed to the state General Revenue Fund.

In general, for revenue distribution purposes, the tax on the transfer of real and tangible personal property located within Ohio originates in the municipal corporation(s) or township(s) in which such property is physically located. In the case of a resident decedent's intangible or tangible personal property located outside of Ohio, the domicile of the decedent is determinative. In the case of intangibles of a nonresident decedent, origin is derived from Ohio domicile, location or place of business or custody of the person, bank, institution, or other entity having such property in possession or custody.

Administration (R.C. 5731.44, 5731.45, 5731.46)

The Tax Commissioner is responsible for administration of the estate tax. The tax is collected locally by the treasurer of the county in which the decedent was a resident.

Ohio Revised Code Citations

Chapter 5731.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

R.C. 5731.01(F) – A general definition of the Internal Revenue Code was adopted for purposes of Ohio estate tax law.

R.C. 5731.18 – The additional tax statute was amended to incorporate any federal changes made by Congress to the Internal Revenue Code as of June 30, 2005. Since the federal credit for state estate taxes was repealed, the state additional estate tax is eliminated for all decedents who die on or after July 1, 2005. A temporary credit was created (uncodified R.C. 557.03) so that this change can be incrementally retroactive to Jan. 1, 2002.

R.C. 5731.181 – The generation-skipping transfer tax statute was amended to incorporate any changes made by Congress to the Internal Revenue Code as of June 30, 2005. Since the federal credit for generation-skipping transfers was terminated, the state generation-skipping transfer tax was terminated for all taxable distributions and taxable terminations occurring on or after July 1, 2005.

R.C. 5731.20 – The estate tax deduction for qualifying family-owned business interests was repealed effective for decedents' dates of death occurring on or after July 1, 2005.

R.C. 5703.47 and 5731.23 – Through June 30, 2005, the "federal short-term rate" plus 3 percent was used to calculate the interest owing on both underpayments and overpayments of Ohio estate tax. Effective July 1, 2005, the "federal short-term rate" will be used without adjustment. Accordingly, any portion of estate tax that is subject to interest was reduced by three percentage points effective July 1, 2005.

R.C. 5731.41 – In addition to the undivided inheritance or estate tax fund in their respective county treasury, county auditors are now authorized to use revenue from the county real estate assessment fund for estate tax enforcement.

Table 1
Estate Tax Collections and Distributions
Fiscal Years 2003 - 2007

(figures in millions)

Fiscal Year	Total Collections	State General Revenue[1]	Local Governments[1]
2003	$357.7	$100.8	$256.9
2004	290.3	64.2	226.1
2005	300.9	60.4	240.5
2006	272.0	54.1	217.9
2007	359.4	72.1	287.3

1 State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent the local government share of estate tax revenues (including local administrative fees) certified from the semi-annual settlements that occur each year. Effective January 1, 2002, the state share is 20 percent and the local share is 80 percent.

Table 2
Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets: Fiscal Year 2007

(Resident Estates Only)

Net Taxable Value	Number of Estates	Aggregate Gross Value	Aggregate Net Taxable Value	Aggregate Tax Liability
Under $40,000	29	$1,733,070	$876,088	$5,522
$40,001 - 100,000	66	5,476,008	4,428,722	74,462
100,001 - 200,000	51	8,871,661	7,292,534	194,802
200,001 - 300,000	37	10,738,342	9,160,080	203,904
300,001 - 500,000	2,325	1,277,289,346	956,564,701	10,578,782
500,001 - 1,000,000	2,920	2,490,020,129	2,018,746,267	67,964,739
Over $1,000,000	1,595	8,271,517,244	3,836,370,192	228,384,813
Total	**7,023**	**$12,065,645,800**	**$6,833,438,584**	**$307,407,024**

Note: Data shown here represent returns finalized by the Estate Tax Division during this fiscal year.
This data differs from Table 3 due to reporting complications.

Table 3
Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate: Fiscal Year 2007[1]

(Resident Estates Only)

County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
ADAMS	6	$5,109,321	$4,912,911	$192,104
ALLEN	57	59,096,534	40,058,098	1,416,883
ASHLAND	33	22,804,046	20,921,367	643,020
ASHTABULA	33	27,017,767	24,666,113	935,339
ATHENS	18	16,579,108	13,996,029	548,055
AUGLAIZE	36	25,875,924	23,221,640	727,028
BELMONT	32	29,272,383	24,961,824	961,875
BROWN	7	6,120,938	4,561,473	144,195
BUTLER	171	189,551,854	152,544,393	6,406,861
CARROLL	9	9,642,979	7,155,519	276,406
CHAMPAIGN	14	14,300,135	11,454,276	452,256
CLARK	79	75,713,439	62,976,962	2,432,343
CLERMONT	63	58,057,989	49,554,173	1,936,303
CLINTON	29	24,678,752	18,761,405	629,682
COLUMBIANA	40	74,537,420	40,687,857	1,887,325
COSHOCTON	14	23,529,351	10,867,344	433,971
CRAWFORD	31	27,473,174	23,779,281	890,961
CUYAHOGA	943	4,736,979,772	1,049,399,200	50,340,243
DARKE	34	32,413,834	30,319,583	1,270,414
DEFIANCE	27	18,939,553	17,040,118	515,395
DELAWARE	72	103,690,874	88,894,056	4,445,514
ERIE	51	47,703,208	42,305,818	1,728,327
FAIRFIELD	75	111,509,068	103,155,317	5,368,297
FAYETTE	20	19,830,898	17,647,902	736,186
FRANKLIN	527	648,999,356	562,350,491	26,334,761
FULTON	39	43,135,451	39,599,320	1,800,477
GALLIA	16	13,598,265	9,796,346	316,961
GEAUGA	81	215,788,212	92,139,247	4,548,424
GREENE	78	131,001,802	62,029,682	2,388,396
GUERNSEY	10	9,930,814	6,751,265	222,759
HAMILTON	800	1,383,118,521	1,014,094,463	51,293,870
HANCOCK	64	69,057,565	57,600,835	2,433,406
HARDIN	17	14,943,693	12,978,088	482,094
HARRISON	13	8,039,753	6,055,056	120,147
HENRY	26	23,595,489	21,116,928	828,699
HIGHLAND	16	9,848,825	9,076,050	263,164
HOCKING	8	7,522,800	6,185,461	231,574
HOLMES	9	13,301,616	12,266,853	630,980
HURON	38	32,918,465	28,656,644	1,075,735
JACKSON	8	14,926,149	14,491,373	821,721
JEFFERSON	36	31,341,992	27,445,101	1,066,961
KNOX	23	19,153,197	17,560,636	655,133
LAKE	146	149,671,866	134,422,328	5,825,639
LAWRENCE	16	13,715,031	12,628,328	482,150
LICKING	79	72,623,622	66,322,406	2,718,232

County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
LOGAN	26	$29,993,093	$22,362,540	$931,789
LORAIN	125	112,440,137	89,830,802	3,201,333
LUCAS	258	274,495,163	220,792,408	9,072,219
MADISON	22	17,570,939	14,577,457	492,274
MAHONING	131	132,708,609	114,347,309	4,823,800
MARION	41	39,335,235	25,332,714	759,737
MEDINA	82	76,024,237	69,798,386	2,857,220
MEIGS	7	5,787,437	4,936,695	193,268
MERCER	40	39,565,274	30,969,089	1,171,669
MIAMI	50	50,412,150	42,209,548	1,711,020
MONROE	3	1,850,536	1,756,735	48,215
MONTGOMERY	317	405,908,523	317,356,499	14,407,923
MORGAN	4	2,281,450	2,176,941	67,931
MORROW	17	27,048,940	21,267,642	1,105,818
MUSKINGUM	41	35,885,713	28,835,310	1,020,074
NOBLE	1	1,972,546	997,070	44,495
OTTAWA	39	42,310,035	34,127,328	1,411,771
PAULDING	7	5,043,022	4,876,545	166,496
PERRY	7	6,128,913	5,745,580	228,194
PICKAWAY	28	35,262,413	22,974,488	926,574
PIKE	8	9,272,088	8,785,360	416,477
PORTAGE	77	79,144,312	69,133,320	2,973,243
PREBLE	22	20,790,722	15,684,212	557,638
PUTNAM	25	64,847,449	18,133,323	657,927
RICHLAND	65	66,259,147	50,679,552	1,966,260
ROSS	31	21,352,880	19,374,901	595,210
SANDUSKY	45	37,175,845	28,048,125	865,859
SCIOTO	16	10,705,376	9,061,329	257,800
SENECA	48	31,804,305	28,743,163	887,701
SHELBY	29	44,670,886	29,456,113	1,355,181
STARK	188	212,489,324	173,625,349	7,615,369
SUMMIT	356	440,722,772	358,957,147	16,430,653
TRUMBULL	95	102,412,981	89,217,200	3,940,701
TUSCARAWAS	49	44,406,514	34,816,244	1,213,869
UNION	19	18,302,837	16,644,765	689,028
VAN WERT	17	14,763,248	12,094,454	425,361
VINTON	3	5,223,432	4,826,601	261,962
WARREN	81	81,805,886	73,630,898	3,151,595
WASHINGTON	29	25,497,882	22,090,052	844,929
WAYNE	83	93,967,345	76,053,618	3,258,390
WILLIAMS	39	43,739,806	40,339,287	1,849,994
WOOD	96	116,962,407	101,535,440	4,709,394
WYANDOT	22	20,865,961	19,007,348	782,333
TOTAL	**6,633**	**$11,635,868,575**	**$6,472,618,447**	**$290,208,960**

1 Statistics are derived from returns on which audits were completed and final certificates were issued in fiscal year 2007. This data differs from Table 2 due to reporting complications.

Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During Fiscal Year 2007, the tax generated close to $12.3 million in revenue (on $402.6 million in wagers) for horse racing development, the state PASSPORT program for senior citizens, and for other purposes,

Ohio has taxed pari-mutuel wagering on horse racing since 1933. The Department of Taxation has administered the tax since 1953.

In 1981, the horse racing tax was expanded to include "exotic" wagering: all bets made on placements other than win, place or show, such as daily doubles, quinellas, perfectas, and trifectas.

In 1994, the General Assembly approved an additional tax on pari-mutuel wagering for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

Taxpayer (Ohio Revised Code 3769.08)

Holders of racing permits issued by the Ohio State Racing Commission.

Tax Base (R.C. 3769.08, 3769.28, 3769.087)

- Amount wagered each day on all pari-mutuel racing.
- Amount wagered each day on exotic bets.
- Total amount wagered at each horse race meeting of a permit holder.

Rates:

Pari-Mutuel Wagering Tax (R.C. 3769.08):

Amount Wagered Daily	Rate
First $200,000	1.0%
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

Exotic Wagering Tax (R.C. 3769.087):

In addition to the pari-mutuel wagering tax, there is a special tax of 3 percent of the amount wagered daily on other than win, place, and show. This is termed exotic wagering and includes the daily double, perfecta, quinella, and trifecta, etc.

Additional Pari-Mutuel Wagering Tax (R.C. 3769.28):

This money is distributed to the municipal corporation or township in which racing takes place and is intended to reimburse these areas for expenses incurred due to racing meets. The municipal corporations and townships receiving the money may reimburse an adjoining political subdivision which also had expenses because of racing meets. The tax is levied as follows:

Total Amount Wagered Each Horse Racing Meet	Rate
Less than $5 million	0.10%
$5 million or more	0.15

The maximum tax liability is $15,000 from each horse racing meet.

Exemptions (R.C. 3769.28)

Agricultural societies are not subject to the additional pari-mutuel wagering tax.

Credits

Capital Improvement Credit (R.C. 3769.08):

Some racing permit holders can qualify for a Capital Improvement Credit. With the approval of the Racing Commission, permit holders making capital improvements, constructing new racing facilities, or reconstructing facilities damaged by fire or other cause that have a total cost of $100,000 or more may reduce their tax liability by 0.75 percent of the amount wagered. For projects approved prior to March 29, 1988, the reduction continues for a period of 15 years on capital improvements and reconstruction and a period of 25 years on new race track construction, or until the total reduction in tax liability equals 70 percent of construction costs, whichever occurs first. For projects approved on or after March 29, 1988, the reduction is limited to ten years or 70 percent of costs.

Major Capital Improvement Credit (R.C. 3769.20):

Large projects may qualify a racing permit holder for a Major Capital Improvement Credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of $6 million or more can reduce their tax liability by 1 percent of the amount wagered for a period of ten years or until the cost of the project plus debt service is reached, whichever occurs first. If the reduction exceeds the tax on wagering, the abatement may be carried forward and applied against future tax liability. The tax reduction is in addition to the 0.75 percent Capital Improvement Credit.

Special Provisions

Simulcasting (R.C. 3769.089):

Permit holders may conduct electronically televised simulcasts at their facilities of horse races at other facilities in or outside of Ohio and conduct taxable pari-mutuel wagering on these races. (R.C. 3769.089)

Off-Track Betting (R.C. 3769.26):

Off-track betting on simulcast races at a satellite facility operated by a racing permit holder is also permitted in

Ohio. Such wagers are taxable. Currently there is one such facility in operation in Sandusky.

Filing and Payment Dates (R.C. 3769.08, 3769.28)

Each Day of Racing:

Permit holder remits to the Tax Commissioner by the following day the pari-mutuel wagering and exotic wagering taxes collected.

Close of Horse Race Meeting:

Within ten days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

Disposition of Revenue (R.C. 3769.08, 3769.087, 3769.26)

Each permit holder pays the Tax Commissioner a sum equal to the percentage of money wagered as described in **Rates**, reduced by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the funds as shown in the following tables:

Receipts From Pari-Mutuel Wagering

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax, 0.50% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	0.50% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	1.125% of amount wagered
	Harness racing at events other than agricultural expositions and fairs	0.50% of amount wagered
Ohio Standardbred Development Fund	Harness	1.125% of amount wagered
Quarter Horse Development Fund	Quarter horse	0.625% of amount wagered
Agricultural Societies	Thoroughbred, harness, and quarter horse racing at agricultural expositions and fairs	Net receipts after payments to the Ohio Fairs Fund, Standardbred Fund, Quarter Horse Fund, and Thoroughbred Race Fund

Receipts From the Additional Pari-Mutuel Wagering Tax

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse	0.25% of amount wagered
General Revenue Funds of municipalities and townships	Thoroughbred, harness, and quarter horse	0.10% of amount wagered if the total amount wagered is less than $5 million; 0.15% of amount wagered if the total amount wagered is $5 million or more (maximum of $15,000)
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	8.3% of amount wagered
Ohio Throughbred Race Fund	Throughbred	8.3% of amount wagered from throughbred racing
Ohio Standardbred Development Fund	Harness	8.3% of amount wagered from harness racing
Quarter Horse Development Fund	Quarter Horse	8.3% of amount wagered from quarter horse racing
Agricultural Societies	Thoroughbred harness and quarter horse agricultural expositions and fairs	16.7% of amount wagered
State Racing Commission Operating Fund	Thoroughbred harness, and quarter horse at commercial track	16.7% of amount wagered plus 0.50% of gross amount wagered[1]

1 Gross amount is prior to any applicable tax abatements.

Administration

The Department of Taxation administers the tax on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

Ohio Revised Code Citations

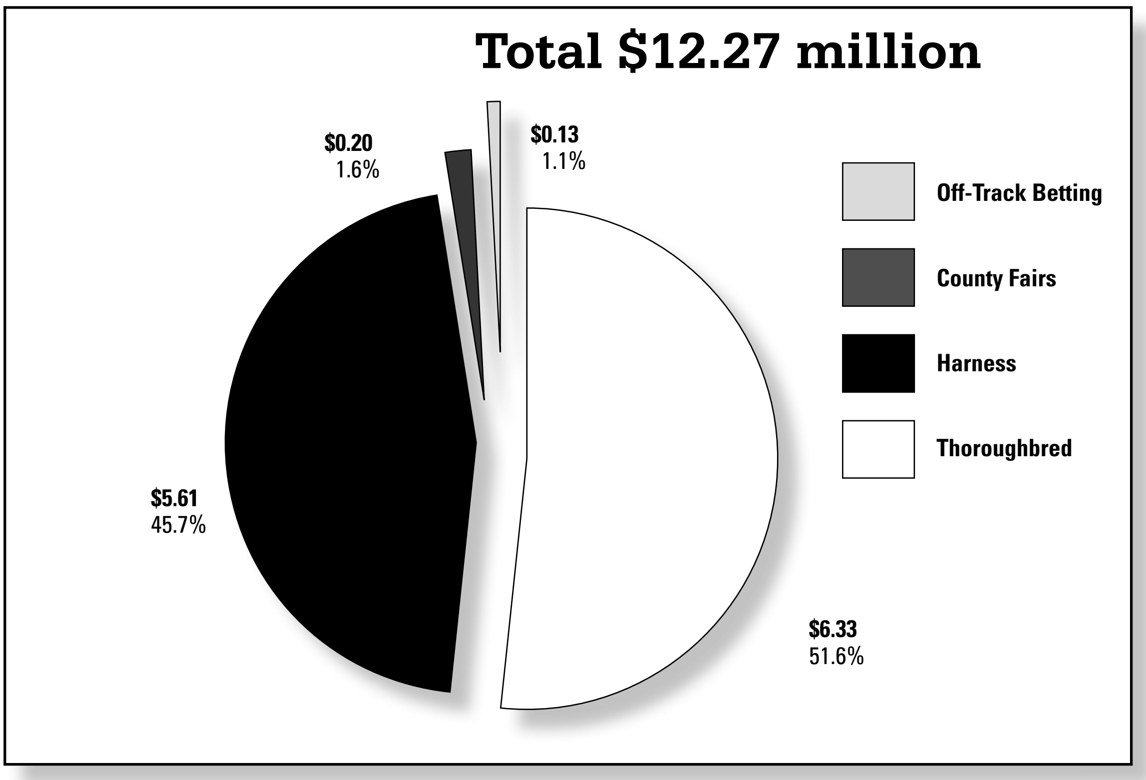
Sections 3769.08 and 3769.087.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (effective July 1, 2007):

Beginning July 1, 2007, an additional amount equal to 0.25 percent of the total of all money wagered on each racing day, on all pools other than win, place, and show, shall be paid by each permit holder. The Tax Commissioner shall pay the amount of the tax received under this provision to the State Racing Commission operating fund created under section 3769.03 of the Revised Code. This made permanent a provision that was previously temporary (Am. Sub. H.B. 530 of the 126th General Assembly) and results in a total of 0.5 percent of exotic wagering (prior to tax abatements) being dedicated to the State Racing Commission.

Chart
Horse Racing Tax Collections by Type of Meet: Fiscal Year 2007
(figures in millions)



Source: Department of Taxation, as reported on tax returns.

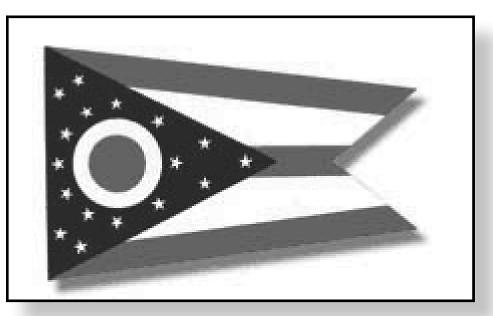


Table 1
Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event: Fiscal Years 2003 - 2007

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off Track Parlors	Total
			Pari-Mutuel Wagering			
2003	$277,080,736	$247,780,758	$5,268,726	$465,665	$14,581,585	$545,177,470
2004	260,903,387	233,604,182	5,428,844	333,586	14,124,923	514,394,922
2005	246,936,349	212,590,207	5,504,620	281,349	8,714,420	474,026,945
2006	236,417,769	200,116,137	4,983,661	296,592	5,962,237	447,776,396
2007	215,632,306	176,497,753	4,632,327	260,354	5,612,908	402,635,648
			Pari-Mutuel Wagering Net Tax Receipts			
2003	$7,660,350	$7,559,068	$206,438	$10,398[1]	$346,687	$15,782,941
2004	7,705,092	7,607,647	228,872	7,808	336,991	15,886,410
2005	7,198,910	6,724,629	236,615	7,086	207,504	14,374,744
2006	6,526,637	5,946,585	203,704	6,888	140,084	12,823,898
2007	6,325,354	5,609,985	196,167	6,708	128,237	12,266,451

1 First year quarter horse reported separately.

Table 2
Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2007

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off Track Parlors	Total
Number of Meets	1,085	1,427	162	12		2,686
Total Pari-Mutual Wagering	$215,632,306	$176,497,753	$4,632,327	$260,354	$5,612,908	$402,635,648
Exotic Wagering[1]	$147,273,429	$128,570,257	$2,779,193	$169,581	$4,124,352	$282,916,812
Total Tax Levied	$7,157,061	$6,349,068	$196,167	$6,708	$128,237	$13,837,241
Less Tax Abatements: Capital Improvement						$0
Major Capital	$831,707	$739,083				$1,570,790
Net Tax Collected	**$6,325,354**	**$5,609,985**	**$196,167**	**$6,708**	**$128,237**	**$12,266,451**
Deferred Abatement[2]	$238,049	$107,572				$345,621
Distribution of Receipts:						
Agricultural	$1,298	$3,584	$102,227			$107,109
Standardbred Devel. Fund		$1,468,398	$35,608			$1,504,006
Quarter Horse Special Acct.	$0		$94	$785		$879
Ohio Fairs Fund	$999,307	$765,734	$30,110	$1,230		$1,796,381
Thoroughbred Special Acct.	$1,930,219	$607,102	$336			$2,537,657
Operating Fund	$1,623,033	$1,336,234	$27,792	$1,933		$2,988,992
Passport Fund	$1,771,497	$1,428,933		$2,760	$128,237	$3,331,427
Total Amount	**$6,325,354**	**$5,609,985**	**$196,167**	**$6,708**	**$128,237**	**$12,266,451**

1 Included in total pari-mutuel wagering but subject to an additional 3 percent tax.
2 Represents tax abatements accrued and postponed to a later date.

Individual Income Tax – School District

In 1981, the Ohio General Assembly granted school districts the authority to levy an income tax. Certain provisions of that law were repealed in 1983 so that no additional school districts could levy the tax. In 1989 the General Assembly reinstated provisions of the original law, allowing additional school districts to levy the tax with voter approval. During Fiscal Year 2007, 164 of Ohio's 614 school districts levied the tax.

In most districts, the tax is imposed on the incomes of residents and estates of persons who at the time of their death were residents of the school district. In certain others, the tax only applies to wages and self-employment income, and not to estates.

The Department of Taxation administers the tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During Fiscal Year 2007, total net collections for all districts were approximately $269.4 million, after deductions for administrative costs and refunds.

Taxpayer (Ohio Revised Code 5748.01)

The tax applies to every individual residing in a school district that imposes the tax, as well as the estates of persons who, at the time of their death, were residing in such a school district. Estates are exempt in school districts that levy the "earned income only" version of the income tax.

Tax Base

(R.C. 5748.01)

Traditional school districts:

For individuals, the base is Ohio adjusted gross income for state income tax purposes, less $1,450 (in 2007) for each exemption. For estates, the base is Ohio taxable income for state income tax purposes.

"Earned income only" school districts:

In 2006, the General Assembly authorized school districts to levy, with voter approval, an income tax that applies only to individuals – not estates – and only to "earned income" without any deductions.

Earned income is defined as wages (other than military pay received by the taxpayer while stationed outside Ohio), salaries, tips, other employee compensation, and self-employment income from sole proprietorships and from partnerships. Under this alternative tax base, income exempt from the school district income tax includes retirement income, lottery winnings, interest, dividends, capital gains, profit from rental activities, distributive shares of profit from S corporations, and any other income which is not earned income but is part of Ohio adjusted gross income. However, taxpayers in an "earned income only" district are not allowed to claim any of the deductions claimed on the front page of their federal income tax return, such as alimony paid, IRA contributions, capital losses, and losses from rental activities.

Rates (R.C. 5748.02)

Rates must be multiples of a quarter of one percent. The rate must be approved by a vote of the school district residents before implementation. The tax rates currently range from 0.5 percent to 2 percent.

Special Provisions

Senior Citizen Credit:

A taxpayer 65 years of age or older during the taxable year receives a $50 credit against the amount of school district income tax due. Only one credit is allowed for each return.

Filing and Payment Dates

(R.C. 5747.06 – 5747.09)

Individuals and Estates:

- Calendar year taxpayers file an annual return between Jan. 1 and April 15.
- Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
- The taxpayer must file a quarterly estimated return if the taxpayer expects to be under-withheld by more than $500 for the combined school district and Ohio individual income taxes. For calendar year taxpayers, quarterly payments of the tax must be made on or before April 15, June 15, and Sept. 15 of the current year and Jan. 15 of the next year. For fiscal year taxpayers, quarterly payments of tax must be made on the 15th day of the fourth, sixth, and ninth months of the fiscal year and on the 15th day following the end of the fiscal year.

Employers:

- If the employer remits on a quarterly basis for state income tax purposes, payment is due for both taxes by the last day of the month following March, June, September, and December.
- If the employer remits on a monthly or electronic funds transfer (EFT) basis for state income tax purposes, remittances of school district income taxes withheld are made within 15 days after the end of each month.

Disposition of Revenue (R.C. 5747.03)

Collections are deposited into the School District Income Tax Fund for distribution to school districts, less 1.5 percent retained for state administrative purposes. Distributions are made to school districts on the last day of April, July, October, and January. Payments are for the net amount in each school district's account, after refunds and administrative fees, as of the end of the prior calendar quarter.

Administration

The Department of Taxation collects and administers the tax for school districts and makes quarterly distributions of revenue.

Ohio Revised Code Citations

Chapters 5747 and 5748.

Recent Legislation

Substitute House Bill 73, 126th General Assembly (effective January 1, 2007).

R.C. 5747.24 and R.C. 5748.01:

Beginning, Jan. 1, 2007, Ohio-domiciled military members who receive active duty service military income while they are stationed outside this state can exclude such income from Ohio and school district income tax.

Beginning Jan. 1, 2007, each individual who has no more than 182 contact periods in Ohio and who has an abode outside the state for the entire year is presumed to be a full-year nonresident if the individual timely submits an affidavit stating that he or she is not domiciled in Ohio. For pre-2007 years the threshold was 120 contact periods, and the individual had to submit the affidavit only upon request of the Tax Commissioner.

Table
School District Income Tax: Collections for Fiscal Years 2004 - 2007

All Districts	2004[1]	2005[2]	2006[3]	2007[4]
Individual Returns	$52,903,150	$64,413,461	$85,737,114	$109,112,417
Employer Withholding	117,069,441	132,269,908	150,211,785	178,394,566
Total collections	**$169,972,590**	**$196,683,370**	**$235,948,898**	**$287,506,983**
Refunds and administration	$14,043,694	$15,881,773	$18,218,448	$20,637,802
Interest earned	0[5]	915,517	1,551,584	2,527,516
Net to school districts	**$155,928,896**	**$181,717,114**	**$219,282,034**	**$269,396,698**

1 Includes collections for 133 school districts.
2 Includes collections for 145 school districts.
3 Includes collections for 153 school districts.
4 Includes collections for 164 school districts.
5 No interest was recorded in this fiscal year because of a state law, later reversed, that allowed the Office of Budget and Management to transfer interest from certain non-general revenue funds to the state General Revenue Fund.

Individual Income Tax – State

The roots of Ohio's individual income tax can be traced back to 1912, when voters approved a constitutional amendment authorizing the General Assembly to levy such a tax. Legislative action did not follow until December 1971, when the tax was enacted effective Jan. 1, 1972 for individuals and estates. In 2002, the General Assembly expanded the income tax to include trusts.

The individual income tax is currently state government's largest source of revenue, During Fiscal Year 2007, total collections exceeded $9.7 billion. Of that amount, close to $8.9 billion was directed to the general revenue fund, representing about 43.5 percent of revenue.

Rates are currently being reduced as part of a five year across-the-board reduction in income tax rates enacted by the General Assembly in 2005. When the reduction is completed, rates will be 21 percent lower than they were in 2004.

During 2007, the income tax included nine brackets ranging from 0.649 percent on the first $5,000 of taxable income to 6.555 percent on any taxable income over $200,000. Individual taxpayers whose Ohio taxable income is less than or equal to $10,000 receive a full credit against the tax otherwise due.

This chapter includes twelve tables presenting information compiled from 2005 Ohio individual income tax returns (filed in 2006). The data shows that about 5.3 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately $324 billion, an average of roughly $60,663 per return. Ohio taxpayers had a total tax liability of more than $8.9 billion and an average liability of $1,673 per return. The median income tax liability on 2005 returns was $619, an amount that includes about 1.3 million returns for which no tax was due.

General Computation of Tax Liability:

To facilitate compliance and administration, Ohio's income tax is linked closely to the federal income tax. The "starting point" for computing the Ohio income tax is federal adjusted gross income as defined in the Internal Revenue Code. The "starting point" for estates and trusts is taxable income as defined in the Internal Revenue Code.

Calculating net liability for the tax can be condensed to four steps, as follows:

1. Calculate **Ohio adjusted gross income (OAGI)** by applying Ohio additions and deductions to federal adjusted gross income (FAGI):
   FAGI + additions – deductions = OAGI
2. Calculate **Ohio taxable income** by subtracting personal and dependency exemptions from Ohio adjusted gross income (OAGI). For 2007, each taxpayer received a personal exemption, and an exemption for each dependent, of $1,450:
   OAGI – exemptions = Ohio taxable income
3. Apply tax rates to Ohio taxable income to calculate **gross tax liability.**
   Gross tax liability = Ohio taxable income × tax rates
4. Calculate **net tax liability** by subtracting credits and grants from gross tax liability.
   Net tax liability = Gross liability – credits and grants

Taxpayer (Ohio Revised Code 5747.01(N))

The state individual income tax applies to every individual and every estate residing in Ohio or earning or receiving income in Ohio. Every resident trust and certain nonresident trusts earning income from Ohio sources are subject to the Ohio income tax.

Tax Base (R.C. 5747.01)

The tax base is federal adjusted gross income (for individuals) or taxable income (for estates and trusts), plus or minus adjustments according to Ohio income tax law.

Rates (R.C. 5747.02)

Ohio's individual income tax rates are undergoing a five-year, across-the-board reduction. When complete for the 2009 taxable year, rates will be 21 percent lower than in 2004.

The individual Ohio income tax rates for taxable year **2007** are shown below:

Taxable Income Over		But Not Over	Tax
$0	-	$5,000	0.649% of Ohio taxable income
$5,001	-	$10,000	$32.45, plus 1.299% of excess over $5,000
$10,001	-	$15,000	$97.40, plus 2.598% of excess over $10,000
$15,001	-	$20,000	$227.30, plus 3.247% of excess over $15,000
$20,001	-	$40,000	$389.65, plus 3.895% of excess over $20,000
$40,001	-	$80,000	$1,168.65, plus 4.546% of excess over $40,000
$80,001	-	$100,000	$2,987.05, plus 5.194% of excess over $80,000
$100,001	-	$200,000	$4,025.85, plus 6.031% of excess over $100,000
		over $200,000	$10,056.85, plus 6.555% of excess over $200,000.

Additions, Deductions and Exemptions

The starting point for the Ohio individual income tax is federal adjusted gross income (FAGI). Additions and deductions are applied to FAGI in order to arrive at Ohio adjusted gross income (OAGI).

Major additions for individuals (to the extent not included in FAGI):

- Non-Ohio state or local government interest and dividends.
- Pass-through entity add back.
- Income from an electing small business trust.
- Losses from the sale of Ohio public obligations.
- Non-medical withdrawals from an Ohio Medical Savings Account.
- Reimbursement of expenses previously deducted.
- Non-education expenditure from a college savings account.
- Add back of five-sixths of the depreciation adjustment for I.R.C. sections 168(k) and 179.

Major deductions for individuals (to the extent not excluded from FAGI):

- Certain federal interest and dividends.
- Reciprocity income (income tax paid to other states (for details, see **Special Provisions**).
- State or municipal income tax overpayments deducted on a prior year's federal income tax return.
- Disability and survivorship benefits.
- Social security and some railroad retirement benefits.
- Contributions to a college savings account administered by the Ohio Tuition Trust Authority.
- Certain payments to members of the Ohio National Guard.
- Unsubsidized health insurance, long-term care insurance, and excess medical expense deduction.
- Funds deposited into, and earnings on, an Ohio Medical Savings Account.
- Grantor Trust Electing Small Business Trust losses.
- Wage and salary expense not deducted due to the federal targeted jobs or work opportunity tax credits.
- Interest income from Ohio public and Ohio purchase obligations and gains from the sale or other disposition of Ohio public obligations.
- Refund or reimbursement of a prior year federal itemized deduction.
- Repayment of income reported in a prior year.
- Amount contributed to an individual development account.
- One fifth of the depreciation added back in each of the previous five years.
- Military pay received while the resident service member is stationed outside Ohio.
- Qualified organ donation expenses.

For a complete listing and explanation of the adjustments to federal adjusted gross income, see form IT 1040, Ohio Income Tax Return and Instructions.

Personal and Dependent Exemptions (R.C. 5747.025):

For 2007, a $1,450 personal exemption was available for each taxpayer and for each dependent of the taxpayer. The amount of this exemption, which is subtracted from Ohio adjusted gross income before tax rates are applied, is adjusted annually based upon the gross domestic product deflator.

Adjustments to Federal Taxable Income for Estates and Trusts:

For a complete listing and explanation of the adjustments, see form IT 1041, Ohio Fiduciary Income Tax Return and Instructions.

Credits

Personal Credits:

Personal and Dependent Exemption Credit (R.C. 5747.022) – Individual taxpayers may take a credit of $20 against Ohio income tax liability for each personal and dependent exemption.

Retirement Income Credit (R.C. 5747.055) – Individual and estate taxpayers receiving retirement benefits, annuities, or distributions from a retirement or profit sharing plan that are included in Ohio adjusted gross income are allowed a credit based on the amount of retirement income received during the taxable year. The maximum credit is $200.

Senior Citizen Credit (R.C. 5747.05(C)) – Individuals may claim a $50 credit if the taxpayer was 65 years of age on or before Dec. 31st of the taxable year. Estates may claim the credit if the decedent was 65 years or older at the date of death.

Lump Sum Distribution Credit (R.C. 5747.05(D)) – Individual taxpayers over 65 years of age may claim this credit if they received a lump sum distribution from a pension, retirement, or profit sharing plan. The calculation is based upon the expected remaining life years times the senior citizen credit amount.

Child and Dependent Care Credit (R.C. 5747.054) – Individual and estate taxpayers with an income of less than $40,000 may claim this credit if they made payments that qualified for the federal child and dependent care credit on the federal income tax return.

Lump Sum Retirement Credit (R.C. 5747.055(C), (D), (E)) – Individual taxpayers may claim this credit if, on retirement, they received a lump sum distribution from a qualified pension, retirement, or profit sharing plan during one tax year.

Low-Income Taxpayer Credit (R.C. 5747.056) – Individual taxpayers whose Ohio taxable income is less than or equal to $10,000 receive a full credit against the tax otherwise due.

Job Training Credit (R.C. 5747.27) – An individual taxpayer may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of position or shift. The maximum credit is 50 percent of the training expenses or $500, whichever is lower.

Political Contributions Credit (R.C. 5747.29) – Individual and estate taxpayers may claim a credit for contributions made to campaign committees of candidates for Ohio state offices. The maximum credit is $50 for single, head of household, and married filing separate filers and $100 for married filing joint filers.

Adoption Credit (R.C. 5747.37) – Individual taxpayers may claim a credit for adoption expenses up to a maximum of $1,500 per child. Adoption of stepchildren does not qualify for this credit.

Joint Filer Credit (R.C. 5747.05(G)(1)) – A husband and wife who file a "married filing jointly" individual return are allowed a tax credit if each spouse has qualifying Ohio adjusted gross income of $500 or more. Qualifying income does not include income from interest, dividends and distributions, royalties, rents, capital gains, and state or municipal income tax refunds. The maximum credit is $650. The credit is a percentage of the tax after all credits (other than the resident, nonresident, part-year resident, and business credits).

Resident Credit (R.C. 5747.05(B)) – Resident individuals, resident estates, and trusts may calculate a tax credit if part or all of their income is taxed in another state. The calculation for trusts differs from that used for individuals and estates.

Nonresident Credit (R.C. 5747.05(A)) – Nonresident individuals and nonresident estates may calculate a credit if part of their income was not earned or received in Ohio. Ohio lottery winnings do not qualify for this credit.

Business Credits and Grants:

The following business credits apply to individuals, estates, and trusts. A lengthier description of each appears in the **Corporation Franchise Tax** chapter of this report. These tax credits may only be applied against the particular tax for which the taxpayer is liable. Also, the only refundable tax credits on this list are the Ohio job creation credit, the pass-through entity credit, and the historic building rehabilitation credit:

- Credit or grant for purchases of new manufacturing machinery and equipment (7.5 percent-13.5 percent credit) (R.C. 5747.31, 122.172, and 122.173).
- Credit for new employees in an enterprise zone (R.C. 5709.66(B)).
- Credit for eligible costs associated with a voluntary clean-up action (carry forward only through 2006) (R.C. 5747.32 and 122.16).
- Credit for employers that establish on-site day care centers (carry forward expires in 2007) (R.C. 5747.35).
- Credit for investment in a certified ethanol plant (R.C. 5747.75).
- Credit for purchases of grape production property (R.C. 5747.28).
- Export sales (credit carry forward only through 2004) (R.C. 5747.057).
- Edison Center credit for research and development investors (R.C. 5747.33, 122.15, 122.151-154).
- Enterprise zone day care and training credit (R.C. 5709.65 (A)(4) and (A)(5)).
- Refundable job creation credit (R.C. 5747.058).
- Refundable pass-through entity credit (R.C. 5747.059).
- Refundable historic building rehabilitation credit (R.C. 5747.76).

Special Provisions

Military pay:

Military pay received while the service member is stationed in Ohio is taxable for residents. If the taxpayer is not an Ohio resident, Ohio does not tax the military pay. Ohio will tax nonmilitary pay earned in Ohio that is included in federal adjusted gross income.

Reciprocity:

Reciprocity state income agreements (R.C. 5747.05(A)(3)) may affect filing of an Ohio return. Because of reciprocity agreements Ohio has with bordering states (Indiana, Kentucky, West Virginia, Michigan, and Pennsylvania), an individual does not have to file a 2007 Ohio income tax return if:

- The taxpayer was a full-year resident of one of the five listed states for 2007, and
- The taxpayer's only source of income within Ohio was from wages, salaries, tips, or commissions generally received from employers unrelated to the taxpayer.

The reciprocity agreements do **not** apply to nonresidents who directly or indirectly own at least 20 percent of the stock or other equity of pass-through entities (S corporations, partnerships, etc., see R.C. 5733.40(A)(7)). These nonresidents cannot use the "reciprocity agreements" in order to deduct, as non-Ohio income, any compensation received from such pass-through entities. Rather, these nonresidents must include this compensation in Ohio taxable income but can treat this compensation as business income which must be apportioned for purposes of computing the nonresident credit. Ohio tax form IT 2023 is used to compute this credit.

Residency:

Residency status affects the calculation of the Ohio income tax. Individual taxpayers who have no more than 182 contact periods in Ohio and who have an abode outside of Ohio for the entire year may, under certain circumstances, declare themselves to be a nonresident of Ohio. For details, see information release IT 2007-08 – "Personal Income Tax: Residency Guidelines - Tax Imposed on Resident and Nonresident Individuals for Post-2006 Taxable Years," issued in December 2007.

Revenue surpluses:

By law, when the state declares a revenue surplus, statutory tax rates are reduced. As a result of this provision, rates were temporarily reduced from 1996 through 2000.

Filing and Payment Dates (R.C. 5747.07-5747.09)

For Individuals, Estates and Trusts:

- The annual income tax return is due by April 15 for calendar year taxpayers without an extension. Fiscal year returns are due by the 15th day of the fourth month after the end of the fiscal year.
- Taxpayers must file quarterly declarations if they expect their tax to be underwithheld by more than $500. Such taxpayers must make estimated payments by April 15, June 15, and Sept. 15 of the current year and by Jan. 15 of the next year.

For Employers:

An employer accumulating undeposited taxes of $100,000 or more is required to make payment within one banking day by electronic funds transfer (EFT). Otherwise, the following rules apply:

- If an employer withheld no more than $2,000 during the 12 months ending on June 30 of the preceding year, payments are due within 30 days after the quarter ending in March, June, September, and December.
- If an employer withheld more than $2,000 and less than $84,000 during the 12 months ending on June 30 of the preceding year, payments are due within 15 days after the end of the month.
- If an employer withheld at least $84,000 during the 12 months ending on June 30 of the preceding year, payments are due within three banking days after the end of the partial weekly period and must be made by EFT.

Disposition of Revenue

During Fiscal Year 2007, 91.5 percent of revenue from the state income tax – or $8,885.3 million – was distributed to the General Revenue Fund. The rest was distributed to the Library and Local Government Support Fund (4.7 percent or $458.0 million), the Local Government Fund (3.3 percent or $324.9 million) and Local Government Revenue Assistance Fund (0.5 percent or $46.4 million). This distribution was structured by House Bill 66, the FY 2006-2007 biennium budget bill, which continued a freeze on local government funds that had been in place, in some form, since Fiscal Year 2002. For each month of FY 2007, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2004 - June 2005 period.

In H.B. 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January, 2008, all income tax revenue will be directed to the General Revenue Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

The Ohio Constitution requires that at least 50 percent of the income tax collections be returned to the county of origin. This provision is met primarily through General Revenue Fund allocations to education, Local Government Fund distributions, and local property tax relief (the 10 percent and 2.5 percent property tax rollbacks and the homestead exemption for senior citizen homeowners and certain disabled homeowners).

Administration

The Department of Taxation administers the Ohio income tax on individuals, estates, and trusts.

Ohio Revised Code Citations

Chapter 5747.

Recent Legislation

Substitute House Bill 149, 126th General Assembly (effective July 1, 2007).

R.C. 5747.76 – Provided for a credit for expenses incurred in rehabilitating an historic building. Effective for taxable years beginning July 1, 2007 and thereafter.

Sub. H.B. 73, 126th General Assembly (effective January 1, 2007).

R.C. 5747.24 and R.C. 5748.01 – Beginning Jan. 1, 2007, military members who receive military income from active duty service when they are stationed outside Ohio can exclude such income from Ohio and school district income tax.

Beginning Jan. 1, 2007, each individual who has no more than 182 contact periods in Ohio and who has an abode outside the state for the entire year is presumed to be a full-year nonresident if the individual timely submits an affidavit stating that he or she is not domiciled in Ohio. Previously, the threshold was 120 contact periods, and an individual had to submit an affidavit only upon request of the Tax Commissioner.

Amended Sub. H.B. 530, 126th General Assembly (effective March 30, 2006).

R.C. 5747.01(A)(22) and R.C. 5747.01(A)(23) – Provided for a deduction for certain payments made to members of the Ohio National Guard. Effective for taxable years ending after March 30, 2006.

Amended Substitute H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).

R.C. 5747.01, 5747.02(A) and (B) – Reduced the rate for all tax brackets for taxable year 2005 by 4.2 percent. Reduced rates by an additional 4.2 percent (from taxable year 2004 rates) in each of the taxable years from 2006-2009 for a total 21 percent reduction in rates. Also made permanent the income tax on trust income.

R.C. 5747.056 – Created a taxpayer credit for taxable years beginning in 2005 and thereafter. Taxpayers having Ohio taxable income of $10,000 or less receive a nonrefundable credit equal to the amount of tax otherwise due. While such taxpayers still have to file the Ohio income tax return, they will owe no Ohio income tax.

R.C. 122.172, 122.173, and 5733.33 – Converted the manufacturers' new machinery and equipment business credit to a nonrefundable grant, effective for taxable years ending after June 30, 2005. Qualifying taxpayers must file the "notice of intent" letter with the Ohio Department of Development and must attach the "grant request form" to the income tax return. Also changed the last day of the purchase period from Dec. 31, 2015 to June 30, 2005. Changed the last day of the installation period from Dec. 31, 2016 to June 30, 2006.

R.C. 5747.113 – Created a military injury relief fund and allowed taxpayers to contribute a portion of their income tax refund to this fund. The Ohio Department of Job and Family Services administers the fund.

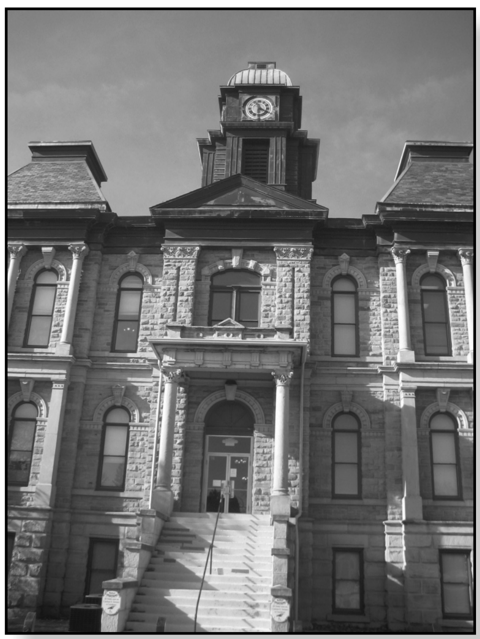
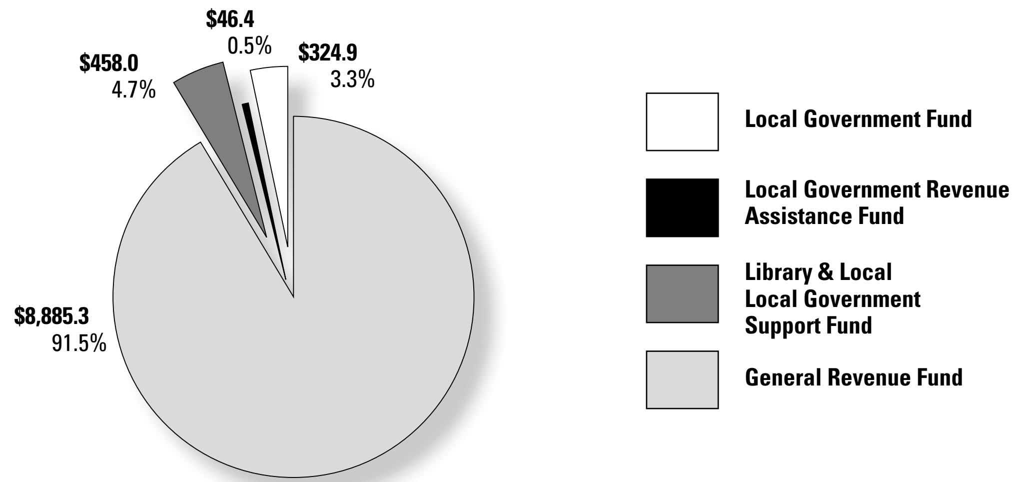


Chart 1
Distribution of Revenue from Individual Income Tax: Fiscal Year 2007

(figures in millions)

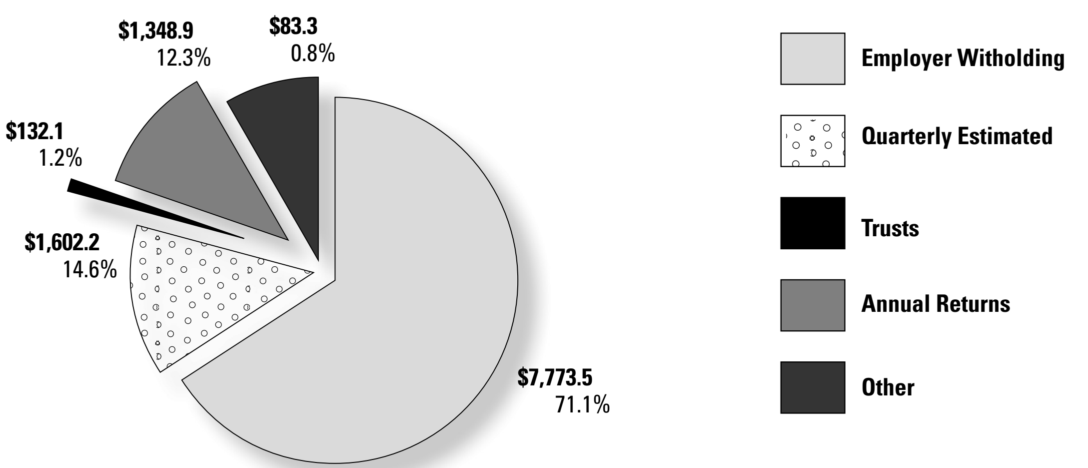


Total $9,722.9 million[1]

1 Includes Attorney General collections and political party contributions which amount to $8.3 million.

Chart 2
Individual Income Tax Type of Payment: Fiscal Year 2007

(figures in millions)



Total $10,939.9 million[1]

1 Includes $1,215.8 million refunded back to taxpayers.

Source: Department of Taxation

Chart 3
Individual Income Tax Returns Income and Tax by Income Level: Tax Year 2005

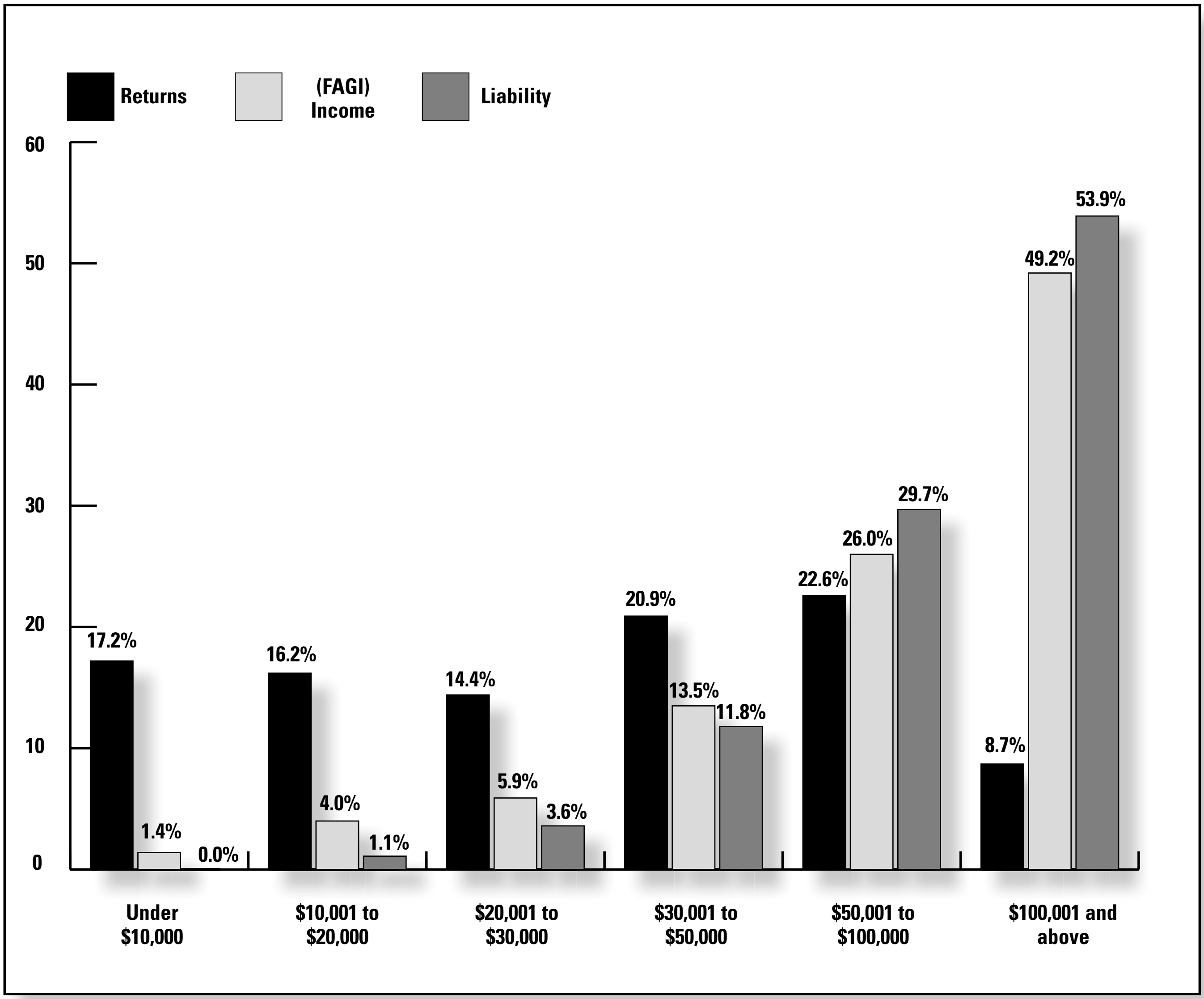


Table 1
2005 Ohio Individual Income Tax Returns: By Income Level[1]

Income Level	Number of Returns	FAGI	OAGI	Reported Value of Personal Exemptions	Ohio Taxable Income	Tax Before Credits	Joint Filer Credit	Tax Liability after all Credits[2]
Under $5,000	457,382	$1,101,507,420	$1,233,235,914	$936,921,566	$600,311,899	$6,408,160	$3,553	$428,203
$5,001 - 10,000	461,227	3,438,492,073	3,310,190,221	1,072,778,393	2,439,452,753	20,468,549	1,561	95,256
10,001 - 15,000	439,075	5,483,742,812	5,249,460,612	986,900,670	4,303,703,778	51,407,480	51,667	23,232,405
15,001 - 20,000	428,502	7,490,482,392	7,177,133,489	1,062,521,136	6,207,960,512	104,911,166	493,708	72,879,850
20,001 - 25,000	398,430	8,950,769,516	8,591,426,363	943,053,807	7,656,130,831	163,310,679	1,623,018	130,224,666
25,001 - 30,000	370,141	10,169,158,840	9,749,119,207	895,914,429	8,861,214,571	223,096,146	3,250,067	189,148,733
30,001 - 35,000	337,949	10,968,610,234	10,497,648,435	835,327,639	9,667,118,707	270,347,501	4,607,362	236,054,819
35,001 - 40,000	298,651	11,182,260,446	10,689,178,258	765,526,790	9,928,145,409	297,714,508	6,810,078	263,737,073
40,001 - 45,000	257,626	10,933,291,055	10,424,847,855	701,666,532	9,726,659,565	307,362,942	9,416,543	273,028,309
45,001 - 50,000	223,352	10,599,518,826	10,090,629,878	646,330,407	9,447,138,671	314,639,747	12,517,515	278,798,370
50,001 - 55,000	195,014	10,229,584,308	9,715,224,483	592,920,499	9,124,917,416	317,762,422	14,581,000	280,730,881
55,001 - 60,000	173,187	9,949,101,850	9,450,805,467	549,484,998	8,903,328,239	321,658,212	13,586,824	287,008,110
60,001 - 65,000	154,736	9,664,708,639	9,183,317,472	512,041,825	8,673,246,416	323,048,117	15,052,299	287,334,309
65,001 - 70,000	138,421	9,338,184,388	8,882,980,514	475,116,395	8,410,705,072	321,273,870	16,600,532	285,009,180
70,001 - 75,000	124,264	9,003,496,308	8,581,013,959	438,924,218	8,143,539,281	317,936,352	17,969,307	281,084,477
75,001 - 80,000	109,646	8,491,116,841	8,110,489,254	397,304,021	7,714,354,406	306,833,891	17,115,918	271,996,706
80,001 - 85,000	95,819	7,899,603,974	7,566,846,009	356,001,357	7,211,830,855	291,796,994	11,162,518	263,829,364
85,001 - 90,000	83,273	7,281,412,481	6,987,841,875	315,925,456	6,672,722,185	275,147,676	9,628,290	249,940,443
90,001 - 95,000	71,897	6,646,408,696	6,392,965,961	279,862,802	6,113,770,487	257,192,161	8,930,809	233,400,979
95,001 - 100,000	60,278	5,873,143,937	5,654,832,586	236,103,872	5,419,310,966	232,116,009	8,040,596	210,306,886
100,001 - 125,000	183,625	20,346,644,201	19,647,833,957	728,122,451	18,921,108,556	853,968,087	29,172,013	770,795,845
125,001 - 150,000	85,096	11,597,336,517	11,216,380,804	338,238,004	10,878,642,090	533,339,896	17,535,960	474,764,685
150,001 - 175,000	47,291	7,637,067,156	7,408,479,105	188,740,606	7,219,901,132	373,771,692	11,885,325	328,509,590
175,001 - 200,000	30,005	5,598,900,524	5,443,327,045	119,801,700	5,323,491,207	286,226,181	8,729,956	251,017,369
200,001 - 250,000	34,630	7,694,899,789	7,499,738,633	138,948,952	7,362,693,015	413,839,820	11,838,676	354,725,838
250,001 - 300,000	18,514	5,050,358,416	4,940,937,249	75,377,787	4,865,281,164	287,818,964	6,536,521	241,169,963
300,001 - 350,000	11,486	3,712,444,930	3,642,622,431	46,110,520	3,596,443,997	220,307,145	3,823,425	181,044,149
350,001 - 400,000	7,926	2,960,470,323	2,910,078,479	31,900,509	2,878,212,855	180,699,299	2,596,523	145,732,807
400,001 - 450,000	6,150	2,607,782,937	2,570,856,697	24,486,435	2,546,261,112	162,397,421	1,989,106	129,466,569
450,001 - 500,000	4,695	2,223,758,991	2,194,717,075	18,986,350	2,175,324,142	140,632,837	1,525,700	110,374,110
500,001 - 750,000	12,705	7,669,839,526	7,570,274,084	50,994,900	7,518,794,067	497,820,575	3,863,565	369,240,065
750,001 - 1,000,000	5,448	4,677,275,764	4,622,015,441	21,269,261	4,600,762,114	312,326,044	1,524,197	202,709,903
1,000,001 - 1,500,000	4,857	5,895,689,283	5,823,088,769	18,612,450	5,802,425,412	400,661,239	1,273,100	235,153,480
1,500,001 - 2,000,000	2,309	3,983,278,375	3,939,236,256	8,658,901	3,947,879,775	274,490,100	560,950	140,583,022
2,000,001 - 3,000,000	2,349	5,727,905,232	5,669,061,733	9,031,850	5,660,028,900	398,534,336	530,350	174,103,177
3,000,001 - 4,000,000	1,212	4,170,803,065	4,133,337,355	4,546,800	4,125,520,815	292,385,895	266,501	109,111,955
4,000,001 - 5,000,000	756	3,369,808,050	3,325,272,166	2,775,600	3,318,553,566	236,198,035	146,250	100,136,565
5,000,001 - 10,000,000	1,522	10,573,431,368	10,480,297,707	5,787,450	10,474,511,604	746,957,031	281,451	198,750,159
Over $10,000,001	1,408	43,800,050,245	43,337,607,576	5,344,801	43,314,803,470	3,110,463,678	10,360,915	301,471,156
	5,340,854	**$323,992,339,729**	**$313,914,350,373**	**$14,838,362,139**	**$299,756,201,012**	**$14,447,270,855**	**$285,883,651**	**$8,937,129,422**

1 As reported on returns due April 15, 2005.

2 This represents tax liability after all tax credits. Althought the joint filer credit is presented in this table, it is not the largest income tax credit. The combined resident and nonresident tax credits account for the largest amount of credit value, totalling $4.9 billion.

Table 2
Comparison of 2004 and 2005 Individual Income Tax Returns

Income Level (Federal Adjusted Gross Income)	Number of Returns		Federal Adjusted Gross Income		Ohio Taxable Income		Joint Filer Credit		Ohio Income Tax	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
Under $5,000	458,881	457,382	$1,267,923,334	$1,101,507,420	$629,513,171	$600,311,899	$1,108	$3,553	$361,433	$428,203
$5,001 - 10,000	468,928	461,227	3,499,452,223	3,438,492,073	2,556,068,963	2,439,452,753	10,419	1,561	10,095,278	95,256
10,001 - 15,000	445,059	439,075	5,559,572,345	5,483,742,812	4,460,706,409	4,303,703,778	104,068	51,667	33,380,862	23,232,405
15,001 - 20,000	434,644	428,502	7,599,814,888	7,490,482,392	6,415,060,698	6,207,960,512	621,690	493,708	80,368,688	72,879,850
20,001 - 40,000	1,422,143	1,405,171	41,757,388,415	41,270,799,036	36,997,120,307	36,112,609,518	18,301,621	16,290,525	885,219,746	819,165,290
40,001 - 80,000	1,363,078	1,376,246	77,297,088,675	78,209,002,216	69,978,258,658	70,143,889,065	125,457,639	116,839,937	2,345,712,016	2,244,990,342
80,001 - 100,000	293,684	311,267	26,109,351,027	27,700,569,088	24,135,652,558	25,417,634,494	37,336,545	37,762,213	953,310,408	957,477,672
100,001 - 200,000	313,529	346,017	40,876,517,963	45,179,948,398	38,580,306,977	42,343,142,986	63,637,318	67,323,255	1,739,447,290	1,825,087,488
$200,001 & above	102,916	115,967	89,482,522,489	114,117,796,294	89,058,464,533	112,187,496,008	32,655,652	47,117,231	2,759,539,737	2,993,772,916
Total	**5,302,862**	**5,340,854**	**$293,449,631,359**	**$323,992,339,729**	**$272,811,152,274**	**$299,756,201,012**	**$278,126,060**	**$285,883,651**	**$8,807,435,458**	**$8,937,129,422**

Table 3
Comparison of 2004 and 2005 Individual Income Tax Returns with Tax Liability

Income Level (Federal Adjusted Gross Income)	Number of Returns with Tax Liability		Ohio Income Tax	
	2004	2005	2004	2005
Under $5,000	75,204	979	$361,433	$428,203
$5,001 - 10,000	317,278	865	10,095,278	95,256
10,001 - 15,000	335,200	188,982	33,380,862	23,232,405
15,001 - 20,000	373,730	352,126	80,368,688	72,879,850
20,001 - 40,000	1,388,362	1,355,931	885,219,746	819,165,290
40,001 - 80,000	1,348,234	1,354,978	2,345,712,016	2,244,990,342
80,001 - 100,000	290,669	307,302	953,310,408	957,477,672
100,001 - 200,000	309,388	340,607	1,739,447,290	1,825,087,488
$200,001 & above	99,111	111,077	2,759,539,737	2,993,772,916
Total	**4,537,176**	**4,012,847**	**$8,807,435,458**	**$8,937,129,422**

Table 4
2005 Ohio Individual Income Tax Returns for All Filing Status Categories

Income Level (Federal Adjusted Gross Income)			Number of Returns	FAGI	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate[1]
		Under $5,000	457,382	$1,101,507,420	$600,311,899	$3,553	$428,203	0.04%
$5,001	-	10,000	461,227	3,438,492,073	2,439,452,753	1,561	95,256	0.00%
10,001	-	15,000	439,075	5,483,742,812	4,303,703,778	51,667	23,232,405	0.42%
15,001	-	20,000	428,502	7,490,482,392	6,207,960,512	493,708	72,879,850	0.97%
20,001	-	40,000	1,405,171	41,270,799,036	36,112,609,518	16,290,525	819,165,290	1.98%
40,001	-	80,000	1,376,246	78,209,002,216	70,143,889,065	116,839,937	2,244,990,342	2.87%
80,001	-	100,000	311,267	27,700,569,088	25,417,634,494	37,762,213	957,477,672	3.46%
100,001	-	200,000	346,017	45,179,948,398	42,343,142,986	67,323,255	1,825,087,488	4.04%
		$200,001 & above	115,967	114,117,796,294	112,187,496,008	47,117,231	2,993,772,916	2.62%
		Total	**5,340,854**	**$323,992,339,729**	**$299,756,201,012**	**$285,883,651**	**$8,937,129,422**	**2.76%**

1 Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 5
2005 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status

Income Level (Federal Adjusted Gross Income)			Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
		Under $5,000	19,663	-$44,611,986	$24,785,972	$294,763	-0.66%
$5,001	-	10,000	38,463	298,383,647	134,286,502	40,154	0.01%
10,001	-	15,000	65,196	825,160,096	521,853,883	682,578	0.08%
15,001	-	20,000	87,181	1,530,437,801	1,101,058,807	5,589,197	0.37%
20,001	-	40,000	360,978	10,895,027,125	8,689,237,926	156,629,980	1.44%
40,001	-	80,000	754,574	44,951,585,489	39,333,978,034	1,207,463,313	2.69%
80,001	-	100,000	251,811	22,438,151,104	20,476,235,465	763,952,972	3.40%
100,001	-	200,000	292,916	38,290,821,988	35,836,400,633	1,538,756,078	4.02%
		$200,000 & above	98,126	92,295,634,515	90,760,918,499	2,506,138,050	2.72%
		Total	**1,968,908**	**$211,480,589,779**	**$196,878,755,720**	**$6,179,547,086**	**2.92%**

1 Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 6
2005 Ohio Individual Income Tax Returns Claiming Single Filing Status

Income Level (Federal Adjusted Gross Income)			Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000			432,600	$1,167,124,965	$564,179,945	$128,003	0.01%
$5,001	-	10,000	414,722	3,078,537,726	2,259,950,612	52,944	0.00%
10,001	-	15,000	359,424	4,473,189,792	3,626,076,292	21,220,183	0.47%
15,001	-	20,000	314,001	5,476,656,276	4,681,484,489	60,788,611	1.11%
20,001	-	40,000	859,877	24,728,084,418	22,261,795,280	530,081,776	2.14%
40,001	-	80,000	457,212	24,379,300,955	22,450,235,193	748,701,020	3.07%
80,001	-	100,000	40,893	3,619,147,082	3,361,359,410	129,277,344	3.57%
100,001	-	200,000	38,416	5,002,418,229	4,683,668,070	201,368,373	4.03%
$200,001 & above			14,207	16,712,327,633	16,387,017,814	376,625,219	2.25%
Total			**2,931,352**	**$88,636,787,076**	**$80,275,767,106**	**$2,068,243,473**	**2.33%**

1 Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 7
2005 Ohio Individual Income Tax Returns Claiming Married Separate Filing Status

Income Level (Federal Adjusted Gross Income)			Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000			5,119	-$21,005,559	$11,345,982	$5,437	-0.03%
$5,001	-	10,000	8,042	61,570,700	45,215,639	2,158	0.00%
10,001	-	15,000	14,455	185,392,924	155,773,603	1,329,644	0.72%
15,001	-	20,000	27,320	483,388,315	425,417,216	6,502,041	1.35%
20,001	-	40,000	184,316	5,647,687,493	5,161,576,312	132,453,534	2.35%
40,001	-	80,000	164,460	8,878,115,771	8,359,675,838	288,826,009	3.25%
80,001	-	100,000	18,563	1,643,270,902	1,580,039,618	64,247,356	3.91%
100,001	-	200,000	14,685	1,886,708,181	1,823,074,282	84,963,038	4.50%
$200,001 & above			3,634	5,109,834,146	5,039,559,695	111,009,647	2.17%
Total			**440,594**	**$23,874,962,873**	**$22,601,678,185**	**$689,338,863**	**2.89%**

1 Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 8
2005 Ohio Individual Income Tax Returns
By Ohio Taxable Income Level

Income Level (Ohio Taxable Income)			Number of Returns[1]	$20 Exemption Credit	Joint Filer Credit	Ohio Income Tax
		Under $5,000	457,382	$13,881,229	$3,553	$428,203
$5,001	-	10,000	461,227	15,893,175	1,561	95,256
10,001	-	15,000	439,075	14,625,053	51,667	23,232,405
15,001	-	20,000	428,502	15,749,879	493,708	72,879,850
20,001	-	40,000	1,405,171	50,980,005	16,290,525	819,165,290
40,001	-	80,000	1,376,246	63,983,288	116,839,937	2,244,990,342
80,001	-	100,000	311,267	17,621,994	37,762,213	957,477,672
100,001	-	200,000	346,017	20,414,516	67,323,255	1,825,087,488
		$200,001 & above	115,967	17,013,572	47,117,231	2,993,772,916
		Total	**5,340,854**	**$230,162,711**	**$285,883,651**	**$8,937,129,422**

1 Differs from other tables due to methodology of computation.

Table 9
2005 Ohio Individual Income Tax Returns
Claming the Joint Filer Credit: By Income Level

Income Level			Number of Returns[1]	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate
		Under $5,000	49	-$174,832	$1,046,156.0	$24,142.4	-13.81%
$5,001	-	10,000	57	437,507	664,066	12,142	2.78%
10,001	-	15,000	2,999	41,918,277	33,628,543	207,901	0.50%
15,001	-	20,000	18,982	340,331,566	267,502,065	1,919,766	0.56%
20,001	-	40,000	181,757	5,641,642,666	4,682,043,586	81,623,714	1.45%
40,001	-	80,000	556,382	33,616,623,817	29,990,119,515	910,454,010	2.71%
80,001	-	100,000	207,633	18,504,930,380	17,102,955,945	638,884,431	3.45%
100,001	-	200,000	230,741	29,918,585,865	28,264,088,180	1,217,120,941	4.07%
		$200,001 & above	58,709	41,542,055,919	40,779,384,130	1,412,308,318	3.40%
		Total	**1,257,309**	**$129,606,351,165**	**$121,121,432,186**	**$4,262,555,364**	**3.29%**

1 Differs from other tables due to methodology of computation.

Table 10
2005 Ohio Individual Income Tax Returns Claiming the Senior Citizen Credit: By Income Level

Income Level (Federal Adjusted Gross Income)			Number of Returns	FAGI	Ohio Taxable Income	Senior Citizen Credit	Retirement Income Credit[1]	Ohio Income Tax
		Under $5,000	22,922	-$4,763,163	$35,751,111	$1,144,637	$735,678	$18,545
$5,001	-	10,000	51,199	399,702,902	253,368,516	2,558,446	4,203,575	12,667
10,001	-	15,000	80,570	1,011,861,445	734,305,197	4,026,557	10,232,035	622,027
15,001	-	20,000	80,278	1,398,762,586	1,061,878,109	4,012,236	11,677,965	2,948,294
20,001	-	40,000	183,303	5,274,227,626	3,903,230,184	9,167,781	28,208,148	49,889,146
40,001	-	80,000	156,859	8,902,129,587	6,386,377,499	7,840,004	24,031,729	164,315,565
80,001	-	100,000	32,129	2,854,825,002	2,165,388,874	1,605,882	4,761,460	72,329,803
100,001	-	200,000	40,418	5,379,900,252	4,425,001,435	2,020,004	5,697,202	179,812,592
		$200,001 & above	18,761	25,842,243,984	25,169,619,446	937,887	2,154,716	515,509,186
		Total	**666,439**	**$51,058,890,221**	**$44,134,920,372**	**$33,313,434**	**$91,702,508**	**$985,457,825**

1 This represents only the amount of the retirement income credit taken by senior citizen credit claimants (those 65 and older).

Table 11
2005 Ohio Individual Income Tax Returns: By County

County	Number of Returns	Federal Ajusted Gross Income	Ohio Income Tax
ADAMS	11,931	$401,561,625	$9,789,143
ALLEN	48,424	2,123,070,989	68,554,790
ASHLAND	23,699	944,351,980	27,962,165
ASHTABULA	45,170	1,676,643,187	47,972,987
ATHENS	22,156	825,784,575	24,206,711
AUGLAIZE	22,021	992,369,781	31,937,596
BELMONT	29,823	1,087,424,855	30,132,266
BROWN	18,987	705,548,387	19,537,066
BUTLER	159,035	8,143,349,212	280,232,713
CARROLL	12,539	547,955,356	14,901,035
CHAMPAIGN	17,357	720,653,026	21,457,301
CLARK	62,406	2,571,373,600	77,652,712
CLERMONT	87,184	4,514,706,451	156,741,815
CLINTON	19,895	833,194,968	25,121,946
COLUMBIANA	47,002	1,754,509,766	50,098,951
COSHOCTON	15,911	562,097,133	14,915,214
CRAWFORD	21,594	756,873,619	20,231,445
CUYAHOGA	598,093	31,252,644,497	1,131,883,926
DARKE	24,973	949,019,161	27,083,519
DEFIANCE	19,017	811,179,875	24,896,577
DELAWARE	71,005	6,051,255,224	262,367,821
ERIE	37,598	1,680,909,299	55,107,863
FAIRFIELD	62,183	3,061,070,957	101,606,682
FAYETTE	12,995	469,828,710	13,064,775
FRANKLIN	519,826	26,818,116,597	966,125,956
FULTON	20,948	937,295,370	27,311,483
GALLIA	12,181	458,418,264	13,455,931
GEAUGA	43,586	3,136,802,899	130,534,091
GREENE	69,849	3,714,562,101	125,722,849
GUERNSEY	17,497	593,676,414	16,114,200
HAMILTON	378,329	22,738,168,237	879,743,505
HANCOCK	33,639	1,617,626,397	55,067,832
HARDIN	13,254	492,275,027	13,676,229
HARRISON	6,609	263,943,469	7,641,570
HENRY	13,792	568,002,353	16,279,738
HIGHLAND	18,365	649,625,961	17,812,293
HOCKING	12,047	420,793,484	11,127,499
HOLMES	13,766	541,350,449	16,092,257
HURON	29,187	1,148,763,041	33,422,152
JACKSON	13,583	489,319,319	13,746,427
JEFFERSON	30,214	1,157,261,762	32,680,450
KNOX	25,350	1,052,963,110	31,616,647
LAKE	114,474	5,554,786,238	186,685,367
LAWRENCE	24,637	886,154,965	23,958,350
LICKING	73,471	3,454,240,458	112,947,310
LOGAN	21,837	919,441,120	28,155,776
LORAIN	136,264	$6,360,611,972	$208,518,735
LUCAS	194,825	9,237,951,996	315,039,364
MADISON	17,893	836,060,684	27,046,779
MAHONING	109,125	4,753,809,703	153,423,801
MARION	27,695	1,082,928,235	31,625,295
MEDINA	80,087	4,539,193,885	164,129,385
MEIGS	8,795	294,926,351	7,490,531
MERCER	20,088	803,649,227	23,835,884
MIAMI	48,691	2,277,137,680	75,408,784
MONROE	6,226	199,410,568	4,874,912
MONTGOMERY	246,577	11,636,271,943	385,039,412
MORGAN	6,000	205,210,731	4,563,038
MORROW	13,705	530,845,675	15,117,384
MUSKINGUM	38,120	1,464,242,068	44,119,582
NOBLE	5,160	172,509,867	4,516,940
OTTAWA	20,947	945,908,876	29,577,035
PAULDING	9,077	354,910,694	10,258,154
PERRY	14,319	499,287,345	13,454,708
PICKAWAY	22,390	973,718,734	30,108,630
PIKE	11,448	399,480,541	10,681,179
PORTAGE	70,387	3,311,442,326	110,542,933
PREBLE	18,257	740,551,258	21,175,660
PUTNAM	16,935	708,887,758	21,424,714
RICHLAND	56,699	2,306,229,712	70,527,790
ROSS	31,916	1,243,129,862	36,292,222
SANDUSKY	29,919	1,131,587,164	31,929,576
SCIOTO	27,230	1,002,976,020	28,051,608
SENECA	26,732	991,369,443	28,135,986
SHELBY	23,543	998,900,467	31,777,501
STARK	173,681	7,717,984,442	251,548,317
SUMMIT	251,736	12,896,846,496	459,052,483
TRUMBULL	100,168	4,141,749,673	126,273,990
TUSCARAWAS	43,862	1,689,422,910	50,040,089
UNION	20,865	1,120,127,414	38,843,298
VAN WERT	14,325	543,309,560	15,023,491
VINTON	4,766	163,935,491	4,345,221
WARREN	88,436	5,808,350,148	222,649,036
WASHINGTON	27,341	1,091,569,155	31,518,872
WAYNE	52,193	2,302,946,908	71,575,789
WILLIAMS	18,176	737,750,320	22,640,915
WOOD	56,412	2,836,757,354	97,360,777
WYANDOT	10,979	404,639,962	11,269,574
COUNTY TOTAL	**5,199,429**	**$252,509,493,886**	**$8,638,204,305**
OTHER[1]	**141,425**	**$71,482,845,843**	**$298,925,117**
STATE TOTAL	**5,340,854**	**$323,992,339,729**	**$8,937,129,422**

1 Includes non-resident returns.

Table 12
Rank of Counties By Average Income As Reported On 2005 Ohio Individual Income Tax Returns[1]

County	Average Federal Adjusted Gross Income	Percentage of State Average	Rank
ADAMS	$33,657	55.48%	85
ALLEN	43,843	72.27%	30
ASHLAND	39,848	65.69%	50
ASHTABULA	37,119	61.19%	68
ATHENS	37,271	61.44%	65
AUGLAIZE	45,065	74.29%	25
BELMONT	36,463	60.11%	72
BROWN	37,160	61.26%	66
BUTLER	51,205	84.41%	12
CARROLL	43,700	72.04%	31
CHAMPAIGN	41,519	68.44%	40
CLARK	41,204	67.92%	42
CLERMONT	51,784	85.36%	9
CLINTON	41,880	69.04%	37
COLUMBIANA	37,328	61.53%	64
COSHOCTON	35,328	58.24%	77
CRAWFORD	35,050	57.78%	78
CUYAHOGA	52,254	86.14%	8
DARKE	38,002	62.64%	60
DEFIANCE	42,656	70.32%	34
DELAWARE	85,223	140.49%	1
ERIE	44,707	73.70%	27
FAIRFIELD	49,227	81.15%	14
FAYETTE	36,155	59.60%	73
FRANKLIN	51,591	85.04%	10
FULTON	44,744	73.76%	26
GALLIA	37,634	62.04%	63
GEAUGA	71,968	118.64%	2
GREENE	53,180	87.66%	7
GUERNSEY	33,930	55.93%	84
HAMILTON	60,102	99.07%	4
HANCOCK	48,088	79.27%	16
HARDIN	37,142	61.23%	67
HARRISON	39,937	65.83%	48
HENRY	41,183	67.89%	43
HIGHLAND	35,373	58.31%	76
HOCKING	34,929	57.58%	79
HOLMES	39,325	64.83%	52
HURON	39,359	64.88%	51
JACKSON	36,024	59.38%	74
JEFFERSON	38,302	63.14%	59
KNOX	41,537	68.47%	39
LAKE	48,524	79.99%	15
LAWRENCE	35,968	59.29%	75
LICKING	47,015	77.50%	20
LOGAN	$42,105	69.41%	36
LORAIN	46,679	76.95%	23
LUCAS	47,417	78.16%	17
MADISON	46,726	77.02%	22
MAHONING	43,563	71.81%	32
MARION	39,102	64.46%	53
MEDINA	56,678	93.43%	5
MEIGS	33,533	55.28%	86
MERCER	40,006	65.95%	47
MIAMI	46,767	77.09%	21
MONROE	32,029	52.80%	88
MONTGOMERY	47,191	77.79%	18
MORGAN	34,202	56.38%	83
MORROW	38,734	63.85%	56
MUSKINGUM	38,411	63.32%	58
NOBLE	33,432	55.11%	87
OTTAWA	45,157	74.44%	24
PAULDING	39,100	64.45%	54
PERRY	34,869	57.48%	81
PICKAWAY	43,489	71.69%	33
PIKE	34,895	57.52%	80
PORTAGE	47,046	77.55%	19
PREBLE	40,563	66.87%	46
PUTNAM	41,859	69.00%	38
RICHLAND	40,675	67.05%	44
ROSS	38,950	64.21%	55
SANDUSKY	37,822	62.35%	62
SCIOTO	36,833	60.72%	71
SENECA	37,085	61.13%	69
SHELBY	42,429	69.94%	35
STARK	44,438	73.25%	28
SUMMIT	51,232	84.45%	11
TRUMBULL	41,348	68.16%	41
TUSCARAWAS	38,517	63.49%	57
UNION	53,685	88.50%	6
VAN WERT	37,927	62.52%	61
VINTON	34,397	56.70%	82
WARREN	65,679	108.27%	3
WASHINGTON	39,924	65.81%	49
WAYNE	44,124	72.74%	29
WILLIAMS	40,589	66.91%	45
WOOD	50,286	82.89%	13
WYANDOT	36,856	60.75%	70
TOTAL	**$60,663**	**100.00%**	

1 Includes only returns indicating a county of residence.

Kilowatt-Hour Tax

The kilowatt-hour tax was created by the Ohio General Assembly in 2001 as part of a broader legislative effort to deregulate electric utilities. The tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It was also designed to replace revenues lost from the reduction of assessment rates on electric and rural electric tangible personal property.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. It levies tiered rates depending on the kilowatt-hour consumption of the individual end user of electricity. For certain large consumers of electricity, there exists a self-assessor option tax. This tax is partially based on price and partially based on consumption. Companies that provide both electric and other services must separate the charges for electricity from the other services they provide.

The tax is paid monthly. During Fiscal Year 2007, the tax generated approximately $559.7 million in total revenue.

Taxpayer

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year. Self-assessing purchasers must qualify and register to self-assess the tax.

Tax Base (Ohio Revised Code 5727.81)

For end users that do not self-assess, the base is on the amount of the kilowatt-hours distributed to them per month.

For end users above 45 million kilowatt-hours (kWh) of annual consumption who opt to self-assess, it is partially based on the number of kilowatt-hours distributed to them per month and partially on the total price per month. The consumption portion of this option is capped at the first 504 million kWh distributed to the self-assessing purchaser during each registration year.

Rates (R.C. 5727.81)

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered according to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
For the first 0 – 2,000 kWh	0.465 cents
For the next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above 0.363 cents	

Self-assessing purchasers – end users above 45 million kWh in annual consumption – may register to self-assess the tax. This self-assessor tax is calculated as the sum of 4 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. The self-assessing purchaser rate on the total price will decrease to 3.5 percent effective July 1, 2008, while the additional 0.075 cents per kWh levy will remain in place.

Exemptions (R.C.5727.80, 5727.81)

Exempt end users of electricity are:

- the federal government;
- end users located at a federal facility that uses electricity to process uranium;
- qualified use of electricity by a qualified end user in a qualified manufacturing process; and
- qualified regeneration facilities.

Credits

None.

Special Provisions

For self-assessing purchasers that are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality (see the **Municipal Income Tax for Electric Light Companies and Telephone Companies** chapter).

Filing and Payment Dates (R.C. 5727.82)

For kilowatt-hour and self-assessing taxpayers, the filing date is the 20th day of each month. The payment will reflect the amount of electricity distributed to the end users during the preceding month.

An annual application for registration as a self-assessing purchaser shall be made on a form prescribed by the Tax Commissioner. The registration year begins on May 1 and ends on the following April 30. Persons may apply after May 1 for the remainder of the registration year.

Disposition of Revenue (R.C. 5727.84)

When the kilowatt hour-tax was enacted, the law called for funds to be distributed according to the following schedule:

Fund	Percentage
General Revenue Fund	59.976%
Local Government Fund	2.646
Local Government Revenue Assistance Fund	0.378
School District Property Tax Replacement Fund	25.400
Local Government Property Tax Replacement Fund	11.600
Total Distribution	**100.0%**

But, starting with Fiscal Year 2002, the General Assembly temporarily froze distributions to the Local Government and Local Government Revenue Assistance funds. As a result, no distributions were made to these funds from the kilowatt-hour tax during fiscal years 2002-2005. Distributions from this tax were made to those funds in fiscal years 2006 and 2007 based on amounts specified by the General Assembly.

A new permanent distribution was specified in 2007 in House Bill 119 (see **Recent Legislation**). Effective for FY 2008, the General Revenue Fund receives 63 percent and distributions to the local government funds are eliminated.

Administration

The Tax Commissioner administers the kilowatt-hour tax and makes revenue payments to the various funds.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (FY 2008-2009 biennium budget bill; effective July 1, 2007).

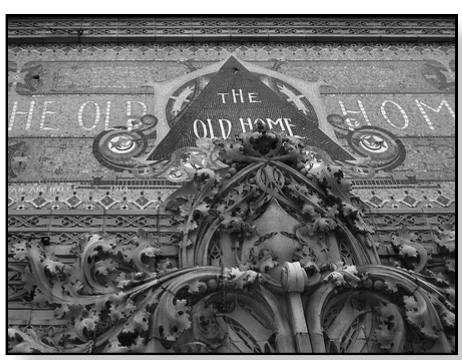
- Reduced the rate applicable to the price component of the tax paid by self-assessing purchasers from 4 percent of the price to 3.5 percent of the price. Uncodified section 757.01 requires the Tax Commissioner to review, every two years during biennial budget deliberations, the rate paid by self-assessing purchasers of electricity on the price of electricity.
- Made permanent the revenue distribution increase to the General Revenue Fund of 63 percent from 59.976 percent and eliminated distributions to the Local Government Fund and the Local Government Revenue Assistance Fund.

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill; this provision effective September 29, 2005).

A freeze was continued in FY 2006 and FY 2007 under the provisions of H.B. 66, 126th General Assembly. During FY 2006 and FY 2007, the amounts of the kilowatt-hour tax going to the local government funds were designated in the budget bill. (R.C. 5727.84)

Table
Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2003 - 2007

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2003	$539,448,630	$339,852,637	0	0	$137,019,952	$62,576,041
2004	538,044,462	338,961,216	0	0	136,668,104	62,415,142
2005	539,354,909	339,793,592	0	0	136,996,147	62,565,170
2006	557,166,445	325,307,962	$22,493,535	$3,213,362	141,520,356	64,631,229
2007	559,691,878	326,929,075	22,493,535	3,213,362	142,161,737	64,924,258



Motor Vehicle Fuel Tax

An excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used in generating power for the operation of motor vehicles. The motor fuel excise tax rate was 28 cents per gallon during Fiscal Year 2007.

The 28 cents per gallon rate is actually composed of five separate levies, each distributed according to a different formula. The Ohio Constitution requires that revenue from the tax be used for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2007, the reported net motor fuel tax collections totaled nearly $1,846.9 million after refunds.

In addition, a motor fuel use tax is imposed on operators of motor vehicles with three or more axles, or weighing more than 26,000 pounds gross vehicle weight, for fuel purchased outside the state and consumed in Ohio. The use tax rate in FY 2007 was 28 cents per gallon.

Taxpayer (Ohio Revised Code 5735.01)

The excise tax applies to dealers who:

- import motor fuel from another state or foreign country or acquire motor fuel by any means into a terminal in this state;
- import motor fuel from another state or foreign country in bulk lot vehicles for subsequent sale and distribution in this state from bulk lot vehicles;
- refine motor fuel in this state;
- acquire motor fuel from a motor fuel dealer for subsequent sale and distribution in this state from bulk lot vehicles; or
- possess an unrevoked permissive motor fuel dealer's license.

The motor fuel use tax applies to operators of motor vehicles with three or more axles or weighing more than 26,000 pounds gross vehicle weight.

Tax Base (R.C. 5735.06)

Gallons of motor vehicle fuel sold, used, or distributed in Ohio.

Rates

The 28 cents per gallon rate is actually composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest, currently set at 15 cents – is specifically identified as the "cents per gallon rate" in Ohio law because it was once adjusted annually by the Tax Commissioner for inflation.

All five levies are shown in the table below:

R.C. Section	Rate per gallon
5735.30	1 cent
5735.05	2 cents
5735.25	2 cents
5735.29	8 cents
5735.05	15 cents
Total:	**28 cents**

Deductions, Refunds, and Credits

Deductions (R.C. 5735.05 and 5735.06):

Dealers may deduct the following from their total gallons sold:

- Motor fuel – other than gasoline and clear diesel fuel – sold for uses other than operating motor vehicles on public highways or on waters within Ohio;
- motor fuel sold by licensed wholesale dealers to other licensed wholesale dealers;
- motor fuel exported to other states or foreign countries;
- motor fuel sold for exclusive use of the U.S. government or its agencies;
- motor fuel being transported as part of an export sale;
- motor fuel sold exclusively for the propulsion of aircraft; and
- motor fuel sold for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

In addition, during Fiscal Year 2007, licensed motor fuel dealers received a discount intended to cover the cost of compiling reports, evaporation, shrinkage and other losses. During FY 2007, the dealer discount was 1.95 percent of the total gallons received, less 0.65 percent of the gallons sold to motor fuel retailers. Retailers, meanwhile, received a 0.65 percent shrinkage discount on fuel purchased from licensed dealers.

These discounts were reorganized effective July 1, 2007. For the 2008 and 2009 fiscal years:

- Licensed dealers receive a 1 percent discount on the total gallons received, less 0.5 percent of the gallons sold to motor fuel retailers.
- Retailers receive a 0.5 percent shrinkage discount on fuel purchased from licensed dealers.
- Licensed dealers receive an additional tax collection and administration discount equal to 0.9 percent of the total gallons received.

For more information, see **Recent Legislation**.

Refunds (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18 and 5734.29):

Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund when:

- the motor fuel was used to operate or propel stationary gas engines, tractors used for off-highway purposes, or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was used by watercraft in the following ways: vessels used entirely for commercial purposes such as trade or fishing; vessels used in Boy Scout training; vessels used or owned by railroad car ferry companies; vessels used or owned by federal, state, and local governments;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems, except for the one-cent bond retirement levy;
- the motor fuel was used in aircraft;
- 0.65 percent of the motor fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation (as of July 1, 2007, this decreased to 0.50 percent);
- motor fuel was lost or destroyed through fire, explosion, lightning or other natural disasters; or
- any person, other than a dealer, sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies.

Also, a city, an exempted village, a joint vocational or local school district, an educational service center, or a county board of mental retardation and developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

Special Provisions

Fuel Use Tax (R.C. 5728):

The Ohio motor vehicle fuel use tax is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. The use tax rate was 28 cents during FY 2007. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund. During FY 2007, $56.2 million was collected from the fuel use tax. This revenue is dedicated to the Highway Operating Fund.

Filing and Payment Dates (R.C. 5735.06)

Taxpayers must submit returns by the last day of each month for the preceding month's tax liability. The returns are filed with the Department of Taxation.

Disposition of Revenue

- The motor vehicle fuel tax is composed of five separate levies, with revenue for each distributed in a different manner.

After refunds, the following transfers of receipts from all five levies are made:

- The Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
- The Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
- The amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement is transferred.
- Five cents for each gallon sold at stations operated by the Ohio Turnpike Commission is transferred to the Commission (R.C. 5735.23).
- The Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder of each of the state's five motor fuel tax levies was distributed in FY 2007 as described below.

2 cents per gallon (R.C. 5735.05, 5735.23):

Revenue from this levy and the 15 cents-per-gallon levy together make up the $100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes $^{2}/_{17}$ of the monthly $100,000. The remaining revenue is distributed as follows:

- 30 percent to municipal corporations in proportion to their motor vehicle registrations;*
- 25 percent to all counties in equal amounts;*
- 45 percent to the state.

2 cents per gallon (R.C. 5735.25, 5735.26, 5735.27):

- 67.5 percent is distributed to the state;
- 7.5 percent is distributed to all counties in equal amounts;*
- 17.5 percent is distributed to all townships in equal amounts;*
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.*

8 cents per gallon (R.C. 5735.29, 5735.291):

Some 81.25 percent of this levy is to the State Highway Operating Fund. The remaining 18.75 percent is distributed to the Gasoline Excise Tax Fund. From this fund:

- 42.86 percent distributed to municipalities in proportion to their share of motor vehicle registrations;
- 37.14 percent distributed to all counties in equal amounts; and
- 20 percent distributed to all townships by the greater of either the equal share of the total amount allocated to all townships or a proportionate share based on township lane miles and the township's proportion of motor vehicle registrations.

1 cent per gallon (R.C. 5735.30):

Some 100 percent to the state for highway bond retirement funds, as long as this funding is required. Thereafter, 100 percent is directed to the State Highway Operating Fund.

15 cents per gallon (“cents per gallon tax;” R.C. 5735.05, 5735.23):

One cent from each gallon is transferred to the Local Transportation Improvement Program Fund. Revenue from this levy and the first 2 cents-per-gallon levy together make up the $100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes $^{15}/_{17}$ of $100,000. The balance is distributed as follows:

- 75.0 percent to the state;
- 10.7 percent to municipalities in proportion to their motor vehicle registrations;^
- 9.3 percent to all counties in equal amounts; ^
- 5.0 percent to all townships in equal amounts.^

* Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

^ Proceeds are deposited by the state in the Local Government Highway Distribution Fund and distributed monthly to counties, townships, and municipalities.

Effective July 1, 2007, the Treasurer of State, prior to making any of the distributions listed in sections 5735.23, 5735.26, 5735.291, and 5735.30 of the Revised Code, shall deposit at least the first $1,250,000 and up to $1.6 million received each month to the credit of the State Highway Safety Fund (Fund 036) pursuant to a schedule determined by the Director of Budget and Management (see **Recent Legislation,** below).

Administration

The motor vehicle fuel excise tax and the motor fuel use tax are administered by the Tax Commissioner.

Ohio Revised Code Citations

Chapters 5728 and 5735.

Recent Legislation

Am. Sub. H.B. 67, 127th General Assembly (FY 2008-2009 transportation/public safety budget bill, effective July 1, 2007).

R.C. 5735.06 and R.C. 5735.141 – Effective July 1, 2007, the Treasurer of State, prior to making any of the distributions listed in sections 5735.23, 5735.26, 5735.291, and 5735.30 of the Revised Code, shall deposit at least the first $1,250,000 and up to $1,600,000 received each month to the credit of the State Highway Safety Fund (Fund 036).

Also, effective July 1, 2007, for the periods of July 1, 2007 through June 30, 2009, the motor fuel licensed dealer discount or shrinkage allowance was reduced to 1 percent, while the retail dealer shrinkage allowance was reduced to 0.5 percent. (In separate legislation, the 0.90 percent vendor discount this bill granted to retail dealers was changed to a 0.90 percent discount granted to licensed dealers, making the total discount for licensed dealers a total of 1.90 percent; see **Am. Sub. H.B. 119**, below).

Am. Sub. H.B. 119, 127th General Assembly (FY 2008-2009 biennium budget bill, effective July 1, 2007).

R.C. 5735.06 – Effective July 1, 2007, for the periods of July 1, 2007 through June 30, 2009, changed the 0.90 percent vendor discount to retail dealers to a 0.90 percent tax collection and administration discount to motor fuel licensed dealers.

During this period, the licensed dealer shrinkage allowance will be 1 percent and the retail shrinkage allowance will be 0.5 percent.

This provides for a combined total deduction or shrinkage allowance of 1.90 percent for a licensed dealer, minus a 0.5 percent discount or shrinkage allowance refunded to a retail dealer on fuel purchased from licensed dealers. This makes the licensed dealer discount only 1.4 percent on sales to retailers.

	Effective July 1, 2007
Licensed Dealer Shrinkage Allowance	1.00%
Licensed Dealer Collection & Administration Discount	0.90%
Total Allowance and Discount	1.90%
(minus 0.5 percent on sales to retailers)	1.40%
Retail Dealer Shrinkage Allowance (on purchases from licensed dealers)	0.50%

Also, effective July 1, 2007, the bill clarified that the deposit required by the Treasurer of State to the credit of the State Highway Safety Fund (Fund 036) is pursuant to a schedule determined by the Director of Budget and Management (see Am. Sub. H.B. 67, 127th General Assembly, above).

Substitute House Bill 11, 126th General Assembly (effective March 29, 2006).

R.C. 5735.142 – A county board of mental retardation and developmental disabilities that, on or after July 1, 2005, purchases any motor fuel for county board operations on which any tax imposed by section 5735.29 of the Revised Code has been paid, may, if an application is filed under this section, be reimbursed in the amount of all but two cents per gallon of the total tax imposed by such section and paid on motor fuel purchased on or after July 1, 2005.

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

R.C. 5735.06 – Effective July 1, 2005, the motor fuel licensed dealer discount or shrinkage allowance was reduced to 2.5 percent, and the retail dealer shrinkage allowance was reduced to 0.83 percent. Effective July 1, 2006, the motor fuel licensed dealer shrinkage allowance was reduced to 1.95 percent, and the retail dealer shrinkage allowance was reduced to 0.65 percent.

Recent Information Releases

XT 2007-03 – “Motor Fuel Shrinkage Allowances,” June 29, 2007.

Table 1
Distributions of Motor Fuel Tax:
Fiscal Year 2007

Distribution	Dollar Amount	Percentage of Total
Highway Operating Fund	$1,033,321,964	60.08%
Local Transportation Improvement Program Fund	60,870,881	3.54%
Highway Bond Retirement	191,070,135	11.11%
To Municipalities	175,131,821	10.18%
To Counties	151,996,445	8.84%
To Townships	81,782,066	4.76%
Other[1]	25,635,880	1.49%
Total	**$1,719,809,192**	**100.00%**

1 Includes amounts deposited in the Attorney General Claims Fund, Grade Crossing Fund, Waterways Safety Fund, Wildlife Boater Angler Fund, and Motor Fuel Tax Administration Fund, as well as distributions made to the Ohio Turnpike Commission.

Source: This table is based on amounts in the June 2007 Office of Budget and Management monthly revenue report (RRVSM01S), modifed to reflect various fund transfers and the allocation of the Gasoline Excise Tax Fund and the State and Local Government Highway Distribution Fund among categories of local governments.

Table 2
Motor Vehicle Fuel Tax
Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds:
Fiscal Years 2003 - 2007

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2003	$1,449,431,940	$17,672,693	$1,431,759,247
2004	1,603,919,014	18,417,032	1,585,501,982
2005	1,737,763,542	25,701,979	1,712,061,563
2006	1,861,064,599	24,521,321	1,836,543,278
2007	1,870,645,500	23,785,500	1,846,860,000

Table 3
Taxable Gallons of
Motor Vehicle Fuel: Fiscal Years 2003 - 2007

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Gasoline	$5,130,381,553	$5,197,093,204	$5,149,443,769	$5,103,346,287	$5,098,793,739
Special Fuels[1]	1,466,855,681	1,482,899,139	1,535,755,695	1,543,938,210	1,579,493298
Total	**$6,597,237,234**	**$6,689,992,343**	**$6,685,199,464**	**$6,647,284,497**	**$6,678,287,037**

1 Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

Table 4
Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County: Calendar Year 2006

County	Amount Distributed To: County	Townships	Municipalities	Total
ADAMS	$2,322,445	$1,292,722	$322,170	$3,937,337
ALLEN	2,322,445	1,141,270	1,917,309	5,381,024
ASHLAND	2,322,445	1,292,722	978,058	4,593,224
ASHTABULA	2,322,445	2,336,078	1,794,238	6,452,760
ATHENS	2,322,445	1,220,584	653,970	4,197,000
AUGLAIZE	2,322,445	1,206,541	1,064,014	4,592,999
BELMONT	2,322,445	1,408,074	1,166,885	4,897,404
BROWN	2,322,445	1,385,056	538,411	4,245,912
BUTLER	2,322,445	1,649,043	5,607,416	9,578,903
CARROLL	2,322,445	1,216,376	217,705	3,756,525
CHAMPAIGN	2,322,445	1,034,178	651,770	4,008,393
CLARK	2,322,445	1,005,770	2,017,851	5,346,066
CLERMONT	2,322,445	1,671,554	775,615	4,769,614
CLINTON	2,322,445	1,120,359	919,960	4,362,764
COLUMBIANA	2,322,445	1,619,836	1,678,319	5,620,600
COSHOCTON	2,322,445	1,895,992	566,369	4,784,806
CRAWFORD	2,322,445	1,378,904	1,053,633	4,754,982
CUYAHOGA	2,322,445	190,950	37,243,937	39,757,332
DARKE	2,322,445	1,733,859	993,922	5,050,226
DEFIANCE	2,322,445	1,034,178	765,905	4,122,527
DELAWARE	2,322,445	1,731,119	1,597,249	5,650,812
ERIE	2,322,445	807,520	1,779,122	4,909,087
FAIRFIELD	2,322,445	1,275,143	2,034,502	5,632,090
FAYETTE	2,322,445	861,815	552,437	3,736,696
FRANKLIN	2,322,445	1,575,955	34,298,889	38,197,289
FULTON	2,322,445	1,047,112	798,222	4,167,779
GALLIA	2,322,445	1,294,465	216,780	3,833,689
GEAUGA	2,322,445	1,514,756	527,695	4,364,895
GREENE	2,322,445	1,058,887	3,707,212	7,088,544
GUERNSEY	2,322,445	1,637,466	561,833	4,521,744
HAMILTON	2,322,445	1,932,252	15,246,318	19,501,014
HANCOCK	2,322,445	1,474,240	1,773,028	5,569,712
HARDIN	2,322,445	1,292,722	570,945	4,186,111
HARRISON	2,322,445	1,292,722	268,401	3,883,568
HENRY	2,322,445	1,120,359	585,315	4,028,119
HIGHLAND	2,322,445	1,470,822	518,882	4,312,149
HOCKING	2,322,445	955,596	284,588	3,562,628
HOLMES	2,322,445	1,206,541	194,883	3,723,869
HURON	2,322,445	1,637,448	1,413,827	5,373,719
JACKSON	2,322,445	1,034,178	491,774	3,848,396
JEFFERSON	2,322,445	1,226,229	1,344,430	4,893,103
KNOX	2,322,445	1,906,837	724,457	4,953,739
LAKE	2,322,445	566,890	5,998,990	8,888,325
LAWRENCE	2,322,445	1,236,153	743,645	4,302,242
LICKING	2,322,445	2,192,942	3,189,760	7,705,147
LOGAN	2,322,445	1,470,071	817,525	4,610,041
LORAIN	2,322,445	1,575,009	7,316,572	11,214,025
LUCAS	$2,322,445	$1,199,654	$10,973,797	$14,495,896
MADISON	2,322,445	1,206,541	708,624	4,237,609
MAHONING	2,322,445	1,619,349	3,418,647	7,360,440
MARION	2,322,445	1,295,454	1,318,996	4,936,895
MEDINA	2,322,445	1,522,707	2,929,572	6,774,723
MEIGS	2,322,445	1,034,178	228,449	3,585,071
MERCER	2,322,445	1,206,541	823,662	4,352,647
MIAMI	2,322,445	1,050,785	2,554,312	5,927,542
MONROE	2,322,445	1,551,267	156,947	4,030,658
MONTGOMERY	2,322,445	1,128,535	13,374,449	16,825,429
MORGAN	2,322,445	1,206,541	119,410	3,648,396
MORROW	2,322,445	1,378,904	263,449	3,964,798
MUSKINGUM	2,322,445	2,191,828	1,144,869	5,659,141
NOBLE	2,322,445	1,292,722	109,784	3,724,951
OTTAWA	2,322,445	1,034,178	646,686	4,003,308
PAULDING	2,322,445	1,034,178	316,533	3,673,155
PERRY	2,322,445	1,206,541	446,032	3,975,017
PICKAWAY	2,322,445	1,292,722	783,197	4,398,364
PIKE	2,322,445	1,206,541	240,618	3,769,603
PORTAGE	2,322,445	1,595,306	2,350,612	6,268,363
PREBLE	2,322,445	1,034,178	782,085	4,138,707
PUTNAM	2,322,445	1,292,722	639,126	4,254,293
RICHLAND	2,322,445	1,615,256	2,784,545	6,722,246
ROSS	2,322,445	1,407,223	988,672	4,718,340
SANDUSKY	2,322,445	1,046,459	1,069,060	4,437,963
SCIOTO	2,322,445	1,408,191	817,055	4,547,691
SENECA	2,322,445	1,292,722	1,248,758	4,863,925
SHELBY	2,322,445	1,206,541	1,100,001	4,628,986
STARK	2,322,445	2,388,942	5,110,872	9,822,259
SUMMIT	2,322,445	1,013,367	14,634,633	17,970,444
TRUMBULL	2,322,445	2,266,569	3,527,503	8,116,517
TUSCARAWAS	2,322,445	1,902,736	2,071,631	6,296,812
UNION	2,322,445	1,206,541	748,615	4,277,601
VAN WERT	2,322,445	1,034,178	541,712	3,898,334
VINTON	2,322,445	1,034,178	129,358	3,485,980
WARREN	2,322,445	1,193,383	2,961,682	6,477,510
WASHINGTON	2,322,445	1,907,774	906,935	5,137,153
WAYNE	2,322,445	1,400,766	2,020,663	5,743,874
WILLIAMS	2,322,445	1,034,178	774,724	4,131,347
WOOD	2,322,445	1,720,376	2,509,069	6,551,889
WYANDOT	2,322,445	1,120,359	505,670	3,948,474
Total	**$204,375,130**	**$119,010,399**	**$237,265,750**	**$560,651,278**

Source: Records of the Ohio Department of Taxation.

Municipal Income Tax for Electric Light Companies and Telephone Companies

The municipal income tax for electric light companies and telephone companies, outlined in Chapter 5745 of the Ohio Revised Code, was enacted by the Ohio General Assembly in 2000. This tax is sometimes referred to as the "Chapter 5745 municipal income tax" to distinguish it from the traditional municipal income tax for individuals and business taxpayers located in Chapter 718. Unlike the traditional municipal income tax, the Chapter 5745 tax is administered by the Ohio Department of Taxation.

"Electric light companies" – meaning, electric companies and certain marketers and brokers of electricity – were first subject to the Chapter 5745 tax for their taxable year including Jan. 1, 2002. Two years later, the tax began to apply to local exchange telephone companies (starting with the taxable year including Jan. 1, 2004).

Before the enactment of Chapter 5745, only certain marketers and brokers of electricity – defined by the Revised Code as "an electric light company that is not an electric company" – were subject to traditional municipal income taxes. Such marketers and brokers of electricity may now elect to be subject to the state-administered tax (Chapter 5745). Otherwise, they remain subject to the traditional municipal income tax (Chapter 718). For details, see **Special Provisions**.

The municipal income tax for electric light companies and telephone companies generated $41.8 million in revenue in calendar year 2007 on returns filed for taxable year 2006. Tax returns for calendar year 2007 will be reported in April 2008.

Taxpayer (Ohio Revised Code 5745)

Taxpayers include:

- **Electric companies.** A person is an electric company when engaged in the business of generating, transmitting, or distributing electricity within Ohio for use by others. The Ohio Revised Code excludes rural electric companies from this definition (see R.C. 5727.01 (D)(3));
- **Combined companies.** A person is a combined company when engaged in the activity of an electric company or rural electric company, and in the activity of a heating company or a natural gas company, or any combination thereof (see R.C. 5727.01(L));
- **Certain marketers or brokers of electricity** that meet the requirements and make the election set out in R.C. 5745.031; and
- **(Local exchange) telephone companies**. A person is a "telephone company" when primarily engaged in the business of providing local exchange telephone service, excluding cellular radio service, in this state (R.C. 5727.01(D)(2)).

Tax Base (R.C. 5745)

The "starting point" for Chapter 5745 municipal income taxpayers is federal taxable income after certain adjustments (see below). The taxpayer's adjusted federal taxable income is first multiplied by the taxpayer's Ohio apportionment ratio to determine Ohio income. Then, Ohio income is multiplied by the taxpayer's municipal apportionment ratio and the tax rate for each Ohio municipality that has enacted a municipal income tax and in which the taxpayer has taxable nexus.

Ohio Apportionment Ratio (R.C. 5745.02):

The Chapter 5745 municipal income tax Ohio apportionment ratio is computed in a manner similar to the Ohio corporation franchise tax apportionment ratio.

Municipal Apportionment Ratio (R.C. 5745.02(C)):

For purposes of determining the taxpayer's apportionment ratio for each municipality, the Chapter 5745 municipal income taxpayer's payroll, sales, and property are generally sitused consistent with the franchise tax situsing provisions. However, for purposes of the municipal payroll factor, compensation is sitused based upon the amount of compensation that during the taxable year is earned in the municipality by the taxpayer's employees for services performed for the taxpayer, and that is subject to income tax withholding by the municipality.

Taxable year:

For Chapter 5745 municipal income tax purposes, a municipal income taxpayer's taxable year is the same as the taxpayer's taxable year for federal income tax purposes, regardless of when during the taxable year the taxpayer first entered Ohio and regardless of when during the taxable year the municipal income taxpayer first became subject to the Chapter 5745 tax in a particular municipality.

Adjustments to federal taxable income:

Net intangible income (R.C. 5745.01(G)(1) and (G)(2)) – Taxpayers may deduct intangible income as defined in R.C. 718.01, less expenses incurred in the production of such intangible income, to the extent that the income and expenses are used in determining federal taxable income.

Book-tax difference for electric companies (R.C. 5745.01(G)(3)) – Electric companies may add or subtract the net "book-tax difference" on "qualifying assets." Book tax difference is defined in R.C. 5745.01(G)(3) and 5733.0511 as the "difference between a qualifying asset's net book value on Dec. 31, 2000 and such asset's adjusted basis on Dec. 31, 2000." Qualifying asset is defined in R.C. 5733.0510(B)(3) as any asset on the taxpayer's books as of

Dec. 31, 2000. The book-tax difference may be a negative number.

Book-tax difference adjustment for telephone companies (R.C. 5745.01(G)(5) and R.C. 5733.0511(A)) – For each of the ten taxable years ending in 2009 through 2018, local exchange telephone companies are eligible for a book-tax difference adjustment. For each of those years the adjustment equals one-tenth of the difference between the book value of a qualifying telephone company's assets on Dec. 31, 2003, in accordance with generally accepted accounting principles (GAAP), and the federal adjusted basis of such assets on Dec. 31, 2003. The book-tax difference may be a negative number.

Rates (R.C. 5745.03 (F))

In determining the tax payable to each municipality for the taxpayer's taxable year, the taxpayer must use the certified tax rate in effect for that municipality on the first day of January of the taxpayer's taxable year. If a taxpayer's taxable year is for a period of less than twelve months and that taxable year does not include the first day of January, the tax rate used is the tax rate in effect in a municipality on the first day of January of the preceding taxable year.

Credits (R.C. 5745.06)

If the taxpayer has an interest in a pass-through entity that is also subject to and has paid the Chapter 5745 municipal income tax, then the taxpayer may claim a credit against its own Chapter 5745 liability. The credit equals the qualifying taxpayer's proportionate share of the lesser of either the Chapter 5745 tax due from, or paid by, the qualifying pass-through entity to that municipality for the pass-through entity's taxable year ending in the taxpayer's taxable year.

Special Provisions

Taxpayer elections (R.C. 5745.031):

An "electric light company that is not an electric company" can elect to be a taxpayer under Chapter 5745 if during the company's most recently concluded taxable year, at least 50 percent of the company's total sales in Ohio, as determined under R.C. 5733.059, consist of sales of electricity and other energy commodities. The company must make the election in writing to the Tax Commissioner before the first day of the first taxable year to which the election is to apply. The election is effective for five consecutive taxable years and, once made, is irrevocable for those five years. An "electric light company that is not an electric company" that does not meet the requirements to make the election, or meets the requirements but does not make a timely election, is subject to the filing and payment requirements of each municipality which has enacted an income tax and in which the company has taxable nexus.

Qualified subchapter S subsidiaries and combined companies:

If a taxpayer is a qualified subchapter S subsidiary as defined in Internal Revenue Code (I.R.C.) section 1361 or a disregarded entity, the company's parent S corporation or owner is the taxpayer for the purposes of the municipal income tax.

If the taxpayer is a "combined company," it must adjust the numerator of its municipal property, payroll, and sales factors (but not the numerator of its Chapter 5745 Ohio property, payroll, and sales factors) to include only the company's activity as an electric company, because "for a combined company, only the income attributed from the activity of an electric company shall be subject to taxation by a municipal corporation" (see R.C. 1701.18(F)(6)).

Alternative apportionment methods:

Alternative apportionment methods may also be available to taxpayers (see R.C. 5745.02(E)). If the provisions for apportioning adjusted federal taxable income to Ohio or for apportioning Ohio net income to an Ohio municipality do not fairly represent business activity in Ohio or in a municipality, the Tax Commissioner may adopt rules for apportioning such income by an alternative method that does fairly represent business activity in Ohio or Ohio's municipalities. In addition, if the above provisions for apportioning adjusted federal taxable income to Ohio or for apportioning Ohio net income to an Ohio municipality do not fairly represent the extent of a taxpayer's business activity in Ohio or Ohio's municipalities, the taxpayer may request, or the Tax Commissioner may require, that the taxpayer's adjusted federal taxable income or Ohio net income be determined by an alternative method, including any of the alternative methods enumerated in R.C. 5733.05(B)(2)(d). A taxpayer requesting an alternative method must make the request in writing to the Tax Commissioner either with the annual report, a timely filed amended report, or a timely filed petition for reassessment.

Municipal tax returns (R.C. 5745.03(E)):

A municipality that has enacted an income tax may not require a Chapter 5745 municipal income taxpayer to file a municipal income tax return for that municipality. However, to the extent necessary for a municipality to compute a taxpayer's property, payroll, and sales factors for that municipality, the municipality may require the taxpayer to report to the municipality the value of the taxpayer's real and tangible personal property situated in the municipality, the taxpayer's compensation paid to its employees in the municipality, and the taxpayer's sales made in the municipality.

Filing and Payment Dates (R.C. 5745.02 – .04, R.C. 5745.041)

Remittances are payable to the Treasurer of State.

Estimated payment requirements:

- For each taxable year, each taxpayer must file a declaration of estimated tax report and make payment as follows:
- Not later than the 15th day of the fourth month after the end of the preceding taxable year, the taxpayer must pay at least 25 percent of the combined tax liability for the preceding taxable year, or 20 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the sixth month after the end of the preceding taxable year, the taxpayer must pay at least 50 percent of the combined tax liability for the preceding taxable year, or 40 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the ninth month after the end of the preceding taxable year, the taxpayer must pay at least 75 percent of the combined tax liability for the preceding taxable year, or 60 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the 12th month after the end of the preceding taxable year, the taxpayer must pay at least 100 percent of the combined tax liability for the preceding taxable year, or 80 percent of the combined tax liability for the current taxable year.

The term "combined tax liability" means the total of the taxpayer's income tax liabilities to all Ohio municipalities for a taxable year.

Returns and extensions:

Returns are due by the 15th day of the fourth month following the end of the taxpayer's taxable year. An extension will be granted if, by that date, the taxpayer filed with the Tax Commissioner a copy of the taxpayer's federal extension. The granting of an extension does not extend the last day for paying taxes without penalty unless the Tax Commissioner extends the payment date.

Tax payment by electronic funds transfer (R.C. 5745.03(E), 5745.04(E) and 5745.041):

If any remittance of estimated Chapter 5745 municipal income tax is for $1,000 or more or the amount payable with the report exceeds $1,000, the taxpayer must make the remittance by electronic funds transfer (EFT).

Disposition of Revenue (R.C. 5745.05)

Revenue is distributed to municipal corporations quarterly – by the first day of March, June, September, and December – from the Municipal Income Tax Fund. The Department of Taxation certifies the amount to be distributed to each municipality and receives 1.5 percent of collections into the fund to defray the costs of administering the tax.

Administration (R.C. 5745)

The municipal income tax for electric light companies and local exchange telephone companies is administered and enforced by the Department of Taxation, rather than by the various Ohio municipalities that have enacted a municipal income tax.

Ohio Revised Code Citations

Chapters 5745, 113, 718, 4928, 5703, 5727, and 5733.

Recent Legislation

Substitute House Bill 157, 127th Ohio General Assembly (I.R.C. Conformity Provision, effective December 21, 2007).

Among other provisions this new law amended the R.C. 5701.11 definition of "Internal Revenue Code as amended" and thereby adopted all the changes to the Internal Revenue Code enacted by Congress from Dec. 28, 2006 through Dec. 21, 2007, the effective date of House Bill 157's amendment to R.C. 5701.11.

Amended Substitute House Bill 119, 127th General Assembly (effective Sept. 28, 2007).

The bill:

Established a procedure for refunding the Department of Taxation's administrative fee to municipalities in those instances where the department requires a municipality to refund the taxpayer's overpayment. (R.C. 5745.05(B))

Clarified the circumstances under which the Department of Taxation is required to notify a municipality of the department's adjustment to a particular taxpayer's tax for that municipality. The Department of Taxation is required to notify the municipality of the adjustment only if the adjustment increases or decreases the taxpayer's tax for that municipality for the taxable year by more than $500. Prior law could be interpreted as requiring that the department notify each affected municipality if the aggregate total tax adjustment to all municipalities was more than $500. (R.C. 5745.13)

Changed municipal sales factor terminology. For purposes of situsing sales of electricity to a particular municipality, the R.C. 5745.02(C)(3) municipal sales factor statute specifically applies the franchise tax electricity situsing provisions found in R.C. 5733.059. R.C. 5733.059 situses sales of electricity based on where the **customer** consumes the electricity. On the other hand, the R.C. 5745.02(C)(3) municipal sales factor language referred to the **consumer.** The amendment to R.C. 5745.02(C)(3) substitutes the word "customer" for the word "consumer" making the terminology in R.C. 5745.02(C)(3) consistent with the terminology in R.C. 5733.059.

Table
Revenue from Municipal Income Tax for Electric Light Companies and Telephone Companies: Calendar Years 2003 - 2007

(in millions)

Calendar Year	Total
2003	$15.4 [1]
2004	30.9 [2]
2005	40.9 [3]
2006	32.0 [4]
2007	41.8 [5]

1 Includes $0.5 million distributed to the Muncipal Income Tax Administration Fund.
2 Includes revenue from telephone companies. Also includes $0.2 million distributed to the Municipal Income Tax Administration Fund.
3 Includes revenue from telephone companies. Also includes $0.6 million distributed to the Municipal Income Tax Administration Fund.
4 Includes revenue from telephone companies. Also includes $0.5 million distributed to the Municipal Income Tax Administration Fund.
5 Includes revenue from telephone companies. Also includes $0.6 million distributed to the Municipal Income Tax Administration Fund.

Natural Gas Distribution Tax

The natural gas distribution tax was enacted by the Ohio General Assembly effective July 1, 2001 as part of a larger series of tax changes involving the natural gas industry. The tax was designed to replace the revenue school districts and local governments lost when the assessment rate on the personal property of natural gas distribution companies was reduced from 88 percent to 25 percent.

During Fiscal Year 2007, the tax generated approximately $69.3 million in total revenue.

Taxpayer

Companies that distribute natural gas in Ohio.

Tax Base (Ohio Revised Code 5727.811)

The amount of natural gas distributed through the meter of an end user in this state.

Rates (R.C. 5727.811)

In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user, as measured in 1,000 cubic feet (Mcf):

Distribution to end user	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 or more Mcf per month	4.11 cents

Small distribution companies:

A natural gas distribution company with 50,000 or fewer customers may elect to apply the standard rate schedule to the total amount of natural gas distributed to all its Ohio customers, as if all distribution was made to a single customer.

Flex customers:

The rate on natural gas distributed to flex customers is 2 cents per Mcf.

A flex customer is an industrial or commercial facility that consumed more than one billion cubic feet of natural gas a year at a single location during any of the previous five years, or that purchases natural gas distribution services at a discount as part of:

- a special arrangement subject to review and regulation by the Ohio Public Utilities Commission under R.C. 4905.31;
- a special arrangement with a natural gas distribution company pursuant to a municipal ordinance; or
- a variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.

Exemptions (R.C. 5727.811)

The natural gas distribution tax does not apply to:

- the distribution of natural gas to the federal government;
- natural gas produced by an end user, consumed by that end user or its affiliates, and not distributed through the facilities of a natural gas company.

Filing and Payment Dates (R.C. 5727.82)

Returns and payments are due according to the following schedule:

Quarterly Returns			Due Date
January	-	March	May 20
April	-	June	August 20
July	-	September	November 20
October	-	December	February 20

Disposition of Revenue (R.C. 5727.84)

The School District Property Tax Replacement Fund receives 68.7 percent of revenue and the Local Government Property Tax Replacement Fund receives 31.3 percent.

Administration

The Tax Commissioner administers the tax and the distribution of revenue.

Ohio Revised Code Citations

Chapter 5727.

Natural Gas Distribution Tax Collections and Distributions: Fiscal Years 2003 - 2007

Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2003	$83,690,824	$57,495,596	$26,195,228
2004	76,318,465	52,430,785	23,887,680
2005	73,653,401	50,599,986	23,053,415
2006	69,075,391	47,454,794	21,620,597
2007	69,278,451	47,594,296	21,684,155

Source: Returns filed with the Department of Taxation.

Pass-Through Entity and Trust Withholding Tax

The pass-through entity and trust withholding tax, enacted in 1998, is not so much a separate tax as it is a mechanism designed to collect individual income tax or corporation franchise tax that is otherwise due and payable by equity investors in pass-through entities.

A pass-through entity is an S corporation, a partnership, or a limited liability company (LLC) treated as either a partnership or an S corporation for federal income tax purposes. Each qualifying pass-through entity doing business in Ohio or otherwise having nexus with Ohio is subject to the pass-through entity withholding tax. Qualifying trusts are also subject to the tax; see **Special Provisions** for details.

Many pass-through entities are not "qualifying" pass-through entities and therefore are not subject to this tax. Pass-through entities not subject to the tax include entities whose investors are limited to full-year Ohio resident individuals, Ohio resident estates, or corporations that pay the Ohio corporation franchise tax. A more complete listing of exempt pass-through entities is available in **Exemptions and Exclusions.**

The tax is primarily collected through the use of two forms: form IT-1140 and form IT-4708. An explanation of each follows:

IT-1140 – The IT-1140 is a withholding form that is completed and filed by the pass-through entity. In this sense, it is somewhat analogous to a W-2. Through this form, a tax of 5 percent is withheld from the income of all qualifying individual investors and an entity tax is calculated on the income of qualifying investors that are not individuals. The entity tax, historically 8.5 percent, is being phased out for certain corporate investors as part of the phase-out of the corporation franchise tax (see **Entity Tax Phase-Out for Qualifying Investors** below). When completing their own tax returns, each qualifying investor may claim an income tax credit or a corporation franchise tax credit based on the investor's proportionate share of the pass-through withholding tax and entity tax withheld through the IT-1140.

IT-4708 – This form is a composite return completed and filed by the pass-through entity on behalf of one or more of the entity's investors for whom income tax has not been previously withheld. This form is somewhat analogous to an IT-1040; by being included in form IT 4708, nonresident noncorporate investors meet their filing and payment obligation with respect to that income and need not file a separate individual income tax return unless they have other Ohio-source income. On the IT-4708, the tax is calculated at the highest individual income tax rate for the taxable year for which the return is filed. Note: Investors that are C corporations may not be included on the form.

The most recent data for pass-through entity tax collections is from tax and Fiscal Year 2006. During taxable year 2006, some 11,391 pass-through entity taxpayers filed returns on form IT 1140. The liability from the 5 percent withholding tax component of these returns was $94.2 million. The entity tax liability amounted to $23.4 million. Thus, the total taxable year 2006 pass-through entity tax liability was $117.6 million.

During the 2006 taxable year, some 4,105 IT 4708 returns were filed for the composite income tax paid on behalf of nonresident investors in pass-through entities. Revenue from these returns amounted to $104.4 million.

Entity Tax Phase-Out for Qualifying Investors:

The entity tax that a pass-through entity must withhold is also being phased out for qualifying investors that are also subject to the phase-out of the corporation franchise tax. The phase-out schedule is shown in the following table:

Pass-Through Entity's Taxable Year Ending in:	Pass-Through Entity's Tax Rate on Ohio Income that Passes-Through to Its Qualifying Investors Subject to the Franchise Tax Phase-Out
2005	6.8% (80% × 8.5%)
2006	5.1% (60% × 8.5%)
2007	3.4% (40% × 8.5%)
2008	1.7% (20% × 8.5%)
2009 and thereafter	0% (0% × 8.5%)

Certain qualifying investors are not subject to the phase-out rates. For these investors, the pass-through entity must continue to compute the entity tax at the rate of 8.5 percent. These investors include:

- Estates, trusts and other pass-through entities.
- Financial holding companies as defined in the federal Bank Holding Company Act.
- Bank holding companies as defined in the federal Bank Holding Company Act.
- Savings-and-loan holding companies as defined in the federal Home Owners Loan Act that are engaging only in activities permissible under 12 United States Code (USC) 1843(k).
- Persons, other than persons held pursuant to merchant banking authority under 12 USC 1843(k)(4)(h) or 12 USC 1843(k)(4)(i), directly or indirectly "owned" by one or more financial institutions, financial holding companies, bank holding companies, or savings-and-

- loan holding companies, but only if those persons are engaged in activities permissible for a financial holding company under 12 USC 1843(k).
- Persons directly or indirectly "owned" by one or more insurance companies, but only if those persons are authorized to do the business of insurance in this state.
- Persons that solely facilitate or service one or more "securitizations" or similar transactions for financial institutions, financial holding companies, bank holding companies, savings-and-loan holding companies, insurance companies, or persons directly or indirectly "owned" by such businesses.

Taxpayer (Ohio Revised Code 5733.40, 5747.08)

A qualifying pass-through entity is generally an S corporation, a partnership, or an LLC treated as a partnership or S corporation for federal income tax purposes. See **Exemptions and Exclusions** for a list of pass-through entities excluded from the definition of a qualifying pass-through entity.

Tax Base (R.C. 5733.40, 5747.02, 5747.08, 5747.40, 5747.401)

Form IT 1140:

The tax base is the sum of the "adjusted qualifying amounts" of the entity's qualifying investors. The "adjusted qualifying amount" is the net sum of each qualifying investor's distributive share of the income, gain, expense, or loss of a pass-through entity, multiplied by the apportionment ratio.

Form IT 4708:

The tax base is the sum of the allocated and apportioned distributive share income amounts for those qualifying noncorporate investors for which the pass-through entity has not filed form IT 1140.

Rates (R.C. 5733.41, 5747.02, 5747.08, 5747.41)

Form IT 1140:

A 5 percent withholding tax rate applies to the sum of adjusted qualifying amounts for those qualifying equity investors who are individuals.

Before 2005, an 8.5 percent entity tax rate was uniformly applied to the sum of adjusted qualifying amounts for those qualifying equity investors that are not individuals. But this entity tax is being phased out for those "adjusted qualifying amounts" that pertain to qualifying investors subject to the phase-out of the corporation franchise tax. For details and exceptions, see **Entity Tax Phase-Out for Qualifying Investors.**

No tax is due if the total adjusted qualifying amount is $1,000 or less.

Form IT 4708:

The applicable rate is the highest marginal individual income tax rate, which for the 2007 taxable year was 6.555 percent.

Exemptions and Exclusions (R.C. 5733.40, 5733.401, 5733.402, 5747.08(D), 5747.401)

Form IT 1140:

Qualifying pass-through entities do not include the following:

- entities having no qualifying investors (see below for a list of investors that do not qualify);
- pension plans and charities;
- publicly-traded partnerships;
- real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
- any entity treated as a "disregarded entity" for federal income tax purposes (see "Check the Box" U.S. Treasury regulations);
- qualified subchapter S subsidiary corporations (if the parent S corporation has qualifying investors, the parent S corporation is a pass-through entity which must compute the tax on a consolidated basis with all its qualifying subchapter S subsidiaries);
- any pass-through entity if all the equity investors are a combination of Ohio corporation franchise taxpayers or corporations exempt under R.C. 5733.09 from the Ohio corporation franchise tax.

A qualifying equity investor is any investor other than the following:

- pension plans or charities;
- publicly-traded partnerships;
- colleges or universities;
- public utilities required to pay the Ohio public utility excise tax;
- insurance companies, fraternal corporations, beneficial corporations, bond investment corporations, health maintenance organizations, or any other corporation required to file an annual report with the Ohio Superintendent of Insurance;
- dealers in intangibles;
- real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
- individuals who are residents of Ohio for the qualifying pass-through entity's entire taxable year;
- estates or trusts that are residents of Ohio for the qualifying pass-through entity's entire taxable year;
- nonresident individuals on whose behalf the qualifying pass-through entity files Ohio form IT 4708;
- financial institutions required to pay the Ohio corporation franchise tax;
- investors that are themselves qualifying pass-through entities if the investee qualifying pass-through entities' investors, during the three-year period beginning 12 months prior to the first day of the taxable year,

are limited to those types of investors listed above;

- investors that are themselves pass-through entities, but only if the owners of those other pass-through entities are limited to: (1) individuals who are full-year residents of Ohio; (2) estates domiciled in Ohio; (3) nonresident individuals on whose behalf those other pass-through entities file Ohio form IT-4708; and/or (4) nonresident estates on whose behalf those other pass-through entities file Ohio form IT 4708 for the taxable year;
- corporate investors that satisfy the following three requirements: (1) the investor submits a written statement to the qualifying pass-through entity stating that the investor agrees that the investor has nexus with Ohio and is liable for corporation franchise tax with respect to the investor's distributive share of income attributable to the pass-through entity; (2) the investor makes a good faith and reasonable effort to comply with the corporation franchise tax reporting and payment requirements; and (3) neither the investor nor the qualifying pass-through entity carries out any transactions that would result in a reduction or deferral of corporation franchise tax;
- trusts or funds whose beneficiaries are limited to the following during the taxable year of the qualifying pass-through entity: (1) persons that are or may be beneficiaries of a pension plan trust, profit-sharing trust, a stock bonus plan trust or similar retirement trust; or (2) persons that are or may be beneficiaries of or the recipients of payments from a trust or fund that is a nuclear decommissioning reserve fund, a designated settlement fund, or any other similar trust or fund established to resolve and satisfy injury claims; or (3) persons who are or may be the beneficiaries of a complex trust, but only if the trust irrevocably agrees in writing that, for the taxable year during or for which the trust distributes any of its income to any of its beneficiaries who are individuals residing outside Ohio, the trust will withhold tax as required under R.C. 5747.41 through 5747.453;
- "investment pass-through entities," but only if the investment pass-through entity provides to the qualifying pass-through entity the name, address, and social security number of each person who has an equity investment in the investment pass-through entity.

Form IT 4708:
The following investors cannot be included in form IT 4708:

- C corporations subject to the corporation franchise tax;
- an investor that is a trust to the extent that any direct or indirect, current, future, or contingent beneficiary of the trust is a C corporation subject to the corporation franchise tax;
- an investor that is itself a pass-through entity to the extent that any direct or indirect investor in that pass-through entity is a C corporation subject to the corporation franchise tax.

Special Provisions (R.C. 5747.08)

Form IT 1140:
Qualifying trusts – Qualifying trusts are also subject to the 5 percent withholding tax. A qualifying trust is generally any trust that meets all four of the following tests:

- it is required to file IRS form 1041;
- it has at least one beneficiary who is neither a full-year Ohio resident individual nor an Ohio resident estate;
- it makes a distribution to a nonresident beneficiary; and
- the distribution relates either to real estate located in Ohio or to tangible personal property located in Ohio.

If an entity is a trust whose beneficiaries are limited to full-year Ohio resident individuals or Ohio resident estates, then it is not a qualifying trust and is not subject to the pass-through entity tax. The filing, payment, and credit provisions that apply to qualifying pass-through entities and investors also apply to qualifying trusts and beneficiaries.

Pass-through to pass-through – The 8.5 percent withholding tax does not apply to any pass-through entity to the extent that the pass-through entity's distributive shares of income and gains pass through from that entity to another pass-through entity (referred to as the "investing entity"), as long as four conditions are met by the investing entity:

- it is not an "investment pass-through entity" (see below);
- it acknowledges that it has nexus with Ohio during the taxable year;
- it makes a good faith effort to comply with the 8.5 percent entity tax and 5 percent withholding tax; and
- it includes in its apportionment factors its proportionate share of each lower-tiered pass-through entity's property, payroll, and sales.

Investment pass-through entities – Neither the 8.5 percent entity tax nor the 5 percent withholding tax apply to the items and income, listed below, that are earned by an "investment pass-through entity." An investment pass-through entity is a pass-through entity having at least 90 percent of its assets represented by intangible assets and having at least 90 percent of its gross income from one or more of the following sources: dividend income, interest income, net capital gains from the sale or exchange of intangible property, certain fees, and all types and classifications of income and gain attributable to distributive shares of income and gain from other pass-through entities.
Investment pass-through entity investors – An investment pass-through entity investor (or "deemed investor") in an entity, shall be deemed to be an investor in any other qual-

ifying pass-through entity in which the investment pass-through entity is a direct investor. Each deemed investor's portion of such qualifying pass-through entity's adjusted qualifying amount will be the product of the adjusted qualifying amount which would otherwise pass-through to the investment pass-through entity and the percentage of the deemed investor's direct ownership in the investment pass-through entity.

Form IT 4708:

A pass-through entity cannot claim nonbusiness exemptions or nonbusiness credits, such as the personal exemption credit. However, the pass-through can claim a proportionate share amount of business credits (such as the job training credit) for those investors that are included on the pass-through entity's return.

Also, the election to file a composite IT 4708 return applies only to the taxable year for which the election is made. Unless the Tax Commissioner provides otherwise, this election is binding and irrevocable for the taxable year for which the election is made.

Filing and Payment Dates (R.C. 5747.08, 5747.09, 5747.42, 5747.43, 5747.44, and Ohio Administrative Code 5703-7-01)

Form IT 1140:

Qualifying pass-through entities whose total "adjusted qualifying amounts" exceed $10,000 must make estimated quarterly tax payments on form IT 1140 ES.

The IT 1140 must be filed by the 15th day of the fourth month following the end of the entity's taxable year. For taxpayers with a Jan. 1 through Dec. 31 taxable year, the return is due on April 15. If the entity has sought an extension of time to file its federal tax return (IRS form 1065 or 1120 S), then the qualifying pass-through entity has the same extended time to file the Ohio tax return. The payment deadline, however, will not be extended.

Form IT 4708:

The pass-through entity must make estimated tax payments on form IT 4708 ES if the pass-through entity's tax due for the current year is more than $500.

The return is generally due on April 15 of the calendar year immediately following the calendar year in which the pass-through entity's taxable year ends. If the pass-through entity has sought an extension of time to file its federal tax return, then the pass-through entity has the same extended time to file the Ohio return on form IT 4708.

Disposition of Revenue

The revenue collected from the 5 percent withholding tax and the form IT 4708 tax is treated as individual income tax revenue. In FY 2006, 91.4 percent was deposited in the General Revenue Fund, 4.7 percent was deposited in the Library and Local Government Support Fund, 3.4 percent was deposited in the Local Government Fund, and 0.5 percent was deposited in the Local Government Revenue Assistance Fund.

Revenue collected from the 8.5 percent entity tax is treated as corporation franchise tax revenue. In FY 2006, 95.4 percent was deposited in the General Revenue Fund, 3.5 percent was deposited in the Local Government Fund, 0.5 percent was deposited in the Local Government Revenue Assistance Fund, and 0.3 percent was deposited in litter tax funds and the Attorney General claims fund.

These distributions were in accordance with the freeze of local government funds that began in FY 2002 and was continued by subsequent budget bills. In House Bill 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January, 2008, all income tax and corporation revenue will be directed to the General Revenue Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

Administration

The Tax Commissioner administers the tax and the distribution of revenue to the various funds.

Ohio Revised Code Citations

Chapters 5733 and 5747.

Recent Legislation

Am. Sub. H.B. 157, 127th General Assembly (effective Dec. 21, 2007).

Incorporated into Ohio's tax laws Internal Revenue Code changes made between Dec. 28, 2006 and Dec. 21, 2007.

Substitute H.B. 149, 126th General Assembly (effective April 4, 2007).

Granted a refundable credit to owners of historic buildings for the expenditures paid or incurred to rehabilitate certain historic buildings in Ohio. The credit, if approved by the Ohio Department of Development, equals 25 percent of the owner's "qualified rehabilitation expenditures" paid or incurred during the 24- or 60-month rehabilitation period shown on the taxpayer's tax credit certificate. Owners can claim the credit against the franchise tax, dealer in intangibles tax or income tax liability. Franchise taxpayers that are issued the certificate may claim the credit even if, because of the phase-out, the taxpayer is no longer subject to the franchise tax.

Table 1
Pass-Through Entity Tax Liability (Form IT 1140)
Tax Years 2003 - 2006

(figures in millions)

Tax Year	Withholding Tax (5.0%)	Entity Level Tax (8.5%)	Total Pass-Through Entity Tax Liability
2003	$62.6	$14.4	$77.0
2004	71.4	20.2	91.6
2005	91.2	37.9	129.1
2006	94.2	23.4	117.6

Table 2
Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form it 4708): Fiscal Years 2003 - 2006

(figures in millions)

Fiscal Year	Revenue Collected[1]
2003	$67.3
2004	75.5
2005	101.7
2006	104.4

1 Includes estimated tax payments (form IT 4708 ES).

Public Utility Excise Tax

Ohio's public utility excise tax is a tax on the privilege of doing business in Ohio, measured by gross receipts. It dates back to 1894.

Classes of utilities that are liable for the public utilities tax include natural gas, heating, pipeline, telegraph, water transportation and water works companies. Companies liable for this excise tax do not pay the corporation franchise tax or the commercial activity tax.

Gross receipts comprise the tax base for the utility classes, with rates of 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers.

Close to $189 million in public utility excise tax liabilities were reported during the 2006 tax year. Of this, natural gas companies accounted for about 97 percent of total tax reported.

Total revenue collected from the public utility tax amounted to $171.3 million in Fiscal Year 2007. Of that, 5.6 percent was distributed to the Local Government Fund, 0.8 percent was distributed to the Local Government Revenue Assistance Fund, and 93.6 percent was distributed to the General Revenue Fund.

Taxpayer

Taxpayers with public utilities excise tax liability include heating, pipeline, water transportation, water works, and natural gas companies. Although there are no telegraph companies in Ohio, such companies would also be subject to the tax.

Public utilities owned by municipal corporations are exempt from the tax. So are all telephone companies, inter-exchange telecommunications companies, electric companies, rural electric companies, nonprofit water companies, and railroads.

Tax Base (Ohio Revised Code 5727.01)

The tax is measured by taxable gross receipts.

Rates (R.C. 5727.25 and 5727.38)

The tax rate is 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers. A minimum tax of $50 applies each tax year.

Exemptions and Deductions

(R.C. 5727.05, 5727.33)

All companies receive a standard deduction of $25,000. Since May 1, 2000, natural gas companies that pay quarterly receive a $6,250 deduction on each quarterly return.

Additionally, the following gross receipts are exempt from the tax:

- amounts attributable to sales of merchandise.
- receipts derived wholly from interstate business.
- sales to other public utilities for resale.
- receipts from business done for the federal government.
- amounts billed on behalf of other entities by natural gas companies.

Credits (R.C. 5727.29, 5727.241)

Natural gas companies that pay quarterly are able to take a refundable credit against their quarterly payments equal to one-sixtieth of their total estimated payments made in October 1999, March 2000, and June 2000. This credit could first be claimed on the return filed on or before Nov. 15, 2001. It will expire when the entire amount of the estimated payments is taken as the credit or in 15 years, whichever comes first.

Also, starting with the third quarter filings in 2005, natural gas companies may claim a refundable or nonrefundable venture capital credit against the excise tax due. The credit amount and tax year in which the venture capital credit may be claimed shall be listed on a tax credit certificate issued by the Ohio Venture Capital Authority.

Filing and Payment Dates

Most taxpayers:

Annual statements – Company annual statements (returns) are due to the Tax Commissioner by Aug.1 for the tax year ending April 30 (June 30 for telegraph companies). Taxpayers may request an extension of up to 60 days.

Tax certifications – By the first Monday in November, the Tax Commissioner assesses the amount of tax due for the year and certifies that amount both to the company and to the Treasurer of State.

Advance payments (R.C. 5727.25 and R.C. 5727.31) – Companies with a tax liability of $1,000 or more during the preceding year are required to make three advance payments, each in an amount equal to one-third of the previous year's certified tax liability. These advance payments are due to the Treasurer of State on Oct.15, March 1, and June 1.

Final payments (R.C. 5727.42) – When the current year's total tax liability exceeds the sum of the three advance payments, a final payment is due for the difference. Bills are generally issued in November, within 20 days of certification by the Tax Commissioner, and are due 30 days after their mailing by the Treasurer of State. A refund is issued if advance payments exceed the total liability certified by the Tax Commissioner.

Natural gas companies:

Beginning May 1, 2000, natural gas companies that exceeded $325,000 in annual liability began paying the excise tax quarterly. Quarterly payments are due 45 days after the end of each calendar quarter.

Natural gas companies below the $325,000 threshold pay annually, with payment due 45 days after the last day of the fourth quarter.

Disposition of Revenue

(R.C. 5727.45)

In Fiscal Year 2007, the Local Government Fund received 5.6 percent, the Local Government Revenue Assistance Fund 0.8 percent, and the General Revenue Fund 93.6 percent of public utility excise tax collections.

This distribution was structured by H.B. 66, 126th General Assembly, the FY 2006-2007 biennium budget bill, which continued a freeze on local government funds that began in FY 2002. For each month of FY 2007, the Local Government Fund and Local Government Revenue Assistance Fund received a designated amount stipulated in the budget bill (see chart in this chapter).

In H.B. 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January, 2008, all public utility excise tax revenue will be directed to the General Revenue Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

Administration

The Tax Commissioner administers the tax and certifies to the Treasurer of State the amounts to be collected.

Ohio Revised Code Citations

Chapters 5703 and 5727.

Chart
Distribution of Revenue, Public Utility Excise Tax Collections: Fiscal Year 2007
(figures in millions)

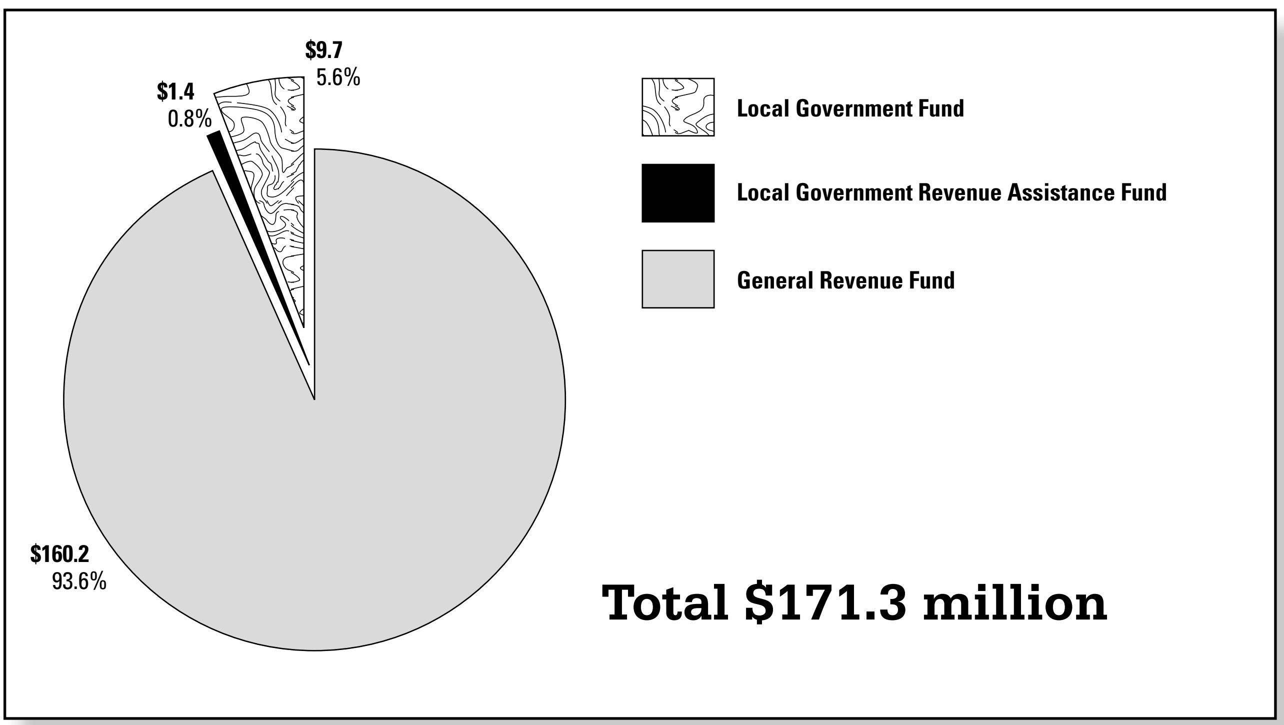
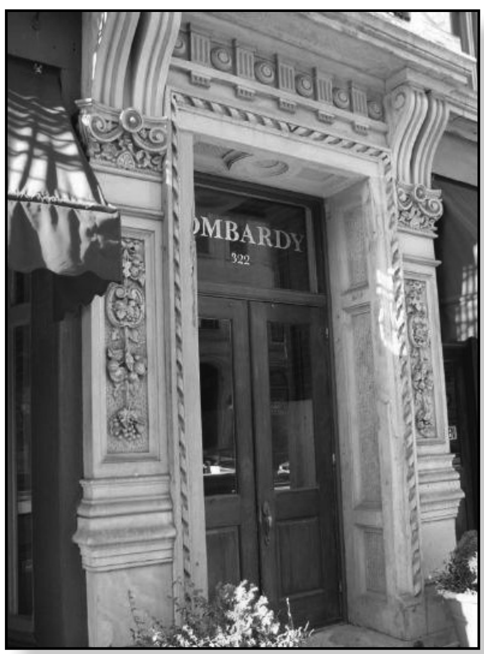


Table
Public Utility Excise Tax Levied By Class of Utility: Tax Years 2002 - 2006[1]

Class of Utility	Number of Taxpayers in 2006	Tax Rate 2006	Tax Year 2002[5]	2003	2004	2005	2006
Electric	0	0	0	0	0	0	0
Natural Gas[2]	29	4.75%	$142,793,886	$145,553,831	$144,259,415	$161,505,284	$183,273,754
Telephone[4]	0	0	123,114,681	117,333,061	106,197,855	0	0
Rural Electric	0	0	0	0	0	0	0
Water Works	16	4.75	2,895,320	3,182,696	3,090,875	3,142,948	3,340,085
Pipeline	15	6.75	233,487	278,723	147,777	349,816	437,523
Other[3]	7	4.75	1,707,891	1,657,460	1,650,390	1,617,721	1,878,200
Total	**71**		**$270,745,265**	**$268,005,771**	**$255,346,310**	**$166,615,769**	**$188,929,562**

1 Amount of tax certified for collection (except for natural gas companies in 2001).
2 Beginning in 2001, natural gas companies use a current payment schedule and measurement period; the figures represent tax payments made by natural gas companies during fiscal years 2002 through 2006.
3 Includes water transportation and heating.
4 Beginning in 2005, telephone companies are no longer subject to the public utility excise tax.
5 Beginning in 2002, electric and rural electric companies are no longer subject to the public utility excise tax.



Public Utility Property Tax

This chapter describes the taxes levied on both the real and personal property of public utilities during tax year 2006. However, the data in the tables in this section pertain only to the personal property of public utilities. Data for public utility real property are included in the tables in the **Real Property Tax** chapter.

The assessed valuation of public utility personal property was approximately $9.6 billion in tax year 2006. Electric utilities accounted for about 60.4 percent of the total public utility personal property valuation in 2006 and the telephone industry accounted for 17.9 percent of the total valuation. These amounts were determined using the tax year 2006 assessment rates.

Revenue from the public utility property tax amounted to about $745.8 million in calendar year 2006 (see Table 1 in **Revenue from Taxes Administered by the Tax Commissioner**). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied locally, less local administrative deductions.

A number of changes to the public utility property tax were enacted during the 126th General Assembly in Amended Substitute House Bill 66, the biennium budget bill for Fiscal Years 2006-2007 (see **Recent Legislation**). These changes will, over time, decrease revenue from some utilities.

Taxpayer

Local telephone, telegraph, electric, natural gas, pipeline, water works, water transportation, heating, rural electric, railroads, and inter-exchange telephone companies holding property in Ohio.

Tax Base (Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

The property tax base of all public utilities, except railroads and water transportation companies, consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The water transportation company tax base consists of all tangible personal property, except watercraft, owned or operated in Ohio on Dec. 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year.

Real property includes land and improvements. Personal property includes all plant and equipment either owned or leased by the utility under a sale-lease back agreement, and not classified as real property or intangible property.

For most public utility personal property, true value is the capitalized cost less the composite annual allowances, which vary according to the actual age and expected life of the property.

The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost, except for the production equipment of electric or rural electric companies purchased, transferred or sold after July 6, 1999, the date when the electric deregulation legislation known as Senate Bill 3 became effective. The true value of production equipment purchased, transferred or sold after this date is the capitalized cost on the books and records, less composite annual allowances.

The true value of current gas (gas available for market) stored underground is the monthly average value of such gas, determined by dividing the cost of the ending monthly balances by the number of months in business. The true value of non-current gas (gas not available for market that provides pressure for cycling current gas) stored underground is 35 percent of cost on the tax lien date.

To determine the true value of railroad real and personal property, the unitary method is used to value the company's entire railroad system. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. Values for railroad real property used in operation are apportioned on the basis of their relative value, while values for railroad personal property used in operation are apportioned on the basis of miles of track in each taxing district, weighted according to traffic density. Values for railroad real and personal property not used in operation are sitused on the basis of their physical location.

Public utility real property is assessed at 35 percent of true (market) value while public utility personal property is assessed at varying ratios. Those assessment rates are shown in the exhibit in this chapter for tax years 2005 through 2010.

Real property values of all utilities except railroads are assigned to local taxing districts throughout Ohio according to the physical location of the property.

The taxable personal property values of all utilities are apportioned among the taxing districts as described below:

- Natural gas, heating, pipeline, water works, rural electric and water transportation companies: Taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.

- Electric companies: For production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located. For all other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Telephone and inter-exchange telecommunications companies: Taxable value is apportioned in proportion to the total miles of wire located in each taxing district as compared to the miles of wire for the entire state. For companies that have no miles of wire in the state, the taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all taxable personal property physically located in the state.
- Railroads: Taxable value is apportioned according to the miles of track and trackage rights, weighted by use.

Rates (R.C. 319.30, 319.301, 5705.02-.05, 5705.19)

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations and school districts.

Although the nominal tax rates applied to public utility real and personal property are the same, the effective rates on the two types of property may differ substantially because of the effects of the tax reduction factors applied according to R.C. 319.301, commonly known as "House Bill 920." For details on tax reduction factors, see the section on credits in **Real Property Tax.**

Tax reduction factors do not apply to the taxes levied on public utility personal property.

Exemptions and Credits (R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31)

The following types of property are exempt:

- municipally-owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction.
- the real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

Other available exemptions are described below.

- Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.
- An allowance is available for funds used during construction and interest used during construction. This does not apply to electric company and rural electric company property, except transmission and distribution property first placed into service after Dec. 31, 2000. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

Reporting, Certification, and Payment Dates

Dates	R.C.	Description
March 1[1]	5727.08 5727.48	Company's annual report to Tax Commissioner
On or before the first Monday in October	5727.10 5727.23	Tax Commissioner notifies utilities and county auditors of values
December 31[2]	323.12 323.17	At least half of total tax liability due
June 20[2]	323.12 323.17	Balance of tax liability due

1 Tax Commissioner may grant an extension of up to 60 days.
2 These deadlines may be extended by 45 days (longer in certain circumstances).

Disposition of Revenue (R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.34)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each.

Administration (R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

Ohio Revised Code Citations

Chapters 319, 321, 323, 5701, 5705, 5709, 5715, 5719, 5727, and 6111.

Recent Legislation

Am. Sub. House Bill 66, 126th General Assembly (Fiscal Year 2006-2007 biennium budget bill, effective June 30, 2005).

This bill enacted a number of changes to the public utility property tax.

Beginning in 2006:

- Patterns, jigs, dies, and drawings will be considered taxable personal property of electric companies;

- assessment percentage of electric transmission and distribution personal property is reduced from 88 percent to 85 percent;
- assessment percentage of all other electric personal property is reduced from 25 percent to 24 percent;
- non-operating real property of a railroad will be valued and assessed by the county auditor; and
- assessment of railroad personal property will be phased out over three years. The assessment percentage on railroad personal property will be 18.75 percent in 2006, 12.5 percent in 2007, 6.25 percent in 2008, and 0 percent in 2009 and thereafter.

Beginning in 2007:

- Telephone companies and inter-exchange telecommunications companies will be defined as general business taxpayers instead of public utilities;
- all telephone and inter-exchange telecommunications companies will use the same composite allowances and other valuation procedures as prescribed by the Tax Commissioner for such property for tax year 2006 in tax year 2007 and subsequent tax years, unless otherwise notified of any changes;
- telephone and inter-exchange telecommunications companies will be listed and assessed under R.C. 5711 and the taxable value of telephone and inter-exchange telecommunications personal property will continue to be apportioned under R.C. 5727;
- assessment of telephone and inter-exchange telecommunications personal property will be phased out over three years; and
- assessment percentage for all telephone and inter-exchange telecommunications personal property will be 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5.0 percent in 2010, and 0 percent in 2011.

Beginning in 2009:

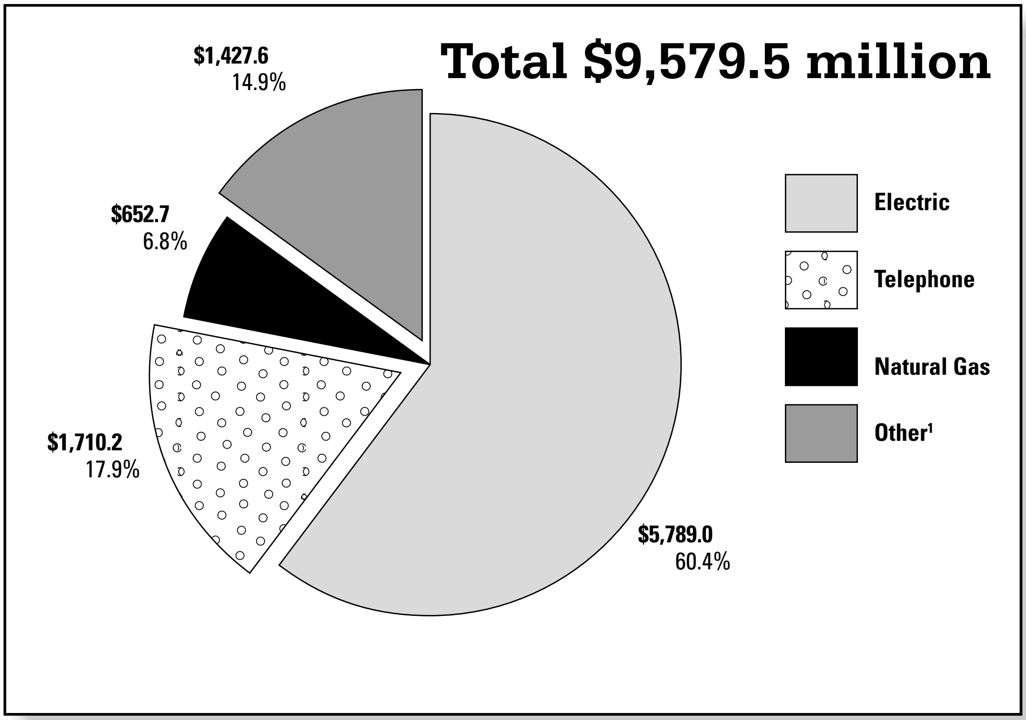
- Any person or entity that is not a public utility or an inter-exchange telecommunications company and that leases its personal property to a public utility will be considered a "public utility lessor" and will be required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except: (1) property leased to a public utility in a sale and leaseback transaction, and (2) property leased to a railroad, water transportation, telephone, or telegraph company. See R.C. 5727.01(M) for more information.
- Additionally, R.C 5727.031 requires a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others to be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties.

Exhibit
Public Utility Personal Property Assessment Rates: Tax Years 2005 - 2010

Type of Utility	Assessment Rates For Tax Year 2005	2006	2007	2008	2009	2010
Electric companies and rural electric companies: production personal property	25%	24%	24%	24%	24%	24%
Electric companies: transmission and distribution personal property	88%	85%	85%	85%	85%	85%
Electric companies: all other tangible personal property	25%	24%	24%	24%	24%	24%
Rural electric companies: transmission and distribution personal property	50% for all years					
Rural electric companies: all other tangible personal property	25% for all years					
Natural gas companies	25% for all years					
Railroads: real property only	35% for all years					
Railroads: personal property only	25%	18.75%	12.5%	6.25%	0%	0%
Inter-exchange telecommunications companies	25%	25%	20%	15%	10%	5%
Telephone companies (only personal property taxed in tax year 1995 and thereafter)	25%	25%	20%	15%	10%	5%
All other existing telephone company personal property (prior to 1995)	67%	46%	20%	15%	10%	5%
Heating, pipeline, and water works companies	88% for all years					
Water transportation companies	25% for all years					

Chart
Public Utility
Personal Property Valuation by Type of Utility: Tax Year 2006

(figures in millions)



1 Includes railroad, pipeline, rural electric, water works, water transportation, and heating.

Table 1
Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2002 - 2006

Class of Utility	Number of Taxpayers 2006	Assessed Values 2002	2003	2004	2005	2006
Electric[1]	18	$5,457,071,420	$5,450,273,000	$5,523,375,530	$5,702,660,740	$5,789,028,700
Telephone[2]	175	2,776,522,250	2,627,731,270	2,571,456,080	2,082,059,560	1,710,226,520
Natural Gas[3]	29	555,361,960	560,131,920	591,653,220	622,753,060	652,656,240
Railroad	36	262,126,650	275,488,860	270,911,390	280,935,810	221,809,710
Pipeline	16	638,727,270	645,206,580	695,838,050	719,356,480	733,341,850
Rural Electric	27	279,920,260	294,763,870	308,889,580	322,366,860	337,995,440
Water Works	16	102,110,620	119,104,530	122,202,520	130,002,630	131,570,430
Other[4]	7	4,017,170	3,675,010	3,010,510	2,737,940	2,837,390
Totals[5]	**342**	**$10,075,857,600**	**$9,976,375,040**	**$10,087,336,880**	**$9,862,873,080**	**$9,579,466,280**
Taxes Levied		**$746,058,859**	**$751,787,109**	**$775,375,587**	**$755,171,101**	**$745,800,863**

1 Assessment of electric company property was lowered from 100 percent to 25 percent in 2001, while the number of taxpayers increased from 14 (2000) to 17 (2001) and has fluctuated in subsequent years.
2 Includes inter-exchange telecommunications companies.
3 Assessment of natural gas company property was lowered from 88 percent to 25 percent in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.
4 Includes water transportation and heating.
5 Only companies with taxable property are included.

Source: Department of Taxation

Table 2
Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2006

County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	$159,411,680	$7,000,744	LOGAN	$38,809,120	$2,493,155
ALLEN	89,476,040	5,017,110	LORAIN	279,431,280	23,215,043
ASHLAND	61,198,010	4,235,620	LUCAS	272,674,520	25,480,157
ASHTABULA	104,832,880	7,915,381	MADISON	31,568,360	2,075,973
ATHENS	81,715,810	6,274,074	MAHONING	185,871,570	14,588,424
AUGLAIZE	26,776,320	1,568,352	MARION	60,531,060	3,942,734
BELMONT	72,671,240	4,453,855	MEDINA	102,264,740	9,326,824
BROWN	27,223,880	1,387,448	MEIGS	37,740,830	1,860,799
BUTLER	236,656,000	17,525,166	MERCER	22,967,370	1,327,543
CARROLL	43,136,420	2,281,422	MIAMI	60,254,860	4,239,326
CHAMPAIGN	27,755,380	1,756,310	MONROE	44,586,620	2,200,687
CLARK	79,695,140	5,934,513	MONTGOMERY	339,882,078	32,127,515
CLERMONT	282,286,450	19,403,515	MORGAN	57,195,780	3,225,317
CLINTON	31,866,370	1,606,223	MORROW	26,152,980	1,419,317
COLUMBIANA	81,433,320	4,696,902	MUSKINGUM	79,420,980	5,174,647
COSHOCTON	86,710,000	4,524,768	NOBLE	35,096,320	1,655,791
CRAWFORD	26,869,670	1,953,306	OTTAWA	123,904,690	7,273,795
CUYAHOGA	840,465,690	88,194,996	PAULDING	27,450,770	1,558,240
DARKE	53,652,890	2,649,149	PERRY	42,620,900	2,658,850
DEFIANCE	56,059,610	3,506,807	PICKAWAY	66,427,930	3,898,292
DELAWARE	143,041,490	10,831,946	PIKE	32,964,211	1,835,091
ERIE	64,700,600	5,355,179	PORTAGE	93,544,950	8,434,442
FAIRFIELD	104,442,650	7,679,055	PREBLE	36,768,330	1,968,025
FAYETTE	31,730,990	1,766,236	PUTNAM	28,465,750	1,441,093
FRANKLIN	745,706,020	74,642,396	RICHLAND	96,158,960	7,321,219
FULTON	43,010,670	3,197,689	ROSS	61,682,170	3,654,771
GALLIA	159,817,970	6,505,848	SANDUSKY	45,922,420	2,616,856
GEAUGA	72,092,480	7,011,101	SCIOTO	77,228,740	4,532,833
GREENE	96,011,820	7,475,092	SENECA	55,628,000	3,522,835
GUERNSEY	48,240,900	2,843,203	SHELBY	40,571,310	2,373,617
HAMILTON	717,826,440	64,410,915	STARK	264,161,620	20,144,173
HANCOCK	59,749,310	3,559,441	SUMMIT	289,607,210	26,216,794
HARDIN	24,169,130	1,339,096	TRUMBULL	135,367,260	10,088,806
HARRISON	20,511,660	1,223,964	TUSCARAWAS	70,521,320	4,416,205
HENRY	23,001,250	1,582,606	UNION	55,416,250	4,071,824
HIGHLAND	27,488,750	1,269,176	VAN WERT	20,384,690	1,379,433
HOCKING	50,424,140	3,081,375	VINTON	26,802,180	1,225,025
HOLMES	27,319,890	1,544,627	WARREN	155,539,600	12,734,698
HURON	36,038,950	2,176,766	WASHINGTON	132,741,070	6,934,926
JACKSON	42,996,080	1,886,612	WAYNE	66,291,030	4,980,942
JEFFERSON	228,117,170	12,474,624	WILLIAMS	24,534,520	1,707,104
KNOX	39,534,460	2,438,917	WOOD	88,016,230	6,970,039
LAKE	370,224,700	30,438,717	WYANDOT	14,657,540	744,923
LAWRENCE	63,322,760	2,353,395			
LICKING	126,951,180	7,769,127	**TOTAL**	**$9,684,192,379**	**$745,800,863**

Real Property Tax

The real property tax is Ohio's oldest tax. It has been an ad valorem tax – meaning, based on value – since 1825, and the Ohio constitution has generally required property to be taxed by uniform rule according to value since 1851.

The Department of Taxation ensures uniformity through its oversight of the appraisal work of Ohio's county auditors. According to state law and department rules, auditors conduct a full reappraisal of real property every six years and update values in the third year following each sexennial reappraisal. The department's Division of Tax Equalization compares the assessed values of properties to sale prices, then uses these "sales ratios" to evaluate assessments and, if necessary, seek changes.

In tax year 2006, the assessed valuation of real property in Ohio was over $234.1 billion ($668.9 billion in market value), an increase of approximately 5.2 percent from 2005. Taxes on this assessed value were distributed by county auditors to the local taxing authorities during calendar year 2007.

Net taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (frequently referred to as "House Bill 920 credits") were nearly $13 billion for tax year 2006, an increase of 5.5 percent over 2005. This figure does not include deductions for the 10 percent partial exemption on certain residential and agricultural property, the 2.5 percent rollback for owner-occupied dwellings, and the homestead exemption for senior citizens and certain disabled homeowners.

The close of the 2007 fiscal year was marked by the signing of a new two-year budget bill that expanded the homestead exemption to more than a half million additional homeowners.

Previously, most senior citizens and disabled Ohioans were excluded from the homestead exemption because of income tests. The restructured exemption offers eligible homeowners, regardless of income, a credit equal to the tax that would otherwise be charged on up to $25,000 of the market value of their homestead (a dwelling and up to one acre of land).

The state reimburses local governments and school districts for the full amount of the 10 percent rollback, the 2.5 percent rollback and the homestead exemption. The estimated amount of property tax relief for calendar year 2006 (reimbursed in 2007) was approximately $951.9 million for the 10 percent reduction, $184.6 million for the 2.5 percent reduction and $69.7 million for the homestead exemption. These figures do not include those taxpayers who filed late for the homestead and 2.5 percent reductions.

Taxpayer

All real property owners who are not specifically exempt are subject to the real property tax.

Tax Base (Ohio Revised Code 5713.03, 5715.01)

The real property tax base is the taxable (assessed) value of land and improvements. The taxable value is 35 percent of true (market) value, except for certain land devoted exclusively to agricultural use.

Rates (R.C. 319.301, 5705.02-.05, 5705.19)

Real property tax rates are levied locally and vary by taxing jurisdiction. The total tax rate for any particular parcel includes all levies either enacted by a legislative authority or approved by the voters of all taxing jurisdictions in which the property is a part. Examples of such jurisdictions include school districts, counties, municipalities, townships, and special service districts. Each unique combination of these taxing jurisdictions creates a separate taxing district.

During 2006, the statewide average "gross" millage rate was 85.24 mills on residential and agricultural real property and 87.27 mills on commercial and industrial property. The statewide average "effective" or net millage rate on residential and agricultural real property was 52.70 mills, while the effective rate was 63.36 mills on commercial and industrial property. The difference between the gross and effective rate is due to tax reduction factors that generally prevent changes in voted taxes when the valuation of existing real property is increased or decreased (see **Credits**).

The Ohio Constitution prohibits governmental units from levying property taxes that, in the aggregate, exceed 1 percent of true value, unless the voters approve them. This is known in state law as the 10-mill limitation on non-voted or "inside" millage. Since these inside mills are levied on taxable value – 35 percent of true value – the result is a statutory limit of 0.35 percent, or nearly three times as strict as the 1 percent constitutional limitation.

Exemptions

The real property of governmental or private institutional organizations may be exempt based on how the property is used and/or owned. Examples include schools, charities, churches and municipal corporations. Many other specific exemptions are also provided by law in the Revised Code.

Credits (R.C. 319.301, 319.302, 323.151-.157)

Property tax rollbacks:

Since 1971, a 10 percent reduction, or "rollback," has applied to each taxpayer's real property tax bill. In 2005, as part of a broader series of tax reforms, the General Assembly limited the 10 percent rollback to all real property not intended primarily for use in a business activity. The state reimburses local governments and schools for the cost of this rollback.

In addition, a 2.5 percent rollback of real property taxes is granted on a homestead (a dwelling plus up to one acre) that is occupied by the homeowner. The state reimburses local governments and schools for the cost of this rollback.

Tax reduction factors:

Each year, the department calculates effective tax rates based on tax reduction factors that eliminate the effect of a change in the valuation of existing real property on certain voted taxes. This law, outlined in R.C. 319.301, was enacted in 1976 by the 111th General Assembly as House Bill 920. Reduction factors are applied to eligible tax rates for each taxing unit, such as a school district, a county, or a municipality.

For purposes of the tax reduction factors, real property is divided into two classes: Class I for residential and agricultural property and Class II for all other real property. Separate percentage adjustments are applied to taxes levied against each of these two classes whenever the value of existing real property changes within these respective classes.

Reduction factors are only calculated based on what is known as "carry over" property which is property that is taxed in both the preceding and current year within the same reduction factor class. Therefore, new construction does not trigger a change in reduction factors, and taxing authorities receive new revenue as new property is added. Likewise, reduction factors do not stabilize revenue when property is removed from a class through exemption, demolition, or reclassification. Also, reduction factors are not applied to unvoted millage within the 10-mill constitutional limit or to millage authorized by municipal charter.

Finally, if the tax reductions would result in an effective tax rate for current expenses of a school district, of less than 20 mills on real property in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills to the extent the district levies current expense taxes (for example, if a district only levies 18 mills for current expense purposes, the maximum millage that district will receive will be 18 mills). The reduction factors of joint vocational school districts are adjusted in a similar manner to yield a minimum of two effective mills on each class of real property.

Homestead exemption:

The homestead exemption is available to the homesteads of qualified homeowners who are either: at least 65 years of age, permanently and totally disabled, or at least 59 years of age and the surviving spouse of a deceased taxpayer who had previously received the exemption.

Before the 2007 tax year, eligibility was limited to taxpayers who earned $26,200 or less, with benefits tiered according to income. The schedule for tax year 2006 (bills payable in 2007) was as follows:

Total Income of Owner and Spouse	Reduce Taxable Value by the Lesser of:
$13,400 or less	$5,500 or 75%
More than $13,400 but not more than $19,700	$3,400 or 60%
More than $19,700 but not more than $26,200	$1,100 or 25%
More than $26,200	-0-

For the 2005 tax year, some 222,090 taxpayers qualified for the exemption. The average size of an exemption was $11,266 in true value ($3,943 in taxable value) – meaning that those homeowners who qualified for the program were able to exempt an average of $11,266 of the value of their homestead from property taxation. This resulted in a total tax savings of about $70.5 million. For details, see Table 7.

House Bill 119, enacted by the Ohio General Assembly and signed into law by Governor Ted Strickland on June 30, 2007, greatly expanded and simplified the homestead exemption.

Starting with the 2007 tax year (bills payable in 2008), income tests and tiered benefits no longer apply. Instead, each qualified homeowner is eligible for a credit worth the taxes that would have been charged on up to $25,000 in true value ($8,750 in taxable value). In other words, starting with the 2007 tax year, an eligible homestead worth $100,000 will essentially be taxed as if it is worth $75,000.

In October, 2007, the department estimated that an additional 566,000 homeowners had signed up for the newly-expanded homestead exemption during a special July 2 through Oct. 1 enrollment period. This estimate does not include the approximately 222,000 homeowners who were already enrolled under the earlier guidelines and will continue to participate.

Savings will vary according to local tax rates, but were expected to average about $400 per homestead.

For a limited number of taxpayers, the older version of the homestead exemption was more beneficial. A grandfather clause in H.B. 119 protects such homeowners by not allowing the size of the credit to fall below the amount of savings credited on 2006 tax bills (payable in 2007).

Special Provisions

Current agricultural use value (R.C. 5713.30 – 5713.36):

The Ohio Constitution requires real property (land and improvements) to be taxed by uniform rule according to value. But land devoted exclusively to commercial agricultural use may be valued according to its current use instead of its "highest and best" potential use. Such land must meet one of the following requirements for three years before the year in which application for the current use treatment is made:

- ten acres or more must be devoted to commercial agricultural use; or
- under ten acres must be devoted to commercial agricultural use and produce an average yearly gross income of at least $2,500.

In addition, when the land is converted from agricultural use, a charge is assessed on the land in an amount equal to the difference in the amount of tax levied on the converted land during the three tax years immediately preceding the year in which the conversion occurs.

Forest land (R.C. 5713.22 – 5713.26):

Forest land, devoted exclusively to forestry or timber under the rules of the Ohio Department of Natural Resources' Division of Forestry, may be taxed at 50 percent of the local rate.

Manufactured home tax (R.C. 4505.01, 4503.06, 4503.065):

Manufactured homes are subject to an annual property tax. The valuation method and tax calculation depend on whether or not the manufactured home is taxed like real property.

Personal property approach – The assessed value of a manufactured home, if sitused in Ohio before Jan. 1, 2000, is 40 percent of the amount derived by multiplying the greater of either the home's cost or market value at the time of purchase by a depreciation percentage based on one of two schedules. The manufactured home tax is calculated by applying the gross tax rate of the taxing district in which the home is sitused to the home's assessed value.

Real property approach – If a home was sitused or had ownership transferred on or after Jan. 1, 2000, it is assessed at 35 percent of true value. This method of assessment also applies to homes sitused before Jan. 1, 2000, if the owner made an election to have the home taxed like real property. The tax is determined by applying the effective tax rate to the assessed value and reducing the tax by 10 percent. Taxes may be reduced by an additional 2.5 percent if the home is owner-occupied. A homestead exemption is available for qualifying homeowners (see **Credits**).

In either case, one-half of the amount of the annual tax is due by March 1 with the balance due by July 31. These dates are subject to extension in the same manner provided for real property (noted below). If the structure is taxable as personal property used in business under R.C. 5709.01, it is not subject to the manufactured home tax. Travel trailers and park trailers that are unused or unoccupied and are stored at a qualified location are also not subject to the manufactured home tax.

Filing and Payment Dates (R.C. 323.12, 323.17)

Normally, at least one half of a real property tax bill is due by Jan. 31 with the balance due by June 20.

When the delivery of the tax duplicate is delayed for certain statutory reasons, the payment dates may be automatically extended for 30 days. Further extensions, not to exceed 15 days, may be granted for emergencies by application of the county auditor or treasurer to the Tax Commissioner.

When an unavoidable delay occurs, an additional extension may be granted by application of both the county auditor and treasurer to the Tax Commissioner in order to avoid penalties to taxpayers.

Disposition of Revenue (R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.33, 321.34)

After local administrative fee deductions, revenue is distributed to the counties, municipalities, townships, school districts, and various special districts according to the taxable values and total millage levied by each.

Administration (R.C. 319.28, 5705.03, 5713.01, 5715.01, 5715.02, 5719.05)

The Tax Commissioner supervises the taxation of real property in the state and is charged with the duty of achieving uniformity in the taxation of real property.

County auditors are responsible for assessing all real property and for preparing a general tax list and duplicate. Using the duplicate, county treasurers prepare property tax bills and are responsible for the actual collection of the tax. County boards of revision hear complaints on the assessment or valuation of real property and may increase or decrease an assessment or order a reassessment in the value of any property properly before it.

Ohio Revised Code Citations

Chapters 319, 321, 323, 4501, 4503, 5705, 5709, 5713, 5715, 5719, 6111.

Recent Legislation

Amended Sub. H.B. 119, 127th General Assembly (effective June 30, 2007; certain provisions effective Sept. 29, 2007; certain other provisions effective on other dates).

Homestead exemption – Expanded the homestead exemption; for an explanation, see the discussion in **Credits**. Added a new division (B) of R.C. 319.54 to provide for a fee equal to 1 percent of the county's homestead tax reduction amount to reimburse the county auditors for their increased administrative burdens associated with the expanded homestead program.

Real Estate Assessment Fund – Amended R.C. 319.54(C) to increase the percentage of real and personal property tax collections that are credited to the real estate assessment fund to cover the county auditors' operating expenses.

Residential rental property – In counties with populations exceeding 200,000, the county auditor must include a statement when transferring a deed for residential rental property that the grantee must register certain contact information with the county auditor. The new owner must register within 60 days after the transfer. Moreover, the real property tax bill must contain a statement that an owner of residential rental property must register with the county auditor. The owner must comply with such requirements for initial information or update information within 60 days after receiving either notice, subject to a discretionary penalty of not less than $50 or more than $150.

Tax Commissioner Certifications – Amendments to Chapter 3317 require the Tax Commissioner to certify the same property tax information to the Office of Budget and Management that the Commissioner certifies to the Ohio Department of Education.

Property Tax Administration Fund – For fiscal year 2009 and thereafter, R.C. 5703.80 increases the percentage of tangible personal property tax and public utility personal property tax collections retained by the Department of Taxation from 0.60 percent to 0.725 percent. The fund is used to help cover the costs of oversight, auditing, revenue distribution, and other administrative functions for this local property tax.

Tax Increment Financing (TIF) Resolutions – Uncodified Section 757.08 allowed resolutions that were adopted in December 2005 by a board of trustees of a limited home rule township pursuant to Chapter 504 and R.C. 5709.73 to be deemed to have had an immediate effective date, if the board unanimously adopts a resolution so declaring. This section applies to applications for TIF exemptions under R.C. 5709.73 pending before the Tax Commissioner on the effective date of this section and to such applications filed or refiled within 90 days after that effective date.

Delinquent Tax and Assessment Collection (DELTAC) Fund – Notwithstanding R.C. 321.261, a board of county commissioners of a county with a population exceeding 1.2 million may, by resolution, authorize the use of up to $3 million in the county's DELTAC Fund to prevent residential mortgage foreclosures in the county by providing loans to borrowers in default on their home mortgages and to assist municipalities located in the county in the nuisance abatement of deteriorated residential buildings in foreclosure by paying the costs of boarding up, maintaining, and demolishing such buildings. Per uncodified Section 757.30, the DELTAC funds may not be used for such purposes after June 30, 2008.

Sub. H.B. 699, 126th General Assembly (effective March 29, 2007).

R.C. 5709.87 and Section 515.10 (waiver of exemption) – R.C. 5709.87 was amended to allow the owner of record of real property granted a tax exemption as a result of a covenant not to sue issued by the Ohio EPA to notify the Tax Commissioner in writing within sixty days after receiving the Commissioner's order that the owner does not want the exemption. Upon receipt of the notification, the Commissioner shall rescind the order that granted the exemption. Uncodified Section 515.10 allows the current owner of record of real property subject to an ongoing exemption under R.C. 5709.87 to notify the Commissioner in writing within ninety days from the effective date of this bill that the owner elects to discontinue the exemption for the remainder of the term. Upon receipt of such notification, the Commissioner shall issue an order restoring the property to the tax list beginning with the year in which the notification was received.

R.C. 5713.051 (oil and gas valuation) – This section codified the formula that the Tax Commissioner must use in valuing the oil and gas reserves in Ohio starting with tax year 2007. The section defines the basic elements of the formula and directs how they should be combined to produce the property's true value.

Substitute House Bill 294, 126th General Assembly (effective Sept. 26, 2006).

R.C. 323.65 to 323.78 (**abandoned lands**) – These sections established expedited foreclosure procedures for abandoned lands that are unoccupied. Agricultural lands are abandoned after two years after they are included on the certified delinquent land list. Nonagricultural lands are abandoned at any time after they are included on the certified delinquent land list. In general, abandoned lands are unoccupied if: (1) no taxable structure on the parcel is inhabited as a dwelling, (2) no trade or business is actively being conducted on the parcel, (3) the parcel is uninhabited and there are no signs that the parcel is changing tenancy or is being improved, or (4) no permanent structure is affixed to the land and the land has been delinquent for at least two years.

R.C. 5323.01 to 5323.04 and 5323.99 (**residential rental property**) – These sections require the owner of residential rental property to file certain information with the county auditor of the county in which the property is located. "Residential rental property" means real property on which is located one or more dwelling units leased or otherwise rented to tenants solely for residential purposes, or a mobile home park or other permanent or semi-permanent site at which lots are leased or otherwise rented to tenants for the parking of a manufactured home, mobile home, or recreational vehicle that is used solely for residential purposes. "Residential rental property" does not include a hotel or a college or university dormitory.

R.C. 5715.19 and Section 3 (appeal of 10 percent partial exemption eligibility determination) – Division (A)(1)(f) was added to R.C. 5715.19 to provide for an appeal to the county board of revision for a determination made by the county auditor of the applicability of the

10 percent partial exemption (or "rollback"). Section 3 extended the appeal deadline for tax year 2005 to Dec. 31, 2006.

R.C. 5721.01, 5721.03, and 5721.06 (delinquent vacant lands) – Changed the definition of "delinquent vacant lands" from delinquent property that has been delinquent for at least five years to delinquent property that has been delinquent for at least two years.

Recent Court Decisions

Community Health Professionals, Inc. v. Levin, 113 Ohio St.3d 432 (2007):

This case involved three related nonprofit corporations: Community Health Professionals, Inc. (CHP), VNA Comprehensive Services, Inc. (VNA), and Private Duty Services, Inc. (Private Duty). CHP provides skilled, in-home nursing care and hospice services to those in the community who have approval and a care plan from a physician. VNA provides similar in-home services, but focuses on Medicaid patients. Private Duty offers nonskilled health services, including an adult daycare center. The property for which exemption was being sought was CHP's administrative building, in which VNA and Private Duty lease space from CHP.

Based on the totality of the evidence, the Supreme Court concluded that the property was entitled to tax exemption because it was being used in furtherance of a charitable purpose under R.C. 5709.12 and 5709.121. The Court explained that the three corporations share a common origin, that they have overlapping resources, services, and purposes, that they provide services without regard to a patient's ability to pay, and that no patients have been denied services due to their inability to pay. Moreover, the fact that VNA and Private Duty paid rent commensurate with the costs of utilities and depreciation does not support the conclusion that CHP, VNA, or Private Duty uses the property with a view to profit, in light of the relationship between the three entities.

Cincinnati Community Kollel v. Levin, 113 Ohio St.3d 138 (2007):

The case concerned an application for a property tax exemption for apartment buildings in which four scholars who study at a kollel and their families live rent-free. A kollel is an institute for the advanced study of Jewish religious texts. A community kollel combines that mission with the goal of providing adult educational opportunities and outreach events for the Jewish community. The Board of Tax Appeals held that the kollel is neither an educational nor a charitable institution because the kollel provides very little formal teaching activity to local community members, it does not award degrees to the four staff scholars, and it does not advance or benefit the public in general, but rather primarily benefits the staff scholars.

Only the kollel's status as a charitable or educational institution was at issue in this appeal. The Supreme Court held that the kollel was an educational institution and defined its attributes. According to the court, an educational institution must be marked by the presence of both students and teachers, offer educational opportunities to the public, involve the transfer of knowledge and skills in one or more structured classes rather than in merely social activities, and have as its primary function the presentation of formal instruction. Consequently, the Court reversed the Board's decision regarding the kollel's educational status. However, since the Board never addressed the charitable use of the apartment property, the Court remanded the case to the Board to consider whether the purposes for which the kollel uses the apartment buildings qualify those buildings for a property tax exemption under R.C. 5709.121(A).

Girl Scouts – Great Trail Council v. Levin, 113 Ohio St.3d 24 (2007):

The Supreme Court held that a store operated by the Girl Scouts was entitled to a property tax exemption because the store exists to accommodate the Girl Scouts, selling only items reflecting membership in the Girl Scouts. Also, the court noted, the prices charged at the store are intended to cover its costs of operation, and the merchandise is not marketed to compete with commercial, for-profit enterprises.

Dayton Supply & Tool Co., Inc. v. Montgomery County Bd. of Revision, 111 Ohio St.3d 367 (2006):

The Supreme Court held that a corporate officer does not engage in the unauthorized practice of law by preparing and filing a complaint with a board of revision. The court ruled that such an officer could present the claimed value of the property before the board on behalf of his or her corporation, provided that the officer does not make legal arguments, examine witnesses, or undertake any other tasks that can be performed only by an attorney. The court made a distinction between this case and an earlier decision, *Sharon Village Ltd. v. Licking County Bd. of Revision*, 78 Ohio St.3d 479 (1997), in which it held that the filing of a board of revision complaint is the practice of law and only a licensed attorney can file on behalf of another.

Berea City School Dist. Bd. of Educ. v. Cuyahoga County Bd. of Revision, 111 Ohio St.3d 1219 (2006):

The case concerned an appeal of a Board of Tax Appeals determination of an appeal from a county board of revision. The Supreme Court held that the notice required to be served on the Tax Commissioner under R.C. 5717.04 must be initiated within the 30-day appeal period. Moreover, service is initiated when the notice of appeal is placed in the mail.

First Baptist Church of Milford, Inc. v. Wilkins, 110 Ohio St.3d 496 (2006):

Concerning a charitable use exemption, the Supreme Court reaffirmed a longstanding principle of exemption law: ownership and use must coincide. In other words, the property owner must itself be using the property to claim an exemption under R.C. 5709.12. If the owner is not the user of the property, then the conditions in R.C. 5709.121 must be satisfied.

Olympic Steel, Inc. v. Cuyahoga County Bd. of Revision, 110 Ohio St.3d 1242 (2006):

The case concerned an appeal of a Board of Tax Appeals determination of an appeal from a county board of revision. The Supreme Court held that the requirement in R.C. 5717.04 – that the Tax Commissioner is an appellee and must be served a notice of the appeal by certified mail – is mandatory and jurisdictional. Consequently, lack of such notice deprived the Court jurisdiction to consider the appeal.

Recent Forms

DTE Form 125, Lien Certificate for Property Tax Payment Linked Deposit Program, was prescribed in May 2007.

DTE Form 6A, Return of Oil and Gas Properties – All Taxes to be Paid by Operator, was revised in March 2007.

DTE Form 6, Return of Oil and Gas Properties, was revised in March 2007.

DTE Form 23A, Application for the Remission of Real Property and Manufactured Home Tax Penalties, was revised in December 2006.

Table 1
Assessed Value of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief:
Tax Years 2002 - 2006

	2002	2003	2004	2005	2006
Value of Taxable Property	$186,756,854,520	$196,583,301,381	$202,591,836,961	$222,488,359,822	$234,133,065,917
Residential & Agricultural	142,544,497,300	151,127,413,080	156,078,137,391	170,735,325,098	180,305,043,717
Other[1]	44,212,357,220	45,455,888,301	46,513,699,570	51,753,034,724	53,828,022,200
Taxes Charged[2]	9,807,854,075	10,473,581,729	11,242,570,059	12,276,786,818	12,956,794,743
Residential & Agricultural	7,217,105,610	7,747,678,792	8,346,325,594	8,997,828,917	9,568,110,019
Other[1]	2,590,748,465	2,725,902,937	2,896,244,464	3,278,957,901	3,388,684,724
Average Effective Tax Rate[3]	52.52 mills	53.28 mills	55.49 mills	55.18 mills	55.34 mills
Residential & Agricultural	50.63 mills	51.27mills	53.48 mills	52.70 mills	53.07 mills
Other[1]	58.60 mills	59.97 mills	62.27 mills	63.36 mills	62.95 mills
10% Reduction in all Real Property Taxes	$984,682,415	$1,047,877,702	$1,124,053,183	$893,847,539	$952,598,472
2.5% Reduction in Homeowner's Real Property Taxes	138,287,112	149,435,621	160,761,041	172,959,794	184,280,334
Homestead Exemption Reduction[4]	64,841,272	67,951,739	69,297,551	70,479,229	69,177,721
Net Taxes Collectible (after 12.5% Reduction & Homestead Exemption)	**$8,620,043,276**	**$9,209,719,664**	**$9,888,458,284**	**$11,139,500,255**	**$11,750,738,216**

1 Includes commercial, industrial, mineral, and public utility property.
2 Net taxes charged after application of percentage reductions required by R.C. 319.301.
3 Taxes charged divided by value of taxable property.
4 These figures exclude those taxpayers that filed late for the tax reduction and the administrative fees associated with this program.

Table 2
Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County: Tax Year 2006

County	Class I Gross Rate[1]	Class I Net Rate[2]	Class II Gross Rate[1]	Class II Net Rate[2]	County	Class I Gross Rate[1]	Class I Net Rate[2]	Class II Gross Rate[1]	Class II Net Rate[2]
ADAMS	50.94	41.51	47.70	43.24	LOGAN	65.16	45.90	64.40	48.71
ALLEN	56.12	44.92	55.99	46.20	LORAIN	79.64	49.21	80.14	56.20
ASHLAND	73.37	45.25	75.89	52.21	LUCAS	98.91	54.48	96.85	67.89
ASHTABULA	76.25	49.66	76.90	55.37	MADISON	65.67	50.33	66.23	53.30
ATHENS	83.32	55.37	90.45	63.57	MAHONING	79.84	53.07	81.50	59.49
AUGLAIZE	59.42	41.85	59.11	48.41	MARION	64.73	43.91	65.82	49.12
BELMONT	62.49	40.81	61.83	44.29	MEDINA	93.99	51.75	94.66	54.31
BROWN	49.95	37.83	50.05	39.89	MEIGS	47.26	39.30	49.43	45.85
BUTLER	78.01	53.45	77.99	59.18	MERCER	58.14	48.41	57.51	50.89
CARROLL	56.07	40.74	56.93	43.91	MIAMI	69.96	44.68	69.77	50.01
CHAMPAIGN	62.02	42.17	69.10	47.29	MONROE	50.08	33.23	50.07	49.89
CLARK	72.47	52.11	74.07	59.04	MONTGOMERY	97.88	61.88	95.42	71.41
CLERMONT	86.58	52.09	84.88	55.91	MORGAN	53.96	37.15	55.56	43.96
CLINTON	51.65	40.95	49.88	42.16	MORROW	53.62	41.11	58.67	46.07
COLUMBIANA	57.83	42.24	59.65	45.80	MUSKINGUM	65.81	42.35	67.01	45.31
COSHOCTON	60.85	39.82	61.57	44.67	NOBLE	46.79	33.95	45.92	38.78
CRAWFORD	73.32	44.35	73.95	52.81	OTTAWA	68.47	36.47	66.21	40.44
CUYAHOGA	113.23	66.81	104.47	75.38	PAULDING	60.25	49.35	64.44	53.84
DARKE	50.60	37.36	52.82	40.46	PERRY	62.69	43.86	63.65	49.39
DEFIANCE	61.75	45.02	62.65	47.14	PICKAWAY	59.95	45.53	63.20	49.33
DELAWARE	77.84	50.63	79.28	53.28	PIKE	59.22	42.25	65.40	48.72
ERIE	83.58	43.54	84.73	53.43	PORTAGE	90.46	48.44	92.07	54.94
FAIRFIELD	83.59	48.18	85.81	48.22	PREBLE	53.18	40.12	55.33	43.04
FAYETTE	58.62	45.07	60.69	46.38	PUTNAM	49.91	41.06	48.60	42.99
FRANKLIN	102.37	58.45	97.26	70.07	RICHLAND	75.43	46.86	76.41	60.00
FULTON	75.85	51.43	75.12	55.47	ROSS	59.18	43.24	63.88	48.60
GALLIA	46.95	39.66	45.95	39.80	SANDUSKY	57.82	39.65	54.66	41.79
GEAUGA	100.75	53.99	100.61	58.69	SCIOTO	60.00	46.59	64.10	49.96
GREENE	80.13	57.52	79.35	58.22	SENECA	63.41	41.51	65.99	52.82
GUERNSEY	58.32	45.13	58.78	48.95	SHELBY	59.90	43.62	60.30	47.45
HAMILTON	92.09	53.54	89.14	64.20	STARK	78.37	47.64	76.56	51.30
HANCOCK	62.56	42.17	63.48	53.02	SUMMIT	89.04	56.75	87.98	63.71
HARDIN	56.18	41.25	55.05	41.21	TRUMBULL	73.54	52.23	71.86	56.85
HARRISON	59.20	38.75	60.46	44.81	TUSCARAWAS	64.52	41.94	65.23	47.04
HENRY	70.18	49.77	71.52	60.39	UNION	75.31	54.55	74.63	61.07
HIGHLAND	46.11	37.07	45.61	37.45	VAN WERT	68.28	49.06	69.50	61.25
HOCKING	61.03	44.97	60.91	47.42	VINTON	46.93	42.72	49.34	47.30
HOLMES	53.93	43.28	53.81	45.89	WARREN	83.52	50.97	86.83	53.54
HURON	60.54	38.86	62.89	43.33	WASHINGTON	54.17	39.47	54.40	41.35
JACKSON	45.96	41.34	47.82	43.47	WAYNE	75.62	48.15	82.62	59.88
JEFFERSON	58.53	38.10	58.65	47.39	WILLIAMS	71.05	44.13	71.32	46.24
KNOX	62.67	45.26	58.21	48.24	WOOD	82.98	51.68	84.19	56.00
LAKE	90.69	49.58	88.58	57.24	WYANDOT	52.01	32.98	49.95	34.06
LAWRENCE	38.03	35.06	40.12	37.40					
LICKING	65.55	47.25	62.54	47.34	**STATEWIDE AVERAGE[3]**	**86.17**	**53.07**	**87.99**	**62.95**

1 Rate on property prior to application of tax reduction factors. Gross rate equals taxes levied divided by taxable value.
2 Rate on property in the county after application of tax reduction factors. These rates were computed prior to the deduction of the property tax rollbacks and homestead exemption. Net rate equals taxes charged divided by taxable value.
3 For the two combined classes of real property, the statewide average gross rate is 86.59 mills and the statewide average net rate is 55.34 mills.

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 3
Total Real Property Taxes, Values and Effective Tax Rates, by County: Tax Year 2006

County	Taxable Value	Gross Taxes Levied	Taxes Charged[1]	Special Assessments	Effective Tax Rate[2]	County	Taxable Value	Gross Taxes Levied	Taxes Charged[1]	Special Assessments	Effective Tax Rate[2]
ADAMS	$335,033,780	$16,767,921	$14,066,858	$15,049	41.99	LOGAN	$853,293,470	$55,476,149	$39,633,343	$523,189	46.45
ALLEN	1,650,759,400	92,585,432	74,658,016	2,959,530	45.23	LORAIN	6,368,677,720	507,769,267	321,152,340	3,255,411	50.43
ASHLAND	844,671,070	62,295,054	39,101,404	33,227	46.29	LUCAS	8,715,159,600	857,583,495	503,842,483	32,870,390	57.81
ASHTABULA	1,600,143,810	122,202,012	81,172,415	2,059,215	50.73	MADISON	717,995,240	47,209,138	36,454,460	1,487,903	50.77
ATHENS	709,458,860	60,176,032	40,505,391	918,950	57.09	MAHONING	3,818,168,810	306,261,404	208,133,455	2,100,654	54.51
AUGLAIZE	764,114,140	45,362,083	32,852,417	806,323	42.99	MARION	877,421,360	56,990,683	39,472,810	1,225,670	44.99
BELMONT	923,297,500	57,545,879	38,467,249	235,568	41.66	MEDINA	4,117,371,510	387,430,708	214,787,075	2,418,947	52.17
BROWN	636,470,310	31,799,757	24,209,439	497,366	38.04	MEIGS	228,309,990	10,880,725	9,245,665	3,774	40.50
BUTLER	7,125,731,780	555,836,980	389,615,600	25,123,544	54.68	MERCER	715,277,780	41,526,708	34,850,333	754,899	48.72
CARROLL	444,239,900	24,952,729	18,254,154	16,162	41.09	MIAMI	1,860,506,820	130,103,602	84,936,900	1,503,205	45.65
CHAMPAIGN	614,227,210	38,627,574	26,289,842	50,057	42.80	MONROE	175,676,820	8,797,536	6,218,432	14,393	35.40
CLARK	2,121,994,000	154,499,277	113,682,331	705,039	53.57	MONTGOMERY	9,769,259,480	950,535,473	626,534,188	24,900,649	64.13
CLERMONT	3,842,053,450	331,296,127	203,179,266	6,714,656	52.88	MORGAN[3]	200,376,180	10,856,757	7,633,769	0	38.10
CLINTON	755,855,560	38,702,552	31,185,727	390,223	41.26	MORROW	585,028,140	31,593,103	24,272,856	175,774	41.49
COLUMBIANA	1,400,156,830	81,377,877	59,926,887	888,366	42.80	MUSKINGUM	1,385,855,630	91,553,149	59,569,736	270,565	42.98
COSHOCTON	539,443,190	32,902,328	22,002,354	9,877	40.79	NOBLE	162,842,300	7,603,027	5,620,395	3,205	34.51
CRAWFORD	637,921,070	46,836,960	29,196,469	189,286	45.77	OTTAWA	1,530,753,190	104,242,106	56,825,296	2,595,785	37.12
CUYAHOGA	33,769,850,030	3,725,533,751	2,352,276,644	64,574,578	69.66	PAULDING	251,067,960	15,255,746	12,529,520	398,859	49.90
DARKE	838,573,280	42,691,256	31,697,571	429,507	37.80	PERRY	419,371,390	26,333,122	18,643,661	75,182	44.46
DEFIANCE	598,603,725	37,057,938	27,168,319	792,645	45.39	PICKAWAY	905,354,680	54,693,605	41,701,886	584,296	46.06
DELAWARE	5,771,651,124	450,233,959	293,973,470	12,476,229	50.93	PIKE	283,490,150	17,054,272	12,256,401	19,014	43.23
ERIE	1,950,279,470	163,467,495	88,908,968	1,994,483	45.59	PORTAGE	3,222,206,850	292,486,570	160,101,965	1,579,845	49.69
FAIRFIELD	2,797,621,390	234,801,876	134,806,668	1,061,871	48.19	PREBLE	696,176,560	37,206,312	28,177,225	2,071,552	40.47
FAYETTE	491,138,800	28,997,097	22,266,855	1,070,747	45.34	PUTNAM	531,733,430	26,475,053	21,930,162	451,217	41.24
FRANKLIN	26,439,904,100	2,667,608,383	1,634,335,053	48,277,193	61.81	RICHLAND	1,957,865,170	148,049,883	96,709,831	1,697,669	49.40
FULTON	797,136,100	60,347,705	41,627,121	1,334,008	52.22	ROSS	925,457,820	55,596,960	40,963,946	326,155	44.26
GALLIA	413,958,250	19,324,130	16,432,854	36,935	39.70	SANDUSKY	1,047,726,370	59,999,831	41,933,553	523,465	40.02
GEAUGA	2,893,533,640	291,472,440	157,680,587	1,803,176	54.49	SCIOTO	735,555,080	44,742,872	34,771,460	639,331	47.27
GREENE	3,273,872,050	261,887,730	188,714,291	2,080,150	57.64	SENECA	813,855,830	51,967,718	35,366,099	554,014	43.45
GUERNSEY	520,185,600	30,387,224	23,885,085	173,915	45.92	SHELBY	846,024,640	50,747,871	37,602,255	800,006	44.45
HAMILTON	18,918,013,070	1,727,591,998	1,065,511,779	64,547,339	56.32	STARK	7,049,057,430	549,614,980	341,469,053	2,126,705	48.44
HANCOCK	1,379,880,800	86,588,182	61,246,859	1,222,542	44.39	SUMMIT	11,920,865,110	1,058,632,862	694,646,854	24,790,150	58.27
HARDIN	382,422,620	21,420,658	15,772,751	1,137,479	41.24	TRUMBULL	3,269,390,570	239,354,547	173,706,817	1,383,824	53.13
HARRISON	206,007,380	12,233,670	8,166,686	30,329	39.64	TUSCARAWAS	1,448,197,810	93,651,353	62,223,045	322,667	42.97
HENRY	462,384,660	32,532,229	23,654,059	532,897	51.16	UNION	1,093,860,498	82,216,558	61,194,328	218,651	55.94
HIGHLAND	607,545,300	27,971,589	22,556,749	582,545	37.13	VAN WERT	397,796,560	27,224,867	20,164,319	890,318	50.69
HOCKING	437,239,080	26,680,100	19,773,238	25,913	45.22	VINTON	138,843,390	6,547,468	5,991,309	250	43.15
HOLMES[3]	650,118,670	35,046,595	28,458,594	0	43.77	WARREN	5,659,516,960	476,140,749	291,140,675	5,070,215	51.44
HURON	951,612,460	57,979,237	37,686,056	285,655	39.60	WASHINGTON	859,083,230	46,586,661	34,293,271	88,709	39.92
JACKSON	405,552,070	18,804,828	16,956,025	51,268	41.81	WAYNE	1,929,799,620	148,468,420	97,186,131	635,152	50.36
JEFFERSON	905,375,820	53,016,525	36,221,958	312,513	40.01	WILLIAMS	638,528,020	45,403,055	28,438,341	1,433,665	44.54
KNOX	978,607,800	60,767,325	44,665,250	1,422,312	45.64	WOOD	2,608,785,960	217,231,636	137,548,545	7,776,158	52.73
LAKE	6,251,440,810	564,131,705	320,193,847	8,804,720	51.22	WYANDOT	339,434,560	17,546,143	11,251,845	81,898	33.15
LAWRENCE	632,633,540	24,248,392	22,387,564	420,305	35.39						
LICKING	3,391,332,730	220,628,749	160,277,989	2,969,427	47.26	**TOTAL**	**$234,133,065,917**	**$20,272,861,485**	**$12,956,794,743**	**$388,706,499**	**55.34**

1 Represents taxes charged after tax reduction factors are applied. The 10 percent rollback for all real property, 2.5 percent rollback for residential real property, and homestead exemption reduction have not been subtracted from this figure because they are fully reimbursed to the local governments and school districts from the state General Revenue Fund.

2 Rates shown in mills equal taxes charged divided by taxable value.

3 Counties which levied no special assessments.

Table 4
Taxes Charged on Real Property, and Property Tax Relief, by County: Tax Year 2006

County	Taxes Charged[2]	10% Reduction[3]	Homestead Exemption Reduction[3]	2.5% Reduction in Taxes of Homeowners[3]	Net Taxes Collectible[4]
ADAMS	$14,066,858	$1,009,987	$218,211	$56,752	$12,781,909
ALLEN	74,658,016	5,632,023	316,900	1,076,187	67,632,905
ASHLAND	39,101,404	3,241,522	279,098	616,630	34,964,154
ASHTABULA	81,172,415	6,453,131	921,616	972,116	72,825,552
ATHENS	40,505,391	3,109,891	468,840	450,664	36,475,997
AUGLAIZE	32,852,417	2,630,554	136,680	485,523	29,599,661
BELMONT	38,467,249	2,833,632	692,385	489,821	34,451,410
BROWN	24,209,439	2,178,173	243,654	267,075	21,520,536
BUTLER	389,615,600	29,945,532	1,395,194	5,542,655	352,732,219
CARROLL	18,254,154	1,607,996	189,518	217,720	16,238,921
CHAMPAIGN	26,289,842	2,274,550	183,541	289,858	23,541,894
CLARK	113,682,331	8,725,538	911,492	1,581,529	102,463,772
CLERMONT	203,179,266	16,357,934	699,993	3,240,355	182,880,984
CLINTON	31,185,727	2,318,772	110,651	354,558	28,401,747
COLUMBIANA	59,926,887	4,977,996	821,842	768,657	53,358,392
COSHOCTON	22,002,354	1,716,396	206,848	244,283	19,834,827
CRAWFORD	29,196,469	2,353,207	395,116	320,473	26,127,673
CUYAHOGA	2,352,276,644	144,275,015	12,374,962	30,532,882	2,165,093,786
DARKE	31,697,571	2,693,156	248,803	413,267	28,342,344
DEFIANCE	27,168,319	2,230,422	170,585	440,105	24,327,207
DELAWARE	293,973,470	25,893,152	326,797	5,226,707	262,526,815
ERIE	88,908,968	6,721,969	467,518	1,241,363	80,478,118
FAIRFIELD	134,806,668	11,417,434	686,604	2,049,864	120,652,766
FAYETTE	22,266,855	1,767,743	173,907	297,429	20,027,776
FRANKLIN	1,634,335,053	109,296,807	4,594,346	22,587,042	1,497,856,858
FULTON	41,627,121	3,316,923	210,846	639,070	37,460,283
GALLIA	16,432,854	1,193,103	282,746	143,057	14,813,949
GEAUGA	157,680,587	13,934,441	479,070	2,637,410	140,629,665
GREENE	188,714,291	15,515,755	462,780	2,859,974	169,875,783
GUERNSEY	23,885,085	1,863,362	285,056	266,484	21,470,183
HAMILTON	1,065,511,779	77,207,360	3,179,629	15,918,542	969,206,248
HANCOCK	61,246,859	4,630,498	232,156	946,849	55,437,355
HARDIN	15,772,751	1,343,906	151,408	217,635	14,059,802
HARRISON	8,166,686	679,511	163,280	79,979	7,243,915
HENRY	23,654,059	2,015,414	150,064	319,836	21,168,745
HIGHLAND	22,556,749	1,922,249	241,376	193,895	20,199,229
HOCKING	19,773,238	1,751,903	190,387	276,360	17,554,588
HOLMES	28,458,594	2,278,474	88,762	265,650	25,825,708
HURON	37,686,056	3,140,669	269,120	617,007	33,659,260
JACKSON	16,956,025	1,305,518	324,078	103,736	15,222,692
JEFFERSON	36,221,958	2,734,652	668,627	466,433	32,352,246
KNOX	44,665,250	3,857,274	265,876	596,120	39,945,980
LAKE	320,193,847	24,209,451	1,346,749	4,787,635	289,850,012
LAWRENCE	22,387,564	1,901,360	649,589	289,160	19,547,455
LICKING	160,277,989	13,362,141	426,092	2,541,223	143,948,532
LOGAN	$39,633,343	$3,156,758	$163,537	$342,192	$35,970,856
LORAIN	321,152,340	25,751,443	1,456,473	4,845,192	289,099,232
LUCAS	503,842,483	35,553,154	3,196,504	7,521,673	457,571,152
MADISON	36,454,460	3,066,612	181,211	601,784	32,604,85
MAHONING	208,133,455	15,687,663	2,282,312	3,142,049	187,021,43
MARION	39,472,810	3,061,600	405,282	559,477	35,446,450
MEDINA	214,787,075	17,905,007	974,797	3,775,838	192,131,433
MEIGS	9,245,665	733,064	195,258	85,478	8,231,865
MERCER	34,850,333	3,024,643	168,164	476,172	31,181,354
MIAMI	84,936,900	6,792,937	506,891	1,257,511	76,379,561
MONROE	6,218,432	506,810	105,774	55,902	5,549,946
MONTGOMERY	626,534,188	46,111,103	4,355,861	9,658,978	566,408,246
MORGAN	7,633,769	638,160	133,790	64,929	6,796,890
MORROW	24,272,856	2,217,602	161,196	292,143	21,601,915
MUSKINGUM	59,569,736	4,619,120	631,270	740,085	53,579,261
NOBLE	5,620,395	468,891	104,345	62,065	4,985,094
OTTAWA	56,825,296	4,674,426	257,301	367,983	51,525,586
PAULDING	12,529,520	1,088,540	98,523	185,785	11,156,673
PERRY	18,643,661	1,649,384	314,863	296,259	16,383,155
PICKAWAY	41,701,886	3,566,853	207,628	600,540	37,326,866
PIKE	12,256,401	1,015,038	245,430	156,392	10,839,542
PORTAGE	160,101,965	12,541,543	726,746	2,077,599	144,756,077
PREBLE	28,177,225	2,450,671	212,789	440,974	25,072,791
PUTNAM	21,930,162	1,984,164	105,433	401,386	19,439,180
RICHLAND	96,709,831	7,374,927	968,624	1,408,973	86,957,307
ROSS	40,963,946	3,260,539	480,973	506,723	36,715,710
SANDUSKY	41,933,553	3,420,736	287,598	644,248	37,580,972
SCIOTO	34,771,460	2,722,749	893,082	491,947	30,663,681
SENECA	35,366,099	2,802,592	264,348	475,346	31,823,813
SHELBY	37,602,255	2,894,662	177,633	432,182	34,097,778
STARK	341,469,053	26,211,926	2,767,180	5,151,146	307,338,801
SUMMIT	694,646,854	52,619,347	4,149,018	10,414,310	627,464,178
TRUMBULL	173,706,817	13,736,990	2,016,161	2,288,734	155,664,932
TUSCARAWAS	62,223,045	4,863,878	649,155	788,808	55,921,204
UNION	61,194,328	4,655,988	155,049	818,912	55,564,380
VAN WERT	20,164,319	1,698,728	199,575	299,419	17,966,597
VINTON	5,991,309	527,317	130,867	64,128	5,268,997
WARREN	291,140,675	23,568,374	570,583	4,971,643	262,030,076
WASHINGTON	34,293,271	2,568,248	314,619	406,102	31,004,303
WAYNE	97,186,131	7,543,969	482,786	1,339,025	87,820,350
WILLIAMS	28,438,341	2,264,585	202,533	414,666	25,556,557
WOOD	137,548,545	10,206,200	469,073	1,675,713	125,197,560
WYANDOT	11,251,845	945,911	97,185	137,456	10,071,294
TOTAL	**$12,956,794,743**	**$951,979,345**	**$69,770,207**	**$184,667,440**	**$11,750,377,751**

1 Taxes charged in tax year 2006 and collected or reimbursed in calendar year 2007.
2 Net taxes charged after application of percentage reductions by R.C. 319.301.
3 Reduction is applied to residential and agricultural property not exceeding one acre.
4 County figures may not add to total due to rounding.

Table 5
Assessed Valuation of Exempt Real Property, by Ownership Classifications: Tax Years 2002 - 2006

(figures in millions)

Property Under Public Ownership	2002	2003	2004	2005	2006
Boards of Education	$4,701.3	$5,019.3	$5,239.0	$5,569.1	$5,877.4
Municipalities	4,218.9	4,413.1	4,497.2	4,667.8	4,938.9
State	2,781.8	2,915.6	2,984.6	3,113.6	3,303.0
Counties	1,977.2	2,070.6	2,235.9	2,144.9	2,343.6
United States	1,259.7	1,568.9	1,578.7	1,619.9	1,720.1
Park Districts	470.3	489.4	479.3	518.7	586.0
Townships	251.7	238.9	249.5	271.0	309.5
Total	**$15,660.9**	**$16,715.9**	**$17,282.2**	**$17,905.0**	**$19,078.5**
Property Under Private Ownership	**2002**	**2003**	**2004**	**2005**	**2006**
Tax Abatements	$5,169.9	$5,501.7	$5,679.1	$6,264.1	$6,908.8
Charities	3,435.3	3,556.9	3,693.1	3,888.3	4,119.6
Churches	3,215.7	3,339.6	3,431.0	3,726.0	3,822.8
Schools and Colleges	2,549.0	2,631.7	2,743.0	3,054.8	3,219.7
Cemeteries	208.6	213.2	213.3	232.2	232.2
Total	**$14,578.5**	**$15,243.1**	**$15,759.5**	**$17,165.4**	**$18,303.3**
Grand Total[1]	**$30,884.3**	**$32,610.8**	**$33,688.6**	**$35,741.6**	**$38,123.6**

1 Includes other tax-exempt organizations (e.g., metropolitan housing authorities, volunteer fire departments, etc.) not included in any of the listed categories.

Source: Exempt real property abstracts filed by county auditors with the Department of Taxation.

Table 6
Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Valuation, By County: Tax Year 2006

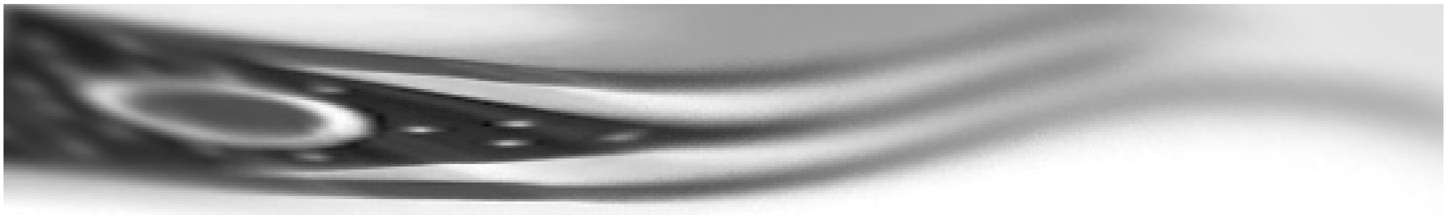
County	Assessed Value of Taxable Real Property	Percent of Assessed Value of Exempt Real Property	Tax Base Exempt from Taxation	County	Assessed Value of Taxable Real Property	Percent of Assessed Value of Exempt Real Property	Tax Base Exempt from Taxation
ADAMS	$335,033,780	$47,484,300	12.41%	LOGAN	$853,293,470	$84,154,720	8.98%
ALLEN	1,650,759,400	294,791,770	15.15	LORAIN	6,368,677,720	810,588,140	11.29
ASHLAND	844,671,070	125,146,380	12.90	LUCAS	8,715,159,600	1,286,789,500	12.87
ASHTABULA	1,600,143,810	214,458,580	11.82	MADISON	717,995,240	145,976,250	16.90
ATHENS	709,458,860	295,168,140	29.38	MAHONING	3,818,168,810	483,477,830	11.24
AUGLAIZE	764,114,140	87,974,680	10.32	MARION	877,421,360	160,558,520	15.47
BELMONT	923,297,500	162,948,270	15.00	MEDINA	4,117,371,510	337,965,430	7.59
BROWN	636,470,310	60,848,640	8.73	MEIGS	228,309,990	26,179,420	10.29
BUTLER	7,125,731,780	1,208,463,760	14.50	MERCER	715,277,780	87,991,768	10.95
CARROLL	444,239,900	28,144,540	5.96	MIAMI	1,860,506,820	235,796,640	11.25
CHAMPAIGN	614,227,210	52,858,960	7.92	MONROE	175,676,820	22,243,830	11.24
CLARK	2,121,994,000	276,646,550	11.53	MONTGOMERY	9,769,259,480	1,768,186,170	15.33
CLERMONT	3,842,053,450	439,117,720	10.26	MORGAN	200,376,180	20,073,300	9.11
CLINTON	755,855,560	98,389,980	11.52	MORROW	585,028,140	47,255,650	7.47
COLUMBIANA	1,400,156,830	193,527,130	12.14	MUSKINGUM	1,385,855,630	256,877,650	15.64
COSHOCTON	539,443,190	56,864,410	9.54	NOBLE	162,842,300	34,112,340	17.32
CRAWFORD	637,921,070	73,042,010	10.27	OTTAWA	1,530,753,190	109,281,390	6.66
CUYAHOGA	33,769,850,030	5,951,969,060	14.98	PAULDING	251,067,960	35,037,770	12.25
DARKE	838,573,280	87,525,970	9.45	PERRY	419,371,390	70,201,940	14.34
DEFIANCE	598,603,725	89,942,170	13.06	PICKAWAY	905,354,680	157,112,620	14.79
DELAWARE	5,771,651,124	805,440,700	12.25	PIKE	283,490,150	286,589,630	50.27
ERIE	1,950,279,470	227,196,500	10.43	PORTAGE	3,222,206,850	717,546,930	18.21
FAIRFIELD	2,797,621,390	253,117,320	8.30	PREBLE	696,176,560	65,828,100	8.64
FAYETTE	491,138,800	51,932,010	9.56	PUTNAM	531,733,430	95,294,940	15.20
FRANKLIN	26,439,904,100	5,733,261,800	17.82	RICHLAND	1,957,865,170	278,749,410	12.46
FULTON	797,136,100	170,886,770	17.65	ROSS	925,457,820	198,909,060	17.69
GALLIA	413,958,250	86,487,000	17.28	SANDUSKY	1,047,726,370	179,504,760	14.63
GEAUGA	2,893,533,640	215,301,900	6.93	SCIOTO	735,555,080	250,154,700	25.38
GREENE	3,273,872,050	770,828,970	19.06	SENECA	813,855,830	117,762,990	12.64
GUERNSEY	520,185,600	109,201,000	17.35	SHELBY	846,024,640	98,691,420	10.45
HAMILTON	18,918,013,070	4,245,481,930	18.33	STARK	7,049,057,430	953,683,220	11.92
HANCOCK	1,379,880,800	195,580,110	12.41	SUMMIT	11,920,865,110	1,529,193,720	11.37
HARDIN	382,422,620	59,705,680	13.50	TRUMBULL	3,269,390,570	410,695,990	11.16
HARRISON	206,007,380	29,375,720	12.48	TUSCARAWAS	1,448,197,810	147,936,510	9.27
HENRY	462,384,660	69,041,240	12.99	UNION	1,093,860,498	76,491,820	6.54
HIGHLAND	607,545,300	64,741,730	9.63	VAN WERT	397,796,560	75,319,230	15.92
HOCKING	437,239,080	67,070,180	13.30	VINTON	138,843,390	21,004,690	13.14
HOLMES	650,118,670	41,953,720	6.06	WARREN	5,659,516,960	729,887,520	11.42
HURON	951,612,460	102,085,930	9.69	WASHINGTON	859,083,230	134,415,060	13.53
JACKSON	405,552,070	91,402,330	18.39	WAYNE	1,929,799,620	310,227,680	13.85
JEFFERSON	905,375,820	137,618,240	13.19	WILLIAMS	638,528,020	105,730,480	14.21
KNOX	978,607,800	163,904,300	14.35	WOOD	2,608,785,960	567,697,500	17.87
LAKE	6,251,440,810	467,052,810	6.95	WYANDOT	339,434,560	27,881,930	7.59
LAWRENCE	632,633,540	113,402,940	15.20				
LICKING	3,391,332,730	447,146,070	11.65	**TOTAL**	**$234,133,065,917**	**$38,123,588,088**	**14.00** %

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 7
Number of Homestead Exemptions Granted, Average Reduction in Taxable Value, and Total Reduction in Taxes, by County: Tax Tear 2005

County	Number of Homestead Exemptions Granted[1]	Average Reduction in Taxable Value[1]	Total Reduction in Real Property Taxes[2]	County	Number of Homestead Exemptions Granted[1]	Average Reduction in Taxable Value[1]	Total Reduction in Real Property Taxes[2]
ADAMS	1,006	$4,019	$206,815	LOGAN	628	$3,923	$162,595
ALLEN	1,393	4,022	327,637	LORAIN	4,240	4,153	1,437,715
ASHLAND	907	3,914	278,938	LUCAS	8,580	4,110	3,206,550
ASHTABULA	2,887	4,057	935,359	MADISON	640	4,206	181,528
ATHENS	1,505	4,037	481,989	MAHONING	7,615	3,815	2,307,412
AUGLAIZE	619	3,624	135,776	MARION	1,484	4,207	468,471
BELMONT	2,728	3,991	690,848	MEDINA	2,804	3,797	979,158
BROWN	1,154	4,165	234,799	MEIGS	1,076	3,779	195,108
BUTLER	4,299	4,058	1,317,091	MERCER	710	3,913	165,622
CARROLL	812	4,154	191,010	MIAMI	1,794	3,896	509,116
CHAMPAIGN	726	4,015	186,691	MONROE	521	4,116	108,751
CLARK	2,942	4,052	887,935	MONTGOMERY	14,492	3,036	4,233,858
CLERMONT	2,176	3,936	684,037	MORGAN[4]	537	3,785	113,625
CLINTON	518	3,918	114,211	MORROW	725	3,925	165,507
COLUMBIANA	3,467	4,028	838,503	MUSKINGUM	2,318	4,189	628,796
COSHOCTON	794	3,927	204,413	NOBLE	537	4,028	100,592
CRAWFORD	1,277	4,171	417,905	OTTAWA	868	3,833	231,819
CUYAHOGA	31,777	3,941	13,425,206	PAULDING	370	4,121	94,007
DARKE	1,226	3,998	256,572	PERRY	1,269	4,182	332,801
DEFIANCE	674	3,885	170,542	PICKAWAY	747	4,108	202,115
DELAWARE	1,079	3,900	295,017	PIKE	1,001	3,982	250,807
ERIE	1,414	3,913	468,893	PORTAGE	2,177	3,691	732,826
FAIRFIELD	2,085	4,290	605,188	PREBLE	970	4,182	223,996
FAYETTE[3]	560	4,388	164,594	PUTNAM	577	3,900	115,593
FRANKLIN	11,508	4,090	4,555,797	RICHLAND	2,907	4,212	949,814
FULTON	677	3,819	210,316	ROSS	1,995	3,881	473,980
GALLIA	1,265	4,142	268,400	SANDUSKY	1,230	3,846	275,091
GEAUGA	1,312	3,793	476,451	SCIOTO	3,398	4,327	926,104
GREENE	1,602	3,829	458,184	SENECA	1,015	3,915	375,626
GUERNSEY	1,288	3,786	296,181	SHELBY	773	3,909	180,246
HAMILTON	8,658	3,978	3,312,930	STARK	8,404	3,928	2,432,776
HANCOCK	923	3,869	234,349	SUMMIT	11,872	4,071	4,212,835
HARDIN	621	4,169	164,076	TRUMBULL	6,201	4,185	1,967,119
HARRISON	658	3,951	159,856	TUSCARAWAS	2,476	4,029	670,289
HENRY	588	3,658	151,731	UNION	543	3,924	146,934
HIGHLAND	1,307	4,082	250,675	VAN WERT	690	4,088	198,834
HOCKING	772	4,056	194,092	VINTON	629	4,051	122,252
HOLMES	371	4,017	85,972	WARREN	1,820	3,623	540,965
HURON	1,328	3,342	283,214	WASHINGTON	1,583	3,811	318,309
JACKSON	1,429	4,537	320,264	WAYNE	1,618	3,859	476,656
JEFFERSON	2,883	4,141	678,277	WILLIAMS	693	3,883	201,530
KNOX	1,089	4,005	271,257	WOOD	1,483	3,685	418,095
LAKE	3,920	3,798	1,390,967	WYANDOT	450	3,972	97,325
LAWRENCE	3,613	4,502	616,007				
LICKING	1,793	4,093	447,118	**TOTAL**	**222,090**	**$3,943**	**$70,479,229**

1 Compiled from surveys of county auditors conducted by the Department of Taxation.
2 From distribution records of the Revenue Accounting Division of the Department of Taxation. These figures include those taxpayers that filed late for the tax reduction and exclude the administrative fees associated with this program.
3 Most recent data available for Fayette County are for tax year 2004.
4 Most recent data available for Morgan County are for tax year 2002.



Replacement Tire Fee

The replacement tire fee provides revenue to defray the cost of regulating the various scrap tire facilities, to abate accumulations of scrap tires, to provide funding for grants to promote research regarding alternative methods of recycling scrap tires, and to provide funding for loans to promote the recycling or recovery of energy from scrap tires. This fee was first enacted by the Ohio General Assembly effective Dec. 1, 1993.

In Fiscal Year 2007, approximately $7.2 million was collected on behalf of the Ohio Environmental Protection Agency.

Taxpayer (Ohio Revised Code 3734.903)

The fee is paid by any wholesale distributor of replacement tires or any retail dealer acquiring tires on which the fee has not been paid.

Tax Base (R.C. 3734.90, 3734.901)

The fee applies to the sale of new tires with rims of 13 inches or more designed for use on a motor vehicle and sold as replacements. Tires that are used, or retreaded, or tires on a new motor vehicle are not subject to the fee.

Rate (R.C. 3734.901)

$1 per tire.

Special Provisions (R.C. 3734.904)

If the return and total fees due are filed and paid on or before the day they are due, then the taxpayer is entitled to a discount of 4.0 percent on the total amount owed.

Filing and Payment Dates (R.C. 3734.904)

The 20th day of each month.

Disposition of Revenue (R.C. 3734.9010)

The Tire Fee Administration Fund receives 2 percent for appropriation to the Department of Taxation to cover the costs of administering the fee. The remaining 98 percent of the revenue is distributed to the Scrap Tire Management Fund.

Administration

The fee is administered by the the Tax Commissioner, who is also charged with revenue distribution.

Ohio Revised Code Citations

R.C. 3734.90 – 3734.99.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

This bill extended the fee to June 30, 2011. It also reduced distribution to the Tire Fee Administration Fund from 4 percent to 2 percent of total revenue collected.

Table
Replacement Tire Fee Revenue: Fiscal Years 2003 - 2007

Fiscal Year	Scrap Tire Management Fund	Administrative Fund	Total
2003	$6,777,997	$282,417	$7,060,414
2004	7,315,940	304,831	7,620,771
2005	6,506,387	271,099	6,777,487
2006	7,141,764	153,535	7,295,299
2007	7,089,479	144,776	7,234,255

Sales and Use Tax

The sales and use tax is state government's second-largest source of revenue and also an important revenue source for county governments and regional transit authorities, which are authorized to levy "piggyback" taxes administered by the department.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted the tax with a 3 percent rate effective January, 1935. In 1967, the legislature adopted a 4 percent state rate and for the first time authorized county governments to levy piggyback taxes of their own, subject to repeal by a majority vote of the county electorate. In 1974, transit authorities were also granted the authority, with voter approval, to levy sales taxes.

The current state sales and use tax rate, 5.5 percent, was established on July 1, 2005. During Fiscal Year 2007, the tax generated about $7.73 billion in revenue for state government. Of that amount 96.1 percent or $7.4 billion was distributed to the General Revenue Fund. The balance was distributed to the Local Government Fund and Local Government Revenue Assistance Fund.

The department collects the combined state and local tax and returns the local share directly to the counties and transit authorities. The same exemptions and exceptions, credits, and payment dates apply to the permissive taxes as to the state tax.

As of July 1, 2007, all 88 Ohio counties levied permissive sales and use taxes ranging in size from 0.25 percent to 1.5 percent. During the 2006 calendar year, the state collected over $1,361.7 million for county governments from such levies.

As of July 1, 2007, seven transit authorities also levied sales and use taxes of up to 1 percent: the Greater Cleveland Regional Transit Authority, the Central Ohio Transit Authority, the Laketran Transit Authority, the Greater Dayton Regional Transit Authority, the Portage Area Regional Transit Authority, the Stark Area Regional Transit Authority and the (Summit County) Metro Regional Transit Authority. In calendar year 2006, the state collected more than $288.8 million for these transit authorities.

Fiscal Year 2007 saw significant changes in the state's effort to become a full member of the Streamlined Sales and Use Tax Agreement, a multi-state effort to harmonize sales tax rules across state lines.

During FY 2007, Ohio was phasing in a requirement for vendors who engage in delivery sales to move toward destination sourcing of those sales – meaning calculating the rate at the destination of the sale rather than the location of the vendor. Vendors with $30 million or more in delivery sales in the previous year were required to make this switch by May 1, 2007, and the plan called for all other vendors to follow suit by Jan. 1, 2008.

But concern among small business owners prompted the General Assembly to put the effort on hold for smaller vendors.

In late 2007, the Streamlined Sales Tax Governing Board agreed to allow states like Ohio to become full members while sticking with the origin sourcing of intrastate delivery sales of tangible personal property. As a result, Ohio House Bill 429 was enacted in the spring of 2008. It requires the relative few delivery sellers who already made the switch to destination sourcing to go back to origin sourcing of delivery sales by Jan. 1, 2010.

Taxpayer (Ohio Revised Code 5739.01, 5739.03, 5739.031, 5739.17, 5741.01)

Any person, retailer, business, organization, or provider of taxable services making retail sales or making taxable purchases on which the tax has not been paid is required to file a return and remit the tax due. See Exhibit 1 for a description of taxpayers and applicable vendor's licenses.

Tax Base (R.C. 5739.01, 5741.01)

The state, county, and transit authority sales and use taxes apply to all retail sales of tangible personal property that are not specifically exempt. Retail sales also include the rental of tangible personal property, the rental of hotel rooms by transient guests, and the sales of the following specified services:

- repair of tangible personal property;
- installation of tangible personal property;
- washing, cleaning, waxing, polishing, and painting of a motor vehicle;
- laundry and dry cleaning services;
- automatic data processing, computer services, and electronic information services used in business;
- telecommunications services;
- lawn care and landscaping;
- private investigation and security;
- building maintenance and janitorial services;
- employment services and employment placement services;
- exterminating services;
- physical fitness facility services;
- recreation and sports club services;
- mobile telecommunications services;
- satellite broadcasting services;

Exhibit 1
Description of Sales Tax
Taxpayers and Vendor's Licenses

Taxpayer	Cost of License	Description
Vendor	$25	Each person or business establishment located in Ohio making retail sales.
Service vendor	$25	Person or business that provides automatic data processing, computer services, and electronic information services; or telecommunications services; mobile telecommunications services; lawn care and landscaping services; private investigation and security services; building maintenance and janitorial services; employment and employment placement services; exterminating services; satellite broadcasting services; or snow removal services. The license is valid statewide.
Transient vendor	$25	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
Delivery vendor	$25	Retailer who maintains no store, showroom, or similar place of business where merchandise is offered for sale, or who has no location where merchandise displayed in catalogs may be selected or picked up by customers.
Seller	No fee	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
Direct pay permit holder	No fee	Consumers authorized by the Tax Commissioner to remit tax directly to the state instead of to the vendor. This authority can only be issued upon application if the Commissioner determines that granting the authority would improve compliance and increase the efficiency of the administration of the tax.
Clerks of court	No fee	Dealers remit taxes collected on sales of motor vehicles, watercraft, and outboard motors to county clerks of court when a title is issued. Clerks of court also collect the tax on casual sales of motor vehicles, and sales of watercraft and outboard motors required to be titled. Clerks of court remit these receipts to the state.
Division of Liquor Control	No fee	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
Consumers' use tax account	No fee	Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state.

- personal care services;
- transportation of persons by motor vehicle or aircraft entirely within this state;
- motor vehicle towing services; and
- snow removal services.

Retail sales also include all transactions by which a warranty, maintenance, or service contract is, or is to be, provided and all transactions by which tangible personal property is, or is to be, stored.

The county and transit authority use taxes apply to purchases made outside of the state and to purchases made from vendors located in an area which does not have the permissive sales and use tax, or levies it at a lower rate, when the property or service is used in an area that levies a permissive sales and use tax.

Rates (R.C. 5739.02, 5739.021, 5739.023,5739.025, 5739.026, 5741.02, 5741.021-.023)

State Rate:

The state sales and use tax rate was temporarily increased from 5 percent to 6 percent for fiscal years 2004 and 2005. On July 1, 2005, the rate was changed permanently to 5.5 percent.

Local rates:

Current law gives counties the option of levying a sales tax of up to 1 percent for county general revenue, plus an additional tax of up to 0.5 percent for county general revenue or several specific purposes outlined in the Ohio Revised Code. These taxes, which must be in 0.25 increments, may be repealed by county voters.

Transit authorities are also authorized to levy additional permissive sales and use taxes at rates of 0.25 percent to 1.5 percent in quarter-percent increments.

The following are the number of jurisdictions (counties) at each combined state and local tax rate as of July 1, 2007.

Total Rate	Number of Jurisdictions
6.00 %	3
6.25 %	5
6.50 %	27
6.75 %	13
7.00 %	39
7.50 %	1

(A combined sales tax schedule that includes local levies is specified in R.C. 5739.025.)

For most taxable sales, the rate is based on the location of the vendor from which the sale was made. Generally, the applicable use tax rate for all taxable sales on which no tax was paid to the vendor is based on the location of the purchaser.

Other exceptions include automatic data processing, computer services, electronic information services, telecommunications services, private investigation and security services, lawn care and landscaping services, building maintenance and janitorial services, employment services, employment placement services, exterminating services, satellite broadcasting services, and snow removal services. For these services, the rate is based on the location where the service is purchased and performed or received.

Special sourcing rules are in place for certain sales of digital goods or software delivered electronically that are concurrently available for use by the consumer in multiple locations, for certain types of direct mail, for telecommunications services, and for leases.

Exemptions and Exceptions (R.C. 5709.25, 5739.01, 5739.011, 5739.02, 5741.02, 6121.16, 6123.041)

Exemptions and exceptions include:

- Copyrighted motion picture films unless solely used for advertising;
- Service transactions in which tangible personal property is an inconsequential element for which no separate charge is made except for the services that are specifically taxable (see **Tax Base**);
- The value of motor vehicles traded in on new motor vehicles sold by licensed new motor vehicle dealers;
- Tangible personal property or the benefit of a taxable service to be resold in the form received;
- The refundable deposit paid on returnable beverage containers, cartons, and cases;
- Tangible personal property used or consumed in commercial fishing;
- Sales to U.S. government agencies;
- Sales to the state or any of its political subdivisions;
- Food for human consumption off the premises where sold;
- Food sold to students in a dormitory, cafeteria, fraternity, or sorority;
- Newspapers;
- Magazine subscriptions or magazines distributed as controlled circulation publications;
- Motor vehicle fuel subject to the state motor fuel excise tax;
- Gas, water, and steam delivered through pipes or conduits by a utility company and electricity delivered through wires;
- Communications services provided by telegraph companies;
- Casual sales except for motor vehicles, titled watercraft and outboard motors, snowmobiles, and all-purpose-vehicles;
- Sales by churches and nonprofit organizations (excluding motor vehicles) provided that the number of sales does not exceed six days each year;
- Transportation of persons or property, except the transportation of persons specifically taxed as a service;
- Sales to churches, nonprofit organizations included under Internal Revenue Code (I.R.C.) 501(c)(3), nonprofit scientific research organizations, and to other nonprofit charitable organizations;
- Sales to nonprofit hospitals and to those privately-held homes for the aged and hospital facilities that are financed with public hospital bonds;
- Building and construction material sold to contractors for incorporation into real property constructed for federal, state, or local governments; for religious and certain other nonprofit charitable institutions; for horticulture and livestock structures; and for other specified organizations and industries;
- Ships and rail rolling stock used in interstate or foreign commerce and material used for repair, alteration, or propelling such vessels;
- Material, machinery, equipment, and other items used in packaging property to be sold at retail;
- All drugs for a human being dispensed pursuant to a prescription (this provision was changed by H.B. 66, effective July 1, 2005, to allow exemption only for drugs for a human being that may only be dispensed pursuant to a prescription), urine and blood testing materials used by diabetics or persons with hypoglycemia; medical oxygen and medical oxygen equipment for personal use; hospital beds for personal use; and epoetin alfa for persons with a medical disease;
- Prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment sold pursuant to a prescription for use by a human being;
- Emergency and fire protection vehicles used exclusively by nonprofit organizations in providing emergency and fire protection services for political subdivisions;
- Sales to nonprofit community centers and to producers offering presentations in music, dramatics, the arts, and related fields to foster public interest and education;
- Motor vehicles sold in Ohio to nonresidents for titling and use in any other state (or, after Aug. 1, 2007, *most* other states; for details, see information release ST 2007-04 – "Sales and Use Tax: Sales of Motor Vehicles to Nonresidents of Ohio," issued in August, 2007);
- Property used in the preparation of eggs for sale;

- Sales of property for use in agricultural production;
- Property manufactured in Ohio and immediately shipped outside the state for use in retail business, if sold by the manufacturer to the retailer and shipped in vehicles owned by the retailer;
- Sales to non-commercial, educational broadcasting stations;
- Sales of animals by nonprofit animal shelters and county humane societies;
- Items used in preserving, preparing, or serving food, or material used in maintaining or cleaning these items in a commercial food service operation;
- Tangible personal property used in air, noise, or water pollution control facilities or in energy conversion, solid waste energy conversion, or thermal efficiency improvement facilities, by holders of exempt facility certificates issued by the Tax Commissioner;
- Bulk water for residential use;
- Sales of equipment used in qualified research and development;
- Sales and installation of agricultural land tile and the sale and installation of portable grain bins to farmers;
- Fees paid for the inspection of emission control equipment on motor vehicles;
- Sales, leases, repairs, and maintenance of motor vehicles used primarily in providing highway transportation for hire;
- Sales to state headquarters of veterans' organizations chartered by Congress or recognized by the U.S. Department of Veterans Affairs;
- Normally taxable food items sold to persons using food stamps;
- Sales of tangible personal property and services used directly in providing a telecommunications service, mobile telecommunications service, or satellite broadcasting service;
- Trade-ins on purchases of new or used watercraft or outboard motors sold by licensed boat dealers;
- Property and labor used to fulfill a warranty or service contract;
- Property used to store and handle purchased sales inventory in a warehouse or similar facility, when the inventory is primarily distributed outside Ohio to retail stores of the person who owns or controls the warehouse, to retail stores of an affiliated group of which the owner of the warehouse is a member, or by means of direct marketing;
- Sales of computer equipment used for educational purposes made to qualifying certified teachers;
- Sales of certain tangible personal property made to qualified motor racing teams;
- Twenty-five percent sales tax refund for qualified computer purchases for providers of electronic information services;
- Sales of used manufactured and mobile homes;
- Sales of coin-operated car washes;
- The provision of self-service laundry or dry cleaning facilities;
- Intrastate transportation of persons by transit bus or ambulance or by a person that holds a Certificate of Public Convenience and Necessity under 49 United States Code 41102;
- Sales of telecommunications services used directly and primarily to perform the functions of a call center;
- Sales of personal property and services used directly and primarily in providing taxable intrastate transportation of persons;
- Repair and replacement parts and repair and maintenance services for aircraft used primarily in a fractional aircraft ownership program;
- Tax in excess of $800 on any aircraft sold as a fractional share aircraft; and
- Items held by a person, but not for that person's own use, and donated to a charitable organization or to the state or its political subdivisions for exclusively public purposes (use tax only).

Additionally, Ohio law includes direct use and primary use exemptions.

The direct use exemption applies to:

- material incorporated as a component part of tangible personal property produced for sale by manufacturing, assembling, processing, or refining;
- material used or consumed directly in the production of tangible personal property by mining, farming, agriculture, horticulture, floriculture, or used in the production of and exploration for crude oil and natural gas;
- tangible personal property used directly in rendering a public utility service;
- tangible personal property used or consumed in the preparation for sale of printed and other reproduced material and magazines distributed as controlled circulation publications; and
- certain property used in making retail sales including: advertising material or catalogs used or consumed in making retail sales that price and describe property; preliminary materials sold to direct marketing vendors that will be used in printing advertising material; printed matter that offers free merchandise or chances to win sweepstakes prizes and includes advertising material; equipment primarily used to accept orders for direct marketing retail sales; and certain automatic food vending machines.

The primary use exemption refers to tangible personal property used primarily in a manufacturing operation to produce a product for sale. The primary use exemption includes, but is not necessarily limited to, the following items:

- production machinery and equipment that act upon the product;
- handling and transportation equipment (except licensed motor vehicles) used in moving property in or between plants during the production process;
- property used in producing property that is used or consumed in the production of a final product (use on use);
- coke, gas, water, steam, and similar substances used in the manufacturing operation;
- catalysts, solvents, water, acids, oil, and similar consumables that interact with the product and are an integral part of the manufacturing operation;
- property that is used to control, physically support, or is otherwise necessary for functioning of machinery and equipment and continuation of the manufacturing operation; and
- machinery and equipment, detergents, supplies, solvents, and any other tangible personal property located at a manufacturing facility that are used in the process of removing soil, dirt, or other contaminants from, or otherwise preparing in a suitable condition for use, towels, linens, articles of clothing, floor mats, mop heads, or other similar items, to be supplied to a consumer as part of laundry and dry cleaning services, only when the towels, linens, articles of clothing, floor mats, mop heads, or other similar items belong to the provider of the services.

Special Provisions

Cumulative filing (R.C. 5739.12 and Rule 5703-9-09):

The Tax Commissioner may require a vendor that operates from multiple locations or has multiple vendors' licenses to report all liabilities on one consolidated return. Vendors who have two or more places of business in Ohio may, upon approval by the Tax Commissioner, file a single monthly consolidated return reporting on one form the information that normally is required to be reported from each location.

Pre-arranged agreements (R.C. 5739.05 and Rule 5703-9-08):

Vendors, such as fast food outlets, whose business is of a nature that keeping records of which sales are taxable and which are exempt would impose an unreasonable burden, may be authorized by the Tax Commissioner to pay an amount based on a test check conducted to determine the proportion of taxable sales to total sales. Businesses electing this method of payment still collect the tax from customers at the time of purchase.

Pre-determined agreements (R.C. 5739.05 and Rule 5703-9-08):

Vendors, such as coin-operated vending machine operators, whose business is of a nature that the collection of the tax from consumers would impose an unreasonable burden, may be authorized by the Tax Commissioner to pay the tax at a pre-determined rate based on an analysis of sales and prices.

Construction contractors (R.C. 5739.01 and Rule 5703-9-14):

Construction contractors are considered to be the consumers of property incorporated into the construction of or improvement to real property and, thus, are responsible for paying the tax on such property.

Resort area tax (R.C. 5739.101 – 5739.105):

Qualified municipal corporations or townships are authorized to levy a tax at the rate of 0.5 percent, 1 percent, or 1.5 percent on gross receipts from general sales made in or intrastate transportation primarily provided to and from the resort area. Receipts from this tax are for the general revenue of the township or municipality. The tax is administered by the Department of Taxation. Currently, the tax is in effect in both the village and township of Put-in-Bay, as well as the village of Kelley's Island.

Lodging tax (R.C. 5739.09):

In addition to the state sales tax, municipal corporations, townships, and counties may levy an excise tax on hotel and motel room rentals at a rate not exceeding 3 percent. Total combined local levies cannot exceed 6 percent. In certain cases, a portion of the receipts are earmarked for convention centers and visitors bureaus. County convention facility authorities were permitted between June 29, 1988 and Dec. 31, 1988 to enact an additional 4 percent lodging tax for convention facility or sports center construction. This tax is in addition to the combined maximum 6 percent rate for county, township, or municipal lodging taxes, thereby allowing a combined local rate of 10 percent.

Payment by EFT (R.C. 5739.032, 5739.122, 5741.121):

Payment of tax returns is required to be made by electronic funds transfer (EFT) in cases where a taxpayer's annual liability exceeds $75,000 per calendar year. Taxpayers required to use this payment method will be so notified. Taxpayers with lesser liabilities may request the authorization to remit tax payments via EFT from the Treasurer of State.

Accelerated tax payment (R.C. 5739.032, 5739.122, 5741.121):

Vendors required to remit tax by EFT are required to make advance payments of each month's tax on the 15th and 25th of that month.

Filing and Payment Dates (R.C. 5739.031, 5739.12, 5739.17, 5741.12, Rule 5703-9-10)

See Exhibit 2 for a summary of filing and payment dates.

Exhibit 2
Type of Sales Tax Returns and Filing Payment Dates

Type of Return	Taxpayer	Payment Date
Weekly	Clerk of court	Payment on Monday for taxes collected during the preceding week on motor vehicles, and on watercraft and outboard motors titled.
Semi-monthly	Division of Liquor Control	By the 15th day of the month for the tax collected during the last 15 days of the previous month, and by the last day of the month for the tax collected during the first 15 days of the month, on spiritous liquor sold in state-contracted liquor agency stores.
Monthly	Vendors, sellers, service vendors, transient vendors, delivery vendors, direct pay permit holders, consumers' use tax accounts	By the 23rd day of the month following the close of the reporting period, which is the previous month.
Quarterly	Direct pay permit holders, consumers' use tax accounts	By the 23rd day of January, April, July, and October for their tax liability during the preceding three months; this method of payment may be authorized for accounts with less than $5,000 in quarterly tax liability.
Semi-annual	Vendors, sellers, service vendors, transient vendors, delilvery vendors	By the 23rd day of the month following the close of each semi-annual period (pre-determined by filing schedule) for the tax collected during the preceding six-month period; this method of payment may be authorized for vendors and sellers whose tax liability is less than $1,200 per six-month period.
Special payment requirements	All taxpayers	Payment must be received by the 23rd day of the month following the close of the reporting period. Taxpayers whose annual liability in a prior year execeded $75,000 are required to pay by EFT. These same taxpayers are required to make accelerated payments during each month.

Discount (R.C. 5739.12, 5741.12):

Payment on or before the date a return is required to be filed entitles the vendor to a discount of 0.9 percent of the amount due for returns required to be filed after July 1, 2003 and before June 30, 2007. (Example: $5,000 tax due - $45 discount = $4,955 net tax due.) For returns filed after June 30, 2007, the discount is 0.75 percent.

Disposition of Revenue

State Sales and Use Tax (R.C. 5739.21, 5741.03):

Traditionally, by statute, the Local Government Fund received 4.2 percent, the Local Government Revenue Assistance Fund 0.6 percent, and the General Revenue Fund 95.2 percent of sales and use tax collections. However, legislative changes in recent years temporarily restructured this distribution. In FY 2007, the Local Government Fund received 3.4 percent, the Local Government Revenue Assistance Fund received 0.5 percent, and the General Revenue Fund received 96.1 percent of state sales tax revenue; this was per an uncodified provision of H.B. 66, the FY 2006-2007 biennial budget bill that froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.

In H.B. 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January, 2008, all sales tax revenue will be directed to the General Revenue Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

County Permissive Sales and Use Tax (R.C. 5739.21, 5743.03):

Ninety-nine percent of revenue is distributed to the general fund of the county that levied the tax. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

County Additional Permissive Sales and Use Tax (R.C. 5739.21, 5741.03):

Ninety-nine percent of revenue is distributed to the special purpose fund of the county that levied the tax. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

Transit Authority Sales and Use Tax (R.C. 306.31, 5739.21, 5741.03):

Ninety-nine percent of revenue is distributed to the general revenue fund of the transit authority that levied the tax for the purpose of acquiring, constructing, operating, maintaining, replacing, improving, and extending transit facilities. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

Resort Area Tax (R.C. 5739.102):

Ninety-nine percent of revenue is distributed to the appropriate taxing entity; one percent is credited to the state General Revenue Fund for the cost of administering the tax.

Administration

The Tax Commissioner administers the sales and use tax for the state, for counties, and for transit authorities.

Ohio Revised Code Citations

Chapters 306, 307, 351, 5709, 5739, 5741, and 6111.

Recent Legislation

Am. Sub. H.B. 119, 127th General Assembly (provision below effective Aug. 1, 2007).

Enacted R.C. 5739.029, which changed the application of Ohio sales tax on the purchase of motor vehicles by nonresidents. The bill extended the tax to motor vehicle purchases made by nonresidents of Ohio if the purchaser's home state: (1) collects sales tax from Ohio residents for motor vehicle purchases; and (2) offers a credit for taxes paid in Ohio. The change does not apply to leased vehicles.

Sub. H.B. 149, 126th General Assembly (effective May 1, 2007).

Added a new exemption for certain manufacturers. Pursuant to R.C. 5739.011(B)(13), equipment and supplies used to clean processing equipment that is part of a continuous manufacturing operation to produce milk, ice cream, yogurt, cheese and similar dairy products for human consumption are exempt from sales and use tax.

Am. Sub. H.B. 699, 126th General Assembly (effective March 29, 2007).

In R.C. 5739.01(P), defined a public utility service to include a citizen of the United States holding, and required to hold, a certificate of public convenience and necessity issued under 49 U.S.C. 41102. This bill also made certain other changes to R.C. 5739.09 that pertains to the lodging tax adopted on the county level.

Sub. H.B. 293, 126th General Assembly (effective Jan. 1, 2007):

Amended the definition of "employment service" found in R.C. 5739.01(JJ) to except from the definition of this taxable service personnel supplied from one employment service provider to another where the purchaser then supplies the personnel to a third party as an "employment service."

Sub. H.B. 294, 126th General Assembly (effective Sept. 28, 2006).

Required a certification by the Tax Commissioner on or before Feb. 1, 2007, that the Governing Board of the Streamlined Sales and Use Tax Agreement is providing certified service provider services for all delivery sales. If the certification was not made, vendors with delivery sales of less than $30 million but more than $5 million were not required to convert to destination sourcing until Jan. 1, 2008 (Note: the Tax Commissioner did not make the certification).

Am. Sub. S.B. 269, 126th General Assembly (effective Sept. 21, 2006).

R.C. 5741.02(C)(10) – Exempted from use tax items held by a person, but not for the person's own use, and donated to a charitable organization or to this state or a political subdivision of this state exclusively for public purposes.

Am. Sub. H.B. 530, 126th General Assembly (effective June 30, 2006).

R.C. 5739.011(A)(1) and (B)(12) – Exempted machinery and equipment, detergents, supplies, solvents, and any other tangible personal property located at a manufacturing facility and used in the process of removing soil, dirt, or other contaminants from, or preparing in suitable condition for use, towels, linens, articles of clothing, floor mats, mop heads, or other similar items, to be supplied to a consumer as part of laundry or dry cleaning services when the towels, linens, articles of clothing, floor mats, mop heads, or other similar items belong to the provider of the services.

R.C. 333.01 through 333.07, 5739.211 and 5741.031 – Allowed a county to enter into an agreement, prior to Dec. 1, 2006, with a person that proposes to operate an "impact facility" in the county, for the county to make payments of up to 75 percent of the sales tax collected at the facility to the operator of the facility for up to 10 years or until the person's "qualifying investment" in the facility is realized.

Am. Sub. H.B. 66, 126th General Assembly (effective June 30, 2005).

R.C. 5739.12 – Extended the vendor discount of 0.9 percent – which was set to expire on June 30, 2005 – until June 30, 2007, when the discount dropped to 0.75 percent.

Am. Sub. S.B. 26, 126th General Assembly (effective June 2, 2005).

R.C. 5739.033 – Delayed the date when vendors must collect sales tax based on destination-based sourcing. The date by which a vendor must change to destination-based sourcing was scheduled to be determined on a sliding scale over a period from May 1, 2006 to Jan. 1, 2008 depending on the amount of a vendor's delivery sales.

Recent Court Decisions

Ameritech Publishing, Inc. v. Wilkins, 111 Ohio St.3d 114, 2006-Ohio-5337:

A phone book publisher contracted with another company to produce directories for distribution to its customers. The amount of this contract was included in a use tax audit of the publisher. The publisher contended that the portion of the price designated for "paper management service" should not be subject to use tax because this involved a personal service in which the contractor placed orders for paper with paper mills and monitored and controlled the use of that paper throughout the publishing process. The Supreme Court affirmed the finding of the Ohio Board of Tax Appeals (BTA) that the paper management service was part of the cost of the paper which was required for creating the phone books, and was not a personal service.

Time Warner Operations, Inc. v. Wilkins, 111 Ohio St. 3d 559, 2006-Ohio-6210:

The issue was whether Time Warner's rental charges for converter boxes to its customers were taxable. The BTA had determined an exemption on the basis that the converter boxes were directly used in providing a public utility service. The Supreme Court reversed the decision finding that the exemption cited by the BTA applied only to purchases by the utility providers as consumers and not to sales made by them. Time Warner charged a monthly fee to its customers for the rental of the converter boxes and the Court concluded that the rental by Time Warner of the boxes to its customers was a sale on which tax should be charged.

Recent Information Releases

ST 2007-05 – "Origin Sourcing of Delivery Sales," October 2007.

ST 2007-04 – "Sales of Motor Vehicles to Nonresidents of Ohio," August 2007.

ST 2007-03 – "Sales by School Support Groups and Other Charitable Organizations," August 2007.

ST 2007-02 – "Delivery Charges a Part of the Price of a Sale," May 2007.

ST 2007-01 – "Delay in Sourcing of Delivery Sales," February 2007.

ST 2006-01 – "Funeral Transactions," October 2006.

ST 2005-01 – "Vendor Compensation," April 2005; revised July 2005 and April 2007.

ST 2004-01 – "Food Definition," May 2004; revised June 2007.

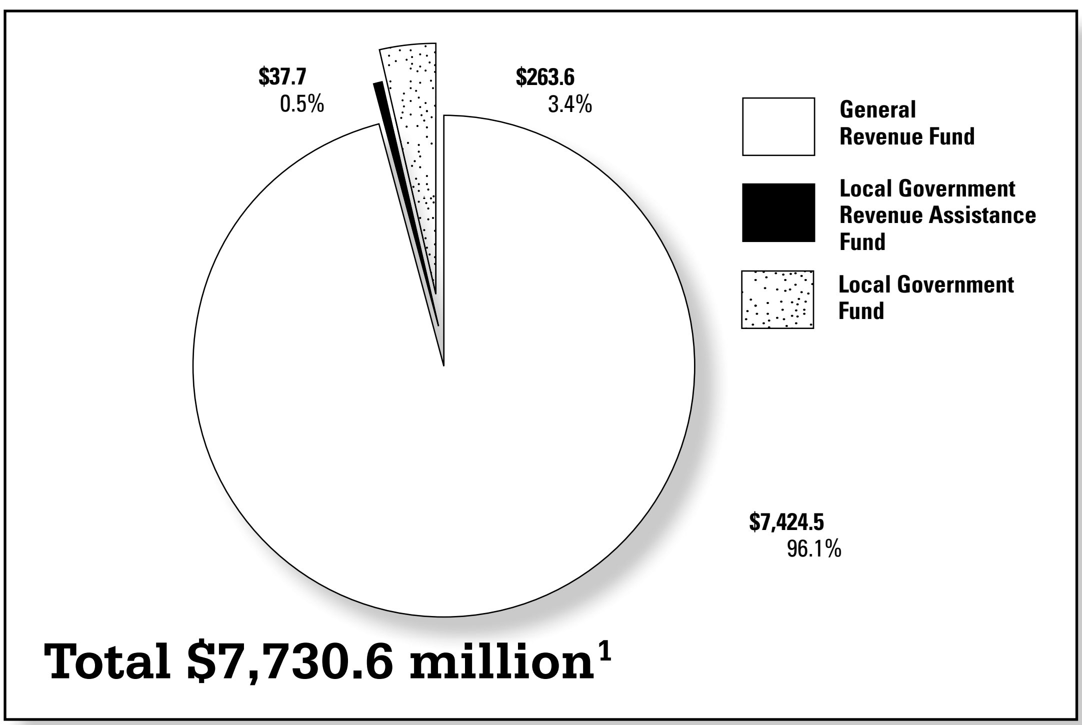
ST 2002-020 – "Portable Grain Bins, Field Tile, Livestock Structures, Horticulture Structures," April 2002; revised May 2007.

ST 1995-05 – "Price for Calculating Sales or Use Tax," March 1995; revised February 2007.

ST 1993-08 – "Employment Service," September 1993; revised October 1993, December 2000, May 2006 and February 2007.

Chart 1
Distribution of Revenue from Sales & Use Tax: Fiscal Year 2007

(figures in millions)



1 Includes Attorney General collections which amount to $4.8 million.

Table 1
Sales & Use Tax - Collections By Type of Payments:
(Includes State and Local/Transit Authority Permissive Tax)
Fiscal Year 2007

Type	Amount
Vendor's Sales	$ 6,665,043,606
Motor Vehicle and Water Craft (from Clerks of Court)	1,184,209,731
Seller's Use	963,112,107
Consumers' Use	306,552,359
Direct Payment	253,861,977
Streamlined Sales	1,377,988
Liquor Sales by Division of Liquor Control	29,131,982
Attorney General Sales and Use Tax Collections	33,258,865
TOTAL State and Local Collections	**$9,436,548,615**
Less Local Sales and Use Tax Collections	1,672,539,664
Total State Collections	**$7,764,008,951**

Source: Ohio Department of Taxation records and Office of Budget and Management's monthly accounting reports. Figures represent gross collections and therefore include collections from assessments and penalties. Refunds have not been subtracted out. Figures are prior to any distribution to any state fund or to county and permissive transit authorities.

Local sales and use tax collections include deposits into the Local Sales Tax Administration Fund, amounting to $16,904,249. The local sales and use tax figure reflects collections during the July 2006-June 2007 period (rather than distributions made during the July 2006-June 2007 period).

Table 2
Sales & Use Tax - Number of Accounts, By Type and Payment Schedule
(As of July 1, 2007)

	Payment Schedule			
Accounts	**Semi-Annual**	**Monthly**	**Quarterly**	**Total**
Vendors (includes 39,671 master[1] accounts issued by counties)	102,260	78,777		181,037
Master[1] (accounts issued by the state)	214	3,421		3,635
Transient	30,649	3,299		33,948
Service	12,285	9,347		21,632
Delivery	7,789	1,612		9,401
Consumers	0	1,814	12,758	14,572
Direct-Pay	0	377	169	546
Out of State	6,818	7,690		14,508
Grand Total	**160,015**	**106,337**	**12,927**	**279,279**

1 A master account is an account held by a vendor that has multiple locations (and thus multiple vendor's licenses) in one or more counties. Currently, it would not include delivery or service licenses or out-of-state seller accounts.

Table 3
County and Transit Authority Permissive Sales Tax Collections: Calendar Years 2002 - 2006

County	Tax Rate 12/31/06	2002	2003	2004	2005	2006	Initial Enactment	Effective Date of Current Rate
ADAMS	1.50	$2,735,086	$2,888,832	$2,797,066	$3,048,760	$2,969,347	JUNE 1, 1991	APR. 1, 2006
ALLEN	1.00	13,133,787	13,229,392	14,105,944	14,436,614	14,481,886	MAY 1, 1970	JUNE 1, 1987
ASHLAND	1.25	5,220,317	5,155,880	5,425,965	6,148,759	6,124,578	MAR. 1, 1971	JAN. 1, 1998
ASHTABULA	1.00	7,986,904	7,977,386	8,428,479	8,777,806	8,649,601	APR. 1, 1977	JULY 1, 1985
ATHENS	1.25	5,233,606	5,403,916	5,651,235	5,808,440	5,995,215	FEB. 1, 1982	JAN. 1, 1994
AUGLAIZE	1.50	5,503,873	5,829,385	6,183,157	6,525,568	6,629,972	NOV. 1, 1973	JUNE 1, 1996
BELMONT	1.50	11,324,956	11,551,272	11,870,099	12,067,904	11,556,532	MAY 1, 1985	JAN. 1, 1995
BROWN	1.25	2,909,963	3,038,463	3,180,477	3,284,391	3,314,663	AUG. 1, 1979	JAN. 1, 1996
BUTLER	1.00	16,623,304	17,112,675	18,414,134	22,607,419	40,662,380	JUNE 1, 1985	OCT. 1, 2005
CARROLL	1.00	1,581,707	1,585,981	1,625,241	1,724,715	1,603,847	SEP. 1, 1985	JULY 1, 2006
CHAMPAIGN	1.50	2,586,881	3,100,915	4,013,697	4,357,255	4,550,508	JAN. 1, 1986	JULY 1, 2003
CLARK	1.00	17,344,078	12,243,342	12,563,786	16,494,817	18,400,110	NOV. 1, 1972	OCT. 1, 2006
CLERMONT	1.00	19,513,566	20,068,148	20,961,722	20,614,510	20,838,670	AUG. 1, 1979	OCT. 1, 1983
CLINTON	1.50	3,941,549	4,138,079	4,774,107	5,293,755	7,627,289	MAY 1, 1972	OCT. 1, 2005
COLUMBIANA	1.00	8,365,728	11,531,316	11,850,766	11,293,699	8,281,444	AUG. 1, 1985	SEP. 1, 2005
COSHOCTON	1.50	2,558,793	2,615,900	2,619,792	2,754,626	3,957,148	JUNE 1, 1971	JAN. 1, 2006
CRAWFORD	1.50	4,647,342	4,857,314	5,023,409	5,068,269	4,907,608	MAY 1, 1978	JULY 1, 1994
CUYAHOGA	1.00	156,713,498	158,633,995	167,870,952	167,156,017	169,299,614	SEP. 1, 1969	OCT. 1, 1987
DARKE	1.50	4,281,463	4,415,874	4,489,900	4,903,446	6,799,401	JULY 1, 1975	OCT. 1, 2005
DEFIANCE	1.00	4,658,543	4,254,886	4,482,197	4,433,635	4,546,018	FEB. 1, 1987	FEB. 1, 1987
DELAWARE	1.25	26,069,586	29,110,737	31,861,129	32,540,265	33,762,217	JAN. 1, 1972	OCT. 1, 1996
ERIE	1.00	10,801,348	11,452,269	11,607,891	12,091,821	12,448,397	MAR. 1, 1977	MAY 1, 1993
FAIRFIELD	0.75	9,988,803	9,978,566	10,339,538	10,863,626	11,011,730	SEP. 1, 1981	AUG. 1, 1995
FAYETTE	1.00	4,194,940	3,948,848	3,986,368	4,103,489	4,343,975	MAR. 1, 1983	JULY 1, 1988
FRANKLIN	1.00	79,621,688	81,681,821	85,587,547	97,652,189	172,872,499	SEP. 1, 1985	OCT. 1, 2005
FULTON	1.00	3,900,824	3,959,266	3,994,295	4,056,451	4,078,807	MAY 1, 1972	FEB. 1, 1987
GALLIA	1.25	3,480,707	3,596,869	3,681,635	3,707,314	3,873,943	DEC. 1, 1981	FEB. 1, 1995
GEAUGA	1.00	4,383,695	4,809,116	9,132,782	10,623,796	10,928,863	AUG. 1, 1987	FEB. 1, 2004
GREENE	1.00	18,228,212	18,393,495	19,571,707	19,258,566	20,408,306	MAR. 1, 1971	FEB. 1, 1987
GUERNSEY	1.50	5,303,637	5,223,689	5,495,869	5,607,908	5,824,558	FEB. 1, 1971	AUG. 1, 1993
HAMILTON	1.00	119,722,909	122,212,469	127,712,184	126,800,138	129,376,893	JUNE 1, 1970	JUNE 1, 1996
HANCOCK	0.50	4,865,680	6,074,558	7,847,608	7,049,929	5,377,722	FEB. 1, 1979	JULY 1, 2005
HARDIN	1.50	2,016,990	1,913,787	1,993,026	3,131,942	3,334,029	OCT. 1, 1985	JAN. 1, 2005
HARRISON	1.50	1,109,957	1,174,339	1,267,537	1,360,630	1,381,888	DEC. 1, 1985	JUNE 1, 1994
HENRY	1.00	2,262,060	2,283,066	2,421,135	2,492,774	2,934,326	MAR. 1, 1972	APR. 1, 2006
HIGHLAND	1.50	2,908,287	3,040,302	3,206,611	4,015,905	5,091,812	MAY 1, 1979	JULY 1, 2005
HOCKING	1.25	2,519,146	2,819,259	2,724,117	2,645,245	2,808,952	APR. 1, 1979	JAN. 1, 1998
HOLMES	1.00	3,894,484	4,171,202	4,270,098	4,442,924	4,312,824	JULY 1, 1977	JAN. 1, 1998
HURON	1.50	6,977,054	7,213,260	7,234,249	7,709,108	7,785,060	FEB. 1, 1978	JAN. 1, 1996
JACKSON	1.50	3,915,326	4,055,626	4,383,073	4,448,993	4,482,840	APR. 1, 1982	JAN. 1, 1998
JEFFERSON	1.50	8,566,108	8,837,082	9,336,204	9,431,938	9,722,077	JUNE 1, 1973	NOV. 1, 1994
KNOX	1.00	4,261,652	4,360,941	4,808,364	5,236,888	5,384,622	MAY 1, 1971	FEB. 1, 1994
LAKE	0.50	14,466,920	14,882,380	15,277,887	15,109,090	15,469,561	JULY 1, 1969	AUG. 1, 1988
LAWRENCE	1.50	6,372,556	5,751,625	6,332,245	6,244,193	6,496,600	JUNE 1, 1986	JUNE 1, 1998
LICKING	1.50	14,873,722	15,400,816	16,339,191	16,784,668	23,730,294	FEB. 1, 1971	JAN. 1, 2006
LOGAN	1.50	6,832,540	7,053,319	7,238,342	7,419,757	7,350,392	JAN. 1, 1974	JULY 1, 1997
LORAIN	0.75	20,506,375	20,611,361	21,904,257	22,040,916	23,025,723	JULY 1, 1985	JULY 1, 1995
LUCAS	1.25	68,211,381	67,006,778	69,957,182	70,590,574	70,824,075	FEB. 1, 1971	JAN. 1, 1993
MADISON	1.25	3,668,161	3,891,232	4,650,969	3,994,396	4,115,639	MAR. 1, 1983	JULY 1, 1999
MAHONING	1.00	25,819,561	26,657,490	27,537,042	17,624,685	27,620,917	APR. 1, 1980	OCT. 1, 2005
MARION	1.00	6,187,872	6,235,262	6,365,990	6,385,213	6,677,482	SEP. 1, 1985	APR. 1, 1992
MEDINA	0.50	8,137,853	8,465,661	8,882,248	9,247,658	9,557,722	APR. 1, 1971	APR. 1, 1971
MEIGS	1.00	1,119,751	1,101,934	1,071,185	1,090,965	1,158,194	FEB. 1, 1987	FEB. 1, 1987
MERCER	1.00	3,151,037	3,301,439	3,541,059	3,556,298	3,632,555	NOV. 1, 1971	JULY 1, 1987
MIAMI	1.00	9,613,548	9,648,601	10,449,156	10,398,535	10,415,469	DEC. 1, 1969	NOV. 1, 1999
MONROE	1.50	1,150,584	970,935	1,157,694	1,205,190	1,206,671	OCT. 1, 1986	NOV. 1, 1994
MONTGOMERY	1.00	62,952,069	64,564,376	65,568,624	65,853,110	64,734,278	JAN. 1, 1971	JULY 1, 1989
MORGAN	1.50	988,948	967,301	1,042,641	1,057,294	1,008,824	FEB. 1, 1972	APR. 1, 1990

(Cont'd. on the next page)

Table 3 (cont'd.)
County and Transit Authority Permissive Sales Tax Collections: Calendar Years 2002 - 2006

County	Tax Rate	2002	2003	2004	2005	2006	Initial Enactment	Effective Date of Current Rate
MORROW	1.50	$2,320,573	$2,424,705	$2,487,996	$2,693,181	$2,659,921	JULY 1, 1971	JULY 1, 1995
MUSKINGUM	1.50	13,620,339	13,816,527	13,935,522	14,152,783	14,774,019	MAY 1, 1971	APR. 1, 1993
NOBLE	1.50	881,894	919,946	909,810	1,008,093	1,005,701	JAN. 1, 1971	FEB. 1, 1995
OTTAWA	1.00	4,522,532	4,674,287	4,789,192	4,834,964	5,147,563	OCT. 1, 1973	JAN. 1, 1998
PAULDING	1.50	1,500,731	1,522,795	1,611,341	1,599,105	1,589,247	APR. 1, 1984	NOV. 1, 1991
PERRY	1.00	1,573,349	1,580,310	1,677,500	1,763,038	1,798,303	MAR. 1, 1971	MAY 1, 1982
PICKAWAY	1.50	5,229,953	5,399,205	5,538,138	5,567,490	5,711,366	OCT. 1, 1983	DEC 1, 2001
PIKE	1.50	2,041,571	2,041,142	2,094,889	2,275,828	3,378,628	MAY 1, 1988	JAN. 1, 2006
PORTAGE	1.00	12,629,466	13,187,643	13,550,567	13,751,342	14,386,517	APR. 1, 1971	DEC. 1, 1999
PREBLE	1.50	3,788,124	4,002,410	4,150,454	4,436,626	4,388,893	NOV. 1, 1979	MAY 1, 1994
PUTNAM	1.25	2,896,552	2,982,285	2,972,475	3,211,813	3,152,349	JAN. 1, 1974	JULY 1, 2006
RICHLAND	1.25	18,196,319	21,207,635	19,975,252	17,304,647	18,303,057	JUNE 1, 1979	APR. 1, 2005
ROSS	1.50	10,250,454	10,235,264	10,866,703	10,668,371	11,219,815	JAN. 1, 1980	OCT 1, 1993
SANDUSKY	1.25	5,757,414	5,913,822	5,925,675	5,876,824	6,928,914	AUG. 1, 1979	APR. 1, 2006
SCIOTO	1.50	8,233,430	8,250,582	8,394,244	8,449,421	8,744,475	MAY 1, 1979	MAY 1, 2001
SENECA	1.50	4,405,538	5,189,772	6,449,435	6,652,424	6,747,142	OCT. 1, 1983	AUG. 1, 2003
SHELBY	1.50	6,875,897	7,426,472	7,302,106	7,737,780	7,950,025	MAR. 1, 1971	JAN. 1, 1998
STARK	0.25	278,927	4,363,537	11,337,535	11,233,477	11,506,507	JAN. 1, 1987	JULY 1, 2003
SUMMIT	0.50	33,081,046	33,994,904	35,261,093	35,524,910	36,021,182	MAR. 1, 1973	NOV. 1, 1995
TRUMBULL	1.00	10,856,884	17,563,200	14,609,638	14,733,480	20,735,712	JUNE 1, 1985	JULY 1, 2005
TUSCARAWAS	1.00	8,690,202	8,692,703	9,156,759	9,072,030	9,267,067	APR. 1, 1971	JULY 1, 1998
UNION	1.00	5,724,615	8,358,356	6,799,470	7,070,147	7,163,498	APR. 1, 1989	APR. 1, 1989
VAN WERT	1.50	3,163,301	3,364,282	3,439,543	3,548,502	3,480,108	MAR. 1, 1972	MAR. 1, 1991
VINTON	1.50	742,621	729,160	715,575	763,791	790,618	MAY 1, 1985	MAR. 1, 1992
WARREN	1.00	20,487,452	21,535,675	23,002,502	24,605,083	24,976,707	JAN. 1, 1972	JAN. 1, 1992
WASHINGTON	1.50	8,542,670	8,601,829	8,979,532	8,956,175	9,411,203	OCT. 1, 1983	JAN. 1, 1990
WAYNE	0.75	7,633,464	7,812,025	8,115,778	8,342,911	8,294,021	MAR. 1, 1971	JAN. 1, 1992
WILLIAMS	1.50	3,023,943	3,266,628	4,535,311	4,529,832	4,754,966	DEC. 1, 1977	OCT. 1, 2003
WOOD	1.00	13,063,171	13,619,983	14,195,793	14,802,876	14,809,636	JUNE 1, 1971	NOV. 1, 1987
WYANDOT	1.50	1,623,637	1,813,228	1,865,055	1,932,519	2,806,218	FEB. 1, 1985	OCT. 1, 2005
COUNTY TOTAL		**$1,101,546,982**	**$1,140,944,340**	**$1,200,755,686**	**$1,221,774,249**	**$1,361,669,941**		
CLEVELAND RTA (CUYAHOGA CO.)	1.00	$156,735,486	$158,653,957	$167,894,949	$167,165,307	$169,262,438	OCT. 1, 1975	OCT. 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	0.25	41,334,523	43,205,469	44,940,803	44,741,979	46,371,674	SEP. 1, 1980	FEB. 1, 1990
LAKETRAN TA (LAKE CO.)	0.25	7,202,698	7,440,529	7,637,135	7,552,509	7,728,333	AUG. 1, 1988	AUG. 1, 1988
GREATER DAYTON RTA MONTGOMERY CO.)	0.50	31,433,081	32,290,326	32,783,222	32,923,985	32,363,030	JULY 1, 1980	JULY 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	0.25	2,564,174	3,281,207	3,390,061	3,412,879	3,583,445	FEB. 1, 2002	FEB. 1, 2002
STARK AREA RTA (STARK CO.)	0.25	10,607,899	10,689,964	11,371,235	11,287,333	11,525,065	JULY 1, 1997	JULY 1, 1997
METRO TA (SUMMIT CO.)	0.25	16,484,481	16,995,514	17,605,364	17,749,845	17,989,459	FEB. 1, 1991	FEB. 1, 1991
TRANSIT AUTHORITY TOTAL		**$266,362,341**	**$272,556,965**	**$285,622,770**	**$284,833,837**	**$288,823,443**		
TOTAL		**$1,367,909,324**	**$1,413,501,305**	**$1,486,378,456**	**$1,506,608,086**	**$1,650,493,384**		

Note: Some counties and transit authorities have repealed and then re-enacted the tax, or have changed the tax rate since the first enactment.

Source: Department of Taxation, Revenue Accounting Division.

Severance Tax

The severance tax, first levied in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. The tax produced approximately $7.0 million during Fiscal Year 2007. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer (Ohio Revised Code 5749.02)

Each severer.

Tax Base (R.C. 5749.02)

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates (R.C. 5749.02)

July 1, 2007 - March 31, 2007

Type of Resource	Rate
Salt	4 cents per ton
Coal	9 cents per ton[1]
Oil	10 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Limestone, Dolomite, Sand, and Gravel	2 cents per ton
Clay, Conglomerate, Gypsum, Quartzite, Sandstone, and Shale	1 cent per ton

1 Includes temporary tax of 1.0 cent per ton

(R.C. 5749.02)

April 1, 2007 and Forward

Type of Resource	Rate
Salt	4 cents per ton
Coal - Base Rate	10 cents per ton
Coal - Reclamation	14 additional cents per ton from "D" class permits whom have chosen to pay in to the reclamation fund rather than post a full cost performance security with the Ohio Department of Natural Resources
Coal - Surface Mining	1.2 additional cents per ton of coal mined from a surface mining operation
Oil	10 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Limestone, Dolomite, Sand, and Gravel	2 cents per ton
Clay, Conglomerate, Gypsum, Quartzite, Sandstone, and Shale	1 cent per ton

Exemptions and Credits (R.C. 5749.03)

An annual exemption is granted for natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in their homestead, which have a yearly cumulative market value of $1,000 or less.

Special Provisions

Temporary Coal Tax: (R.C. 5749.02(D))

Through March 31, 2007, a temporary 1 cent per ton tax on coal was in place for any year in which it was deemed that the balance of the Reclamation Supplemental Forfeiture Fund, plus transfers to the fund and the estimated revenue for the fund, was not sufficient to reclaim lands during that year. Effective April 1, 2007 permanent changes were made with respect to the taxation of coal (see **Recent Legislation**).

Filing and Payment Dates (R.C. 5749.06)

Quarterly – May 15, Aug. 14, Nov. 14, and Feb. 14, for quarterly periods ending the last day of March, June, September, and December, respectively.

Annually – Feb. 14 for annual returns.

Disposition of Revenue (R.C. 5749.02)

Through March 31, 2007:

1. To fund the Geological Mapping Fund, the following distributions were made:
   (a) 6.3 percent of 7 cents of the 9 cents tax on coal;
   (b) 15 percent of salt severance tax collections;
   (c) 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
   (d) 10 percent of oil and gas severance tax collections.
2. To fund the Unreclaimed Lands Fund, the following distributions were made:
   (a) 21.6 percent of 7 cents of the 9 cents tax on coal;
   (b) 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
   (c) 85 percent of salt severance tax collections.
3. To fund the Oil and Gas Well Fund, 90 percent of the oil and gas severance tax collections was distributed to the fund.
4. To fund the Coal Mining Administration and Reclamation Reserve Fund, 57.9 percent of 7 cents of the 9 cents tax on coal was distributed to this fund.
5. To fund the Reclamation Supplemental Forfeiture Fund, the following distributions were made:

(a) one cent per ton levy on coal;

(b) revenue from the temporary 1 cent per ton levy on coal; and

(c) 14.2 percent of 7 cents of the 9 cents per ton levy on coal.

6. To fund the Surface Mining Administrative Fund, the following distributions were made:

(a) 50 percent of limestone, dolomite, sand, and gravel severance tax collections;

(b) 100 percent of the clay, sandstone or conglomerate, shale, gypsum, and quartzite severance tax collections.

Effective April 1, 2007 (bold items represent changes as a result of House Bill 443):

1. To fund the Geological Mapping Fund, the following distributions are made:

(a) **4.76 percent of the 10 cents tax on coal**;

(b) 15 percent of salt severance collections;

(b) 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and

(c) 10 percent of oil and gas severance tax collections.

2. To fund the Unreclaimed Lands Fund, the following distributions are made:

(a) 14.29 percent of the 10 cents tax on coal;

(b) 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections;

(c) 85 percent of the salt severance tax collections, and

(d) **100 percent of the 1.2 cent tax on coal mined using surface mining methods.**

3. To fund the Oil and Gas Well Fund, 90 percent of the oil and gas severance tax collections are distributed to this fund.

4. To fund the Coal Mining Administration Fund, 80.95 percent of the 10 cents tax on coal is distributed to this fund.

5. To fund the Reclamation Forfeiture Fund, 100 percent of the 14 cents per ton tax for the reclamation of coal mining sites is distributed to this fund.

6. To fund the Surface Mining Administrative Fund, the following distributions are made:

(a) 50 percent of limestone, dolomite, sand, and gravel severance tax collections;

(b) 100 percent of the clay, sandstone, or conglomerate, shale, gypsum, and quartzite severance tax collections.

Administration

The tax is administered by the Tax Commissioner, who also makes distribution to the various funds.

Ohio Revised Code Citations

Chapter 5749.

Recent Legislation

Substitute House Bill 443, 126th General Assembly (effective April 1, 2007).

- Changed the rates and the rate structure of severance taxes imposed on coal.
- Removed the temporary one cent per ton rate previously imposed on coal and levied a new base rate of 10 cents per ton on all coal.
- Levied an additional 1.2 cents per ton on any coal severed using surface mining methods.
- Required all coal mining locations to either post a full cost bond necessary to recover damaged lands or pay an additional 14 cents per ton into the Reclamation Forfeiture Fund to be used to restore damaged lands. The actual per-ton rate paid into this fund can vary every two years, from 12 cents to 16 cents, depending on the balance remaining in this fund at the end of each fiscal biennium.
- Made changes to the distribution of revenues imposed on coal (see **Disposition of Revenue**).

Recent Information Releases

XT 2007-02 – "Severance Tax Increase on Coal," March 2007.

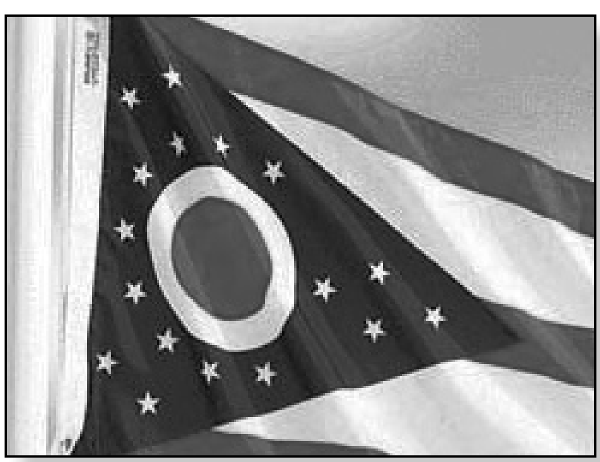


Chart
Severance Tax Collections by Type of Resource: Fiscal Year 2007

(figures in millions)

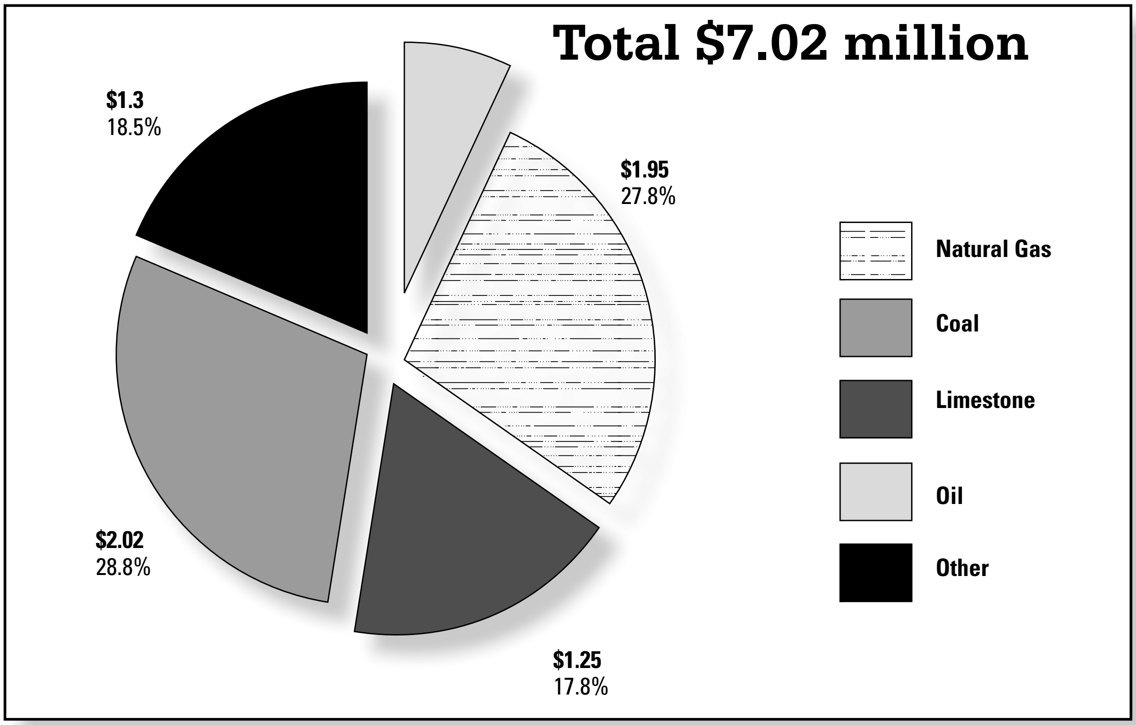


Table
Severance Tax Collections: Fiscal Years 2003 - 2007

Natural Resource	Tax Rate		2003	2004	2005	2006	2007
Coal	9.0	cents per ton	$1,897,705	$1,992,269	$2,052,560	$2,216,710	$2,016,846[1]
Natural Gas	2.5	per 1,000 cubic feet	2,251,683	2,155,185	2,104,101	2,023,276	1,945,713
Limestone	2.0	cents per ton	1,402,610	1,454,611	1,512,348	1,360,579	1,252,499
Oil	10.0	cents per barrel	570,225	535,399	510,481	530,817	505,876
Gravel	2.0	cents per ton	569,608	562,308	621,376	718,526	580,400
Sand	2.0	cents per ton	521,454	505,841	506,396	510,446	475,825
Dolomite	2.0	cents per ton	83,534	81,296	41,278	41,539	11,840
Salt	4.0	cents per ton	127,967	168,328	186,956	200,422	167,562
Clay	1.0	cents per ton	11,866	19,801	19,742	23,230	14,847
Sandstone	1.0	cents per ton	11,277	11,273	15,594	23,542	16,631
Shale	1.0	cents per ton	11,480	23,761	23,833	25,379	27,292
Gypsum	1.0	cents per ton	0	139	0	0	0
Quartzite	1.0	cents per ton	3,405	3,146	2,986	2,364	3,343
Total			**$7,462,814**	**$7,513,357**	**$7,597,651**	**$7,676,830**	**$7,018,674**

1 Collections given for coal do not reflect changes implemented by H.B. 443. Due date for 2nd quarter returns was Aug. 15, 2007.

Source: Department of Taxation, as reported on tax returns.

Tangible Personal Property Tax

The tangible personal property tax, which applies to property used in business in Ohio, is gradually being phased out as part of a broader series of tax reforms enacted in 2005 by the General Assembly.

During the 2006 tax year, taxes levied on tangible personal property totaled approximately $1.35 billion on a taxable value of approximately $16.7 billion.

The tangible personal property tax can be traced back to 1846, when the Ohio General Assembly enacted a law requiring that all property in Ohio be taxed by uniform rule. Since 1931, state law has limited the tax to machinery, inventory, furniture, fixtures and other equipment used in the course of conducting business.

The ongoing phase-out plan calls for the assessment percentage of tangible personal property to be gradually reduced to zero. For the 2007 tax year, tangible personal property was listed at 12.5 percent of true value. This listing percentage falls to 6.25 percent for 2008. When it falls to zero in 2009, Ohio will no longer have a general tax on tangible personal property used in business.

The tax will temporarily continue to apply to telephone companies and inter-exchange telecommunications companies. For these companies, the tax is being phased out according to a different schedule, with the assessment percentage falling to zero for the 2011 tax year.

Taxpayer

The tangible personal property tax is paid by two types of taxpayers: inter-county and single-county.

An inter-county taxpayer is any business holding taxable tangible personal property in more than one county in Ohio.

A single-county taxpayer is a business holding taxable tangible personal property in only one county in Ohio.

Tax Base (Ohio Revised Code 5701.03, 5701.08, 5709.01, 5711.03, 5711.15-.18, 5711.22)

The tax base is tangible personal property located and used in business in Ohio, including machinery, equipment, and inventories. The assessment percentage for all tangible personal property, including inventory, was 12.5 percent for tax year 2007 and 6.25 percent for tax year 2008.

Taxable value is determined by applying the applicable assessment percentages to the true value of different classes of tangible personal property. The true value of business property assets (machinery and equipment, furniture and fixtures, etc.) is statutorily defined as depreciated book value, unless the assessor determines otherwise. The true value of manufacturers' and merchants' inventories is determined by the average monthly value (basically cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally Dec. 31).

Rates (R.C. 319.31, 5705.02, 5705.03, 5705.05, 5705.19)

Tangible personal property tax rates vary by taxing jurisdiction. The total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located (e.g. county, township, municipal corporation, school district, etc.).

The rates applied to tangible personal property are the same as the rates applied to real estate and public utility property. However, gross taxes levied on real property are reduced when real property values increase, while taxes levied against tangible property are not reduced. The statewide average effective tax rate on tangible property in 2006 was 80.71 mills.

Exemptions and Exceptions

Exemptions and exceptions include:

- The first $10,000 of otherwise taxable value for each company (R.C. 5709.01). Since the 2004 tax year, taxpayers with a taxable value of less than $10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in Fiscal Year 2004. The phase-out will end in FY 2009.
- Property not used in business – for example, property owned and not used for gain by any level of government, or schools, churches or colleges (R.C. 5701.08, 5709.07, 5709.08, and 5709.12).
- Registered motor vehicles and licensed aircraft (R.C. 5701.03 and 5709.01).
- Personal property used in agriculture (R.C. 5701.08).
- Patterns, jigs, dies, and drawings used in business which are held for use and not for sale (R.C. 5701.03).
- Certified air, water, and noise exempt facility equipment (R.C. 5709.20 through 5709.28).
- Tangible personal property of domestic and foreign insurance companies, financial institutions, and dealers in intangibles (except property held for the purpose of leasing to others) (R.C. 5725.25 and 5725.26).
- Machinery and equipment while under installation or construction in a plant or facility and not capable of operation (R.C. 5701.08).
- Certified energy conversion facilities, meaning property used to convert a commercial or industrial facility from the use of natural gas or fuel oil to any other fuel except propane, butane, or naptha (R.C. 5709.25).

- Certified thermal efficiency improvement facilities, meaning property used for recovery and use of waste heat or steam produced in generating electricity, heat generation, lighting, refrigeration, or space heating (R.C. 5709.25).
- Certified solid waste energy conversion facilities, meaning property used to convert solid waste from industrial operations into energy for some useful purpose (R.C. 5709.25).
- Inventories held in a foreign trade zone (R.C. 5709.44).
- Property in a public recreational facility used for athletic events, or by a major league athletic team or a class A to class AAA minor league baseball team, if certain criteria are met (R.C. 5709.081).
- Inventories shipped from outside Ohio, held in storage only, and shipped back out of Ohio (R.C. 5701.08 and 5711.22).
- Leased property used by the lessee exclusively for agricultural purposes (R.C. 5701.08).
- New and used machinery, equipment, and accessories designed and built for agricultural use, while in the inventory of a merchant (R.C. 5701.08).
- Property used in the production of grape juice or wine and grape juice and wine inventory not held in labeled containers in which it will be sold (R.C. 5709.55).
- Manufacturing machinery and equipment first placed in service in Ohio on or after Jan. 1, 2005 (R.C. 5711.16 and 5711.22).

Special Provisions

Enterprise Zone Abatements (5709.61-.69):

Companies may receive up to a 75 percent exemption for up to ten years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas. Exemptions may exceed these levels if agreed upon by school districts.

Companies seeking this exemption must submit an investment proposal to the local authority that created the zone where the operation will be located. Special exemptions are available for property being used at a facility located initially within a contaminated site which is being remediated and for property at a large manufacturing operation that has ceased or will cease operation.

The $10,000 Exemption (R.C. 5709.01):

The first $10,000 of otherwise taxable value for each company is exempt. Since the 2004 tax year, taxpayers with a taxable value of less than $10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in Fiscal Year 2004. The phase-out will end in FY 2009.

Filing and Payment Dates (R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03)

Feb. 15th to April 30th: Returns are filed by all businesses during this period unless the county auditor or Tax Commissioner allows an extension to June 15. Taxpayers first engaging in business after Jan. 1 file a return within 90 days of the day they start business. Single-county taxpayers pay one-half of tax due when filing tax returns.

Second Monday in August: The date the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

Third Monday in August: County auditor certifies and delivers tangible personal property list to the county treasurer.

Sept. 20th: Inter-county corporations pay total tax liability by this date, and the second half of tax is also due from all other taxpayers. If an emergency occurs as defined in R.C. 323.17, this due date may be extended for up to 30 days by the county treasurer.

Disposition of Revenue (R.C. 319.50, 319.54, 5705.10, 5719.02, 5719.05)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total voted millage levied by each or as apportioned by the county budget commission (for millage inside the 10-mill limit).

During 2006, school districts received 71.6 percent of the total tax revenue, while municipalities received 5.4 percent, townships 4.1 percent, and counties and special districts 18.9 percent.

Administration (R.C. 5711.11, 5711.13)

Each county auditor is a deputy of the Tax Commissioner for purposes of this tax.

Inter-county taxpayers – meaning businesses with taxable property in more than one county – file with and are assessed by the Tax Commissioner.

Single-county taxpayers – meaning businesses with taxable property in only one county – file with and are assessed by their county auditor. County auditors forward a copy of each return to the Tax Commissioner.

Ohio Revised Code Citations

Chapters 319, 323, 5701, 5705, 5709, 5711, and 5719.

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).

This legislation phases out the general business tangible personal property tax starting with tax year 2006 by gradually reducing the listing percentage (or taxable portion) of the true value of all tangible personal property. The listing percentages are 18.75 percent for tax year 2006, 12.5 percent for tax year 2007, 6.25 percent for tax year 2008, and 0 percent for tax year 2009 and thereafter.

In addition, an exemption applies to manufacturing equipment not previously used in business in this state by the owner, or related member, or predecessor of the owner before Jan. 1, 2005. Such property is exempt from the tax starting with tax year 2006. The legislation included new definitions of manufacturer, manufacturing equipment, manufacturing facility, and manufacturing inventory in order to distinguish manufacturing equipment that will not be taxed from other tangible personal property.

Other changes are highlighted below:

Telephone companies and inter-exchange telecommunications companies – Starting with the 2007 tax year, such companies were defined as general business taxpayers instead of public utilities and began to see their listing percentages phased out according to the following schedule: 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5 percent in 2010, and 0 percent in 2011.

Public utility lessors – Beginning with tax year 2009, any person or entity that is not a public utility or an inter-exchange telecommunications company and that leases its personal property to a public utility, will be considered a "public utility lessor" and will be required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except (1) property leased to a public utility in a sale and lease-back transaction, and (2) property leased to a railroad, water transportation, telephone, or telegraph company. See R.C. 5727.01(M) for more information.

Electricity production – Beginning in tax year 2009, R.C 5727.031 requires a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others to be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties.

Chart
Tangible Personal Property Valuations by Type of Property: Tax Year 2006

(figures in millions)

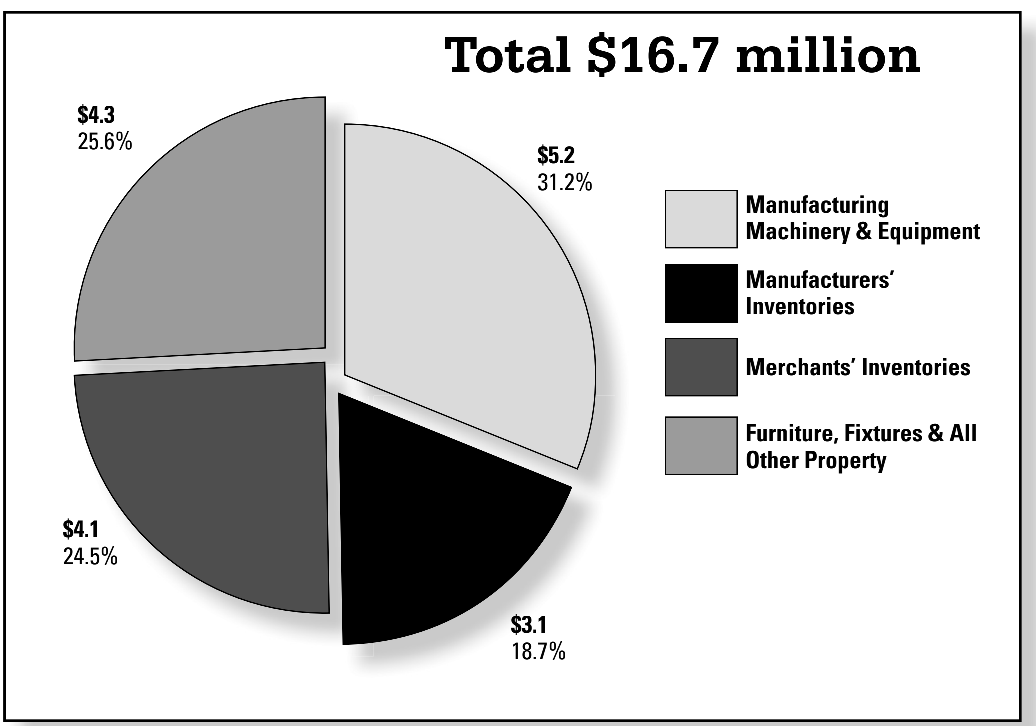


Table 1
Assessed Value of Tangible Personal Property and Taxes Levied: Tax Years 2002 - 2006

Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2002	$23,296,013,406	$1,768,343,517	-3.1%	-1.9%	75.91
2003	21,451,814,203	1,637,418,361	-7.9%	-7.4%	76.33
2004	21,264,429,182	1,651,707,142	-0.9%	0.9%	77.67
2005	21,330,431,245	1,695,986,799	0.3%	2.7%	79.51
2006	16,666,716,199	1,345,184,777	-21.9%	-20.7%	80.71

Table 2
Taxes Levied on Tangible Personal Property by Subdivision: Tax Years 2002 - 2006

Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District[1]	Township	County[2]		
2002	$102,036,281	$1,267,303,840	$67,062,769	$331,940,627	$375,529,812	$2,143,873,330
2003	93,547,557	1,174,325,644	64,089,237	305,455,923	397,404,921	2,034,823,282
2004	91,805,256	1,180,559,846	65,186,570	314,155,470	422,188,610	2,073,895,751
2005	91,706,105	1,219,108,372	66,583,844	318,588,478	478,564,314	2,174,551,113
2006	72,561,973	963,554,947	54,885,158	254,182,699	464,677,698	1,809,862,475

1 Includes Joint Vocational Schools.
2 Includes special districts.

Table 3
Taxes Levied on Tangible Personal Property in Ohio Cities, by Subdivision: Tax Years 2002 - 2006

Tax Year	Taxes Levied in Cities				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District[1]	Township	County[2]		
2002	$90,971,227	$867,288,963	$7,793,821	$228,421,803	$254,458,590	$1,448,934,404
2003	83,548,226	797,482,520	7,063,107	208,912,027	291,573,544	1,388,579,423
2004	81,650,597	794,411,073	7,009,862	212,647,084	290,270,093	1,385,988,710
2005	81,300,541	820,752,565	6,990,412	214,755,299	307,210,705	1,431,009,522
2006	64,312,033	642,670,771	6,028,868	170,238,065	318,696,436	1,201,946,173

1 Includes Joint Vocational Schools.
2 Includes special districts.

Table 4
Assessed Value
of Tangible Personal Property, by Class of Property:
Tax Years 2005 - 2006

(in millions of dollars)

Class of Property	Assessment Levels (% of True Value)		Assessed Taxable Value of All Taxpayers	
	2005	2006	2005[1]	2006[1]
Manufacturing Machinery & Equipment	25%	18.75%	$7,437.2	$5,206.4
Manufacturers' Inventories	23%	18.75%	3,653.7	3,116.3
Merchants' Inventories	23%	18.75%	4,802.5	4,084.5
Furniture, Fixtures, & All Other Property	25%	18.75%	5,437.1	4,259.5
Total			**$21,330.4**	**$16,666.7**

1 Figures by class of property are estimated. Railroad property has been excluded from these figures.

Table 5
Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value:
Tax Years 1996 - 2007

Tax Year	Manufacturing Machinery and Equipment	Manufacturers' Inventories	Merchants' Inventories	Electrical Equipment[1]	All Other Property[2]
1996-2001	25.00%	25.00%	25.00%	88.00%	25.00%
2002	25.00	24.00	24.00	88.00	25.00
2003-2005	25.00	23.00	23.00	88.00	25.00
2006	18.75	18.75	18.75	85.00	18.75
2007	12.50	12.50	12.50	85.00	12.50

1 Property used in generating or distributing electricity to others (except utilities).
2 Includes furniture and fixtures.

Table 6
Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County: Tax Year 2006

County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)	County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)
ADAMS	$30,617,430	$1,443,467	47.15	LOGAN	$110,114,298	$6,950,212	63.12
ALLEN	287,350,870	16,209,141	56.41	LORAIN	371,533,700	29,739,981	80.05
ASHLAND	69,636,129	5,216,797	74.92	LUCAS	678,743,597	63,774,019	93.96
ASHTABULA	145,496,550	11,284,529	77.56	MADISON	55,211,180	3,610,416	65.39
ATHENS	28,498,377	2,549,217	89.45	MAHONING	258,141,070	20,692,772	80.16
AUGLAIZE	110,027,310	6,900,962	62.72	MARION	110,699,321	7,148,635	64.58
BELMONT	79,062,260	4,815,012	60.90	MEDINA	212,205,993	19,436,663	91.59
BROWN	15,787,510	780,210	49.42	MEIGS	7,061,040	334,997	47.44
BUTLER	602,263,943	43,761,666	72.66	MERCER	52,903,563	3,089,619	58.40
CARROLL	23,331,335	1,371,892	58.80	MIAMI	200,084,380	13,796,655	68.95
CHAMPAIGN	53,913,596	3,631,372	67.36	MONROE	12,249,210	603,182	49.24
CLARK	156,577,600	10,777,791	68.83	MONTGOMERY	696,206,544	64,775,826	93.04
CLERMONT	157,880,130	13,685,482	86.68	MORGAN	7,918,660	399,753	50.48
CLINTON	96,917,587	5,041,390	52.02	MORROW	16,871,160	1,043,111	61.83
COLUMBIANA	89,812,660	5,298,574	59.00	MUSKINGUM	104,118,445	6,756,210	64.89
COSHOCTON	55,091,377	3,073,108	55.78	NOBLE	9,600,237	438,103	45.63
CRAWFORD	74,145,404	5,463,710	73.69	OTTAWA	58,884,045	4,166,083	70.75
CUYAHOGA	1,855,246,897	184,308,188	99.34	PAULDING	17,258,266	1,030,106	59.69
DARKE	59,295,470	3,065,670	51.70	PERRY	23,600,403	1,454,848	61.65
DEFIANCE	70,047,860	4,386,422	62.62	PICKAWAY	58,942,848	3,473,075	58.92
DELAWARE	194,609,287	14,884,366	76.48	PIKE	33,765,864	2,185,089	64.71
ERIE	146,213,020	12,376,133	84.64	PORTAGE	202,777,191	18,181,409	89.66
FAIRFIELD	99,524,045	7,832,204	78.70	PREBLE	60,032,920	3,393,770	56.53
FAYETTE	52,201,186	3,112,320	59.62	PUTNAM	45,317,652	2,363,501	52.15
FRANKLIN	1,665,060,603	160,205,310	96.22	RICHLAND	233,780,293	17,587,978	75.23
FULTON	106,199,910	7,605,522	71.62	ROSS	88,098,910	5,557,406	63.08
GALLIA	32,797,280	1,567,621	47.80	SANDUSKY	117,223,107	6,406,816	54.65
GEAUGA	122,982,640	11,783,457	95.81	SCIOTO	57,363,780	3,415,024	59.53
GREENE	123,370,153	9,658,399	78.29	SENECA	73,899,935	4,956,944	67.08
GUERNSEY	65,837,850	3,817,625	57.99	SHELBY	213,876,391	12,361,036	57.80
HAMILTON	1,299,883,680	113,203,767	87.09	STARK	570,150,181	42,233,964	74.08
HANCOCK	188,512,441	11,585,316	61.46	SUMMIT	824,841,940	71,705,217	86.93
HARDIN	42,737,742	2,467,502	57.74	TRUMBULL	337,960,439	24,273,206	71.82
HARRISON	19,075,950	1,145,585	60.05	TUSCARAWAS	149,615,440	9,855,658	65.87
HENRY	64,573,474	4,789,682	74.17	UNION	154,468,762	11,594,807	75.06
HIGHLAND	45,959,780	2,158,492	46.96	VAN WERT	38,591,090	2,666,387	69.09
HOCKING	22,126,957	1,344,555	60.77	VINTON	9,132,374	422,861	46.30
HOLMES	74,108,630	3,895,180	52.56	WARREN	356,815,050	31,402,556	88.01
HURON	88,153,120	5,475,752	62.12	WASHINGTON	162,806,810	8,459,455	51.96
JACKSON	45,019,650	2,167,679	48.15	WAYNE	191,621,050	15,447,403	80.61
JEFFERSON	102,147,765	6,100,769	59.72	WILLIAMS	79,002,590	5,588,118	70.73
KNOX	74,394,822	4,494,720	60.42	WOOD	233,692,653	19,648,675	84.08
LAKE	361,691,170	32,704,005	90.42	WYANDOT	47,121,477	2,347,105	49.81
LAWRENCE	34,657,630	1,253,050	36.16				
LICKING	189,573,260	11,722,516	61.84	**TOTAL**	**$16,666,716,199**	**$1,345,184,777**	**80.71**

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 7
Tangible Personal Property Tax - Reduction in Taxable Value & in Taxes Levied Due to the $10,000 Exemption, by County: Tax Year 2006

County	Reduction in Taxable Value	Reduction in Taxes Levied[1]	County	Reduction in Taxable Value	Reduction in Taxes Levied[1]
ADAMS	$832,810	$42,320	LOGAN	$2,739,700	$174,578
ALLEN	6,524,440	372,371	LORAIN	12,766,890	1,010,057
ASHLAND	3,174,329	236,759	LUCAS	22,895,840	2,226,862
ASHTABULA	4,636,840	360,807	MADISON	1,587,890	103,880
ATHENS	2,226,435	194,137	MAHONING	14,289,680	1,142,310
AUGLAIZE	3,014,438	180,604	MARION	2,413,970	156,153
BELMONT	2,862,540	179,543	MEDINA	9,100,790	846,424
BROWN	1,088,680	54,908	MEIGS	733,570	34,243
BUTLER	16,458,850	1,246,606	MERCER	3,227,090	191,433
CARROLL	1,160,850	67,127	MIAMI	5,646,970	389,186
CHAMPAIGN	1,645,690	107,067	MONROE	607,050	31,033
CLARK	5,593,990	400,793	MONTGOMERY	26,326,440	2,519,925
CLERMONT	6,927,700	591,307	MORGAN	395,840	20,253
CLINTON	2,093,510	108,588	MORROW	898,250	51,420
COLUMBIANA	5,031,230	289,411	MUSKINGUM	4,401,710	288,070
COSHOCTON	1,790,960	113,465	NOBLE	529,900	24,337
CRAWFORD	2,303,800	170,680	OTTAWA	2,671,720	187,021
CUYAHOGA	67,904,653	6,990,190	PAULDING	952,190	58,221
DARKE	3,191,140	160,797	PERRY	1,333,729	84,688
DEFIANCE	2,262,080	142,078	PICKAWAY	1,560,360	95,544
DELAWARE	6,946,290	534,194	PIKE	1,008,579	63,552
ERIE	4,184,750	352,543	PORTAGE	7,528,170	685,217
FAIRFIELD	4,994,650	394,193	PREBLE	1,398,340	77,433
FAYETTE	1,399,254	83,931	PUTNAM	2,252,297	114,990
FRANKLIN	52,425,490	5,084,898	RICHLAND	6,381,670	483,888
FULTON	2,974,860	212,869	ROSS	2,705,020	168,486
GALLIA	1,364,590	69,357	SANDUSKY	3,618,650	198,019
GEAUGA	5,921,390	568,990	SCIOTO	2,688,640	170,023
GREENE	5,255,858	409,427	SENECA	2,815,025	181,931
GUERNSEY	1,967,010	120,433	SHELBY	3,244,640	196,235
HAMILTON	46,183,250	4,165,280	STARK	18,690,671	1,418,175
HANCOCK	4,623,360	294,411	SUMMIT	29,643,630	2,621,900
HARDIN	1,204,590	72,819	TRUMBULL	9,514,589	689,779
HARRISON	515,760	31,090	TUSCARAWAS	6,401,700	422,948
HENRY	1,842,160	134,213	UNION	2,483,070	177,523
HIGHLAND	1,830,280	84,125	VAN WERT	1,572,350	109,330
HOCKING	1,022,950	62,622	VINTON	410,720	19,610
HOLMES	6,191,020	323,335	WARREN	9,184,260	774,218
HURON	3,787,710	232,548	WASHINGTON	4,165,900	225,911
JACKSON	1,344,473	64,597	WAYNE	7,692,360	584,516
JEFFERSON	2,641,840	155,685	WILLIAMS	2,871,320	202,107
KNOX	2,748,295	168,590	WOOD	7,075,905	591,965
LAKE	15,381,770	1,370,574	WYANDOT	1,508,940	76,866
LAWRENCE	1,333,600	49,651			
LICKING	6,081,410	371,545	**TOTAL**	**$574,827,600**	**$47,311,739**

1 Beginning in fiscal year 2004, the reimbursement from the state to localities for the revenue foregone as a result of the $10,000 exemption is being phased out. The phase-out will be fully implemented in fiscal year 2009. The total reimbursement in FY 2007 was $38.3 million. In addition, beginning in tax year 2004 taxpayers with less than $10,000 in assessed valuation (before the $10,000 exemption) no longer have to file a tax return. As a result, the amount of reported reduced value and taxes foregone due to the $10,000 exemption is smaller than what was reported prior to tax year 2004.

Library and Local Government Support Fund

The General Assembly created the Library and Local Government Support Fund (LLGSF) in 1985 as part of a broader effort to phase out the intangible personal property tax, which was then a key source of revenue for local libraries. The LLGSF was designed to offset the loss of revenue from the intangibles tax by directing a share of state income tax collections to county governments, which in turn distribute the funds to libraries and local governments.

Since 1993, permanent law had called for the LLGSF to receive a fixed 5.7 percent of income tax collections, distributed to counties according to a formula outlined in the Ohio Revised Code. But these provisions were set aside by the 124th, 125th and 126th general assemblies as part of a series of temporary local government fund "freezes." Accordingly, from mid-2001 through mid-2007, LLGSF revenue was distributed to counties based largely on the amount received during the previous year.

The LLGSF was "thawed" and reorganized as part of House Bill 119, the Fiscal Year 2008-09 state operating budget bill enacted in June, 2007. Starting in January, 2008, the LLGSF will receive a fixed 2.22 percent of all General Revenue Fund tax collections, and distributions from the fund to counties will return to the old formula outlined in R.C. 5747.46.

During the 2006 calendar year, counties received $458 million from the fund, roughly the same amount as during the previous year.

Revenue Source (Ohio Revised Code 131.44, 5747.03)

From 1993, through mid-2007, permanent law called for the LLGSF to receive a fixed 5.7 percent of income tax collections. But two-year operating budgets enacted by the 124th, 125th and 126th general assemblies included "freezes" that called for specific dollar amounts to be transferred on a monthly basis from income tax collections to the fund.

House Bill 119, the FY 08-09 budget bill, maintained this freeze through December, 2007, then permits a thaw as part of a broader reorganization of local government funds. Starting in January, 2008, the LLGSF will receive a fixed 2.22 percent of all General Revenue Fund tax collections,

Distributions to Counties (R.C. 5747.46)

The statutory LLGSF distribution formula consists of two parts: the guaranteed share and the share of the excess.

Guaranteed share – The guaranteed share is equal to the previous year's fund total plus an inflation factor. This portion of the fund is distributed to counties based on each county's share of the previous year's fund total.

Share of the excess – When there is an amount in the LLGSF in excess of the sum of guaranteed shares for all counties, it is distributed among counties based on their equalization ratios. The equalization ratio is determined by the county's most recent percentage of the state's population and the county's percentage share of the previous year's total distribution. Each county's equalization ratio is multiplied by the total amount of the excess to determine each county's share of the excess. The ratio allows those counties that have had the lowest per capita LLGSF distributions in prior years to see the greatest per capita growth in funding, while assuring that all counties have relative growth.

LLGSF freeze:

The statutory distribution formula outlined above was set aside by the 124th, 125th and 126th general assemblies as part of a series of temporary local government fund "freezes." From mid-2001 through mid-2007, revenue was distributed to counties through the LLGSF based largely on the amount received during the previous year.

House Bill 119, the FY 2008-09 state operating budget bill, reactivates the statutory distribution formula starting in January, 2008.

Monthly Distribution Procedure

(R.C. 5747.47, 5747.48)

The Department of Taxation determines the total amount available and the allocation to be made to each county. The allocation of the county LLGSF is made by the county treasurer to the county boards, public library trustees, municipal corporations, and the boards of townships and park commissioners on or before the 15th of each month.

Use of Funds Distributed (R.C. 3375.05, 3375.121, 3375.40, 3375.403, 3375.82, 3375.85, 5705.32)

County budget commissions (composed of a county commissioner, the county auditor, and the county treasurer) determine the amounts to be given to all libraries. The amount given to each library is based on its needs for building construction and improvement, operations, maintenance, and other expenses required by the library and its branches. The amount paid to all libraries shall never be a smaller percentage than the average percentage of the county's intangible property taxes that were distributed to libraries in 1982, 1983, and 1984.

After fixing the amount to be distributed to libraries within the county, the county budget commission shall fix an amount to distribute to municipal corporations in the county. Each municipal corporation shall receive a percentage of the remainder equal to the percent received of classified, or intangible, property taxes originating from such municipality in 1984.

Revenue Entitlements to Counties

(R.C. 5747.47)

The Department of Taxation certifies three estimated entitlement figures to counties for each year: one by July 20th of the previous year, one in December of the previous year, and another in June of the distribution year.

Each December, the department also certifies the actual amount each county was entitled to receive under the distribution formula during the current calendar year, the amount each county actually received, and the difference between the two.

During the first six months of the next year, each county's distribution will be adjusted for any overpayment or underpayment in the preceding year. However, during the periods in which the freeze is in effect, the statutory entitlement and adjustment formulas, as well as the certifications reflecting those formulas, have been temporarily suspended. Table 1 shows the amounts actually distributed to the counties in 2006, which totaled $458 million.

Recent Legislation

H.B. 119, 127th General Assembly (FY 2008-2009 biennium budget bill, effective June 30, 2007).

R.C. 131.51, 5747.03, 5747.46-5747.48, 5747.50-5747.53 and bill sections 757.03, 757.04, 815.09) – The bill maintained the freeze on the LLGSF through calendar year 2007. Beginning January 2008, the LLGSF reverts back to "pre-freeze" distribution mechanisms. In addition, the fund will receive 2.22 percent of all General Revenue Fund tax sources. In order to transition to the "pre-freeze" distribution mechanism, the total entitlement for the 2008 distribution year shall equal the amount that was actually distributed in calendar year 2007.

H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).

The bill continued the freeze on deposits and distributions from the LLGSF through FY 2006 and FY 2007. Amounts deposited into the fund from July 2005 through June 2006 were to equal the deposits into the fund made during the period of July 2004 through June 2005. In addition, amounts deposited into the fund during the period of July 2006 through June 2007 are to equal the deposits made during the July 2005 through June 2006 period.

The bill also provided for a "reconciliation" mechanism. In June of 2006 and June of 2007, the Tax Commissioner was to compare the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compare them to the amounts that would have been distributed under permanent law. If the amounts distributed under the H.B. 66 freeze exceed the amounts that would have been distributed under permanent law, then an amount shall be subtracted from the income tax revenue credited to the LLGSF to make up that difference.

Chart
Library & Local Government Support Fund
Calendar Years 2000-2006
(figures In millions)

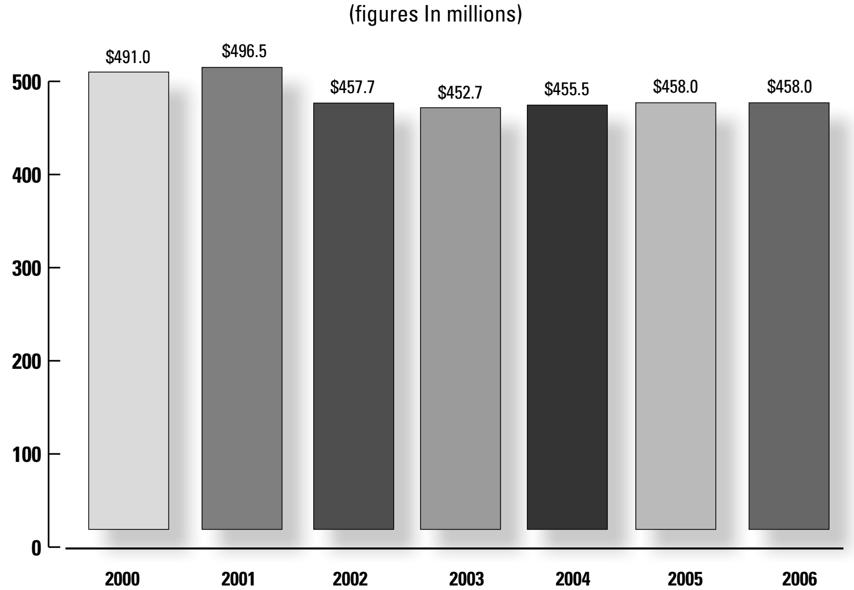


Table 1
Library and Local Government Support Fund - Total Amounts Distributed to Counties: Calendar Years 1986 - 2006

Calendar Year	Guaranteed Share	Equalization Share	Total Distribution	Percent Change in Total Distribution
1986	$167,535,449	$10,693,752	$178,229,201	—
1987	181,080,868	26,292,922	207,373,790	16.4%
1988	215,253,994	3,009,660	218,263,654	5.3
1989	226,775,936	24,554,945	251,330,881	15.2
1990	262,655,557	—	262,655,557	4.5
1991	268,793,142	—	268,793,142	2.3
1992[1]	268,793,142	—	268,793,142	0.0
1993[2]	276,856,936	7,843,064	284,700,000	5.9
1994	293,810,400	3,172,181	296,982,901	4.3
1995	303,813,180	15,019,721	318,832,901	7.4
1996	329,035,554	13,564,940	342,600,494	7.5
1997	352,535,908	23,461,438	375,997,346	9.7
1998	384,269,286	40,394,095	424,663,381	12.9
1999	431,882,659	23,881,967	455,764,626	7.3
2000	465,355,682	25,664,582	491,000,264	7.7
2001[3]	—	—	496,458,342	1.1
2002[4]	—	—	457,671,290	-7.8
2003[5]	—	—	452,648,009	-1.1
2004[6]	—	—	455,470,323	0.6
2005[7]	—	—	457,970,324	0.5
2006[7]	—	—	457,970,324	—

1 Distributions during calendar year 1992 were capped at the 1991 dollar level.
2 Total calendar year 1993 distributions were guaranteed to equal at least $284.7 million.
3 Beginning in July 2001, distributions were “frozen” at the amount received during July 2000 - December 2000. Figure shown is after transfers to OPLIN Technology Fund.
4 Distributions during calendar year 2002 were “frozen” based upon the amounts distributed during July 2000 - June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund and after March 2002 and July 2002 reconciliation adjustments pursuant to H.B. 405.
5 Distributions during calendar year 2003 were “frozen” based upon the amounts distributed during July 2000 - June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund, the July 2003 reconciliation adjustment pursuant to H.B. 405, and the $9.7 million reduction in July 2003 as required by H.B. 40.
6 Distributions during calendar year 2004 were “frozen” based on the amounts distributed during calendar year 2003. Figure shown is after transfers to OPLIN Technology Fund.
7 Distributions during calendar years 2005 and 2006 were frozen based on amounts distributed during calendar year 2004. Transfers to OPLIN no longer are applied.

Table 2
Library and Local Government Support Fund - Amounts Distributed by County:
Calendar Year 2005

County	Amount	County	Amount	County	Amount
ADAMS	$997,465	HAMILTON	$48,307,419	NOBLE	$459,882
ALLEN	4,203,625	HANCOCK	2,992,729	OTTAWA	1,566,473
ASHLAND	1,931,472	HARDIN	1,160,343	PAULDING	752,525
ASHTABULA	3,779,255	HARRISON	687,000	PERRY	1,216,753
ATHENS	2,208,956	HENRY	1,086,561	PICKAWAY	1,854,662
AUGLAIZE	1,774,316	HIGHLAND	1,412,969	PIKE	968,644
BELMONT	2,703,450	HOCKING	1,003,084	PORTAGE	5,486,832
BROWN	1,399,027	HOLMES	1,292,876	PREBLE	1,530,776
BUTLER	11,563,689	HURON	2,202,634	PUTNAM	1,277,519
CARROLL	1,036,661	JACKSON	1,195,660	RICHLAND	5,027,521
CHAMPAIGN	1,355,045	JEFFERSON	2,957,495	ROSS	2,678,640
CLARK	5,503,281	KNOX	1,893,770	SANDUSKY	2,349,049
CLERMONT	5,990,898	LAKE	8,756,859	SCIOTO	3,000,202
CLINTON	1,454,027	LAWRENCE	2,337,815	SENECA	2,310,224
COLUMBIANA	4,126,295	LICKING	5,020,901	SHELBY	1,781,248
COSHOCTON	1,382,578	LOGAN	1,635,173	STARK	14,929,793
CRAWFORD	1,828,017	LORAIN	10,325,117	SUMMIT	21,465,491
CUYAHOGA	65,236,963	LUCAS	18,659,143	TRUMBULL	8,674,553
DARKE	2,029,596	MADISON	1,448,332	TUSCARAWAS	3,258,552
DEFIANCE	1,489,460	MAHONING	10,159,363	UNION	1,344,179
DELAWARE	2,994,181	MARION	2,446,308	VAN WERT	1,142,568
ERIE	3,173,589	MEDINA	4,974,140	VINTON	433,976
FAIRFIELD	4,274,505	MEIGS	874,017	WARREN	4,785,688
FAYETTE	1,049,951	MERCER	1,526,696	WASHINGTON	2,369,599
FRANKLIN	41,469,480	MIAMI	3,747,921	WAYNE	4,212,601
FULTON	1,543,765	MONROE	568,233	WILLIAMS	1,466,754
GALLIA	1,186,218	MONTGOMERY	23,953,605	WOOD	4,959,641
GEAUGA	3,875,676	MORGAN	529,470	WYANDOT	853,431
GREENE	5,374,459	MORROW	1,087,373		
GUERNSEY	1,485,654	MUSKINGUM	3,147,987	**TOTAL**	**$457,970,324**

Local Government Fund & Local Government Revenue Assistance Fund

This chapter deals with two revenue-sharing programs now undergoing major change: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF).

The LGF dates back to the Jan. 1, 1935 birth of the state sales tax. The fund has undergone many changes in the last 70 years, but the basic elements remain: a designated portion of state revenues are deposited into the LGF; a statutory formula is used to allocate revenue monthly to the undivided LGFs of each of Ohio's 88 counties; and county budget commissions authorize and determine the distribution of the undivided fund monies to local subdivisions.

Since July 1989, the state LGRAF has provided local subdivisions with an additional share of state tax revenues allocated to each of Ohio's 88 county undivided LGRAFs according to each county's share of the total state population.

Between mid-2001 and mid-2007, the 124th, 125th and 126th general assemblies set aside the statutory revenue sharing formulas for both funds as part of a series of temporary "freezes" included in the state government two-year operating budget bills. As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

House Bill 119, the Fiscal Year 2008-09 operating budget bill, extended the freeze through the end of the 2007 calendar year, then set into motion a major restructuring of these funds starting in January, 2008. Among the changes:

- The LGRAF was consolidated into the LGF.
- The new consolidated LGF was funded based on a 3.68 percent share of **all** general revenue tax collections, rather than the older system of revenue sharing that varied based on the tax.

For details on these and other changes, see **Recent Legislation.**

During the 2006 calendar year, approximately $675.7 million from the state LGF and $94.6 million from the state LGRAF was distributed to local governments. The LGF amount includes $13.9 million that was distributed to the county undivided LGFs from the tax on dealers in intangibles.

Revenue Sources (Ohio Revised Code 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03)

Before January, 2008, permanent law called for the state LGF to receive a 4.2 percent share of collections from four major taxes: the sales and use, individual income, corporation franchise, and public utility excise taxes. In addition, the law called for 2.646 percent of the kilowatt-hour tax to be deposited into the LGF. Permanent law also called for state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

These formulas were set aside as part of a series of temporary freezes that started in mid-2001:

- H.B. 94, the 124th General Assembly's operating budget bill for FY 2002-2003, required the funds to receive the same monthly distribution during FY 2002 and FY 2003 as they received during the corresponding months of July 2000 through May 2001. For June of each fiscal year, the funds received the same amount distributed in June 2000. The bill also temporarily set aside the distribution formulas to counties described in **Distribution Base.** Between July 2001 and June 2003, counties and municipalities receiving a direct distribution from the LGF received the same amounts they received during the corresponding month of the July 2000 through June 2001 period, aside from certain adjustments contained in budget correction bills.
- H.B. 95, the 125th General Assembly's operating budget bill for FY 2004-2005, generally froze monthly distributions into the state LGF and state LGRAF from July 2003 to June 2005 at the level of the corresponding months of the period from July 2001 through June 2003.
- H.B. 66, the 126th General Assembly's operating budget bill for FY 2006-2007, generally extended the H.B. 95 freeze forward for two more years. Each month during the July 2005 - June 2007 period, the LGF and LGRAF received the same amount as they did during the corresponding month of the period between July 2004 through June 2005.

All of these formulas were revamped under the terms of House Bill 119, the operating budget bill for FY 2008-09. The bill extended the freeze through the end of the 2007 calendar year, then made these changes starting in January, 2008:

- The LGRAF was consolidated into the LGF.
- The new consolidated LGF was funded based on a 3.68 percent share of all general revenue tax collections, rather than the older system of percentages that varied based on the tax.

Determination of County and Municipal Portions (R.C. 5747.50)

Before state LGF revenues are distributed to local governments, the total amount in the fund is divided into county and municipal portions. This division of the state LGF has traditionally been determined by a statutory formula (but note that the freezes in effect since mid-2001 have temporarily altered the formula described below).

The county portion, referred to as the county undivided LGF, equals: (a) nine-tenths of the difference between the amount transferred from state revenue sources to the state LGF and 145.45 percent of the revenue generated in that county in 1983 from the intangible tax on deposits of financial institutions; plus (b) 145.45 percent of the 1983 deposits tax revenue from that county; less (c) $6 million. The remainder (one-tenth of the difference between the amount transferred and 145.45 percent of the 1983 deposits tax revenue plus $6 million) is distributed directly to municipalities.

Unlike the state LGF, there is no direct distribution to municipalities from the state LGRAF. All monies in this fund are distributed to the county undivided LGRAFs.

County Distribution Base (R.C. 5747.501, 5747.61)

Local Government Fund:

Permanent law calls for two different formulas to be used to calculate potential shares of the state LGF for each county. The amount actually distributed is based on the calculation that yields a more favorable amount for each county.

The higher of these two formula calculations (called the "assigned amount") is taken from each county and added together to arrive at a statewide, 88-county total. Each county's percentage share of this total is then applied to the total amount in the fund to determine each county's distribution.

Formula 1 – Each county is allocated 145.45 percent of the deposits tax it actually received from financial institutions in 1983. Nine-tenths of the remaining revenue in the fund (less $6 million) is allocated on the basis of the county's population at the last decennial census and the value of property within municipalities in the county for the second preceding year (25 percent is distributed based on population and 75 percent is distributed based on municipal property values). The minimum distribution from the population/valuation segment is $225,000. These two amounts are added together to determine the county's "Formula 1" amount.

Formula 2 – Nine-tenths of the total state LGF (less $6 million) is allocated to the counties based on county population and county municipal property values (25 percent based on population and 75 percent based on property values). The minimum distribution is $225,000. This is the county's "Formula 2" amount.

However, regardless of the resulting amounts, each county is guaranteed at least the amount it actually received from the LGF in 1983. In addition, each county undivided LGF receives five mills of the tax on dealers in intangibles attributed to that county.

LGRAF:

Each county's share of the state LGRAF is determined each year based upon the county's population as a share of the total population for the state. The population figure used is the more recent of either the latest estimate of population by the U.S. Census Bureau or the latest decennial census figures that include population totals as of June 1 of the preceding year.

Direct Distribution to Municipalities

(R.C. 5747.50)

Each municipality that levied an income tax during the preceding year is eligible to receive a share of the municipal portion of the state LGF. The share each municipality receives is equal to its percentage of total municipal income taxes collected as compared to the amount collected statewide in the second preceding year.

Monthly Distribution Procedure

(R.C. 5747.50, 5747.61)

Distributions – from the state LGF to municipal corporations and counties and from the state LGRAF to counties – are made on or before the tenth of each month.

The portion of the state LGF distributed to the counties is subject to possible further adjustments, to meet a minimum allocation per month of $25,000 and a minimum allocation per year equal to the amount actually received in calendar year 1983. The Ohio Revised Code authorizes adjustments to be made in December to ensure each county the minimum allocation to which it is entitled for the entire calendar year. It also authorizes monies to be withheld during December or the ensuing calendar year so that the total amount received by a county does not exceed the proportionate share to which it is entitled or its statutory minimum, whichever is greater.

Use of Funds Distributed to Municipalities and Counties (R.C. 5747.50-5747.53, 5747.61-5747.63)

All amounts received by a municipal corporation from the municipal portion of the state LGF are paid into the municipality's general fund to be used for any lawful purpose.

The amount that each county receives from the state LGF is expressly designated for deposit into the county's undivided LGF, where it is combined with revenue from the state-collected dealers in intangibles tax that is returned to the counties of origin.

The amount which a county receives from the state LGRAF is expressly designated for deposit into the county's undivided LGRAF.

The county undivided LGF and county undivided LGRAF monies are disbursed to local governments to be used for current operating expenses of the county government, municipalities, townships, and certain special districts.

These distributions are done according to guidelines spelled out in statute intended to yield a distribution that reflects the needs of the various recipient governmental units or according to alternative apportionment methods or formulas devised by local county budget commissions. Such alternative apportionment methods are authorized if approved by subdivisions within the county as required by statute.

H.B. 66 of the 126th General Assembly temporarily replaced the above distribution requirements. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY 2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents. H.B. 119 of the 127th General Assembly continued this distribution through the end of calendar year 2007.

Recent Legislation

H.B. 119, 127th General Assembly (FY 2008-FY 2009 biennium budget bill, effective June 30, 2007).

R.C.131.51, 5747.03, 5747.46-5747.48, 5747.50-5747.53 and bill sections 757.03, 757.04 and 815.09 – This bill dramatically changed the LGF and LGRAF. It continued the freeze on distributions through calendar year 2007. Then beginning in January 2008, it consolidated the LGRAF into the LGF and begins funding the LGF through a 3.68 percent share of all general revenue fund tax sources. The distributions to the county undivided LGF are in proportion to what each county received in calendar year 2007. Municipalities that receive a direct LGF distribution receive up to what they received in calendar year 2007. Any amount over their 2007 distribution is distributed to the county undivided LGF in proportion to each county's population.

H.B. 530, 126th General Assembly (budget corrections bill, effective June 30, 2006).

Bill sections 606.17, 606.18, 815.03 – H.B. 530 clarified a portion of H.B. 66 that froze the amount of revenue to the local government funds and therefore, to the county undivided funds. H.B. 66 also prohibited local governments within each county from re-allocating their respective shares of the undivided fund. H.B. 530 clarified that this freeze in the "re-allocation" of the undivided fund does not apply when there is a population change which would affect the distribution formula. The bill specified that the undivided local government fund allocated to the county cannot exceed 50 percent of the fund if the municipal population constitutes 41 percent or more of the county's population and cannot exceed 30 percent of the fund if the municipal population constitutes at least 81 percent of the county's total population.

H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).

The bill continued the freeze on deposits and distributions from the LGF and LGRAF through FY 2006 and FY 2007. Amounts deposited into the funds from July 2005 through June 2006 equaled the deposits into the funds made during the period of July 2004 through June 2005. In addition, amounts deposited into the funds during the period of July 2006 through June 2007 are equal to the deposits made during the July 2005 through June 2006 period. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY 2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents.

In addition, the bill provided for a "reconciliation" mechanism. In June 2006 and June 2007, the Tax Commissioner examined the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compared them to the amounts that would have been distributed under permanent law. If the amounts distributed under the H.B. 66 freeze exceed the amounts that would have been distributed under permanent law, then an amount shall be subtracted from the income tax revenue credited to the LGF and LGRAF to make up that difference.

Table 1
Total State Local Government Fund and Dealers in Intangibles Distributions: Calendar Years 1998 - 2006

Year	Total State Local Government Fund Amount	Total State Local Government Fund Percent Change	Dealers in Intangibles Tax Amount	Dealers in Intangibles Tax Percent Change	State LGF and Intangibles Tax Amount	State LGF and Intangibles Tax Percent Change
1998	$632,501,558	9.08	$9,983,867	-9.41	$642,485,425	8.74
1999	664,772,737	5.1	10,697,411	7.15	675,470,148	5.13
2000	692,233,886	4.13	13,901,032	29.95	706,134,918	4.54
2001	705,421,757	1.9	15,905,620	14.42	721,327,377	2.15
2002	670,658,730	-4.93	11,229,780	-29.4	681,888,510	-5.47
2003	661,828,265	-1.32	9,097,256	-18.99	670,925,521	-1.61
2004	661,828,265	0.00	10,448,586	14.85	672,276,851	0.20
2005	661,828,265	0.00	11,660,148	11.60	673,488,413	0.18
2006	661,828,265	0.00	13,908,699	19.28	675,736,964	0.33

Table 2
Local Government Revenue Assistance Fund Distributions: Calendar Years 1998 - 2006

Calendar Year	Amount	Change
1998	$90,398,292	9.08
1999	95,014,290	5.11
2000	98,953,115	4.15
2001	100,780,133	1.80
2002	95,808,389	-4.93
2003	94,597,556	-1.26
2004	94,597,556	0.00
2005	94,597,556	0.00
2006	94,597,556	0.00

Chart
Distributions from State Local Government Fund: Calendar Years 2001 - 2006

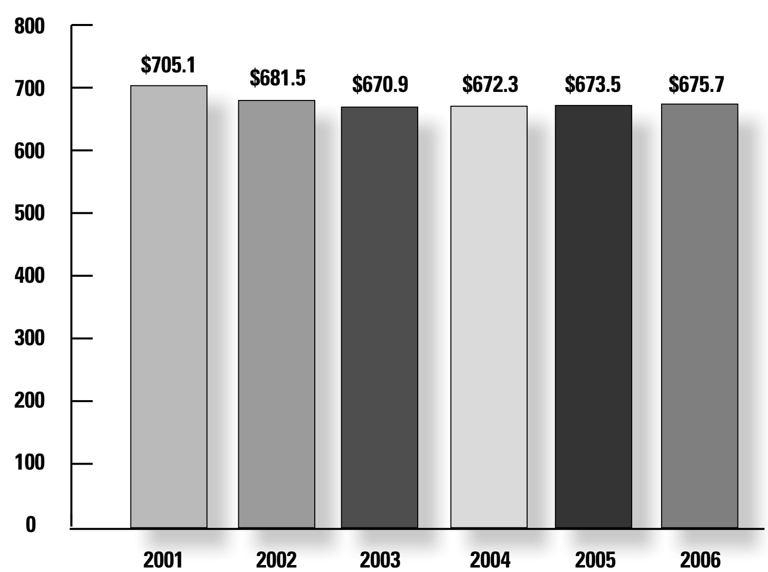


Table 3
Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2006

County	To County Undivided Local Government Fund	To Municipalities	Total
ADAMS	$658,841	$844	$659,686
ALLEN	4,460,125	316,336	4,776,461
ASHLAND	2,060,175	164,958	2,225,133
ASHTABULA	3,855,324	233,709	4,089,033
ATHENS	1,880,687	141,539	2,022,226
AUGLAIZE	2,301,947	175,651	2,477,598
BELMONT	2,728,368	23,507	2,751,875
BROWN	967,048	16,495	983,543
BUTLER	14,173,116	1,118,426	15,291,542
CARROLL	688,195	15,354	703,548
CHAMPAIGN	1,366,810	86,546	1,453,356
CLARK	5,464,403	519,405	5,983,808
CLERMONT	3,644,430	53,297	3,697,727
CLINTON	1,551,406	61,950	1,613,355
COLUMBIANA[1]	3,521,355	193,414	3,714,770
COSHOCTON	1,385,134	58,120	1,443,255
CRAWFORD	2,075,808	136,931	2,212,739
CUYAHOGA	116,998,023	13,046,966	130,044,990
DARKE	2,332,642	103,002	2,435,644
DEFIANCE	1,770,712	112,762	1,883,474
DELAWARE	4,852,791	213,788	5,066,578
ERIE	3,725,670	175,552	3,901,221
FAIRFIELD	4,847,856	259,641	5,107,497
FAYETTE	1,109,625	64,018	1,173,642
FRANKLIN	81,983,359	10,306,093	92,289,452
FULTON	1,958,380	158,097	2,116,477
GALLIA	874,019	28,799	902,818
GEAUGA	2,445,739	109,252	2,554,991
GREENE	8,269,588	273,449	8,543,038
GUERNSEY	1,418,631	61,091	1,479,722
HAMILTON	54,561,869	6,766,395	61,328,264
HANCOCK	4,028,729	244,804	4,273,534
HARDIN	1,154,160	62,370	1,216,530
HARRISON	521,547	14,575	536,122
HENRY	1,217,651	58,979	1,276,630
HIGHLAND	1,276,324	70,026	1,346,350
HOCKING	791,767	39,934	831,701
HOLMES	798,960	14,272	813,231
HURON	2,674,865	253,574	2,928,438
JACKSON	1,092,105	0	1,092,105
JEFFERSON	3,936,277	210,804	4,147,081
KNOX	1,894,767	125,122	2,019,889
LAKE	17,959,277	1,317,670	19,276,947
LAWRENCE	1,665,425	39,585	1,705,010
LICKING	6,675,519	359,234	7,034,753
LOGAN	$1,751,331	$118,108	$1,869,439
LORAIN	16,660,968	1,119,707	17,780,675
LUCAS	25,362,731	3,525,339	28,888,071
MADISON	1,350,074	77,569	1,427,643
MAHONING	9,729,566	743,169	10,472,735
MARION	2,573,349	199,064	2,772,413
MEDINA	6,878,624	319,335	7,197,960
MEIGS	557,605	10,025	567,630
MERCER	1,837,091	70,369	1,907,461
MIAMI	5,186,648	423,763	5,610,411
MONROE	365,235	5,795	371,030
MONTGOMERY	32,347,228	3,979,228	36,326,455
MORGAN	366,793	9,372	376,166
MORROW	629,376	20,905	650,280
MUSKINGUM	2,888,081	217,015	3,105,096
NOBLE	327,951	0	327,951
OTTAWA	1,606,548	63,253	1,669,801
PAULDING	620,355	1,947	622,302
PERRY	802,637	18,984	821,621
PICKAWAY	1,721,186	84,704	1,805,890
PIKE	705,407	17,312	722,719
PORTAGE	6,051,703	467,754	6,519,456
PREBLE	1,407,337	71,513	1,478,850
PUTNAM	1,403,774	59,734	1,463,508
RICHLAND	6,102,070	554,084	6,656,153
ROSS	2,700,807	165,126	2,865,933
SANDUSKY	2,830,794	177,216	3,008,010
SCIOTO	2,330,912	115,721	2,446,633
SENECA	2,689,581	217,014	2,906,595
SHELBY	2,409,746	227,148	2,636,894
STARK	15,317,770	1,308,921	16,626,691
SUMMIT	35,905,538	3,487,518	39,393,056
TRUMBULL	8,764,453	533,553	9,298,006
TUSCARAWAS	4,317,684	207,054	4,524,738
UNION	1,473,068	79,799	1,552,868
VAN WERT	1,296,923	89,103	1,386,026
VINTON	290,735	0	290,735
WARREN	6,783,396	428,595	7,211,991
WASHINGTON	2,229,915	136,234	2,366,149
WAYNE	4,859,108	269,834	5,128,942
WILLIAMS	1,952,923	150,470	2,103,393
WOOD	5,584,363	484,595	6,068,958
WYANDOT	1,025,247	58,601	1,083,848
TOTAL	**$617,616,079**	**$58,120,885**	**$675,736,965**

1 Includes $1,447,555 redirected to the county's fiscal agent.
Does not include $356,623 withheld for repayment of a state loan.

Table 4
State Local Government Revenue Assistance Fund - Amounts Distributed to Counties, by County: Calendar Year 2006

County	Amount	County	Amount
ADAMS	$241,201	LOGAN	$391,990
ALLEN	900,720	LORAIN	2,374,939
ASHLAND	438,431	LUCAS	3,765,688
ASHTABULA	869,817	MADISON	348,863
ATHENS	518,175	MAHONING	2,135,284
AUGLAIZE	396,839	MARION	555,679
BELMONT	592,668	MEDINA	1,228,543
BROWN	347,295	MEIGS	202,117
BUTLER	2,796,776	MERCER	345,914
CARROLL	245,875	MIAMI	829,067
CHAMPAIGN	323,358	MONROE	129,759
CLARK	1,221,627	MONTGOMERY	4,737,850
CLERMONT	1,495,101	MORGAN	122,312
CLINTON	340,133	MORROW	268,264
COLUMBIANA[1]	937,708	MUSKINGUM	712,781
COSHOCTON	304,464	NOBLE	116,146
CRAWFORD	396,454	OTTAWA	346,481
CUYAHOGA	11,578,401	PAULDING	168,995
DARKE	455,517	PERRY	288,516
DEFIANCE	334,387	PICKAWAY	450,829
DELAWARE	833,142	PIKE	234,872
ERIE	657,052	PORTAGE	1,274,786
FAIRFIELD	1,057,358	PREBLE	365,105
FAYETTE	239,393	PUTNAM	296,540
FRANKLIN	8,629,478	RICHLAND	1,083,226
FULTON	354,203	ROSS	636,626
GALLIA	280,489	SANDUSKY	521,731
GEAUGA	751,453	SCIOTO	676,433
GREENE	1,246,777	SENECA	504,282
GUERNSEY	344,901	SHELBY	401,943
HAMILTON	7,099,061	STARK	3,141,233
HANCOCK	582,575	SUMMIT	4,527,335
HARDIN	266,705	TRUMBULL	1,896,001
HARRISON	135,374	TUSCARAWAS	746,737
HENRY	251,634	UNION	338,829
HIGHLAND	343,399	VAN WERT	253,693
HOCKING	244,985	VINTON	103,360
HOLMES	320,805	WARREN	1,265,349
HURON	508,649	WASHINGTON	531,917
JACKSON	274,603	WAYNE	931,617
JEFFERSON	623,197	WILLIAMS	318,679
KNOX	451,712	WOOD	1,009,896
LAKE	1,900,513	WYANDOT	192,625
LAWRENCE	541,946		
LICKING	1,150,376	**TOTAL**	**$94,597,556**

1 Includes $437,441 redirected to the county's fiscal agent.

Summary of Legislation

Amended Substitute House Bill 119 (effective June 30, 2007; certain provisions may be effective September 29, 2007; other provisions may have other effective dates); Various Revised Code sections.

Am. Sub. H.B. 119 is the blue-print for the fiscal priorities for Fiscal Years (FY) 2008-2009. As with previous budget bills, the biennial budget contained a number of significant changes to Ohio's tax laws. One of the cornerstones of the budget was the unprecedented expansion of the homestead exemption program that provides a $25,000 exemption from the market value of every senior citizen's or permanently and totally disabled individual's home. Of equal significance to the expansion of the homestead exemption program is the uninterrupted continuation of the tax reform package contained in H.B. 66 from the 126th General Assembly. The following is a very general summary of the tax-related provisions that were contained in Am. Sub. H.B. 119 (for more in-depth summaries, please refer to the pertinent tax sections contained in this report).

Real and Personal Property Taxes: The act increases the exemption to up to $25,000 of market value ($8,750 of taxable assessed value) of the owner's homestead for all homeowners who are: (1) age 65 years or older, (2) permanently and totally disabled, or (3) a surviving spouse at least 59 years of age on the date of death whose spouse had been receiving the tax reduction. The amount of the credit will be calculated using the effective tax rate applied to the property, net of the 10 percent and 2.5 percent rollbacks. As with the previous program, the bill requires that schools and local governments be fully reimbursed with state-General Revenue Funds (GRF) for their loss of local property tax revenue. The expanded homestead exemption program will be effective for real property for tax year 2007, meaning that qualifying homeowners will first experience the tax reductions with property tax bills paid in calendar year 2008.

Other Property Tax Changes: The act also requires that counties with populations exceeding 200,000 must require residential rental property owners to file with the county auditor; increases the percentage of property tax collections credited to county real estate assessment funds; and makes clarifying changes to payment schedules and valuation methodology for the phase-out of the tangible property tax on telephone and inter-exchange telecommunications companies.

Individual Income Tax: H.B. 119 establishes a new income tax deduction of up to $10,000 to defray qualifying organ donor expenses incurred while making an organ donation; creates a nonrefundable tax credit – which will be equal to 15 cents per gallon of alternative fuel sold during calendar year 2008 and 13 cents per gallon of alternative sold during calendar year 2009 – for a retail service station located in Ohio which sells alternative fuels (E85, B20); allows a school district to seek a "dual purpose" income tax levy for both current operating expenses and permanent improvements; authorizes a school district to adopt a resolution to reduce the school district income tax rate in 0.25 percent increments; prohibits any municipal corporation from levying the municipal income tax on any compensation paid to employees within a United States Air Force base, unless the person resides in the municipal corporation; and precludes a municipality from requiring a company to withhold municipal income taxes when sickness or accident disability payments are made.

Corporation Franchise Tax: The budget bill extends the nonrefundable Ohio coal tax credit of $1 per ton of Ohio coal that is burned by an electric generating facility to Jan. 1, 2010; the bill also creates a nonrefundable tax credit – which will be equal to 15 cents per gallon of alternative fuel sold during calendar year 2008 and 13 cents per gallon of alternative sold during calendar year 2009 – for a retail service station located in Ohio which sells alternative fuels (E85, B20).

Sales and Use Tax: H.B. 119 changes the application of the Ohio sales tax on motor vehicle purchases made by nonresidents of Ohio. Under the new statute, nonresidents will be required to pay Ohio sales tax on their vehicle purchases if the consumer's home state (1) collects sales tax from Ohio residents for their vehicle purchases, and (2) offers a credit for taxes paid in Ohio. The amount of tax charged for these nonresident motor vehicle purchases is the lesser of the lowest combined state and local sales tax rate (currently 6 percent) or the amount of tax that would otherwise be owed in their home state.

The act replaces the accelerated sales tax payment schedules with a single schedule for all taxpayers required to remit the sales and use tax by electronic funds transfer (EFT). Beginning on Jan. 1, 2008, a taxpayer will be required to remit 75 percent of their contemporaneous month's tax liability and the reconciliation payment from the previous month's liability on the 23rd day of each month.

In the ongoing efforts to bring Ohio into compliance with the Streamlined Sales and Use Tax Agreement, the act requires the Tax Commissioner to certify by Oct. 1, 2007 whether the SSTA Governing Board amended the Agreement to allow vendors with less than $500,000 in annual taxable delivery sales to continue using origin sourcing. Should that certification be made, the bill allows Ohio vendors with less than $500,000 in annual delivery sales to continue using origin-based sourcing and authorizes an out-of-state vendor to use a uniform statewide rate equal to the lowest combined state and local sales tax rate (currently 6 percent). (Note: Because the Governing Board did not amend the Agreement prior to Oct. 1, 2007, no certification was made. As a result, vendors who had not converted to destination sourcing were allowed to continue collecting the sales and use tax under origin sourcing.

The act also returns the vendor discount for vendors who remit their sales tax payments in a timely manner to the permanent statutory rate of 0.75 percent; removes the six day limit on the sales tax exemption for nonprofit school booster organizations and primary and secondary school groups so that all sales by these organizations are exempt from the sales tax; and repeals the use tax exemption for cigarettes brought into Ohio for storage, use or consumption with a wholesale value of $300 per month.

Excise Taxes: H.B. 119 repeals the $300 per month cigarette excise tax exemption for cigarettes that are brought into Ohio for personal consumption and modifies the criminal penalties under Ohio Revised Code section 5743.99 for individuals who possess up to 1,200 sticks of cigarettes for personal consumption.

The act reduces the rate of the kilowatt-hour tax levied on the total electricity price complement that is paid by self-assessing commercial or industrial users from 4 percent to 3.5 percent beginning in FY 2009. An uncodified provision is included in the bill that requires the Tax Commissioner to review the rate, taking factors such as price fluctuations and influence on the state's economy into consideration.

The bill converts the temporary 0.9 percent motor fuel retailer discount that was included in H.B. 67 (127th General Assembly) to a discount for motor fuel dealers.

The budget bill creates the B-2a and S permits and makes changes to the A-2 permits to attempt to clarify how out-of-state and in-state wine manufacturers may ship directly to consumers and retail locations in Ohio.

Commercial Activity Tax: The act requires that 70 percent of annual CAT revenue continue to be credited to the school district tangible personal property tax replacement fund to be appropriated for school purposes for 2019 and thereafter (previous law directed 70 percent of CAT receipts to this fund through FY 2018).

Other Tax Credits: H.B. 119 expands the eligibility requirements for the job retention tax credit by allowing a company to qualify for the credit if the company contracts with an unrelated third party entity to build a new corporate headquarters and make other significant capital investments. In order to qualify, the following criteria must be met: (1) the initial term of the lease with the third party developer must be at least twenty years; (2) the total term of the lease must be twice the term of the credit; and (3) the headquarters must be part of a mixed-use development including offices, research and development facilities, retail space or a hotel. Taxpayers meeting this eligibility requirement will still need to meet the investment thresholds to qualify for the JRTC, including employing at least 1,000 employees at the project site, and making $100 million in capital investments over three years if the average wages are 400 percent of minimum wage (or $200 million in capital investments over three years if the average wages are 150 percent of the federal minimum wage).

The bill requires recipients of the job creation tax credit and the job retention tax credit that are organized as pass-through entities to irrevocably elect pass-through treatment of these credits. This change allows PTE owners to apply these credits against either the entity's CAT liability or against the individual owners' income tax liability.

The act amends the cost benefit analysis requirements for the historic preservation tax credit by allowing taxes generated during the construction phase of the project to be included when determining whether there is a net revenue gain in state and local taxes.

Local Government Funds: The act makes significant changes to the distribution of the Local Government Fund and the Library and Local Government Support Fund (which has since been changed to the Public Library Fund). Beginning in January 2008, the funds will receive a designated percentage of all General Revenue Fund tax receipts. As a result, the LGF will receive 3.68 percent of all GRF tax receipts while 2.22 percent of all GRF tax receipts will be distributed to the Public Library Fund. By basing the distribution methodology on all GRF tax receipts, the act provides a more stable, predictable and sustainable means of continuing the state-local partnership of delivering public services to Ohioans.

The budget establishes a new Local Government Services Collaboration Grant Fund to provide $1 million worth of grants to counties, municipalities and townships to help defray the costs of studying how to combine local government services such as police and fire protection, 9-1-1 emergency services, snow removal, road repairs, and public utility services.

Other significant tax legislation:

Substitute House Bill 157, 127th General Assembly (effective March 24, 2008 – certain sections effective December 21, 2007); Revised Code Sections: 5701.11, 5739.01, 5739.02, 5739.035, 5747.08.

Tax Return Check-off for Preparers: Beginning in tax year 2008, the act directs the Tax Commissioner to include on state income tax returns a box that a taxpayer may check to authorize a paid tax preparer to speak to the Department of Taxation regarding matters concerning the return. As a result, a taxpayer may grant permission to allow the department to contact the preparer with questions regarding the return and authorize the preparer to provide the department with missing information, to contact the department for information about the taxpayer's refund or payments, and to respond to notices that the taxpayer has received from the department.

Sales and Use Tax Exemption for Electronic Publishing Services: The bill establishes a new exemption from the sales and use tax for the sale of property used by electronic publishers. Electronic publishing is defined as providing access to various types of information in an electronic format primarily to business customers – including federal, state and local governments – to conduct research. The exemption includes property used for the development, acquisition, formatting, editing, storage and dissemination of electronic publishing services.

Incorporation of Federal Changes to the Internal Revenue Code: Under the act, all changes to the Internal Revenue Code or other laws of the United States between Dec. 28, 2006, and the act's effective date of Dec. 21, 2007 will be incorporated into all references to those laws in the Revised Code's tax title.

Substitute House Bill 224, 127th General Assembly (effective March 24, 2008); Revised Code Sections: 718.05.

The act prohibits municipal corporations from requiring a taxpayer to file the municipal income tax annual return earlier than the federal income tax filing date and requires the municipality to accept the facsimile signature of a tax preparer. Also, the act requires municipal income tax forms to include a box that the taxpayer may check in order to allow the tax preparer to communicate directly with the municipal tax administrator.

Substitute House Bill 372, 127th General Assembly (effective March 24, 2008); Revised Code Sections: 5747.01.

Personal Income Tax Exemption for Military Retirement Pay: The act exempts military retirement pay from the Ohio income tax for pension incomes received after Jan. 1, 2008. Military retirement income includes any amounts received as retired military pay for service in the United States Army, Navy, Air Force, Coast Guard or Marine Corps. Any of these amounts would then no longer be considered retirement income for purposes of calculating the retirement income credit. The act also exempts a portion of some federal civil service pensions when the pension is based upon the retiree's total years of service – including both military and civil service time. Under this provision, an individual will be able to exempt a prorated amount of their federal Civil Service Retirement System pension based upon the proportionate amount of the pension attributable to their military service.

Incumbent Worker Training Grant Program: The act also creates the incumbent worker training grant program to replace the Ohio training tax credit.

Amended Substitute House Bill 24, 127th General Assembly (effective December 21, 2007); Revised Code Sections: 718.01.

Municipal Income Tax Health Care Deductions: The act permits a municipal corporation to allow sole proprietors to deduct from the net profit reported on their federal Schedule C the amount paid during the taxable year for medical care insurance premiums for the sole proprietor, his or her spouse, and dependents. The deduction is allowed to the same extent health insurance premiums are deductible for federal income tax purposes. Additionally, the act expressly permits a municipal corporation to allow an individual to claim the same tax preferences for municipal income tax purposes that federal law allows for health savings accounts. An individual subject to the income tax of a municipal corporation that adopts an ordinance or resolution authorizing a Health Savings Account (HSA) deduction would be able to deduct cash contributions to the HSA to the same extent contributions are deductible for federal income tax purposes.

Collection of Watershed Conservancy District Assessments: The bill prohibits a conservancy district established under Revised Code Chapter 6101 that includes all or parts of more than sixteen counties from collecting or levying an assessment. Property owners in the affected watershed conservancy district who filed challenges to their assessments and were denied may file an appeal with the Ohio Supreme Court within 30 days of the effective date of the bill. Finally, the act states that it is the intent of the General Assembly to evaluate the organization and composition of certain watershed districts and their method of calculating the assessment, including any economic burden it may cause to the property owners in the district.

Amended Senate Bill 20, 127th General Assembly (effective August 30, 2007); Revised Code Sections: 5747.37.

The act increases the adoption tax credit a taxpayer can claim against the Ohio income tax from $500 to $1,500 and allows taxpayers to carry the credit forward if it exceeds the amount of tax due for up to two additional consecutive taxable years.

Substitute House Bill 149, 126th General Assembly (effective April 4, 2007); Revised Code Sections: 149.311, 5725.151, 5725.24, 5733.01, 5733.47, 5733.98, 5739.011, 5747.76, 5747.98.

Ohio Historic Preservation Tax Credit: The act authorizes a property owner to claim a refundable tax credit against the dealer in intangibles tax, corporation franchise tax, or personal income tax for rehabilitating a historic building. The credit is equal to 25 percent of the project's qualified rehabilitation expenses. Under the bill, the Director of Development may approve no more than 100 tax credit certificates for each of the two application periods – July 1, 2007 through June 30, 2008 and July 1, 2008 through June 30, 2009. Applications must be submitted to the State Historic Preservation Officer and the bill requires that the applications be accepted in the order in which they were filed.

To qualify for the tax credit, the project must meet the following criteria: (1) the building is listed on the national register of historic places or is located in a certified historic district; (2) the building is owned by the applicant; (3) the rehabilitation will satisfy standards prescribed under the National Historic Preservation Act and other standards for rehabilitation in accordance with federal regulations; and (4) receiving the credit is a major factor in the applicant's decision to rehabilitate the historic building or increase the level of investment in the project. If these criteria are met, there is a further test that must be passed. The Ohio Director of Development, in conjunction with the Tax Commissioner, must conduct a cost benefit analysis to determine if the project will result in net tax revenue gains to state and local government. If not, then the project will be rejected. The tax credits can only be claimed once the rehabilitation is completed.

Sales and Use Tax Exemption for Property used in Dairy Production: The act provides for an exemption from sales and use tax on equipment and supplies used to clean processing equipment that is part of a continuous manufacturing operation to produce milk, ice cream, yogurt, cheese, and similar dairy products for human consumption.

Amended Substitute House Bill 67, 127th General Assembly (effective April 3, 2007); Revised Code Sections: 557.10 and 5751.032.

Commercial Activity Tax Rate Adjustment: The act eliminates the potential upward adjustments in the commercial activity tax rate if the actual commercial activity tax (CAT) collections are at least 10 percent under the statutory revenue estimates during the three test periods of FY 2006-2007, FY 2009, and FY 2011. As a result of this change, the CAT rate can only be adjusted downward if the Tax Commissioner certifies that the actual collections exceeded estimates by 10 percent or more during the test periods.

Motor Fuel Excise Tax Shrinkage and Evaporation Discount: The bill provides a temporary two-year reduction in the evaporation and shrinkage allowance for timely filed motor fuel excise tax reports.

Statutory law governing the motor fuel excise tax (R.C. 5735.06) provides that a motor fuel dealer filing a timely monthly tax report with payment is entitled to deduct a discount equal to 3 percent of the fuel gallonage the dealer received minus 1 percent of the fuel gallonage sold to retail dealers (to cover the costs of filing the report and to account for evaporation, shrinkage, and other losses). The main operating appropriations act for the 2006-2007 fiscal biennium, Am. Sub. H.B. 66 of the 126th General Assembly, reduced the discount to 2.5 percent (minus 0.83 percent of gallonage sold to retail dealers) during fiscal year 2006 and to 1.95 percent (minus 0.65 percent of gallonage sold to retail dealers) during fiscal year 2007.

Under the bill, the discount to motor fuel dealers is reduced again, this time to 1 percent, (minus 0.5 percent of gallons of motor fuel sold to a retail dealer) for FY 2008 and FY 2009. A refund is provided to motor fuel retailers equal to 0.5 percent of motor fuel taxes paid by the retailer. Finally, a retail dealer is allowed a vendor discount equal to 0.9 percent of the motor fuel taxes paid on motor fuel purchased by the retail dealer from July 1, 2007 through June 30, 2009.

Substitute House Bill 293, 126th General Assembly (effective March 30, 2007); Revised Code Sections: 135.353, 135.805, 135.806, 135.807, 5739.01.

County Linked Deposit Program: The act permits boards of county commissioners to establish property tax payment linked deposit programs for making low-interest loans to low to moderate income senior citizens and permanently and totally disabled persons to help them pay their real property taxes. The bill establishes programmatic and eligibility requirements, including annual reports, lending institution duties and lien certificates for the loans.

Sales and Use Tax Treatment of Employment Services: The bill amends the definition of "employment services" to change the responsibility for who pays the sales or use tax under certain circumstances. Specifically, where a company provides employment service personnel to a second company, who then provides those personnel as an employment service to a third company, the service that is taxable is now the service provided by the second company to the third company, rather than the service provided by the first company to the second company. (Note: This section became effective on Jan. 1, 2007.)

Amended Substitute House Bill 245, 126th General Assembly (effective July 6, 2006); Revised Code Sections: temporary law provisions.

Energy Content-Based Fuel Tax Rate Study: The act requires the Department of Taxation to issue a report that assesses the proposal of taxing alternative fuels by energy content rather than by volume.

Rule Review

Section 121.24(D) of the Ohio Revised Code requires the Department of Taxation to create a plan for periodic review of its administrative rules at least once every five years. The department's rule review schedule is as follows:

Tax	Year
Administration and Division of Tax Equalization	2008
Excise taxes	2008
Franchise, income, and municipal taxes	2009
Estate tax and commercial activity tax	2010
Sales/use tax	2011
Tangible personal property tax	2012

Section 121.24(E) of the Ohio Revised Code requires the Department of Taxation to designate an individual or office that is responsible for providing information on its administrative rules. The Office of Chief Counsel is the department's designated office. Rules are reviewed to determine if they are still necessary, are to be amended, or are to be rescinded in Ohio Administrative Code Chapter 5703.

Rules Reviewed in FY 2007

The following is a summary of the department's review of its tangible personal property tax rules in 2007:

5703-3-01 **Property excepting oil, gas and water production plants.**
Needed.

5703-3-02 **Oil, gas and water production plants.**
Needs updating.

5703-3-03 **Filing of balance sheets.**
Needed.

5703-3-04 **Dates for listing taxable personal property.**
Needed.

5703-3-05 **Consolidated returns by corporations and joint returns by husband and wife.**
Needed.

5703-3-06 **Consolidated returns by incorporated dealers in intangibles.**
Needed.

5703-3-07 **Returns by fiduciaries on behalf of taxpayer.**
Needed.

5703-3-09 **Returns by fiduciaries on property of nonresidents.**
Needed.

5703-3-10 **Tangible personal property tax; true value of depreciable assets; application of "true value" or "302" computation.**
Needed.

5703-3-11 **Tangible personal property tax; "true value" or "302" computation.**
Needed.

5703-3-12 **Tangible personal property tax; true value; exhaustion method; presumed disposals.**
Needed.

5703-3-13 **Tangible personal property tax; replacement allowance; hotels.**
Needed.

5703-3-14 **Designation of person to make return of leased property.**
Needed.

5703-3-15 **Allowances of reserves against accounts receivable.**
Needed.

5703-3-16 **Computation and assessment of average value of inventories.**
Needed.

5703-3-17 **"Average inventory value of merchandise" of taxpayer using "retail inventory method of accounting".**
Needed.

5703-3-18 **Tangible personal property tax; new taxpayers.**
Needed.

5703-3-19 **Taxable situs of deposits pursuant to Revised Code 5709.02 and 5709.03 [rescinded 1-1-04].**
Needed.

5703-3-20 **Taxable situs of accounts receivable pursuant to Revised Code 5709.02 and 5709.03 [rescinded 1-1-04].**
Needed.

5703-3-21 **Personal property tax; taxable status of merchandise or agricultural products held for storage only [rescinded 6-28-04].**
Needed.

5703-3-22 **Tangible personal property tax; valuation of idle equipment.**
Needed.

5703-3-23 **Intangible personal property tax; repeal; effect of unrepealed sections.**
Needed.

5703-3-24 **Tangible personal property of nonprofit organizations.**
Needed.

5703-3-27 **Determining true value of average inventory of a manufacturer for personal property tax purposes.**
Needed.

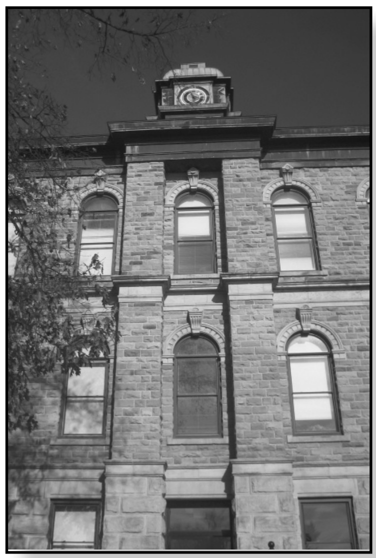
5703-3-28 **Certain corporations to file county supplemental returns.**
Needed.

5703-3-29 **Personal property leased and used exclusively for agricultural purposes not subject to personal property tax.**
Needed.

5703-3-30 **Personal property in inventory of a merchant manufactured for agricultural use not subject to personal property tax.**
Needed.

5703-3-31 **Personal property tax valuation of completed goods owned by the manufacturer-lessor and held for lease or on lease to others.**
Needed.

5703-3-32 **Dealer in intangibles tax definition of "primarily".**
Needed.



Glossary of Terms

The administration of taxes includes a specialized vocabulary not entirely familiar to the average taxpayer. The terms included here represent a selected, core group of tax-related terms common across many taxes. In cases where a definition contains a term that is also defined in this glossary, that term is highlighted in **bold**.

Allocation – for purposes of this report, allocation describes a process employed in computing corporation franchise tax **liability** whereby a taxpayer's nonbusiness income (e.g. interest, capital gains, etc.) is distributed between Ohio and other states. What is allocated to Ohio is then subject to Ohio tax.

Adjusted Gross Income – an amount used in the calculation of an individual's income tax **liability**; refers to an amount of income after certain adjustments are made, but before any reduction for the standardized and itemized **deduction(s**) or personal **exemption** is made.

Apportionment – for purposes of this report, apportionment describes a process in computing corporation franchise tax **liability** whereby a taxpayer's business income is distributed between Ohio and other states. What is apportioned to Ohio is then subject to tax.

Assessed value – the taxable value of land and improvements (i.e. buildings) for real property tax, or the taxable value of business property and inventories for tangible personal property tax. The assessed value of real property is set by state law in Ohio at 35 percent of true market value, with some exceptions including certain lands used for agriculture or foresting. This differs from appraised value, which is a value determined, in part, by sales of comparable and proximate properties and is generally representative of the true market value.

Credit – an amount subtracted from the amount of tax owed (the **liability**), such as child care expenses (for purposes of individual income tax) or research and development loan payments (for purposes of corporation franchise tax).

Deduction – an expense subtracted from personal **adjusted gross income** when calculating taxable income, such as for state and local taxes paid, charitable gifts, or certain types of interest payments.

Exemption – an amount excluded from taxable income, e.g. the personal exemption given to any taxpayer who cannot be claimed as a dependent by another taxpayer (for purposes of individual income tax).

Gross receipts – for purposes of the commercial activity tax, the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income, such as sales, performance of services, and rentals or leases. The public utility excise tax is also measured by gross receipts for business done from operations as a public utility.

Liability – the amount of a specific tax that a taxpayer owes; this amount can be reduced by deductions and credits.

Lien – an ownership right to a piece of property; e.g. when a financial institution loans money for purchase of a home, that mortgage loan is a lien. Taxing authorities can establish, or place, a lien on the property of a delinquent taxpayer. If the mortgage or loan or tax owed is not paid, the property can be sold to satisfy the lien.

Mcf – 1,000 cubic feet; used to measure natural gas.

Mill – a measurement equal to one-tenth of 1 percent; often used to refer to the amount of property tax imposed on real or personal property (e.g. a 2.5 mill tax levy imposed on a home with an **assessed value** of $100,000 amounts to $250 in tax).

Net income – the total earnings or "bottom line" of a business, generally calculated by deducting from total sales the costs of doing business; e.g. depreciation, interest, taxes and certain other expenditures.

Net worth – the value of a business when its liabilities (debt, taxes and certain other obligations) are subtracted from the value of its assets.

Nexus – a term used to describe whether a business has sufficient presence or activity in a state or other taxing jurisdiction to become subject to the tax(es) of the state or jurisdiction.

Nonrefundable tax credit – a **credit** against a specific tax that does not entitle the taxpayer to a refund; when the credit is applied against the **liability,** if the amount of the credit reduces the liability to less than zero, the taxpayer is not eligible for a refund of the difference.

Permissive tax – a tax that a local political jurisdiction is "permitted" by law to enact, generally a sales tax.

Refundable tax credit – **a credit** against a specific tax that may entitle the taxpayer to a refund; when the credit is applied against the **liability**, if the amount of the credit reduces the liability to less than zero, then the taxpayer is eligible for a refund of the difference.

Situs – the place where property is physically located, or where a taxable transaction occurs.

Sourcing – for purposes of sales tax, the physical location where a sale occurs or where a sale is designated as having occurred. Most often, this is the physical location of the retailer, referred to as origin sourcing. In certain cases of sales involving delivery of a product or service, the source of the sale may be the location to which the product or service is delivered, referred to as destination sourcing.

Streamlined Sales Tax Project (SSTP) – a multi-state initiative to make sales tax laws, rules, and systems more uniform across states and thus easier for vendors to collect states' sales taxes. The goal of the SSTP is to encourage out-of-state vendors – primarily catalog and Internet retailers – to register with the project and collect the sales tax of Ohio and other states, which these retailers are not currently required to do under federal law.

Taxing district – a jurisdiction that by law can impose a **tax levy** for property, sales, or municipal or school district income taxes in a specified geographic area. These jurisdictions may overlap. They include counties, transit authorities, municipalities, special districts such as fire or park districts, and school districts.

Tax levy – a piece of legislation that imposes or alters a tax. A levy may be enacted at either the state level, for income or sales taxes, or at the local political jurisdiction level, such as for municipal or school district income, sales, or property taxes. Local tax levies generally require a vote of the people, are normally for a specific purpose, and are usually for a permanent or specified time period. Note: a locally-imposed sales tax is also referred to as a **permissive tax.**

Tax year – an annual accounting period for tax purposes that consists of 12 consecutive months. This may be either a fiscal year (12 consecutive months ending on the last day of any month except December, e.g. the state government fiscal year ends on June 30); or a calendar year (beginning Jan. 1 and ending Dec. 31). Businesses will normally file taxes on a fiscal tax year basis, which may be any consecutive 12-month period. The tax year for property taxes, as well as individual income taxes for most taxpayers, is the calendar year.

Index of Charts and Tables

This index provides a by-chapter listing of the charts and tables contained in the Annual Report, organized by the major section in which the chapter is found. Chapters which do not contain charts or tables are omitted.

- **Severance Tax**

- **Tangible Personal Property**

- **Library and Local Government Support Fund**

- **Local Government Funds – State and County**