

# Ohio

## 2008 Annual Report



Richard A. Levin  
Tax Commissioner

Ted Strickland  
Governor



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 2008 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during Fiscal Year 2008 (July 1, 2007 through June 30, 2008) 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,

A handwritten signature in black ink that reads "Richard A. Levin". The signature is written in a cursive, flowing style.

Richard A. Levin  
Tax Commissioner

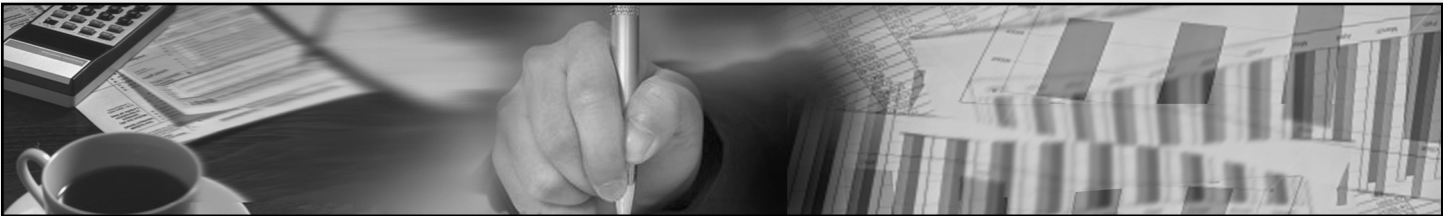


# Ohio Department of Taxation 2008 Annual Report

Prepared by the  
Tax Analysis Division and the  
Communications Office of the Ohio  
Department of Taxation

**Richard A. Levin**  
Ohio Tax Commissioner





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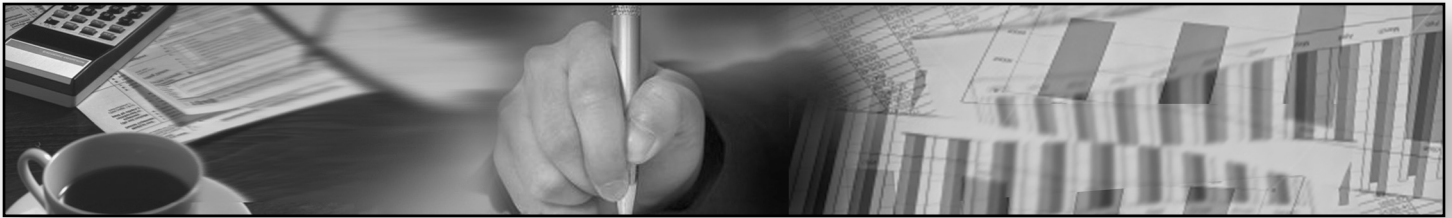


# Ohio

Year in Review







## Year in Review

The 2008 fiscal year was marked by a decline in tax revenue for the state's General Revenue Fund, the second such decline in a row. In response, the Department of Taxation continued to gradually slim down its workforce through attrition and search for new efficiencies in the administration of Ohio's tax laws.

### Tax revenue falls again

During fiscal year 2008, tax collections into the state's General Revenue Fund fell by about \$49 million, to about \$19.4 billion. This was the second decline in a row – a highly unusual event. During the previous half century, Ohio had only seen three other declines in general fund tax revenue – and never two years in a row.

The back-to-back declines are, in part, the result of ongoing tax reforms enacted in 2005 by the Ohio General Assembly that were projected to mean a \$2.1 billion annual savings for taxpayers when fully implemented during fiscal year 2010. The reforms, enacted as part of House Bill 66, included:

- a 21 percent, across the board cut in state income tax rates.
- the gradual elimination of the corporation franchise tax for the vast majority of Ohio corporations.
- the gradual elimination of property taxes on tangible personal property generally used in business.
- the gradual phase in of the commercial activity tax, a broad-based, low rate business privilege tax measured by gross receipts.

For fiscal year 2008, the net effect of these reforms was estimated to be \$502 million in foregone revenue – meaning, revenue that would have been collected for the state's General Revenue Fund had the tax changes contained within House Bill 66 not been enacted. Natural growth due to economic factors offset most, but not all, of that much larger potential loss.

### Historic tax relief for senior citizens

Additional tax relief was made available to senior citizens and permanently and totally disabled Ohioans through an expansion of the homestead property tax exemption contained in House Bill 119, the 2008-09 operating budget plan signed into law by Governor Strickland.

Before the expansion, most senior citizen homeowners had been excluded from the homestead exemption because of complex income tests that completely disqualified many and a tiered benefit scheme that limited benefits for others. Under the new rules, all eligible homeowners are now able to shield a full \$25,000 of the market value of their homestead from all local property taxes, regardless of income.

The result was a dramatic increase in the amount of tax relief available to seniors. For the 2006 tax year – meaning bills pay-

able in 2007 – state government distributed about \$70 million to local governments to hold them harmless from the fiscal effect of the homestead exemption. The following year, this reimbursement shot up to \$317 million. This \$247 million increase is almost entirely the result of the expansion of the homestead exemption contained within House Bill 119.

### State tax burden lower after reforms

New data from the U.S. Census Bureau continues to show that Ohio's tax burden has fallen substantially when compared to other states since 2005, when House Bill 66 was enacted.

According to the latest census figures, state tax collections in Ohio ranked 35th highest during fiscal year 2008 – meaning, the burden of state taxes was lower in Ohio than all but 15 other states.

Since the last Department of Taxation released its last annual report, the U.S. Census Bureau restated its Ohio tax collection figures for 2006 and 2007. But the updated figures did not change the overall trend, which is that Ohio's state tax burden – never on the high end – has fallen compared to other states since House Bill 66 was enacted.

### Living within our means

The department responded to falling revenues by controlling its operating costs. As of June 30, 2008, the department had 1,358 employees – 12 fewer than the previous year and 52 fewer than two years before.

The department also found other ways to become more efficient.

The 2008 income tax filing season saw the start of eForms – Adobe Acrobat PDF forms that allow taxpayers to fill in their tax return information online, much as they would on a paper return. The information can then be printed, saved to a hard drive or submitted to the department. For the 2007 taxable year, the new technology supplemented earlier electronic filing methods, including the IRS e-file program, the department's Web-based I-File software and TeleFile.

Fiscal year 2008 saw progress on 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. The hope is that the compact will make it easier for out-of-state sellers to collect and remit sales tax, as Ohio-based brick and mortar retailers already do.

Specifically, the year saw changes in the taxed delivery sales in an effort to balance the needs of small business owners with the goal of creating a more level playing field for all Ohio businesses when it comes to Ohio's sales tax.

During fiscal year 2007, Ohio was phasing in a requirement for vendors who engage in delivery sales to move toward destina-

GRF tax revenue, 2004-08		
	Revenue	change
2004	\$17,737.4	+ 8.7 %
2005	\$19,088.0	+ 7.6 %
2006	\$19,563.4	+ 2.5 %
2007	\$19,468.9	- 0.5 %
2008	\$19,419.4	- 0.3 %

Ohio's state tax burden, ranked on a per-capita basis	
Fiscal Year	ranking
2005	27 <sup>th</sup>
2006	32 <sup>nd</sup>
2007	35 <sup>th</sup>
2008	35 <sup>th</sup>

SOURCE: Analysis of data from the U.S. Census Bureau

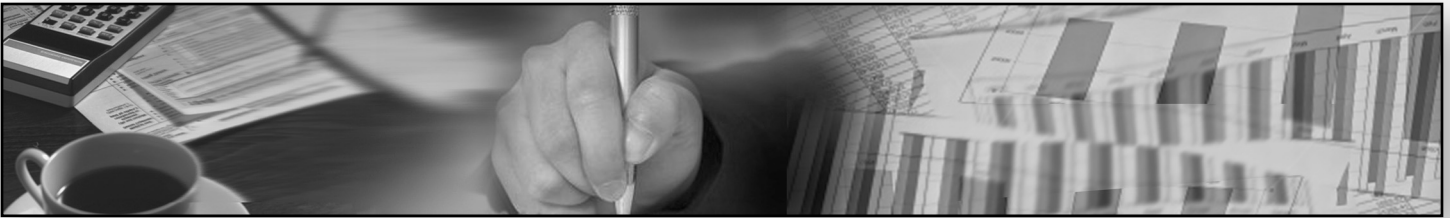
tion sourcing of those sales – meaning calculating the rate at the destination of the sale rather than the location of the vendor. Vendors with \$30 million or more in delivery sales in the previous year were required to make this switch by May 1, 2007, and the plan called for all other vendors to follow 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

continuing to permit origin sourcing of intrastate delivery sales of tangible personal property. In response, the General Assembly enacted House Bill 429 in the spring of 2008. This legislation 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.

As the department looked ahead to 2009, these efforts to make tax collections more productive within the framework of existing tax laws were expected to continue.



# Responsibilities and Organization of the Department

## The Tax Commissioner

**T**he 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 as well as 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 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 Public Library Fund, and the Local Government Property Tax Replacement Fund.

To efficiently perform these numerous functions, the Tax Commissioner is authorized by law to create divisions and sections of employees and organize the work of the department in a manner that, in the commissioner’s judgment, will result in an efficient and economical administration of tax laws. The organization chart contained in this chapter indicates the current structure of the department as of June 30, 2009. The department had four deputy tax commissioners, one also serving as chief legal counsel and another also serving as the department’s chief ethics officer. Senior manage-

ment also includes a chief information officer and a number of executive administrators who oversee various divisions within the department.

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 in Columbus, 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 2008, the department had 1,358 permanent employees. Expenditures of slightly more than \$135 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 are also 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 inquiries about refunds and answers questions from tax practitioners.

During fiscal year 2008, the Taxpayer Services Division handled 1,263,106 phone calls and 82,001 e-mail queries. Agents also assisted 29,490 walk-in taxpayers with completing returns, making payments, or answering general tax questions.

The division also 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 through 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 a taxpayer of his or her 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 18 hearing officers and supervisors and three support staff as of June 30, 2008.

Tax Appeals tracks final determinations by calendar year. In calendar year 2007, the division had an opening balance of 1,662 cases and received an additional 5,252 more during the year. A total of 2,413 cases were sent out, for an end-of-year balance of 4,501 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 divi-

sion 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 11 employees as of June 30, 2008.

Case information is tracked on a calendar year basis. As of Dec. 31, 2007, Appeals Management had 460 cases on appeal at the Board of Tax Appeals; eight in the state appeals court system; and 18 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 that 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 11 employees as of June 30, 2008.

In calendar year 2007, the division received 6,831 notices of bankruptcies filed. It processed a total of 2,726 proofs of claim, which amounted to \$77,157,946 in delinquent taxes filed.

**Legal Counsels** – The Office of Chief Counsel also has 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 drafted five formal tax commissioner opinions regarding specific tax issues in calendar year 2007, one fewer than the previous year.

#### Audit Division

The Audit Division conducts audits relating to most of Ohio's major business taxes, including the sales and use tax, commercial activity tax, corporation franchise tax, pass-through entity tax, employer withholding tax, and tangible personal property tax.

During fiscal year ending June 30, 2008, the Audit Division completed the following number of audits for each of these tax types:

Tax Type	Total Audits
Sales and Use	1,065
Personal Property	1,153
Corporation Franchise	831
Pass-Through Entity	122
Employer Withholding	66
Commercial Activity	14
<b>Totals</b>	<b>3,251</b>

#### 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 responsibility. The Enforcement Division now enforces most of the taxes administered by the department, including the cigarette tax, other tobacco products tax, motor fuel tax, income and withholding taxes and the sales and use tax.

In 2002, 2005 and again in July 2008, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies Inc. In 2008, the division attained flagship status and was highlighted as among the top one third of accredited agencies in the United States. The Enforcement Division is the only revenue-type division in the world to achieve 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 year 2008, Enforcement's efforts brought in \$5.2 million. For fiscal years 2003 through 2008, Enforcement actions resulted in over \$23 million in revenue.

#### Tax Discovery Division

Most of the department's compliance efforts concern the amount of tax that should be paid by individuals and entities that are already well known to the department. In contrast, tax discovery can be thought of as the effort to identify legally-owed tax belonging to individuals and entities that may not be known to the department, at least in the context of a particular tax.

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 2008 fiscal year, Tax Discovery identified over \$27.6 million in additional tax revenue for collection, primarily 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, which is responsible for the corporation franchise and pass-through entity taxes, and the mu-

municipal income tax for electric light companies and telephone companies.

- Commercial Activity Tax.
- Estate Tax.
- Excise, Motor Fuel and Public Utilities Tax, which is the product of a merger of the Excise & Motor Fuel and Personal Property Tax divisions effective Oct. 14, 2008. This division oversees the taxes on alcoholic beverages, cigarettes and other tobacco products, horse racing, kilowatt-hour, motor fuel, natural gas distribution and severance. Because of the specialized nature of these taxes, the division processes returns, handles taxpayer calls, issues variances and assessments, and conducts audits on its own. This division also oversees the public utility property and public utility excise taxes as well as lingering responsibilities associated with the personal property tax.
- Individual Income and School District Income Tax.
- Sales and Use, which monitors sales and use tax compliance by out-of-state businesses and handles tax matters pertaining to liquor permits.
- Tax Equalization, which is 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 2007.

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 2007 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 taxable 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. I-File asks taxpayers a series of

questions, then compiles a state or school district income tax return based on those answers.

- Ohio eForms, which are Adobe Acrobat forms that resemble traditional tax forms but can be filled out online and submitted electronically. The first eForms were rolled out in 2008 for the 2007 taxable year. A total of 49,702 returns for either state or school district income tax were filed by this method.

For the 2007 taxable year, all of these methods combined to account for more than 3.8 million, or 61 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 2008, Revenue Accounting distributed more than \$4.8 billion, including:

- revenue into the Local Government Fund and the Public Library Fund;
- revenue from 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 shared from specific state taxes including the motor fuel tax, dealers in intangibles tax and the horse racing tax;
- property tax relief efforts, including the 10 percent roll-back, 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, wild-life 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 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 *Ohio's Taxes: A 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.

#### **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. The 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](http://tax.ohio.gov), with support from Information Services and liaisons throughout the agency.
- oversees several periodic publications, including this annual report, the quarterly *Ohio State Tax Report* and certain 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 or assists with the development and delivery of 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 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 mission of the Human Resources Division is to develop and maintain the effective workforce needed to complete the department's mission.

Human Resources places a primary concern on helping leaders within the department build competent, effective, and efficient work teams and units. This goal is accomplished by Human Resources' development of plans, policies, implementation strategies, and evaluative and strategic reviews.

The division also creates, implements and assesses a wide range of human resource actions in the areas of recruitment, employment, compensation, labor and employee relations, performance management, employee development, and executive resources.

#### **Information Services Division**

The Information Services Division 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 2008 saw Information Services implement several new and enhanced technologies and continue to improve the department's information infrastructure.

The principal technology changes allowed for improved tax return processing and an increase in electronic tax filing, as well as streamlining the turn-around time for deposit of income tax payment checks and securing of critical information from returns.

Many of the division's subject matter experts were devoted to the kick off of the State Taxation Accounting and Revenue System (STARS) project, which represents the start of a major upgrade to the department's infrastructure. When fully operational, STARS will significantly improve processing of returns and assessments by replacing the Integrated Tax Administration System for business taxes and several other aging systems. Tasks performed on this project during the fiscal year included application design and installing and upgrading hardware and software.

#### **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 Ohio taxpay-



ers, including the following: Ohio Job Creation Tax Credit, Ohio Job Retention Tax Credit, Ohio Research and Development Investment Tax Credit, Ohio Manufacturing Machinery and Equipment Grant/Ohio Manufacturing Machinery and Equipment Investment Tax Credit, Technology Investment Tax Credit, and Ohio Historic Preservation Tax Credit.

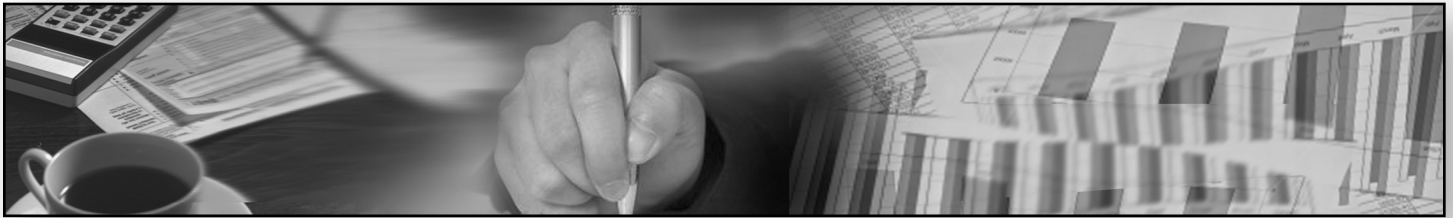
Pursuant to provisions of the Ohio Revised Code, the Department of Taxation also withholds income tax refunds from parents who are delinquent in their child support. Those amounts are forwarded to the **Ohio Department of Job and Family Services** which, in turn, disburses the money to the county child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

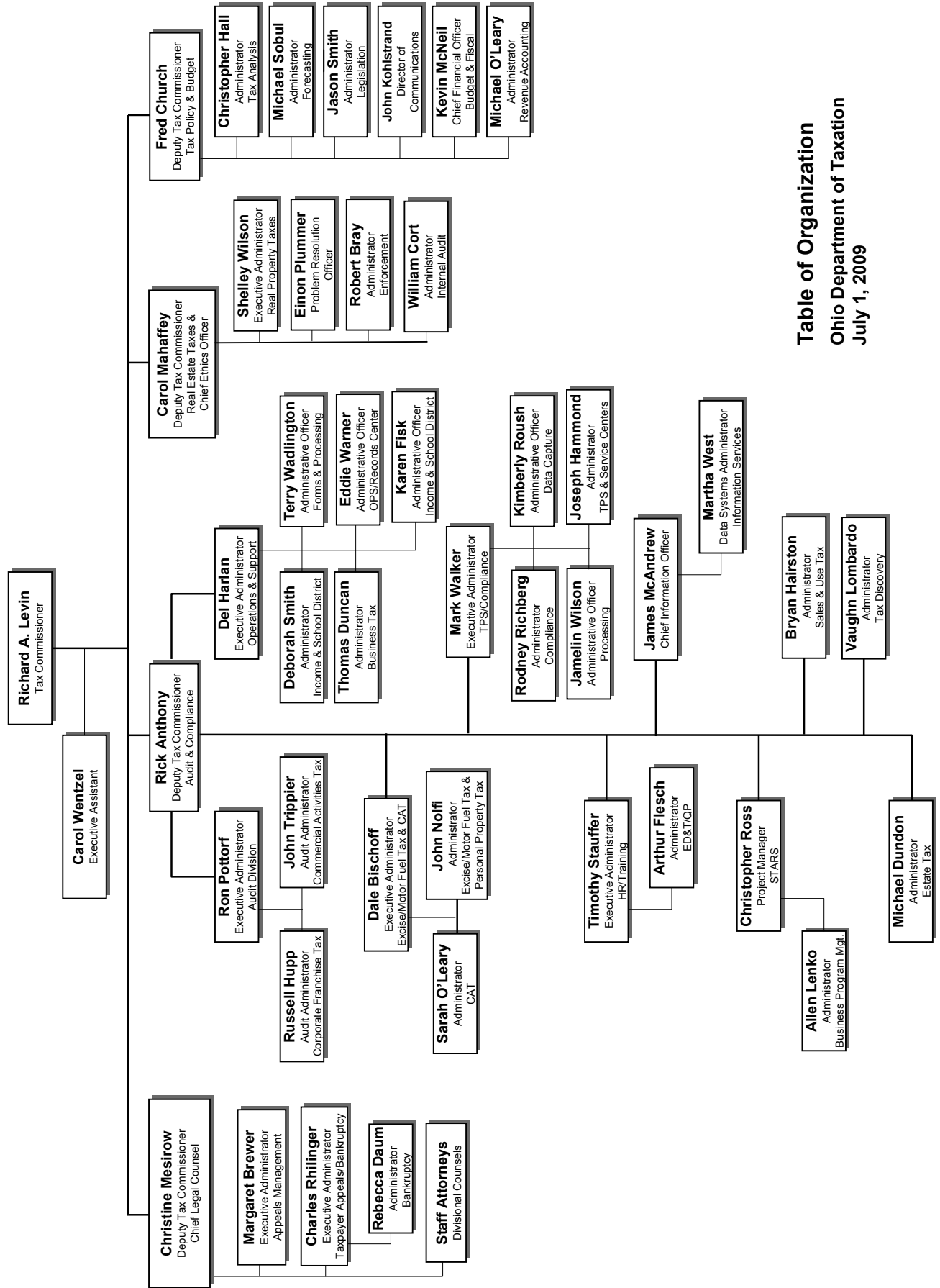
### **Administrative Tables**

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. A final table provides totals of cash collected through these compliance programs in the most current fiscal year.



## Ohio's Tax Commissioners, 1939 to present

<b>Tax Commissioner</b>	<b>Began service</b>	<b>Ended service</b>	<b>Appointed by</b>
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

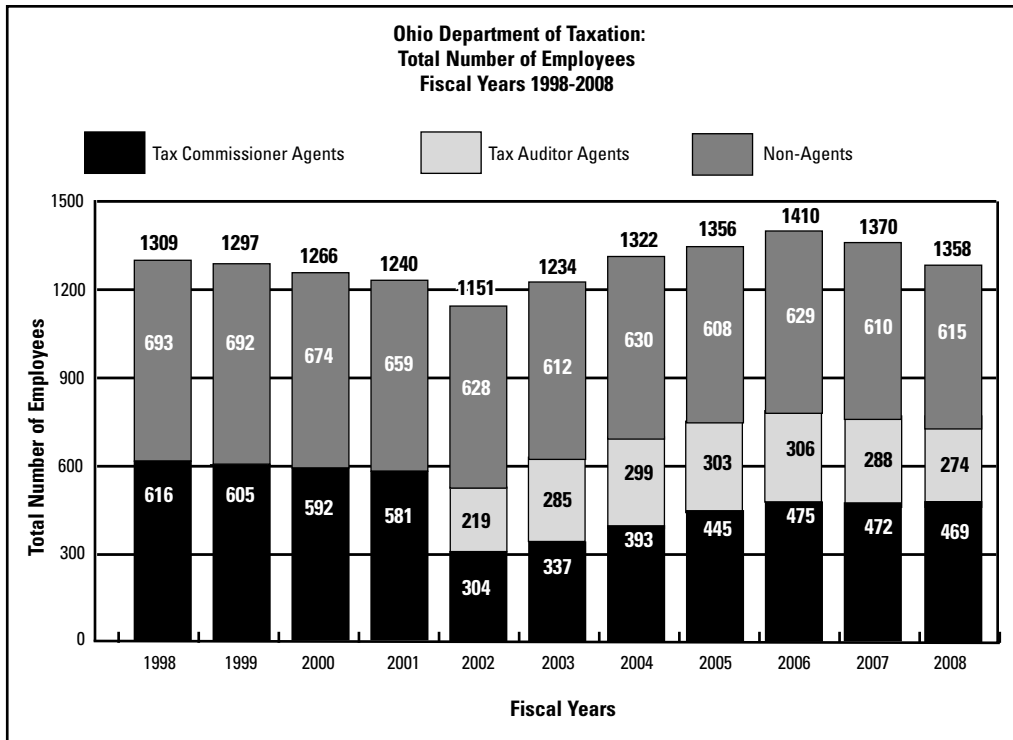


**Table of Organization**  
Ohio Department of Taxation  
July 1, 2009

**Table 1**

Ohio Department of Taxation Staff Structure & Number of Employees: Fiscal Year 2008			
Unit of Organization	Number of Employees June 30, 2008	Unit of Organization	Number of Employees June 30, 2008
<b>Administrative Divisions</b>		<b>Excise &amp; Motor Fuel Tax</b>	<b>36</b>
Tax Commissioner	11	<b>Personal Property Tax</b>	<b>24</b>
Human Resources	15	<b>Facilities Management</b>	<b>22</b>
Tax Analysis	9	<b>Forms &amp; Purchasing</b>	<b>6</b>
Employee Dev. & Training	9	<b>Information Services</b>	<b>140</b>
Legislation	4	<b>Internal Audit</b>	<b>2</b>
Communications	5	<b>Operations</b>	<b>143</b>
HR/TCA Training	3	<b>Personal Income &amp; School District Tax</b>	<b>58</b>
Business Program Management	13	<b>Sales &amp; Use Tax</b>	<b>46</b>
<b>Divisions Total</b>	<b>69</b>	<b>Tax Discovery</b>	<b>12</b>
<b>Audit</b>		<b>Tax Equalization</b>	<b>27</b>
Administration/Support	26	<b>Taxpayer Service Centers</b>	
South Central Region	56	Akron	13
Northwest Region	94	Cincinnati	17
Northeast Region	75	Cleveland	18
New York	10	Dayton	18
Chicago	7	Toledo	11
Los Angeles	13	Youngstown	17
<b>Division Total</b>	<b>281</b>	Zanesville	13
<b>Budget &amp; Fiscal</b>	<b>29</b>	<b>Divisions Total</b>	<b>107</b>
<b>Business Tax</b>	<b>61</b>	<b>Taxpayer Services</b>	<b>89</b>
<b>Chief Counsel</b>	<b>56</b>	<b>Total Permanent Employees</b>	<b>1,358</b>
<b>Commercial Activity Tax</b>	<b>25</b>		
<b>Compliance</b>	<b>85</b>		
<b>Enforcement</b>	<b>30</b>		
<b>Estate Tax</b>	<b>10</b>		

**Chart 1**



**Table 2**

**Expenditures of the Ohio Department of Taxation By Division:  
Fiscal Year 2008**

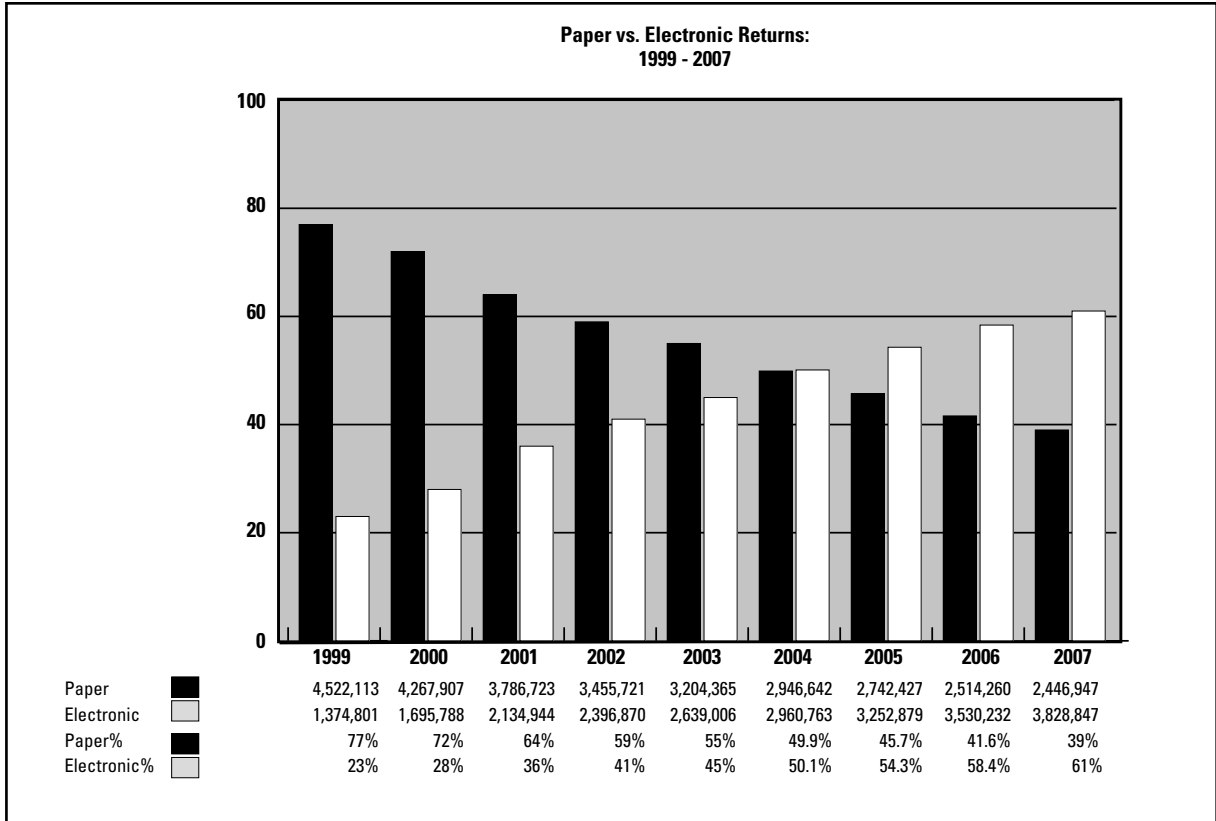
Division	Personal Service	Maintenance and Equipment	Total
Administrative	\$10,423,923	\$5,805,244	\$16,229,167
Audit	22,703,653	2,174,223	24,877,876
Business & Corporate Franchise Tax	3,554,032	608,755	4,162,787
Chief Counsel	5,379,153	166,076	5,545,229
Commercial Activity Tax	1,507,567	109,729	1,617,296
Compliance	5,077,615	221,430	5,299,045
Enforcement	2,368,686	286,346	2,655,032
Estate Tax	819,849	35,526	855,375
Excise & Motor Fuel Tax	2,594,475	688,030	3,282,505
Information Services	18,167,281	5,627,022	23,794,303
Operations	10,922,009	4,277,848	15,199,857
Personal Income & School District Tax	4,577,792	3,244,184	7,821,976
Personal Property Tax	1,758,225	105,594	1,863,819
Sales & Use Tax	3,179,383	1,022,507	4,201,890
Tax Discovery	838,020	16,195	854,215
Tax Equalization	1,896,911	57,673	1,954,584
Taxpayer Services	13,760,321	1,047,034	14,807,355
<b>Total</b>	<b>\$109,528,895</b>	<b>\$25,493,416</b>	<b>\$135,022,312</b>

**Table 3**

<b>Ohio Individual Income &amp; School District Income Tax Return Filing: Tax Years 1999 - 2007</b>									
<b>State Returns</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007<sup>1</sup></b>
Form IT 1040 (Paper)	2,967,340	2,645,743	2,585,136	2,430,889	2,259,825	2,118,800	1,742,348	1,523,984	1,602,623
Form IT 1040 EZ (Paper)	1,130,605	1,203,655	814,473	663,406	593,326	491,338	678,362	683,055	520,271
<b>Total Paper</b>	<b>4,097,945</b>	<b>3,849,398</b>	<b>3,399,609</b>	<b>3,094,295</b>	<b>2,853,151</b>	<b>2,610,138</b>	<b>2,420,710</b>	<b>2,207,039</b>	<b>2,122,894</b>
IRS e-file program	879,837	1,141,239	1,396,931	1,616,387	1,837,659	2,069,667	2,348,393	2,575,570	2,838,958
Telefile	421,483	468,930	621,810	534,787	435,883	375,944	292,217	227,173	142,087
I-File	-0-	-0-	-0-	118,444	213,815	303,896	346,302	405,071	413,833
eForm IT 1040									20,601
eForm IT EZ									24,078
<b>Total Electronic</b>	<b>1,301,320</b>	<b>1,610,169</b>	<b>2,018,741</b>	<b>2,269,618</b>	<b>2,487,357</b>	<b>2,749,507</b>	<b>2,986,912</b>	<b>3,207,814</b>	<b>3,439,557</b>
<b>Total State Returns</b>	<b>5,399,265</b>	<b>5,459,567</b>	<b>5,418,350</b>	<b>5,363,913</b>	<b>5,340,508</b>	<b>5,359,645</b>	<b>5,407,622</b>	<b>5,414,853</b>	<b>5,562,451</b>
Percentage filed on paper	75.9%	70.5%	62.7%	57.7%	53.4%	48.7%	44.8%	40.8%	38.2 %
Percentage filed electronically	24.1%	29.5%	37.3%	42.3%	46.6%	51.3%	55.2%	59.2%	61.8 %
<b>School District Returns</b>									
Form SD 100 (paper)	424,168	418,509	387,114	361,426	351,214	336,504	321,717	307,221	324,053
<b>Total Paper</b>	<b>424,168</b>	<b>418,509</b>	<b>387,114</b>	<b>361,426</b>	<b>351,214</b>	<b>336,504</b>	<b>321,717</b>	<b>307,221</b>	<b>324,053</b>
IRS e-File program	73,481	85,619	116,203	127,252	151,649	183,777	224,825	266,247	318,190
I-File						27,479	41,142	56,171	66,077
eForm SD100									5,023
<b>Total Electronic</b>						<b>211,256</b>	<b>265,967</b>	<b>322,418</b>	<b>389,290</b>
<b>Total School Returns</b>	<b>497,649</b>	<b>504,128</b>	<b>503,317</b>	<b>488,678</b>	<b>502,863</b>	<b>547,760</b>	<b>587,684</b>	<b>629,639</b>	<b>713,343</b>
Percentage filed on paper	85.2%	83.0%	76.9%	64.0%	69.8%	61.4%	54.7%	48.8%	45.4 %
Percentage filed electronically	14.8%	17.0%	23.1%	26.0%	30.2%	38.6%	45.3%	51.2%	54.6 %
<b>All Returns</b>									
<b>Grand Total</b>	<b>5,896,914</b>	<b>5,963,695</b>	<b>5,921,667</b>	<b>5,852,591</b>	<b>5,843,371</b>	<b>5,907,405</b>	<b>5,995,306</b>	<b>6,044,492</b>	<b>6,275,794</b>
Grand Total Paper	4,522,113	4,267,907	3,786,723	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260	2,446,947
Grand Total Electronic	1,374,801	1,695,788	2,134,944	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232	3,828,847
Percentage filed on paper	77%	72%	64%	59%	55%	49.9%	45.7%	41.6%	39 %
Percentage filed electronically	23%	28%	36%	41%	45%	50.1%	54.3%	58.4%	61 %

1 Totals for 2007 through Nov. 3, 2008.

Chart 2



**Table 4**

Personal Property Tax Assessments <sup>1</sup> : Calendar Years 2006 - 2007		
Type of Tax	Calendar Year 2006	Calendar Year 2007
Tangible Personal Property		
Single-County Corporations and Individual Unincorporated Businesses	\$10,306,501	\$9,982,320
Inter-County Corporations	150,596,229	153,675,062
<b>Total Tangible Personal Property</b>	<b>\$160,904,730</b>	<b>\$163,657,382</b>
Dealers in Tangibles	\$4,304,713	\$10,763,703
<b>Total Personal Property and Dealers</b>	<b>\$165,209,443</b>	<b>\$174,421,085</b>

<sup>1</sup> Resulting from audits or delinquent returns.

**Table 5**

Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection: Fiscal Years 2007 - 2008						
Tax Category	Assessments Levied <sup>1</sup>				Unpaid Assessments Certified for Collection <sup>2</sup>	
	FY 2007		FY 2008		FY 2007	FY 2008
	Amount	Number	Amount	Number		
Sales & Use	\$731,947,073	218,296	\$623,294,592	219,478	\$353,362,751	\$360,789,489
Motor Vehicle Fuel	8,493,194	207	8,979,470	102	1,672,641	10,202,127
Motor Fuel Use	104	1	-	-	-	-
Cigarette	227,359	18	3,674,011	6	71,099	108,713
Other Tobacco Products	2,422,483	143	5,648,546	261	1,240,040	2,046,111
Alcoholic Beverage <sup>3</sup>	84,282	28	279,609	58	-	68,730
Severance	274,029	55	295,299	70	49,265	143,966
Horse Racing	-	-	129,950	4	-	-
Replacement Tire Fee	275,567	14	140,212	10	234,506	209,983
IFTA <sup>4</sup>	375,161	114	258,542	144	298,530	239,065
Kilowatt Hour	108,131	5	21,116	1	-	-
Natural Gas Distribution	-	-	-	-	-	-
Master Settlement Agreement <sup>5</sup>	\$128,580	26	408,610	99	12,035	81,250
<b>Total</b>	<b>\$744,335,963</b>	<b>218,907</b>	<b>\$643,129,957</b>	<b>220,233</b>	<b>\$356,940,867</b>	<b>\$373,889,384</b>

<sup>1</sup> Represents only assessments levied and not assessments collected.

<sup>2</sup> 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.

<sup>3</sup> Beer, wine, and mixed beverages.

<sup>4</sup> International Fuel Tax Agreement.

<sup>5</sup> Assessments levied for noncompliance with tax provisions of the agreement between Ohio and tobacco manufacturers.

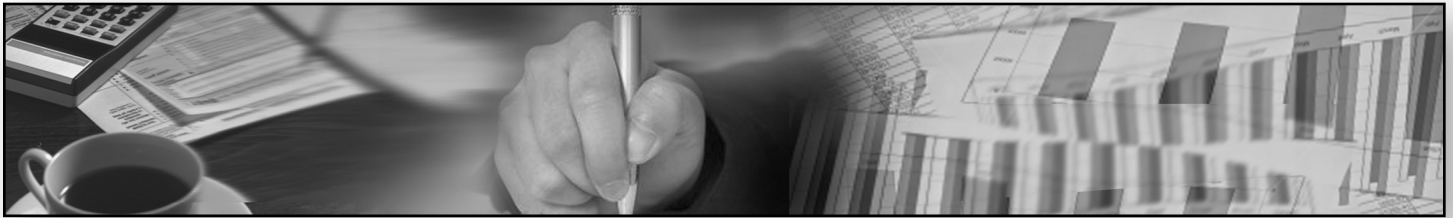
**Table 6**

Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2005 - 2008								
Tax	Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporation Franchise	\$496,524,746	83,419	\$312,324,996	24,892	\$114,545,460	18,723	\$152,789,443	22,628
Individual Income	\$155,353,096	132,765	\$162,714,937	109,424	\$147,482,953	95,090	\$194,078,830	64,148
<b>Total</b>	<b>\$651,877,842</b>	<b>216,184</b>	<b>\$475,039,933</b>	<b>134,316</b>	<b>\$262,028,413</b>	<b>113,813</b>	<b>\$346,868,273</b>	<b>86,776</b>



**Table 7**

<b>Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2008</b>						
(figures in millions)						
<b>Tax</b>	<b>Deliquent Programs</b>	<b>Automated Billing Programs</b>	<b>Audits &amp; Assessment Collections</b>	<b>Desk Exams</b>	<b>Discovery</b>	<b>Total</b>
Sales	\$42.3	\$26.9	\$96.8	\$9.5	\$0.1	\$175.6
Corporation Franchise	1.5	15.2	17.9	19.8	N/A	54.4
Personal Income	3.6	26.8	74.7	9.3	1.6	116.0
Employer Withholding	0.6	7.6	5.7	N/A	0.2	14.1
CAT	21.3	7.9	3.8	N/A	N/A	33.0
Excise	6.0	0.6	0.8	5.3	N/A	12.7
Pass-Through Entity	N/A	N/A	4.2	3.2	6.1	13.5
School District Income Tax	1.1	2.1	17.3	0.0	N/A	20.5
<b>Total</b>	<b>\$76.4</b>	<b>\$87.1</b>	<b>\$221.2</b>	<b>\$47.1</b>	<b>\$8.0</b>	<b>\$439.8</b>



## Revenue From Taxes Administered by the Tax Commissioner

The Tax Commissioner's primary responsibility is the administration of most state and some local taxes. These taxes yielded approximately \$27.2 billion in net collections during the period of this report, Ohio's 2008 fiscal year, which is the period from July 1, 2007 through June 30, 2008. 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.

Readers of Table 1 should keep in mind 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. Thus, these collections are not shown in Table 1.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately \$25.2 billion during the fiscal year. This was an increase of close to \$376 million from the previous fiscal year, or about 1.5 percent. Receipts from locally-collected taxes were approximately \$1.9 billion in the 2007 calendar year, a decrease of about \$510 million from the prior year, or about 20.8 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2008. Excluding federal aid, total revenue amounted to approximately \$21 billion. Of this total, tax revenue represented \$19.4 billion, a slight decline from 2007.

As the table shows, the largest single revenue source was the individual income tax, with approximately \$9.1 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than \$7.6 billion. From the 2007 to the 2008 fiscal years, income tax revenue increased by approximately 2.6 percent, and sales tax collections increased by 2.6 percent.

Over the last decade, the individual income and sales taxes have been the primary sources of tax revenue for the state. The income tax demonstrated continuous growth, although this growth was lethargic earlier this decade (due to the effects of the 2001 recession). Growth was also tempered, starting in fiscal year 2006, by the annual 4.2 percent tax rate reductions enacted into law in 2005. Sales tax revenues demonstrated long-term growth until fiscal year 2006, when the

state sales tax rate decreased from 6 percent to 5.5 percent (this decrease is in contrast to fiscal year 2004, when the rate increased from 5 percent to 6 percent). Growth was tepid in fiscal years 2007 and 2008.

Ohio's other major taxes have experienced quite disparate patterns, largely due to tax law changes.

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.

Beginning in fiscal year 2008, the cigarette tax became the third-largest tax source for the General Revenue Fund. This is because the cigarette tax rate has increased several times in recent years: from 24 cents per pack to 55 cents per pack beginning in fiscal year 2003; and from 55 cents per pack to \$1.25 per pack beginning in fiscal year 2006.

Public utility excise tax revenue has declined substantially from its pre-2002 levels, but this is partially offset by the creation of the kilowatt-hour tax in May 2001. This tax replaced the excise tax for electric and rural electric companies. The kilowatt-hour tax generated \$570.7 million in revenue in fiscal year 2008, of which only \$231.2 million was deposited into the General Revenue Fund. The remaining \$339.5 million was distributed 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 fiscal year 2008. 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 46.9 percent of tax revenue into the general fund for fiscal year 2008.

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](http://tax.ohio.gov)).

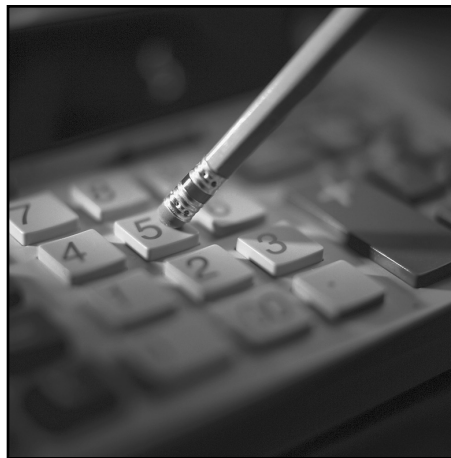


Table 1

Collections For Taxes Administered by Ohio Tax Commissioner					
This table shows both gross and net tax collections for both state-collected and locally-collected taxes. For state-collected taxes, "gross tax collections" are equal to total taxes collected, including taxes which were later refunded. Net tax collections are equal to gross collections, less all refunds. Note: because the data for state-collected taxes is from the state accounting system contained within the Ohio Administrative Knowledge System (OAKS), the figures here will differ from data shown elsewhere in this report. Other tables in this report frequently represent taxes reported as shown on returns filed during the fiscal year, rather than actual collections during the fiscal year. For locally-collected taxes, collections are shown on a calendar year, rather than a fiscal year, basis.					
State-Collected Taxes	Gross Tax Collections		Net Tax Collections		Percent Change, 07-08
	FY 2007	FY 2008	FY 2007	FY 2008	
State Sales and Use	\$7,781,271,507	\$7,934,680,868	\$7,730,587,499	\$7,865,674,145	1.75%
Local Sales and Use	1,681,832,728	1,733,861,123	1,681,832,728	1,733,861,123	3.09%
Resort Area Excise	772,161	754,847	772,161	754,847	-2.24%
State Personal Income	10,940,715,865	11,090,146,951	9,722,927,924	9,848,196,993	1.29%
Municipal Income Tax for Electric Light Companies	36,618,389	46,435,875	36,618,389	46,435,875	26.81%
Corporation Franchise <sup>1</sup>	1,302,582,439	963,244,229	1,125,654,284	754,632,965	-32.96%
Motor Vehicle Fuel <sup>2</sup>	1,743,380,632	1,869,300,786	1,719,809,186	1,848,394,073	7.48%
Public Utility Excise	172,114,993	160,939,829	171,264,380	160,778,908	-6.12%
Kilowatt-Hour Excise	559,739,638	570,736,625	559,739,638	570,676,257	1.95%
Natural Gas Consumption	69,278,451	69,635,315	69,278,451	69,635,315	0.52%
Cigarette Excise	996,572,328	953,155,346	986,251,518	950,940,161	-3.58%
Local Cigarette Excise <sup>3</sup>	13,523,100	23,727,508	13,234,387	23,503,589	77.59%
Dealer in Intangibles	31,688,318	34,714,926	31,276,002	34,497,821	10.30%
Motor Fuel Use	66,885,059	66,838,597	65,633,923	65,587,460	-0.07%
Alcoholic Beverage Excise <sup>4</sup>	57,219,571	57,857,190	57,219,571	57,734,549	0.90%
Replacement Tire Fee	7,302,429	7,350,774	7,234,255	7,264,062	0.41%
Local Alcoholic Beverage <sup>4,5</sup>	5,530,693	5,901,305	5,530,693	5,891,210	6.52%
Horse Racing	12,116,102	10,714,277	12,116,102	10,714,104	-11.57%
Severance <sup>6</sup>	7,014,934	9,419,090	7,014,934	9,419,090	34.27%
School District Income	287,556,626	336,536,822	271,181,352	316,717,931	16.79%
Commercial Activity Tax <sup>7</sup>	599,478,167	964,685,475	594,948,144	961,397,859	61.59%
<b>Total State-Collected Taxes</b>	<b>\$26,373,194,133</b>	<b>\$26,910,637,758</b>	<b>\$24,870,125,521</b>	<b>\$25,342,708,338</b>	<b>1.90%</b>
Locally-Collected Taxes	Tax Collections		Percent Change, 06-07		
	CY 2006	CY 2007			
Tangible Personal Property <sup>8</sup>	\$1,345,184,777	\$1,002,333,421	-25.49%		
Public Utility Property <sup>9</sup>	745,800,863	621,194,887	-16.71%		
Estate <sup>10</sup>	359,431,099	317,049,185	-11.79%		
<b>Total Locally-Collected Taxes</b>	<b>\$2,450,416,739</b>	<b>\$1,940,577,493</b>	<b>-20.81%</b>		

1 For most taxpayers, the corporation franchise tax is being phased out over a five-year period, beginning in tax year 2006.

2 Fiscal year 2007 motor fuel tax revenues have been revised from those that appeared in the 2007 report, which were erroneous. In addition, because the due date for the June 2007 tax return was the first business day of July 2007, a significant portion of the tax deposits for that month were received in early fiscal year 2008 instead of late fiscal year 2007. As a result, fiscal year 2007 reflects less than a full-year's worth of tax revenue.

3 Collected for Cuyahoga County. A new additional levy of 30 cents per pack took effect on Feb. 1, 2007.

4 Excludes tax on liquor since it is administered by the Ohio Department of Commerce, Division of Liquor Control.

5 Collected for Cuyahoga County.

6 The severance tax rate on coal was increased effective April 1, 2007.

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 2007 and 2008 data, respectively (rather than calendar years 2006 and 2007).

Sources: For fiscal year 2007, the state-collected taxes data is based on revenue reports issued by the Office of Budget and Management. For fiscal year 2008, the state-collected taxes data was extracted from the state accounting system (OAKS) on July 30, 2008. Data on locally collected taxes is based on the Department of Taxation's own data sources.

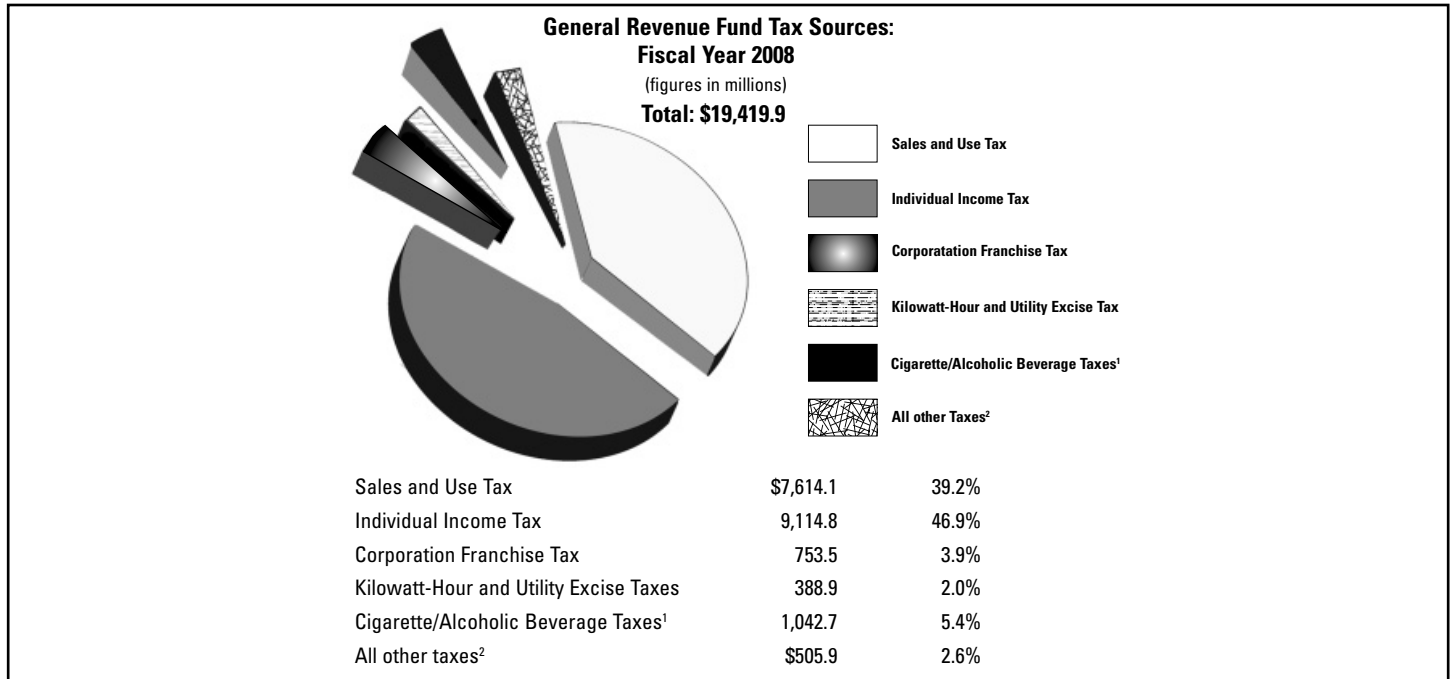
**Table 2**

<b>General Revenue Fund Sources: Fiscal Year 2008</b> (figures in Thousands)		<b>FY 2008 Collections</b>
<b>Major Taxes:</b>		
Personal Income Tax		\$9,114,750
Sales and Use Tax		7,614,131
Corporation Franchise Tax		753,473
Public Utility Excise Tax		157,712
Kilowatt-Hour Excise Tax		231,218
Cigarette Tax		950,940
Alcoholic Beverage Taxes (including liquor gallonage)		91,784
<b>Subtotal: Major Taxes</b>		<b>\$18,914,008</b>
<b>Other Taxes:</b>		
Domestic Insurance Tax		\$154,592
Estate Tax		61,359
Foreign Insurance Tax		267,277
Dealers in Intangibles Tax		<u>22,251</u>
<b>Subtotal: Other Taxes</b>		<b>\$505,479</b>
<b>Total: All Tax Revenue</b>		<b>\$19,419,487</b>
<b>Non-Tax Revenue:</b>		
Earnings on Investment		\$168,553
Liquor Profits		174,268
Miscellaneous <sup>1</sup>		<u>1,256,292</u>
<b>Total: Non-Tax Revenue</b>		<b>\$1,599,113</b>
<b>GRAND TOTAL</b>		<b>\$21,018,600</b>

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

Source: Ohio Office of Budget and Management.

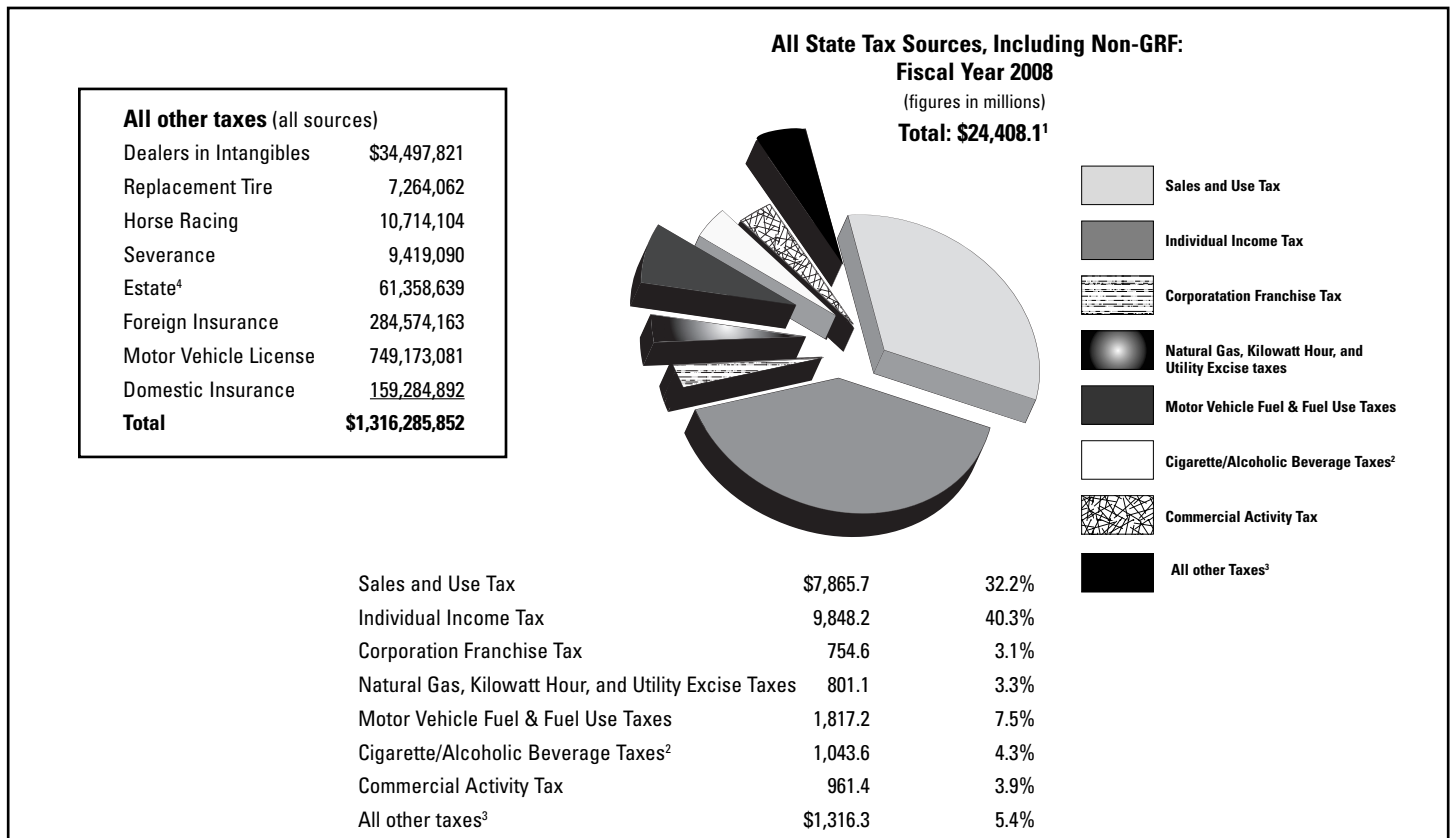
Chart 1



1 Includes tax on liquor of \$35 million which is administered by the Department of Commerce, Division of Liquor Control.

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

Chart 2



1 Includes revenue distributed to non-General Revenue Fund accounts.

2 Includes tax on liquor of \$35 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 small box, above left.

4 Reflects only the state's share of total estate tax revenues. Prior editions of this table reflected total (state and local) estate tax revenues.

# Ohio

Taxes Administered

**SCHEDULES A&B (Form 1040)**  
Department of the Treasury  
Internal Revenue Service  
Name(s) as shown on Form 1040

**Schedule A—Itemized Deductions (Schedule B is on back)**  
Please do not use staples.  
06000103

**Ohio** Department of Taxation  
Use UPPERCASE letters.

**Ohio Residency Status** - Check box for primary taxpayer  
Full-year resident  Part-year resident  Nonresident/Nonstate state

**Filing Status** - Check one (as reported on federal income tax return)  
Single or head of household  Married filing jointly  Married filing separately  Other spouse's joint

**Ohio Political Party Fund**  
Do you want \$1 to go to this fund?  
Note: Checking "Yes" will not increase your tax or decrease your refund.  
Ohio Political Party Fund  No

**Medical and Dental Expenses**  
(Do not include expenses reimbursed or paid by others.)  
(See page 18 of instructions.)

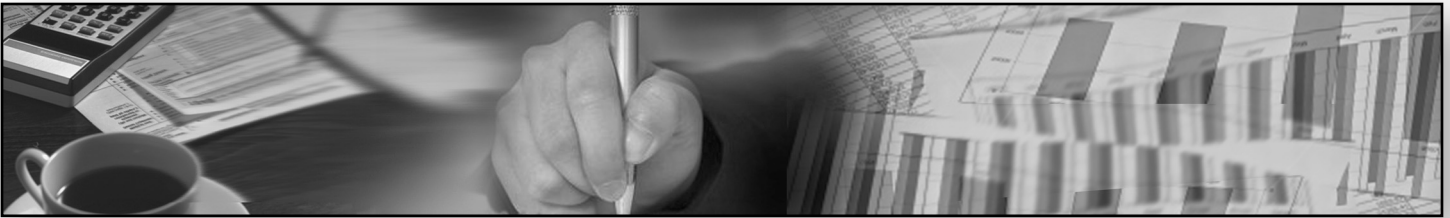
1	Medical and dental expenses	
2	Charitable contributions	
3	State and local taxes	
4	Interest on qualified residence	
5	Energy-related expenses	
6	Gift tax	
7	Capital loss carryover	
8	Other	
9	Retirement savings	
10	Charitable contributions	
11	Other	
12	Interest expense	
13	Other	
14	Other	
15	Other	

**Taxes**  
(See page 19 of instructions.)

**Interest Expense**  
(See page 20 of instructions.)

**HOME AND TAX INFORMATION**  
Do you have any other income from sources other than wages, salaries, or pension/annuity payments?  
Yes  No

Submit electronically if you are a U.S. resident and your return will be processed electronically.



# Alcoholic Beverage Taxes

**R**esponsibility 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 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 totaled approximately \$55.9 million in fiscal year 2008. This revenue is distributed 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. Cuyahoga County is currently the only county that levies such taxes; in 2008, the General Assembly prohibited new local taxes on alcohol (see **Recent Legislation**).

## 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 tax base is comprised of beer, wine, cider, and mixed beverages up to 21 percent alcohol by volume. These beverages are defined in law as follows:

**Beer** – Brewed or fermented from malt products and containing at least 0.5 percent but not more than 12 percent alcohol by volume.

**Mixed Beverages** – Mixture of wine or distilled spirits with carbonated or noncarbonated flavoring materials and containing at least 0.5 percent and not more than 21 percent alcohol by volume.

**Wine** (including sparkling wine and vermouth) – Fermented juices of grapes, fruits or other agricultural products and containing at least 0.5 percent and not more than 21 percent alcohol by volume; wine is subject to the excise tax if the alcoholic content by volume is 4 percent or more and not greater than 21 percent.

**Cider** – Fermented juices of apples including flavored, sparkling, or carbonated cider containing at least 0.5 percent and not more than 6 percent alcohol by weight.

A separate tax on liquor gallonage is administered by the Division of Liquor Control.

## Rates

Excise tax rates on each alcoholic beverage vary by type and alcohol content. The state tax rates are as follows:

Type of Product	Code Section	Measure	Rate
Beer in bottles or cans	4301.42	6 oz. or fractional part thereof	0.84 cent(s) <sup>1</sup>
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

Cuyahoga County's rates are 16 cents per gallon of beer, 32 cents per gallon of wine and 24 cents per gallon of cider.

## Exemptions and Refunds

(R.C. 4301.23, 4303.332, 4303.333, 4307.05)

Exemptions and refunds include the following:

- 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.

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

- 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)

Filing and payment schedules vary according to the type of permit.

### Beer Permit Holders

Advance payments are due on or before the 18th day of each month for that month's estimated tax liability.

Monthly payments are due on or before the 10th day of the month for the previous month's liability.

### Wine and Mixed Beverage Permit Holders

Monthly payments are due on or before the 18th day of each month for the previous month's liability.

### County Permissive Levies

Monthly payments are due 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

An advance pay credit is available equal to 3 percent of the amount of tax received by the 18th day of the month for which the tax is paid. Also, a discount is offered on the balance of tax due (after the advance payment) if received by the 10th day of the following month. This additional discount 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

A 3 percent discount is available 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

**House Bill 562, 127th General Assembly (signed June 24, 2008; effective dates varied).**

**Local alcoholic beverage taxes prohibited** – Amended R.C. 4301.421 and R.C. 4301.424, effective Sept. 22, 2008, to prohibit any local entity from enacting a new levy on alcoholic beverages.

**Refunds required for some permit holders** – Required the Department of Taxation to refund all but two cents of the excise tax on wine to B2a or S permit holders that had paid the full amount of excise tax. This provision was made retroactive to Oct. 1, 2007 (see discussion below in **Senate Bill 150**).

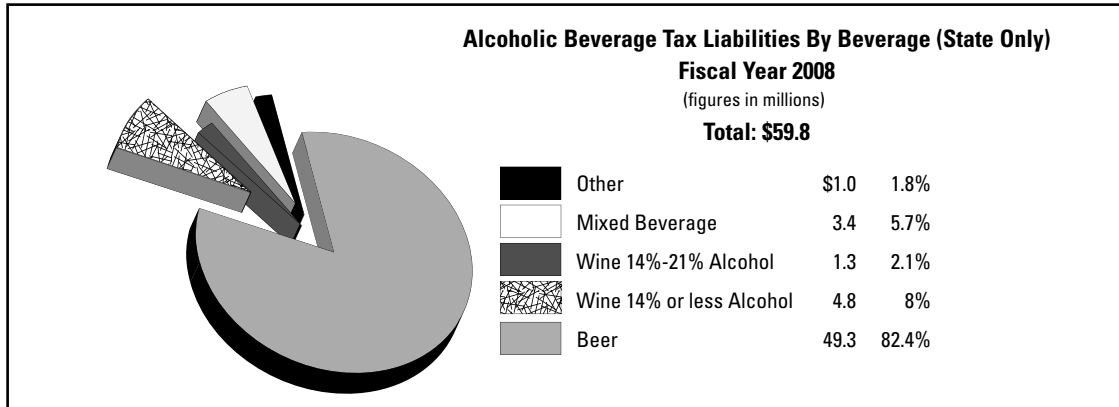
**Senate Bill 150, 127th General Assembly (effective Sept. 1, 2008, or, for certain provisions, July 1, 2008).**

**Wine production threshold increased** – A provision effective Sept. 1, 2008 amended R.C. 4303.071 and R.C. 4303.232 to raise the threshold at which wine manufacturers are eligible for Ohio B2a and S liquor permits from 150,000 gallons to 250,000 gallons.

**Wine excise tax lowered for some permit holders** – A change to R.C. 4301.432, effective July 1, 2008, lowers the state excise tax on wine to only two cents per gallon for all B2a and S permit holders. This provision was made retroactive to Oct. 1, 2007, by requiring refunds on all wine sold to Ohio retailers and consumers on which the full amount of excise tax had been paid.



**Chart**



**Table 1**

**Alcoholic Beverage Taxes Payments and Credits:  
Fiscal Year 2008**

Type of Beverage	Gross Tax	Credits and Discounts	Net Tax Receipts
<b>Beer:</b>			
Advance tax payments	\$38,333,201	\$1,116,501	\$37,216,700
Payment with return	9,058,295	73,273	8,985,022
<b>Sub Total</b>	<b>\$47,391,496</b>	<b>\$1,189,774</b>	<b>\$46,201,722</b>
<b>Wine and mixed beverages:</b>			
Payment with return	\$9,977,121	\$324,624	\$9,652,497
<b>Total</b>	<b>\$57,368,617</b>	<b>\$1,514,398</b>	<b>\$55,854,219</b>

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

**Table 2**

**Alcoholic Beverage Taxes Liability as Reported on Returns:  
Fiscal Years 2006 - 2008**

Type of Beverage	Amount of Tax Liability		
	2006	2007	2008
Beer	\$49,622,845	\$48,084,924	\$49,297,212
Wine 14% or less Alcohol	4,546,619	4,645,980	4,813,962
Wine > 14-21% Alcohol	1,200,710	1,209,550	1,307,173
Mixed Beverages	3,206,023	3,317,637	3,363,515
Vermouth	102,187	80,755	94,960
Sparkling Wine	877,231	887,375	877,175
Cider	32,187	35,716	44,739
<b>Total</b>	<b>\$59,587,802</b>	<b>\$58,261,937</b>	<b>\$59,798,736</b>

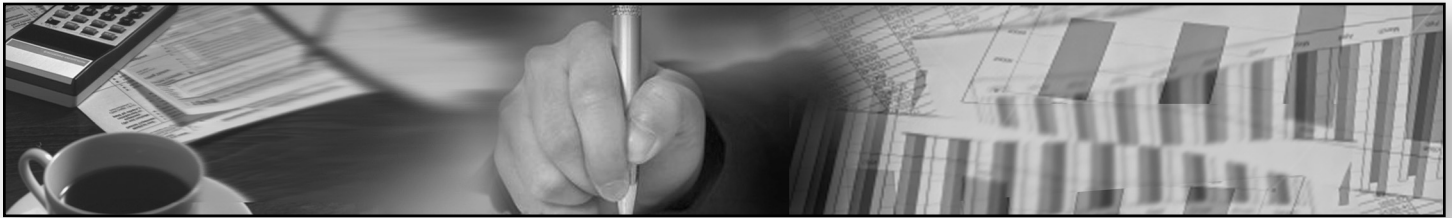
Source: Department of Taxation, as reported on tax returns.  
 Amounts represent tax liability as opposed to tax payments reported on Table 1.

**Table 3**

**Cuyahoga County Beer and Wine Liabilities as Reported on Returns:  
Fiscal Years 2006 - 2008**

Type of Beverage	2006	2007	2008
Beer	\$4,870,856	\$4,510,208	\$4,830,995
Wine	1,209,091	1,168,965	1,149,960
<b>Total</b>	<b>\$6,079,947</b>	<b>\$5,679,173</b>	<b>\$5,980,955</b>

Source: Department of Taxation, as reported on tax returns.  
 Amounts represent tax liability as opposed to tax payments reported on Table 1.



# Cigarette and Other Tobacco Products Tax

**O**hio 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 2008, total state receipts from the sale of stamps amounted to over \$915.5 million, an amount that does not include revenue from taxes on 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 fiscal year 2008, total net receipts were over \$37.5 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 such an additional levy effective Feb. 1, 2007.

In 2008, the General Assembly prohibited new local taxes on cigarettes (see **Recent Legislation**). The grandfathered Cuyahoga County levies, with a total combined rate of 34.5 cents per pack of 20 cigarettes, produced revenue of more than \$23 million during FY 2008 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)

Payers of cigarette taxes include:

**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.

Payers of the tax on other tobacco products include:

**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 base of the taxes discussed in this chapter includes:

- 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

The state tax rate on the sales or use of cigarettes is \$1.25 per pack of 20 or 6.25 cents per cigarette (5743.02, 5743.32).

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

The combined additional cigarette tax rate in Cuyahoga County is 34.5 cents per pack. Of that amount, 4.5 cents per pack is levied in support of sports facilities (5743.024) and 30 cents per pack funds a regional arts and cultural district.

## Exemptions

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

## Special Provisions

**Discounts** (R.C. 5743.05, 5743.52)

As a consideration for affixing and canceling cigarette stamps, wholesale dealers receive a discount of 1.8 percent of



the face value of stamps. Other tobacco products taxpayers receive a 2.5 percent discount for timely payment of the tax.

**Monthly Reports** (R.C. 5743.072, 5743.15 and 5743.66)

Manufacturers, importers and brokers shipping cigarettes and other tobacco products into Ohio are required to register and file monthly reports with the Tax Commissioner.

**Authorized Sales** (R.C. 5743.20)

The identities of all entities authorized to make cigarette and other tobacco products sales – including 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. As required by law, the Tax Commissioner maintains this list at [tax.ohio.gov](http://tax.ohio.gov).

**Unstamped Cigarette Prohibitions** (R.C. 5743.10, 5743.111, and 5743.112)

It is a crime for any person to possess, transport, distribute or otherwise trade more than 1,200 unstamped cigarettes – that is, cigarettes in packages that do not display the stamp indicating that the tax has been paid – without the consent of the Tax Commissioner. Any person in possession of less than 1,200 unstamped cigarettes is still liable for the excise tax on these cigarettes.

**Authorized Recipients of Cigarettes** (R.C. 2927.023)

All cigarettes coming into Ohio can only be transported or shipped to an “authorized recipient of tobacco products,” such as a licensed cigarette dealer. 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.”

**Cigarettes Legal for Sale in Ohio** (R.C. 1346.04 – 1346.10)

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.

**Master Settlement Agreement Reports** (R.C. 5743.03)

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 a manufacturer participating in the tobacco Master Settlement Agreement. A penalty of up to \$250 per month may be imposed for failing to file this report.

## Filing and Payment Dates

### 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.

## Filing Dates

Wholesale dealers file semi-annual returns on July 31 for the January to June period and on Jan. 31 for the preceding July through December period. The returns are required even though such dealers may have paid all their tax through the purchase of stamps. Any payment due on cigarettes not previously taxed is included (5743.03).

Persons with untaxed cigarettes file monthly by the 15th day of each month for the preceding month (5743.33).

Distributors or importers of other tobacco products file monthly reports by the last day of each month for the preceding month. Distributors with minimal sales activity may, upon authorization by the Tax Commissioner, file quarterly returns by April 30, July 31, Oct. 31 and Jan. 31 for the previous quarter’s liability (5743.52).

## Disposition of Revenue

Revenue from the state cigarette and other tobacco products taxes are desposited in the state General Revenue Fund.

Revenue from Cuyahoga County’s cigarette tax levies are distributed to the county, less a 2 percent administrative draw that is retained for the state Excise Tax Administrative Fund.

## Administration

Both state and county taxes on cigarettes and other tobacco products are administered by the Tax Commissioner.

## Ohio Revised Code Citations

Chapter 5743.

## Recent Legislation

**House Bill 562, 127th General Assembly (effective Sept. 22, 2008).**

**Local cigarette levies prohibited** – R.C. 5743.024 was amended to prohibit any local entity from enacting a new levy on cigarettes.

**Table 1**

<b>Cuyahoga County Cigarette Tax Receipts: Fiscal Years 2004 - 2008</b>			
<b>Fiscal Year</b>	<b>Gross Stamp Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
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
2008	23,451,611	422,129	23,029,482

Source: Treasurer of State

**Table 2**

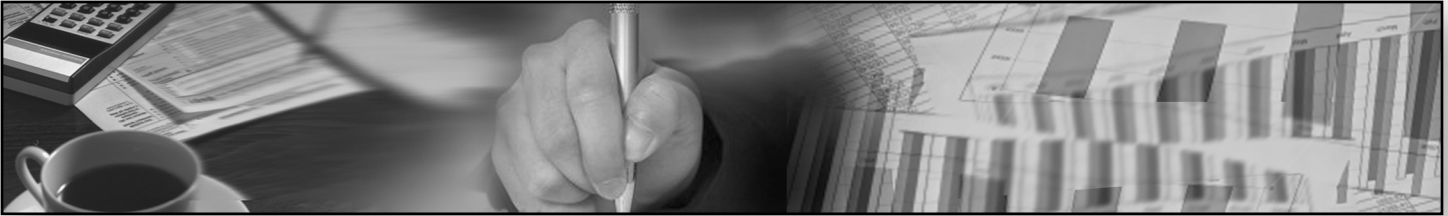
<b>Cigarette Tax Receipts: Fiscal Years 2004 - 2008</b>			
<b>Fiscal Year</b>	<b>Gross Stamp Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
2004	\$540,376,592	\$9,726,779	\$530,649,813
2005	561,492,445	10,106,864	551,385,581
2006	1,010,469,343	18,188,448	992,280,895
2007	972,740,773	17,509,334	955,231,439
2008	932,281,345	16,781,064	915,500,281

Source: Treasurer of State

**Table 3**

<b>Other Tobacco Tax Receipts: Fiscal Years 2004 - 2008</b>			
<b>Fiscal Year</b>	<b>Gross Stamp Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
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
2008	38,539,932	948,501	37,591,431

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 applies to all business types that operate in Ohio, regardless of whether such business is located within Ohio. The tax was enacted by the Ohio General Assembly in 2005 as part of House Bill 66, legislation that also gradually phases out the tangible personal property tax and corporation franchise tax for the vast majority of Ohio businesses.

In fiscal year 2008, the CAT produced \$961.4 million in total revenue. Of this amount, \$673 million, or 70 percent, was deposited in the School District Property Tax Replacement Fund and \$288.4 million, or 30 percent, was placed in the Local Government Property Tax Replacement Fund. No revenue was deposited into the General Revenue Fund.

Tables in this chapter provide information by industrial classification and by taxpayer size. The information was drawn from the returns due and filed in fiscal year 2008. Manufacturing taxpayers accounted for the largest share of tax liability, reporting \$286.7 million or 30.8 percent of the total while accounting for 9.6 percent of all taxpayers. The retail sector represented the largest group of taxpayers – 12.8 percent – and represented 17.9 percent of total liability. Taxpayers with taxable gross receipts over \$100 million accounted for more than half (57.9 percent) of total CAT liability and just 0.5 percent of the overall taxpayer population. In contrast, taxpayers whose receipts were \$1 million or less represented just 2.1 percent of total tax liability but made up 72.9 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 all businesses that either:

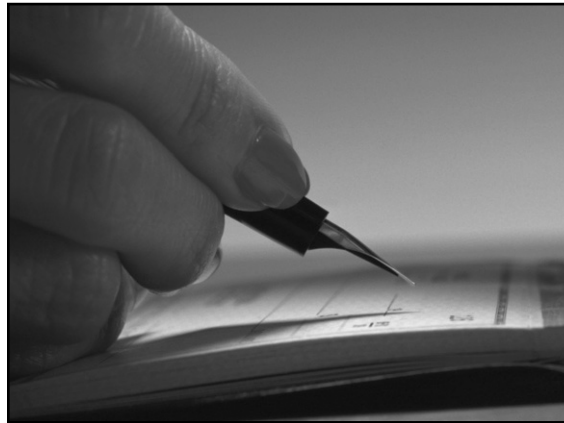
- have at least \$500,000 in taxable gross receipts in Ohio;
- have at least \$50,000 in property in Ohio;
- expend at least \$50,000 in payroll for work in Ohio;

- have at least 25 percent of their total property, payroll, or gross receipts in Ohio; or
- are domiciled in Ohio.

Certain entities are exempt from the CAT, including non-profit organizations, which are non-persons for CAT purposes. The tax does not apply to certain other types of entities that are liable for another Ohio tax, including:

- financial institutions and certain affiliates of financial institutions, which pay the corporation franchise tax;
- insurance companies, which pay the Ohio insurance premiums tax, and certain affiliates of insurance companies, which pay the corporation franchise tax; and
- dealers in intangibles, which pay the Ohio dealers in intangibles tax.

The tax also does not apply to certain receipts by public utilities that are subject to the public utility excise tax.



## 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 (that is, accrual or cash basis).

## Rates

(R.C. 5751.03 and 5751.031)

Generally, businesses with annual taxable gross receipts of less than \$150,000 are not subject to the CAT.

Businesses with annual taxable gross receipts of \$150,000 or more are subject to an annual minimum tax of \$150.

Businesses with annual taxable gross receipts in excess of \$1 million are subject to the annual minimum tax of \$150 and also pay tax on receipts above \$1 million on a quarterly basis (with a \$250,000 quarterly exclusion) at the following tax rates:

- 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

## 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):

- Jobs Creation Tax Credit.
- Jobs 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 greater than \$1 million must file quarterly returns. Quarterly returns must be filed electronically through the Ohio Business Gateway. Quarterly returns are due 40 days from the end of each calendar quarter (May 10, Aug. 9, Nov. 9, and Feb. 9).

Taxpayers with taxable gross receipts less than \$1 million may file annual returns. The annual return may also be filed electronically but electronic filing is not mandatory as it is with the quarterly return. The annual return is due on or before Feb. 9 of each year. The annual return reports the prior year's taxable gross receipts and pays the annual minimum tax for the current (privilege) year.

## Disposition of Revenue

(R.C. 5751.20)

During the 2008 fiscal year:

- 70 percent of the revenue generated by the CAT was dedicated to the School District Tangible Property Tax Replacement Fund.
- 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 formula until fiscal year 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 percentage points annually and deposited into the General Revenue Fund. Starting with fiscal year 2019, the General Revenue Fund will receive 30 percent of CAT revenue, 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 Information Releases

**CAT 2008-02** – "Commercial Activity Tax: Business as usual after the Court of Appeals decision in **Ohio Grocers Association v. Wilkins**, Franklin App. No. 07AP-813, 2008-Ohio-4420," September 2008, revised February 2009.

**CAT 2008-01** – "Commercial Activity Tax: Voluntary Disclosure Agreements," July 2008.

**CAT 2007-03** – "Commercial Activity Tax: Commercial Activity Tax Credits, Explained," December 2007, revised March 2008, revised June 2008.

**CAT 2007-02** – "Commercial Activity Tax: Pre-Income Tax Trusts, Explained with Revocation Procedures," February 2007, revised March 2007, revised May 2007, revised January 2008.

**CAT 2006-03** – "Commercial Activity Tax: Definition of 'Agent,'" April 2006, revised July 2006, revised October 2006, revised November 2007, revised April 2008.

## Chart

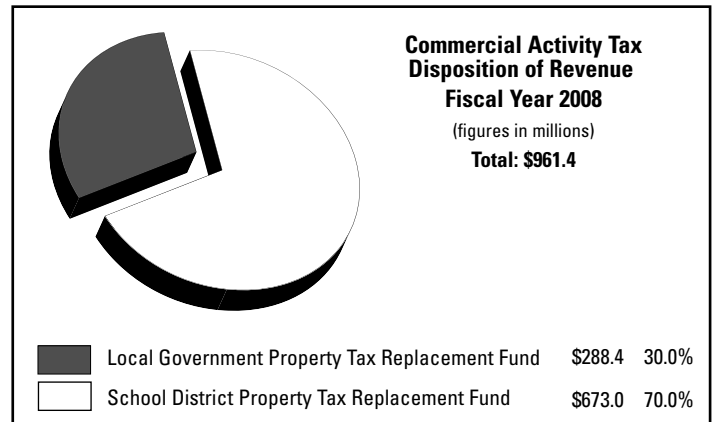


Table 1

Industrial Classification	NAICS Code Ranges	Number of Taxpayers	Fiscal Year 2008 Tax Returns, by Industrial Classification <sup>1</sup> (Dollar amounts are in thousands)				Annual Minimum Tax <sup>3</sup>	Total Tax Due: 0.156% Tax and Minimum Tax
			Taxable Gross Receipts	Exclusion <sup>2</sup>	Net Taxable Gross Receipts	Tax at 0.156% Rate		
Agriculture, Forestry, and Fishing	11100-115310	5,852	\$5,123,897	\$2,376,913	\$2,746,985	\$4,285	\$5,163	
Mining	211110-213110	796	5,043,345	465,972	4,577,372	7,141	7,260	
Utilities (excluding telecommunications)	221100-221300	133	16,187,316	81,277	16,106,039	25,125	25,145	
Construction	236110-238900	17,895	37,764,243	9,028,462	28,735,781	44,828	47,512	
Manufacturing	311110-339900	16,323	193,194,879	10,983,868	182,211,011	284,249	286,698	
Wholesale Trade	423100-425120	9,227	92,400,037	6,014,453	86,385,585	134,762	136,146	
Retail Trade	441110-454390	21,818	116,757,288	12,093,433	104,663,855	163,276	166,548	
Transportation and Warehousing	481000-493100	4,960	15,959,986	2,577,565	13,382,421	20,877	21,621	
Information (including telecommunications)	511110-519100	1,654	22,412,495	900,793	21,511,702	33,558	33,806	
Finance and Insurance	522110-525990	6,571	9,713,822	2,177,922	7,535,900	11,756	12,742	
Real Estate, and Rental & Leasing of Property	531110-533110	14,336	16,386,768	5,918,142	10,468,626	16,331	18,481	
Professional, Scientific and Technical Services	541110-541990	15,503	34,037,104	7,436,575	26,600,529	41,497	43,822	
Management of Companies (Holding Companies)	551111-551112	896	28,681,076	653,618	28,027,458	43,723	43,857	
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	4,280	9,005,480	2,037,110	6,968,371	10,871	11,513	
Education, Health Care and Social Assistance	611000-624410	13,027	22,032,797	7,342,404	14,690,393	22,917	24,871	
Arts, Entertainment, and Recreation	711000-713900	1,648	2,391,544	719,482	1,672,062	2,608	2,856	
Accommodation and Food Services	721110-722410	8,696	13,757,056	4,314,174	9,442,882	14,731	16,035	
Other Services	811110-812990	8,693	7,470,843	3,729,260	3,741,583	5,837	7,141	
Unclassified	n/a	18,444	16,912,465	6,852,254	10,060,212	15,694	18,461	
<b>TOTAL</b>		<b>170,752</b>	<b>\$665,232,442</b>	<b>\$85,703,676</b>	<b>\$579,528,766</b>	<b>\$904,065</b>	<b>\$929,678</b>	

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2008. 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 2007, November 2007, February 2008 and May 2008 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 0.156 percent tax, resulting in an annual exclusion of \$1 million per taxpayer.

3 The annual minimum tax is \$150 (due in February 2008).

**Table 2**

Size of FY 2008 Taxable Gross Receipts <sup>2</sup>	Fiscal Year 2008 Tax Returns, by Taxable Gross Receipts <sup>1</sup> (Dollar amounts are in thousands)						Total Tax Due: 0.156% Tax and Minimum Tax
	Number of Taxpayers	Taxable Gross Receipts	Exclusion <sup>3</sup>	Net Taxable Gross Receipts	Tax at 0.156% Rate	Annual Minimum Tax <sup>4</sup>	
Less than \$1,000,000	124,557	\$41,352,106	\$40,790,057	\$562,049	\$877	\$18,684	\$19,560
\$1,000,001 - \$2,000,000	18,676	26,795,219	18,178,149	8,617,069	13,443	2,801	16,244
\$2,000,001 - \$3,000,000	7,878	19,268,574	7,683,923	11,584,651	18,072	1,182	19,254
\$3,000,001 - \$4,000,000	4,116	14,216,308	4,001,749	10,214,560	15,935	617	16,552
\$4,000,001 - \$5,000,000	2,662	11,876,351	2,572,229	9,304,122	14,514	399	14,914
\$5,000,001 - \$10,000,000	5,826	40,667,027	5,626,143	35,040,884	54,664	874	55,538
\$10,000,001 - \$25,000,000	3,982	61,238,760	3,859,275	57,379,485	89,512	597	90,109
\$25,000,001 - \$50,000,000	1,467	51,143,482	1,438,887	49,704,594	77,539	220	77,759
\$50,000,001 - \$100,000,000	758	53,110,277	739,026	52,371,251	81,699	114	81,813
\$100,000,001 - \$500,000,000	694	141,612,184	678,096	140,934,088	219,857	104	219,961
\$500,000,001 - \$1 billion	74	48,925,421	73,647	48,851,774	76,209	11	76,220
Above \$1 billion	62	155,026,734	62,496	154,964,238	241,744	9	241,754
<b>TOTAL</b>	<b>170,752</b>	<b>\$665,232,442</b>	<b>\$85,703,676</b>	<b>\$579,528,766</b>	<b>\$904,065</b>	<b>\$25,613</b>	<b>\$929,678</b>

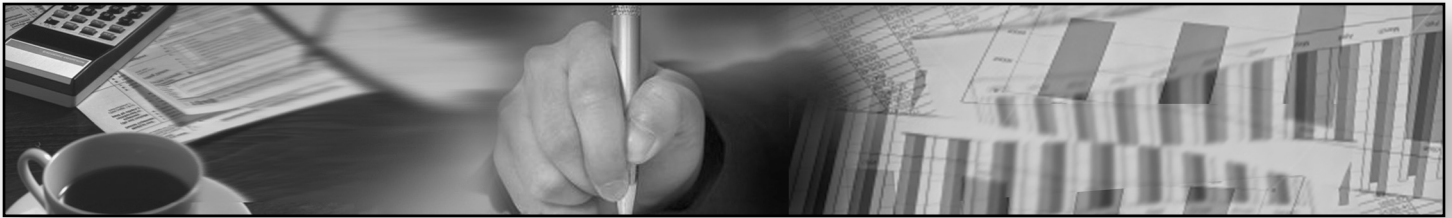
1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2008. This is because the table reflects reported tax liability, not actual payments made. In addition, the table reflects information from tax returns on the computer system as of the dates when the August 2007, November 2007, February 2008 and May 2008 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 2008. For example, a taxpayer whose taxable gross receipts were \$5 million, \$6 million, \$4 million, and \$7 million, on returns filed in August 2007, November 2007, February 2008 and May 2008, respectively, would have total fiscal year 2008 taxable gross receipts of \$22 million, and thereby be included within the \$10-\$25 million category.

3 On a quarterly basis, each taxpayer's first \$250,000 in taxable gross receipts is excluded from the 0.156 percent tax, resulting in an annual exclusion of \$1 million per taxpayer.

4 The minimum tax is \$150 (due in February 2008).





# Corporation Franchise Tax

The corporation franchise tax is a business privilege tax that dates back to 1902. For most taxpayers, Ohio is in the process of phasing out the corporation franchise tax in favor of the new commercial activity tax (CAT). The 2009 franchise tax report (based on the taxable year ending in 2008) is the last report that most taxpayers will file.



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 the exhibit 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 8.5 percent on remaining net income.

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

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 2008, the corporation franchise tax generated about \$754.6 million in total revenue. The tables in this chapter provide data from the 2007 tax year taken from reports due and filed in 2007. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits, the 40 percent phase-out factor, and the manufacturing grant, was approximately \$1,441.1 million. After tax credits, the manufacturing grant, and the 40 percent phase-out factor, the liability was \$795.5 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 \$159.7 million for the 2007 tax year.

Of the total tax liability before credits for general corporations, about 85 percent came from net income taxpayers. Of all corporation franchise taxpayers, approximately 22 percent paid tax on net income, 28 percent paid tax on net worth, and the remaining 50 percent paid the minimum tax.

Of financial institutions, banks filed 65 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 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, is the last franchise tax report for most taxpayers.

Put simply, the tax is being phased out in 20 percent increments, after the application of most nonrefundable tax credits, according to the following schedule:

Franchise tax report year	Tax
2005	Normal liability
2006	80% × liability
2007	60% × liability
2008	40% × liability
2009	20% × liability
2010	No liability

A minimum tax of either \$50 or \$1,000, depending on corporation size, still applies until the phase-out is complete.

The franchise tax phase-out and CAT phase-in do not apply to financial institutions, which continue to pay the 13 mill net worth tax. The phase-out also does not apply to:

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

These latter entities will continue to pay according to net worth or net income, whichever is greater.

## Credits and the phase-out

Most corporations were permitted to carry forward unclaimed Ohio net operating losses on their franchise tax reports during the phase-out period. However, certain companies with Ohio net operating losses in excess of \$50 million were allowed to claim a portion of their unused net operating losses and other net deferred tax assets as a credit against the CAT. That portion of the net operating losses on which such taxpayers claim the CAT credit may not be deducted on the franchise report. But net operating losses **not** in excess of \$50 million may 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 were not permitted to claim their unused nonrefundable franchise tax credits or credit carry forwards as a credit against the CAT. Exceptions to this 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 (as defined in Chapter 1729 or similar laws of another state) 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, Exclusions, Deductions and Additions**). 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 (0.4 percent). 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 (1.3 percent). See this chapter's exhibit 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, Exclusions, Deductions and Additions**). The adjusted income is then allocated (nonbusiness income) or apportioned (business income) in and outside Ohio as follows:

**Allocable Income** – 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** – 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 the exhibit).

**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)

### General Franchise Tax Rates

**Net Worth** – Net worth taxable value is taxed at the rate of four mills (0.4 percent). 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 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 non-refundable 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** – In addition to the general franchise tax rate, 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 (0.014) on the taxable value (adjusted net worth) of the corporation, or
- **Net Income** – 0.11 percent on the first \$50,000 of Ohio taxable income plus 0.22 percent 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 (0.014) on the taxable value of the corporation, or
- **Net Income** – 0.22 percent 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

**Exempt Corporations** (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10)

Entities not subject to the franchise tax include:

- nonprofit corporations (except certain agricultural 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)

In determine net worth, entities:

- 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)

In determining Ohio net income, entities:

- 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;
- 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 transac-

tions with, and excess inventory costs paid to related members; and

- add deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses.

## 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.

### **Jobs Creation Tax Credit** (R.C. 122.17 and 5733.0610)

A taxpayer may claim a refundable credit for new jobs created according 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 15 years.

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 applied was the 2008 report. The franchise tax credit automatically converted 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**

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  $\frac{1}{7}$  grant amounts are phasing out in the same years and by the same percentages as the franchise tax. For those taxpayers subject to the franchise tax phase-out, the grant will end with the final (2009) franchise tax report because the unused  $\frac{1}{7}$  grant amounts cannot be applied against the CAT.

### **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 total aggregate credits for all applicants 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 expired 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 Tax Credit** (R.C. 122.171 and 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 applied was the 2008 report. The franchise tax credit automatically converted 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. See **Recent Legislation** for amendments to this credit.

**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 applied was the 2008 report. The credit automatically converted 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 could 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 could 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 could 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 applied was the 2008 report. The franchise tax credit automatically converted 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 24 or 60-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 either the franchise tax, dealer in intangibles tax or individual income tax. 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

Special provisions of the corporation franchise tax include the following:

- 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 (see 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 (see 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 2008, 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 was 1.7 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 pro-

portionate 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)

Key filing and payment dates include:

- 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 the 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.

### Interest

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.

### EFT

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 with 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 was 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

### House Bill 554, 127th Ohio General Assembly (effective Sept. 9, 2008).

This bill included several changes to the R.C. 149.311 historical building preservation tax credit. The bill:

- eliminated the July 1, 2008 through June 30, 2009 credit application period and created two new 12-month application periods: one beginning July 1, 2009, the other beginning July 1, 2010.
- eliminated the cost-benefit analysis from the application review and approval process. Prior law required a cost benefit analysis showing that the rehabilitation project would yield a net revenue gain in state and local taxes. In place of the cost-benefit analysis, the new law requires consideration of the proposed project's "potential economic impact and a regional distributive balance of credits throughout the state."
- eliminated the first-come-first-serve order of reviewing and approving credit applications.

- limited the size of the credit permitted per project to either \$5 million or 25 percent of *estimated* "qualified rehabilitation expenditures," whichever is less. Prior law did not include such limits.
- limited the total aggregate credit to be divided-up among all applicants to \$60 million for each of the application periods beginning July 1, 2009 and July 1, 2010. Prior law did not limit the aggregate credit per application period.
- earmarked \$45 million of the \$60 million total aggregate credit for each of the application periods beginning July 1, 2009 and July 1, 2010 to applications that were filed during the period beginning July 1, 2007 but had not been approved by March 1, 2008.
- eliminated a limit on the number of projects that may be approved for any application period. Previous law set a limit of 100 projects per application period.
- specifically provided that the owner of a historic building may not include the state, a state agency, or any political subdivision.

### House Bill 562, 127th Ohio General Assembly (effective Sept. 23, 2008).

Among other provisions this new law amended the R.C. 122.171 nonrefundable job retention credit by reducing the required number of years a credit recipient must maintain operations at the project site for which the recipient claims the credit from at least twice the term of the credit to either seven years, or the term of the credit plus three years, whichever is more. The new law also reduced the credit repayment requirements for taxpayers that fail to maintain operations at the project site for the required number of years as set forth in the credit agreement.

### House Bill 458, 127th General Assembly (effective Dec. 30, 2008).

**Conformity** – Among other provisions, this new law amended the definition of "Internal Revenue Code as amended" in R.C. 5701.11, thereby adopting the amendments to the Internal Revenue Code (I.R.C.) enacted by Congress from Dec. 21, 2007 (the effective date of the General Assembly's previous amendment to R.C. 5701.11) through Dec. 30, 2008.

**Senate Bill 321, 126th Ohio General Assembly**, made the credit for losses on loans made to the Ohio Venture Capital Program refundable as of June 5, 2006. Under prior law the taxpayer had a choice of taking this credit as a refundable credit or as a nonrefundable credit.

Table 1

Corporation Franchise Tax Collections, Fiscal Years 2004-2008			
Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
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
2008	963,244,229	208,611,265	754,632,965

Table 2

Corporation Franchise Tax Number of Corporation by Tax Base and Industry, Tax Year 2007				
Industry	Minimum	Number of Corporations by Tax Base		Total
		Net Worth	Net Income	
Agriculture, Forestry, and Fishing	623	506	356	1,485
Mining	226	203	174	603
Utilities (excluding telecommunications)	112	61	53	226
Construction	4,325	2,686	1,864	8,875
Manufacturing	4,000	4,163	3,132	11,295
Wholesale Trade	2,462	2,129	1,864	6,455
Retail Trade	6,224	4,366	2,914	13,504
Transportation and Warehousing	1,756	838	777	3,371
Information (including telecommunications)	885	424	368	1,677
Finance & Insurance	2,530	1,088	1,031	4,649
Real Estate, and Rental & Leasing of Property	3,541	1,995	1,347	6,883
Professional, Scientific & Technical Services	3,923	1,477	1,562	6,962
Management of Companies (Holding Companies)	123	14	19	156
Administrative & Support Services, and Waste Management & Remediation Services	1,306	483	515	2,304
Education, Health Care and Social Assistance	4,129	1,483	1,325	6,937
Arts, Entertainment, and Recreation	256	109	77	442
Accommodation and Food Services	1,789	831	751	3,371
Other Services	1,809	1,189	755	3,753
Unclassified <sup>1</sup>	5,139	1,147	1,106	7,392
<b>TOTAL</b>	<b>45,158</b>	<b>25,192</b>	<b>19,990</b>	<b>90,340</b>

<sup>1</sup> Industry classification was not indicated by the taxpayer.



**Exhibit**

The purpose of this exhibit is to explain how the corporation franchise tax is calculated on either the net worth or net income base.

**Net worth base**

The net worth tax base of the tax is calculated this way:

$$\text{Ohio taxable value}^1 = \text{net value of stock} \times \text{apportionment ratio}$$

**Net income base**

The net income base of the tax is calculated this way:

$$\begin{array}{rcccl} \text{Ohio} & & \text{Business} & & \text{Nonbusiness} & & \text{Ohio Net Operating} \\ \text{Taxable} & = & \text{Income} & + & \text{Income Allocated} & - & \text{Loss Carry} \\ \text{Income}^2 & & \text{Apportioned} & & \text{to Ohio} & & \text{Forward Deduction} \\ & & \text{to Ohio} & & & & \end{array}$$

**Apportionment ratios and factors**

On either tax base, an apportionment ratio is used to distinguish net income or worth in Ohio from net income or worth everywhere else. Apportionment ratios are calculated according to this weighting:

$$\text{Apportionment ratio} = (\text{Property factor} \times 0.20) + (\text{Payroll factor} \times 0.20) + (\text{Sales factor} \times 0.60)$$

The individual factors are calculated this way:

$$\begin{array}{l} \text{Property Factor} = \frac{\text{Average cost of owned or rented real and tangible personal property used in business in Ohio}}{\text{Average cost of such property used everywhere}} \\ \text{Payroll Factor} = \frac{\text{Total compensation paid in Ohio}}{\text{Total compensation paid everywhere}} \\ \text{Sales Factor} = \frac{\text{Sales in Ohio}}{\text{Sales everywhere}} \end{array}$$

On the net income base of the franchise tax, the factors do not include property, payroll or sales relating to non-business income. On the net worth base of the tax, they do.

Also, for sales of tangible personal property, sales inside and outside Ohio are determined by the final destination of the property sold; other sales are situated according to where the purchaser received the benefit of that which was purchased.

Specific adjustments apply to each factor, as follows:

**Property** — Neither the numerator nor the denominator include the original cost of property used exclusively for qualified research or property in Ohio for which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate. Also, the numerator does not include 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.

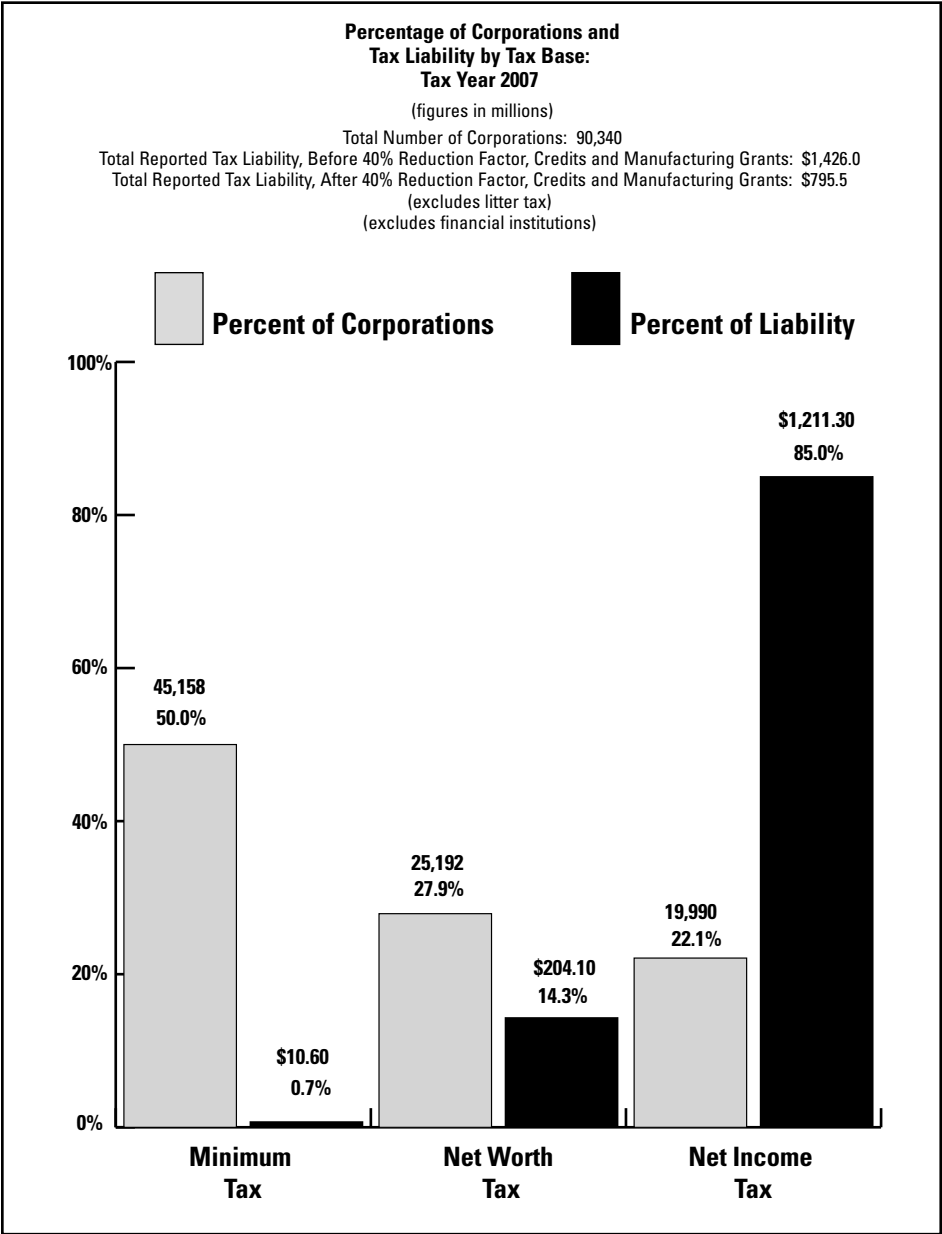
**Payroll** — Neither the numerator or denominator include compensation paid in Ohio to employees engaged in qualified research. The numerator does not include compensation paid to certain new employees at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

**Sales** — Does not include sales derived from non-business allocable income. Also does not include interest and dividends.

1 The value of pollution control, coal conversion and energy conversion facilities property is excluded from the net value of stock. Also excluded: qualified property in an enterprise zone and land devoted exclusively to agriculture.

2 Taxable income also includes income or losses from a a transferor corporation and includes positive or negative adjustments for related entities and related members.

**Chart 1**



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. The liability amounts shown in the chart are prior to the 40 percent reduction in effect for tax year 2007, and prior to tax credits and manufacturing grants.

**Table 3**

<b>Corporation Franchise Tax                      Number of Corporations by Tax Base and                      Tax Liability Class:                      Tax Year 2007</b>						
Tax Liability Class		Net Minimum	Number of Corporations by Tax Base			Total
			Net Worth	Net Income		
	Minimum	45,158	--	--		45,158
\$51	- 1,000	--	12,823	6,091		18,914
1,001	- 2,000	--	3,897	3,044		6,941
2,001	- 3,000	--	1,881	1,772		3,653
3,001	- 4,000	--	1,046	863		1,909
4,001	- 5,000	--	705	748		1,453
5,001	- 10,000	--	1,602	1,992		3,594
10,001	- 15,000	--	704	974		1,678
15,001	- 20,000	--	398	645		1,043
20,001	- 25,000	--	280	420		700
25,001	- 30,000	--	216	381		597
30,001	- 35,000	--	171	272		443
35,001	- 50,000	--	360	524		884
50,001	- 100,000	--	477	849		1,326
100,001	- 200,000	--	632	597		1,229
200,001	- 500,000	--	--	470		470
500,001	- 1,000,000	--	--	171		171
Over	\$1,000,000	--	--	177		177
<b>TOTAL</b>		<b>45,158</b>	<b>25,192</b>	<b>19,990</b>		<b>90,340</b>

**Table 4**

	Corporation Franchise Tax									
	Reported Tax Liability by Tax Base and Industry									
	Tax Year 2007					Tax Year 2008				
	Before 40% Reduction Factor Applicable to Most Taxpayers					After 40% Reduction Factor Applicable to Most Taxpayers				
	Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>	
Agriculture, Forestry, and Fishing	\$81,500	\$1,182,183	\$3,010,145	\$4,273,828	\$90,742	\$4,364,570	\$21,780	\$117,396	\$2,539,774	
Mining	53,100	2,042,847	14,012,326	16,108,273	175,119	16,283,392	16,088	12,438	9,763,316	
Utilities (excluding telecommunications)	41,700	2,115,604	115,242,536	117,399,840	89,175	117,489,015	15,327,216	0	61,272,067	
Construction	909,750	9,750,932	34,025,901	44,686,583	782,997	45,469,580	451,089	10,958	27,127,190	
Manufacturing	1,506,250	70,224,299	436,388,667	508,119,216	4,846,119	512,965,335	33,667,227	3,942,973	277,001,819	
Wholesale Trade	800,450	15,820,559	112,602,938	129,223,947	1,806,203	131,030,150	2,676,976	555,173	75,482,865	
Retail Trade	1,562,350	30,085,035	160,445,688	192,093,073	2,185,580	194,278,653	8,833,158	187,749	107,940,260	
Transportation and Warehousing	524,800	4,703,255	47,432,533	52,660,588	492,147	53,152,735	1,698,718	5,201	30,546,276	
Information (including telecommunications)	311,200	8,850,054	70,350,821	79,512,075	535,919	80,047,994	6,388,736	1,081	42,170,564	
Finance & Insurance	636,650	10,602,729	39,713,649	50,953,028	627,053	51,580,081	3,414,424	50,583	29,286,261	
Real Estate, and Rental & Leasing of Property	574,150	9,683,306	20,759,706	31,017,162	599,537	31,616,699	522,258	20,392	18,302,806	
Professional, Scientific & Technical Services	936,200	12,263,692	66,137,922	79,337,814	939,513	80,277,327	3,211,931	15,134	45,658,129	
Management of Companies (Holding Companies)	19,450	478,249	2,510,946	3,008,645	23,934	3,032,579	123,055	0	1,762,020	
Administrative & Support Services, and Waste Management & Remediation Services	328,450	2,987,116	11,584,401	14,899,967	261,871	15,161,838	341,033	0	8,954,112	
Education, Health Care and Social Assistance	703,300	6,012,194	38,337,452	45,052,946	499,315	45,552,261	1,102,392	35,070	26,532,362	
Arts, Entertainment, and Recreation	57,450	620,683	1,145,840	1,823,973	41,569	1,865,542	0	0	1,141,912	
Accommodation and Food Services	301,300	3,497,008	19,115,151	22,913,459	371,386	23,284,845	393,247	12,177	13,849,775	
Other Services	249,100	2,906,118	6,510,883	9,666,101	210,885	9,876,986	478,470	1,702	5,592,409	
Unclassified <sup>3</sup>	1,002,700	10,301,181	11,929,373	23,233,254	529,071	23,762,325	4,092,733	134,392	10,595,947	
<b>TOTAL</b>	<b>\$10,599,850</b>	<b>\$204,127,044</b>	<b>\$1,211,256,878</b>	<b>\$1,425,983,772</b>	<b>\$15,108,136</b>	<b>\$1,441,091,907</b>	<b>\$82,760,531</b>	<b>\$5,102,428</b>	<b>\$795,519,863</b>	

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. In addition, refundable tax credits are not subject to the reduction factor.  
 3 Industry classification was not indicated by taxpayer.

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 40 percent reduction in effect for tax year 2007.

**Table 5**

Corporation Franchise Tax Reported Tax Liability by Tax Base and Tax Liability Class Tax Year 2007															
Tax Liability Class	Before 40% Reduction Factor Applicable to Most Taxpayers						After 40% Reduction Factor								
	Tax Liability Before Litter Tax and Credits By Tax Base						Total Liability Before Credits and Grant			Refundable and Tax Credits <sup>2</sup>			Total Non-Tax Liability After Manufacturing Tax Credits and Grant <sup>2</sup>		
	Net Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total	Total Liability Before Credits and Grant	Refundable Tax Credits <sup>2</sup>	Manufacturing Grant	Total Non-Tax Liability After Tax Credits and Grant <sup>2</sup>					
Minimum (\$50 or \$1,000)	\$10,599,850	--	--	\$10,599,850	\$0	\$10,599,850	\$6,596,834	\$0	\$4,000,684						
\$51 - 1,000	--	\$4,510,310	\$2,465,144	6,975,454	219,374	7,194,827	40,428	11,194	4,407,672						
1,001 - 2,000	--	5,572,899	4,447,816	10,020,715	288,354	10,309,069	908,233	37,153	5,301,267						
2,001 - 3,000	--	4,583,985	4,300,608	8,884,593	284,997	9,149,590	834,505	44,723	4,609,626						
3,001 - 4,000	--	3,603,399	2,988,707	6,592,106	196,744	6,788,850	139,321	53,161	3,931,427						
4,001 - 5,000	--	3,154,524	3,370,371	6,524,895	187,164	6,712,059	172,127	54,451	3,807,039						
5,001 - 10,000	--	11,316,590	14,266,251	25,582,841	719,447	26,302,288	411,819	145,947	15,481,651						
10,001 - 15,000	--	8,687,834	11,972,169	20,660,003	590,216	21,250,219	2,661,989	118,137	10,184,305						
15,001 - 20,000	--	6,926,504	11,233,329	18,159,833	506,620	18,666,453	1,400,325	87,155	9,904,312						
20,001 - 25,000	--	6,248,388	9,368,451	15,616,839	424,448	16,041,287	490,992	93,735	9,141,675						
25,001 - 30,000	--	5,893,553	10,437,557	16,331,110	452,764	16,783,874	380,882	103,991	9,654,346						
30,001 - 35,000	--	5,525,176	8,813,018	14,338,194	393,429	14,731,623	563,140	61,898	8,302,951						
35,001 - 50,000	--	15,136,002	21,897,608	37,033,610	970,353	38,003,963	2,178,583	172,805	20,796,650						
50,001 - 100,000	--	33,867,211	60,065,455	93,932,666	2,423,953	96,356,619	4,064,271	369,192	54,000,573						
100,001 - 200,000	--	89,100,669	83,818,946	172,919,615	4,078,003	176,997,618	14,342,978	829,473	93,626,684						
200,001 - 500,000	--	--	147,130,419	147,130,419	1,921,330	149,051,749	9,218,505	859,110	80,660,559						
500,001 - 1,000,000	--	--	120,840,361	120,840,361	651,779	121,492,140	4,942,903	1,484,154	65,604,941						
Over \$1,000,000	--	--	693,840,668	693,840,668	819,161	694,659,829	33,412,696	576,148	392,103,501						
<b>TOTAL</b>	<b>\$10,599,850</b>	<b>\$204,127,044</b>	<b>\$1,211,256,878</b>	<b>\$1,425,983,772</b>	<b>\$15,108,136</b>	<b>\$1,441,091,907</b>	<b>\$82,760,531</b>	<b>\$5,102,428</b>	<b>\$795,519,663</b>						

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. In addition, refundable tax credits are not subject to the reduction factor.

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 40 percent reduction in effect for tax year 2007.

**Table 6**

Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Industry Tax Year 2007				
Industry	Number of Corporations by Tax Base			
	Net Minimum	Net Worth	Income	Total
Food	222	220	188	630
Tobacco Manufacturers	8	1	5	14
Apparel and Other Textiles	76	61	34	171
Lumber and Wood Products	118	123	79	320
Paper	84	91	49	224
Printing and Publishing	224	192	122	538
Chemicals	325	315	246	886
Petroleum and Coal	47	38	47	132
Rubber and Plastics	241	275	180	696
Leather Products	6	10	11	27
Stone, Clay & Glass Products	112	136	111	359
Primary Metal	148	183	139	470
Fabricated Metal	768	960	688	2,416
Machinery (non-electrical)	462	426	338	1,226
Electrical Machinery	360	355	289	1,004
Transportation Equipment	163	179	129	471
Miscellaneous Manufacturing	636	598	477	1,711
<b>TOTAL</b>	<b>4,000</b>	<b>4,163</b>	<b>3,132</b>	<b>11,295</b>

**Table 7**

Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Tax Liability Class Tax Year 2007				
Tax Liability Class	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
	4,000	--	--	4,000
\$51 - 1,000	--	1,276	404	1,680
1,001 - 2,000	--	671	332	1,003
2,001 - 3,000	--	362	229	591
3,001 - 4,000	--	229	147	376
4,001 - 5,000	--	171	106	277
5,001 - 10,000	--	397	386	783
10,001 - 15,000	--	176	198	374
15,001 - 20,000	--	120	163	283
20,001 - 25,000	--	90	113	203
25,001 - 30,000	--	69	96	165
30,001 - 35,000	--	56	67	123
35,001 - 50,000	--	126	134	260
50,001 - 100,000	--	154	268	422
100,001 - 200,000	--	266	181	447
200,001 - 500,000	--	--	166	166
500,001 - 1,000,000	--	--	76	76
Over \$1,000,000	--	--	66	66
<b>TOTAL</b>	<b>4,000</b>	<b>4,163</b>	<b>3,132</b>	<b>11,295</b>

Table 8

Industry	Corporation Franchise Tax Reported Tax Liability for Manufacturing Corporations, by Tax Base and Industry Classification Tax Year 2007									
	Before 40% Reduction Factor Applicable to Most Taxpayers					After 40% Reduction Factor				
	Tax Liability Before Litter Tax and Credits, By Tax Base					Total Non-Refundable and Tax Credits <sup>2</sup>				
	Net Minimum	Net Worth	Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>	
Food	\$104,200	\$4,175,894	\$32,871,257	\$37,151,351	\$386,513	\$37,537,864	\$2,908,371	\$876,876	\$19,502,979	
Tobacco Manufacturers	3,250	900	12,313,859	12,318,009	31,628	12,349,637	0	0	7,411,082	
Apparel and Other Textiles	30,400	707,449	1,044,040	1,781,889	45,237	1,827,126	34,434	64	1,087,350	
Lumber and Wood Products	40,100	844,386	3,655,139	4,539,625	79,730	4,619,355	10,754	76,427	2,702,909	
Paper	35,550	2,510,203	3,070,166	5,615,919	101,651	5,717,570	1,861,524	25,138	1,740,971	
Printing and Publishing	53,950	807,269	5,350,749	6,211,968	121,422	6,333,390	363,890	100,051	3,479,356	
Chemicals	149,250	11,869,780	115,973,519	127,992,549	653,661	128,646,210	3,714,606	9,992	74,824,532	
Petroleum and Coal	18,500	1,164,542	75,661,638	76,844,680	93,210	76,937,890	518,165	18,877	45,729,863	
Rubber and Plastics	99,450	4,897,576	10,043,638	15,040,664	324,386	15,365,050	1,048,811	145,911	7,993,459	
Leather Products	1,250	208,926	591,864	802,040	17,272	819,312	0	0	492,594	
Stone, Clay & Glass Products	36,950	2,373,946	7,967,843	10,378,739	173,274	10,552,013	588,895	131,451	5,842,778	
Primary Metal	51,100	4,585,048	32,120,656	36,756,804	290,696	37,047,500	5,167,246	138,726	17,181,199	
Fabricated Metal	213,200	7,561,814	33,397,302	41,172,316	664,050	41,836,366	2,328,226	429,678	22,898,138	
Machinery (non-electrical)	195,050	5,653,329	13,788,050	19,636,429	411,376	20,047,805	1,537,853	52,488	10,925,471	
Electrical Machinery	155,750	7,710,337	26,683,839	34,549,926	478,623	35,028,549	2,497,887	171,466	19,152,989	
Transportation Equipment	75,600	6,595,130	25,957,042	32,627,772	371,684	32,999,456	8,426,283	1,663,138	11,096,244	
Miscellaneous Manufacturing	242,700	8,557,770	35,898,066	44,698,536	601,706	45,300,242	2,660,282	102,690	24,939,906	
<b>TOTAL</b>	<b>\$1,506,250</b>	<b>\$70,224,299</b>	<b>\$436,388,667</b>	<b>\$508,119,216</b>	<b>\$4,846,119</b>	<b>\$512,965,335</b>	<b>\$33,667,227</b>	<b>\$3,942,973</b>	<b>\$277,001,819</b>	

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. In addition, refundable tax credits are not subject to the reduction factor.

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 40 percent reduction in effect for tax year 2007.

**Table 9**

**Corporation Franchise Tax  
Reported Tax Liability for Manufacturing Corporations  
by Tax Base and Tax Liability Class:  
Tax Year 2007**

Tax Liability Class	Tax Liability Before Litter Tax and Credits, By Tax Base				Before 40% Reduction Factor Applicable to Most Taxpayers			After 40% Reduction Factor		
	Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total Liability Before and Grant	Total Non-Refundable Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>	
Minimum (\$50 or \$1,000)	\$1,506,250	--	--	\$1,506,250	\$0	\$1,506,250	\$1,562,085	\$0	-\$59,146	
\$51	--	\$520,187	\$171,908	692,095	22,688	714,783	8,451	8,119	445,685	
1,001	--	972,696	492,223	1,464,919	44,315	1,509,234	31,110	33,297	853,635	
2,001	--	877,864	553,651	1,431,515	44,813	1,476,328	30,445	42,327	814,348	
3,001	--	795,564	508,252	1,303,816	44,138	1,347,954	111,717	43,724	653,100	
4,001	--	769,318	482,456	1,251,774	37,042	1,288,816	25,451	39,651	711,854	
5,001	--	2,800,358	2,764,874	5,565,232	163,439	5,728,671	132,320	118,744	3,304,673	
10,001	--	2,202,776	2,460,074	4,662,850	134,566	4,797,416	236,630	103,146	2,570,246	
15,001	--	2,102,206	2,861,174	4,963,380	141,904	5,105,284	462,403	58,352	2,602,438	
20,001	--	2,015,795	2,513,481	4,529,276	126,126	4,655,402	225,815	73,699	2,547,900	
25,001	--	1,881,798	2,633,640	4,515,438	122,794	4,638,232	138,733	92,409	2,595,041	
30,001	--	1,806,504	2,166,743	3,973,247	121,077	4,094,324	334,584	48,375	2,135,253	
35,001	--	5,322,302	5,665,244	10,987,546	305,976	11,293,522	1,300,010	158,615	5,554,730	
50,001	--	11,100,781	19,135,308	30,236,089	793,433	31,029,522	2,557,797	236,094	16,317,861	
100,001	--	37,056,150	25,304,023	62,360,173	1,542,161	63,902,334	9,750,695	627,400	29,118,044	
200,001	--	--	51,801,957	51,801,957	661,370	52,463,327	3,444,271	630,706	28,264,787	
500,001	--	--	52,761,395	52,761,395	296,742	53,058,137	4,555,300	1,455,689	26,192,979	
Over \$1,000,000	--	--	264,112,264	264,112,264	243,535	264,355,799	8,759,410	172,626	152,378,394	
<b>TOTAL</b>	<b>\$1,506,250</b>	<b>\$70,224,299</b>	<b>\$436,388,667</b>	<b>\$508,119,216</b>	<b>\$4,846,119</b>	<b>\$512,965,335</b>	<b>\$33,667,227</b>	<b>\$3,942,973</b>	<b>\$277,001,819</b>	

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2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

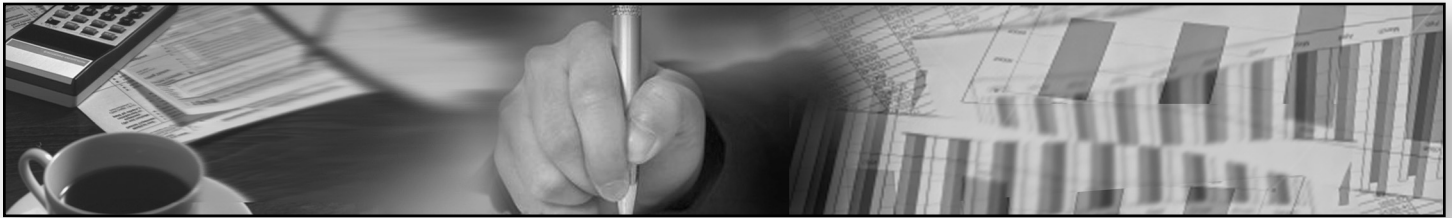
Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 40 percent reduction in effect for tax year 2007.



**Table 10**

Tax Liability Class	Corporation Franchise Tax Number of Financial Institutions and Reported Tax Liability by Type of Institution: Tax Year 2007										Refundable & Nonrefundable Tax Credits
	Number of Corporations By Type					Tax Liability Before Credits By Type					
	Banks	Savings & Loans	Other <sup>1</sup>	Total	Banks	Savings & Loans	Other <sup>1</sup>	Total			
Minimum (\$50 or \$1000)	12	3	13	28	\$12,000	\$0	\$10,000	\$22,000	\$0	\$0	\$0
\$51 - 1,000	5	2	9	16	853	912	1,358	3,123	0	0	0
1,001 - 2,000	4	0	3	7	7,111	0	5,410	12,521	0	0	0
2,001 - 3,000	3	1	0	4	7,302	2,847	0	10,149	0	0	0
3,001 - 4,000	0	0	1	1	0	0	3,923	3,923	0	0	0
4,001 - 5,000	3	0	0	3	14,076	0	0	14,076	0	0	0
5,001 - 10,000	5	1	0	6	43,100	5,107	0	48,207	0	0	0
10,001 - 15,000	6	0	3	9	69,038	0	37,084	106,122	13,304	0	13,304
15,001 - 20,000	5	2	2	9	93,009	32,689	33,963	159,661	2,696	0	2,696
20,001 - 25,000	7	0	1	8	160,389	0	22,969	183,358	2,398	0	2,398
25,001 - 30,000	4	1	2	7	113,743	28,984	59,344	202,071	11,168	0	11,168
30,001 - 35,000	4	2	1	7	130,552	64,441	32,492	227,485	14,979	0	14,979
35,001 - 50,000	15	6	2	23	642,515	262,608	97,931	1,003,054	12,166	0	12,166
50,001 - 100,000	40	21	0	61	3,000,145	1,502,133	0	4,502,278	219,819	0	219,819
100,001 - 200,000	57	20	4	81	7,885,477	2,780,574	452,361	11,118,412	211,007	0	211,007
200,001 - 500,000	53	23	0	76	15,854,871	7,366,891	0	23,221,762	689,989	0	689,989
500,001 - 1,000,000	19	7	1	27	13,546,618	4,944,265	794,475	19,285,358	192,031	0	192,031
Over \$1,000,000	13	8	1	22	75,310,267	20,026,426	4,207,742	99,544,435	9,042,071	0	9,042,071
<b>TOTAL</b>	<b>255</b>	<b>97</b>	<b>43</b>	<b>395</b>	<b>\$116,891,066</b>	<b>\$37,017,877</b>	<b>\$5,759,052</b>	<b>\$159,667,995</b>	<b>\$10,411,628</b>	<b>\$0</b>	<b>\$10,411,628</b>

<sup>1</sup> 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 2008 calendar year, tax assessments on dealers in intangibles resulted in collections of approximately \$18.5 million, with approximately \$11.6 million distributed to local governments and \$6.9 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 2008, qualifying dealers generated an additional \$15.1 million for the General Revenue Fund.

### Taxpayer

(Ohio Revised Code 5725.01)

The tax is paid by 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)

The tax base for dealers in intangibles is:

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

In order to be considered a dealer in intangibles, a person must have an actual place of business in Ohio. 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 tax rate on fair value of shares or capital employed is 8 mills, or 0.8 percent.

### 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.

Also, 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-subsubsidiary 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.

**Table 1**

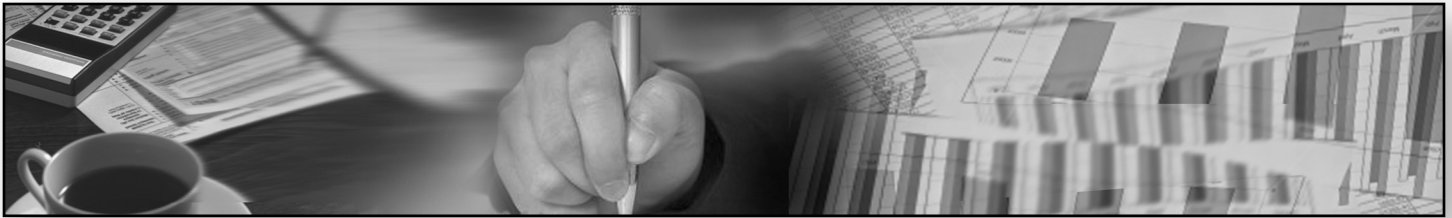
<b>Dealers in Intangibles Taxes Levied, Calendar Years 2004-2008</b>					
<b>Distribution</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Local Share	\$10,587,846	\$11,265,677	\$12,094,989	\$12,105,259	\$11,579,920
State Share <sup>1</sup>	<u>6,352,710</u>	<u>6,759,411</u>	<u>7,256,993</u>	<u>7,263,155</u>	<u>6,947,952</u>
<b>TOTAL</b>	<b>\$16,940,556</b>	<b>\$18,025,088</b>	<b>\$19,351,982</b>	<b>\$19,368,414</b>	<b>\$18,527,872</b>

<sup>1</sup> Does not include taxes levied on qualifying dealers in intangibles, amounting to \$23,044,589 in 2004, \$17,970,397 in 2005, \$11,125,886 in 2006, \$12,499,308 in 2007 and \$15,127,427 in 2008.

Table 2

County Share of Intangible Property Taxes Assessed on Dealers in Intangibles, Calendar Year 2008			
County	County Share of Assessed Taxes	County	County Share of Assessed Taxes
ADAMS	\$9,091	LOGAN	\$42,058
ALLEN	52,005	LORAIN	139,172
ASHLAND	4,182	LUCAS	361,965
ASHTABULA	29,517	MADISON	3,539
ATHENS	9,697	MAHONING	163,061
AUGLAIZE	15,869	MARION	41,725
BELMONT	9,914	MEDINA	146,735
BROWN	3,349	MEIGS	5,862
BUTLER	120,790	MERCER	11,437
CARROLL	355	MIAMI	29,900
CHAMPAIGN	4,609	MONROE	7,213
CLARK	39,075	MONTGOMERY	514,594
CLERMONT	35,738	MORGAN	0
CLINTON	3,719	MORROW	1,041
COLUMBIANA	16,383	MUSKINGUM	54,259
COSHOCTON	10,298	NOBLE	0
CRAWFORD	14,895	OTTAWA	3,078
CUYAHOGA	3,199,982	PAULDING	180
DARKE	11,890	PERRY	1,091
DEFIANCE	26,821	PICKAWAY	10,808
DELAWARE	47,737	PIKE	2,597
ERIE	24,176	PORTAGE	33,718
FAIRFIELD	53,021	PREBLE	4,535
FAYETTE	7,031	PUTNAM	1,566
FRANKLIN	2,786,180	RICHLAND	77,904
FULTON	1,518	ROSS	19,557
GALLIA	62,539	SANDUSKY	10,891
GEAUGA	5,979	SCIOTO	54,748
GREENE	45,333	SENECA	6,583
GUERNSEY	36,987	SHELBY	13,659
HAMILTON	1,373,778	STARK	345,177
HANCOCK	50,351	SUMMIT	632,897
HARDIN	4,835	TRUMBULL	70,822
HARRISON	0	TUSCARAWAS	40,518
HENRY	24,231	UNION	18,050
HIGHLAND	9,319	VAN WERT	5,373
HOCKING	19,364	VINTON	0
HOLMES	809	WARREN	142,502
HURON	28,269	WASHINGTON	23,967
JACKSON	14,241	WAYNE	22,296
JEFFERSON	31,187	WILLIAMS	7,897
KNOX	22,578	WOOD	34,084
LAKE	111,222	WYANDOT	2,271
LAWRENCE	15,104	<b>Total Local Revenue</b>	<b>\$11,579,920</b>
LICKING	76,623	(5 mills)	
		<b>State General Revenue (3 mills)<sup>1</sup></b>	<b>\$6,947,952</b>
		<b>TOTAL</b>	<b>\$18,527,872</b>

1 Does not include \$15,127,427 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 \$317.1 million in revenue for fiscal year 2008. Most of the revenue – about \$255.7 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.

## Taxpayer

The tax is paid by the administrator, executor, or other estate representative in possession of the property subject to tax.

## Tax Base

The base of the estate tax depends on the residency of the decedent.

### Resident estates

The net taxable estate is the value of a decedent's gross estate, less deductions. 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."

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 estates

The base of the nonresident estate tax is 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:

- 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

- multiplying the resulting 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 tiered in the brackets shown below. Estates with a net taxable value of \$338,333 or less are effectively exempt from the tax because of the availability of a nonrefundable estate credit of up to \$13,900. The effect of this credit, which applies to dates of death on or after Jan. 1, 2002, is also shown in the table below.

Net taxable estate	Tax before credit	Tax after credit
\$0 to \$40,000	2% of the net taxable estate	No tax
\$40,001 to \$100,000	\$800 plus 3% of excess over \$40,000	No tax
\$100,001 to \$200,000	\$2,600 plus 4% of excess over \$100,000	No tax
\$200,001 to \$300,000	\$6,600 plus 5% of excess over \$200,000	No tax
\$300,001 to \$500,000	\$11,600 plus 6% of excess over \$300,000	6% of excess over \$338,333
Over \$500,000	\$23,600 plus 7% of excess over \$500,000	\$9,700 plus 7% of excess over \$500,000

## Filing Requirements

(R.C. 5731.21)

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 prop-

erty where the value of that property is included in the gross estate valuation; and charitable contributions.

#### **Estate tax credit**

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

## **Special Provisions**

### **Alternate valuation date**

An alternate valuation date (R.C. 5731.01) may be elected. The alternate valuation date 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. Alternate valuations must be elected within one year of the deadline for filing the return.

### **Farm property valuation**

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 returns are 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 payments are 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).

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 additional extensions. The total of all extensions granted may not exceed 14 years.

## **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.

For dates of death on or after June 29, 2004, local governments share in the costs of administering the estate tax in an 80/20 split that matches the disposition of revenue.

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.



**Table 1**

<b>Estate Tax Collections and Distributions</b>			
<b>Fiscal Years 2004 - 2008</b>			
(figures in millions)			
<b>Fiscal Year</b>	<b>Total Collections</b>	<b>State General Revenue<sup>1</sup></b>	<b>Local Governments<sup>1</sup></b>
2004	\$290.3	\$64.2	\$226.1
2005	300.9	60.4	240.5
2006	272.7	54.1	218.6
2007	359.4	72.1	287.3
2008	317.1	61.4	255.7

<sup>1</sup> State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because they are based on the certification of the local share (including fees) from the semi-annual settlements that occur each year. Effective Jan. 1, 2002, the state share is 20 percent and the local share is 80 percent.

**Table 2**

<b>Distribution of Taxable Estates, Gross and Net Values, and Tax Liability</b>				
<b>by Net Taxable Value Brackets, Fiscal Year 2008</b>				
(Resident Estates Only)				
<b>Net Taxable Value<sup>1</sup></b>	<b>Number of Estates</b>	<b>Aggregate Gross Value</b>	<b>Aggregate Net Taxable Value</b>	<b>Aggregate Tax Liability</b>
\$338,333 and under	156	\$26,781,812	\$19,408,899	\$504,185
338,334 - 400,000	1,158	584,244,285	425,253,558	2,150,814
400,001 - 500,000	1,449	753,722,267	649,549,898	9,688,594
500,001 - 700,000	1,894	1,415,384,262	1,117,489,660	30,448,576
700,001 - 1,000,000	1,528	1,688,856,939	1,271,957,186	50,445,603
1,000,001 - 3,000,000	1,816	3,846,163,283	2,805,383,264	150,580,629
\$3,000,001 and over	270	2,810,134,995	1,939,565,913	129,021,414
<b>Total</b>	<b>8,271</b>	<b>\$11,125,287,843</b>	<b>\$8,228,608,378</b>	<b>\$372,839,815</b>

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.

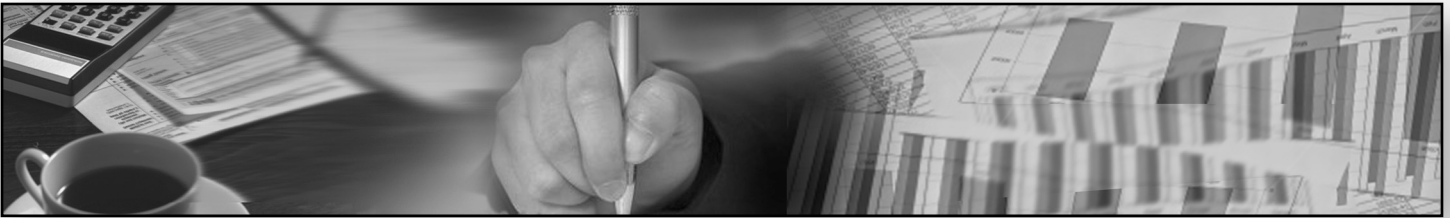
<sup>1</sup> Relative to previous years, the net taxable value brackets have been changed in order to provide greater detail, and to update the table in accordance with the \$13,900 credit which effectively exempts estates with a net taxable value of up to \$338,333 (if the date of death was on or after Jan. 1, 2002). The relatively small number of estates shown in this table whose net taxable values are below \$338,334 all have dates of death before Jan. 1, 2002.

Table 3

Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate, Fiscal Year 2008 <sup>1</sup> (Resident Estates Only)									
County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability	County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
ADAMS	13	\$13,272,471	\$12,268,916	\$535,153	LOGAN	21	\$18,191,241	\$16,850,176	\$652,925
ALLEN	75	67,361,911	59,237,696	2,271,975	LORAIN	160	194,077,507	146,238,666	6,297,123
ASHLAND	38	29,323,455	27,585,187	985,378	LUCAS	323	467,553,842	303,186,211	13,187,444
ASHTABULA	56	40,110,359	36,632,112	1,169,098	MADISON	31	46,854,259	32,767,051	1,514,156
ATHENS	24	23,537,198	18,234,055	694,504	MAHONING	173	213,002,706	165,796,756	7,290,567
AUGLAIZE	59	45,498,048	41,932,459	1,467,078	MARION	40	32,832,356	30,090,167	1,106,239
BELMONT	47	42,495,450	39,035,974	1,599,823	MEDINA	89	84,258,556	73,115,713	2,909,359
BROWN	28	30,035,937	23,798,176	965,585	MEIGS	15	13,252,626	11,399,801	431,808
BUTLER	199	231,305,313	200,579,073	9,117,677	MERCER	36	29,730,612	26,540,755	958,174
CARROLL	15	13,112,368	12,338,068	488,336	MIAMI	68	92,340,397	74,726,097	3,555,778
CHAMPAIGN	22	19,219,957	16,852,999	634,340	MONROE	4	5,040,206	3,412,719	152,178
CLARK	75	68,444,850	59,414,209	2,311,264	MONTGOMERY	423	527,791,028	415,510,174	18,568,407
CLERMONT	74	73,633,006	65,476,380	2,731,727	MORGAN	4	1,874,692	1,763,598	24,691
CLINTON	31	30,932,494	28,068,368	1,203,710	MORROW	23	16,751,723	15,562,049	514,643
COLUMBIANA	52	52,702,885	46,604,374	1,987,135	MUSKINGUM	57	66,160,545	57,762,076	2,613,775
COSHOCTON	21	18,734,919	16,348,080	619,405	NOBLE	8	4,780,165	4,490,083	116,645
CRAWFORD	46	37,727,036	33,849,703	1,216,898	OTTAWA	66	63,394,661	53,313,240	2,078,403
CUYAHOGA	1,057	1,792,345,760	1,225,790,997	59,732,795	PAULDING	11	14,101,543	12,445,869	596,301
DARKE	49	39,730,068	36,907,829	1,362,704	PERRY	16	12,193,350	11,290,651	390,970
DEFIANCE	32	47,552,124	22,643,522	786,401	PICKAWAY	24	20,822,155	17,520,356	627,607
DELAWARE	72	192,711,408	169,325,872	10,069,246	PIKE	15	9,444,818	8,257,153	234,513
ERIE	61	70,196,016	58,060,513	2,555,791	PORTAGE	63	59,292,233	49,684,977	1,984,518
FAIRFIELD	88	98,038,094	85,027,740	3,755,238	PREBLE	32	28,883,677	24,491,952	918,938
FAYETTE	19	15,704,050	14,597,500	547,163	PUTNAM	25	18,262,759	17,230,726	582,106
FRANKLIN	641	945,801,361	698,475,768	33,021,733	RICHLAND	73	102,004,752	81,288,825	3,856,818
FULTON	43	34,378,066	31,368,437	1,117,246	ROSS	26	27,852,884	26,385,224	1,196,491
GALLIA	15	20,921,783	13,082,069	563,165	SANDUSKY	61	55,507,480	46,882,248	1,761,947
GEAUGA	73	114,727,457	82,482,902	3,949,820	SCIOTO	30	35,227,718	21,670,332	830,771
GREENE	110	122,318,187	104,070,452	4,530,241	SENECA	55	61,883,738	52,671,662	2,322,312
GUERNSEY	13	14,977,965	12,033,946	517,511	SHELBY	43	44,936,909	40,931,248	1,809,496
HAMILTON	916	2,024,880,883	1,214,754,088	62,380,447	STARK	224	220,854,409	202,784,258	8,710,363
HANCOCK	62	81,736,894	49,139,476	1,893,536	SUMMIT	404	496,232,804	349,910,159	14,639,345
HARDIN	20	16,572,317	15,255,436	567,474	TRUMBULL	122	196,156,389	101,448,573	4,115,671
HARRISON	10	5,018,631	4,675,851	79,983	TUSCARAWAS	61	46,796,840	39,255,125	1,248,547
HENRY	37	36,036,688	34,100,805	1,463,723	UNION	13	14,736,195	11,960,123	511,091
HIGHLAND	25	21,849,791	19,735,030	779,956	VAN WERT	34	31,813,140	28,495,050	1,160,666
HOCKING	13	12,831,607	11,091,714	451,874	VINTON	3	4,916,973	4,387,563	232,707
HOLMES	16	13,291,573	12,485,893	474,765	WARREN	99	94,104,911	78,307,366	3,027,791
HURON	28	16,797,954	15,722,376	449,104	WASHINGTON	44	32,033,356	30,520,123	1,037,512
JACKSON	8	5,193,417	3,864,368	92,417	WAYNE	85	81,115,147	71,355,118	2,880,563
JEFFERSON	41	38,176,827	27,929,067	970,225	WILLIAMS	31	28,019,839	23,796,455	895,009
KNOX	36	32,771,498	27,837,744	1,047,414	WOOD	100	137,846,053	120,642,272	5,942,535
LAKE	177	182,988,174	143,115,245	5,694,824	WYANDOT	20	21,692,297	15,553,576	589,421
LAWRENCE	18	20,273,703	18,169,161	821,699					
LICKING	101	105,432,665	87,404,648	3,635,549	<b>TOTAL</b>	<b>7,911</b>	<b>\$10,735,322,110</b>	<b>\$7,899,096,587</b>	<b>\$357,387,451</b>

<sup>1</sup> Statistics are derived from returns on which audits were completed and final certificates were issued in fiscal year 2008. 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 2008, the tax generated close to \$10.7 million in revenue (on \$352.4 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. 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. An additional tax on pari-mutuel wagering is also levied for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

The Department of Taxation has administered the horse racing tax since 1953.

## Taxpayer

(Ohio Revised Code 3769.08)

The tax is paid by holders of racing permits issued by the Ohio State Racing Commission.

## Tax Base

(R.C. 3769.08, 3769.28, 3769.087)

The base of the tax includes the:

- 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)

The tax rates on daily pari-mutuel wagering rates are as follows:

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 3.5 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)

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

Revenue from the additional pari-mutuel wagering tax is distributed to the municipal corporation or township in which racing takes place. It 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 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, at their facilities, conduct televised simulcasts of horse races at other facilities in or outside of Ohio and conduct taxable pari-mutuel wagering on these races.

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

Off-track betting on races simulcast 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 Ohio PASSPORT Fund – established to pay for home health care and other senior citizen services – receives 25 percent of all gross tax revenue from pari-mutuel and exotic wagering, plus all tax revenue from off-track betting parlors.

The Ohio State Racing Commission’s Operating Fund receives the final 0.5 point of the 3.5 percent tax on exotic wagering.

Other distributions are made by the Tax Commissioner as shown in the following table:

Recipient	Source of Receipts	Share of Receipts
Ohio Fairs Fund	Wagering on thoroughbred, harness and quarter horse races.	0.50 percent of total pari-mutuel wagering plus 8.3 percent of the base 3 percentage points of tax on exotic wagering.
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.51 percent <sup>1</sup> on harness races.

Recipient	Source of Receipts	Share of Receipts
Ohio Standard-bred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

Note: The revenue that remains from each racing day after distribution to the Ohio PASSPORT Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in the table above, even after the exotic wagering revenue not allocated in the table is used to meet the targeted percentages of pari-mutuel wagering. In such cases, contributions to each fund are prorated on a proportional basis.

## Administration

The Department of Taxation administers the taxes 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.

<sup>1</sup> This percentage changes each year based on a calculation performed at the end of each calendar year.

## Chart

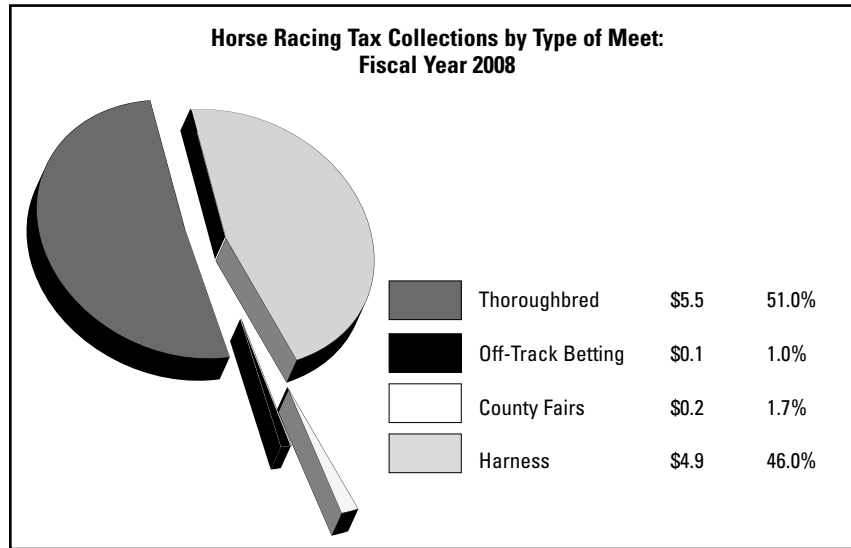


Table 1

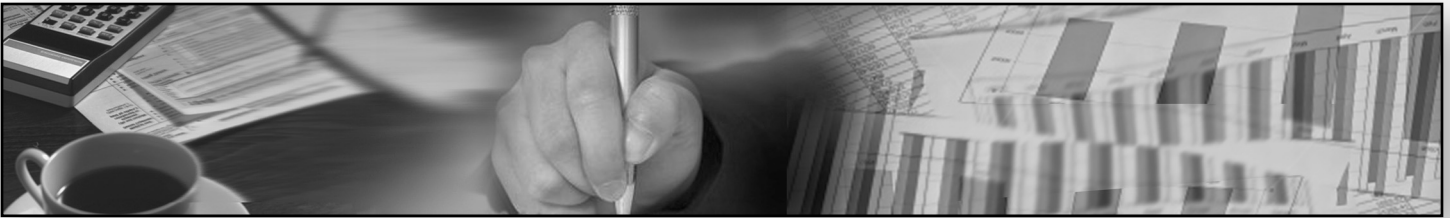
<b>Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2004 - 2008</b>						
<b>Pari-Mutuel Wagering</b>						
<b>Fiscal Year</b>	<b>Thoroughbred Racing</b>	<b>Commercial Harness Racing</b>	<b>Agricultural Societies Racing</b>	<b>Quarter Horse Racing</b>	<b>Off-Track Parlors</b>	<b>Total</b>
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
2008	\$187,046,366	\$155,672,065	\$4,474,105	\$227,002	\$4,947,766	\$352,367,304
<b>Pari-Mutuel Wagering Net Tax Receipts</b>						
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
2008	\$5,466,122	\$4,926,721	\$191,559	\$5,971	\$112,870	\$10,703,243

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2008						
	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
<b>Number of Meets</b>	1,027	1,316	155	10		2,508
Total Pari-Mutual Wagering	\$187,046,366	\$155,672,065	\$4,474,105	\$227,002	\$4,947,766	\$352,367,304
Exotic Wagering <sup>1</sup>	\$128,784,675	\$113,639,724	\$2,670,336	\$156,867	\$3,570,449	\$248,822,051
<b>Total Tax Levied</b>	<b>\$9,188,130</b>	<b>\$5,653,232</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$15,151,762</b>
Less Tax Abatements:						
Capital Improvement						\$0
Major Capital	\$3,722,008	\$726,511				\$4,448,519
<b>Net Tax Collected</b>	<b>\$5,466,122</b>	<b>\$4,926,721</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$10,703,243</b>
Deferred Abatement <sup>2</sup>	\$207,996	\$94,904				\$302,900
<b>Distribution of Receipts:</b>						
Agricultural	\$1,258	\$2,897	\$101,096			\$105,251
Standardbred Devel. Fund		\$1,281,378	\$34,496			\$1,315,874
Quarter Horse Special Acct.	\$0		\$39	\$1,317		\$1,356
Ohio Fairs Fund	\$862,139	\$668,334	\$29,047	\$1,111		\$1,560,631
Thoroughbred Special Acct.	\$1,663,769	\$534,535	\$176			\$2,198,480
Operating Fund	\$1,410,625	\$1,173,760	\$26,705	\$1,768		\$2,612,858
Passport Fund	\$1,528,331	\$1,265,817		\$1,775	\$112,870	\$2,908,793
<b>Total Amount</b>	<b>\$5,466,122</b>	<b>\$4,926,721</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$10,703,243</b>

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 – Ohio

Ohio's individual income tax can be traced back to 1912, when voters approved a constitutional amendment specifically 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 2008, total net collections exceeded \$9.8 billion. Of that amount, close to \$9.1 billion was directed to the General Revenue Fund, where it represents about 46.9 percent of general fund tax revenue.

Rates are currently being reduced as part of a five-year across-the-board reduction enacted by the General Assembly in 2005. Starting with the 2009 taxable year, rates will be 21 percent lower than they were in 2004.

During the 2008 taxable year, the income tax included nine brackets ranging from 0.618 percent on the first \$5,000 of taxable income to 6.24 percent on taxable income in excess of \$200,000. Individual taxpayers whose Ohio taxable income is less than or equal to \$10,000 are effectively exempt from the tax since they receive a full credit against the tax otherwise due.

This chapter includes twelve tables presenting information compiled from 2006 Ohio individual income tax returns (filed in 2007). The data shows that more than 5.3 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately \$339.4 billion. Approximately 1.3 million returns indicated no tax liability.

## 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.

Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

## 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.

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

1. Calculate **Ohio adjusted gross income** by applying Ohio additions and deductions to federal adjusted gross income, as reported on the federal Form 1040.
2. Calculate **Ohio taxable income** by subtracting personal and dependent exemptions from Ohio adjusted gross income. For 2008, each taxpayer received a personal exemption, and an exemption for each dependent, of \$1,500.
3. Apply tax rates to Ohio taxable income to calculate **gross tax liability**.
4. Calculate **net tax liability** by subtracting credits and grants from gross tax liability.

## Rates

(R.C. 5747.02)

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

The individual Ohio income tax rates for taxable year **2008** are shown below:

Taxable Income	Tax
Over But Not Over	
0 - \$5,000	0.618%
\$5,001 - 10,000	\$30.90, plus 1.236% of excess over \$5,000
10,001 - 15,000	\$92.70, plus 2.473% of excess over \$10,000
15,001 - 20,000	\$216.35, plus 3.091% of excess over \$15,000
20,001 - 40,000	\$370.90, plus 3.708% of excess over \$20,000
40,001 - 80,000	\$1,112.50, plus 4.327% of excess over \$40,000
80,001 - 100,000	\$2,843.30, plus 4.945% of excess over \$80,000
100,001 - 200,000	\$3,832.30, plus 5.741% of excess over \$100,000
over \$200,000	\$9,573.30, plus 6.24% of excess over \$200,000

Beginning in 2010, the Tax Commissioner will annually adjust each bracket for inflation each July, per R.C. 5747.02(A). Rates will not change as part of this adjustment. Division (B) of this same code section allows for rates to be temporarily adjusted downward in any year that the director of the Office



of Budget and Management certifies that a surplus exists in the Ohio Budget Stabilization (or "Rainy Day") Fund.

## 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

Major additions for individuals, to the extent not already included in FAGI, include:

- 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 Internal Revenue Code (I.R.C) sections 168(k) and 179.

### Major deductions for individuals

Major deductions for individuals, to the extent not excluded from FAGI, include:

- 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 2008 a \$1,500 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

All individual filers may claim a \$20 credit for each personal exemption claimed on their return. This credit is known as the Personal and Dependent Exemption Credit. A number of other credits are also available. They include, in alphabetical order:

**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.

**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.

**Displaced Worker 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.

**Joint Filing Credit** (R.C. 5747.05(G)(1)) – A husband and wife who file as "married filing jointly" 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 are claimed other than the resident, nonresident, part-year resident, and business credits.

**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.

**Lump Sum Distribution Credit** (R.C. 5747.05(D)) – Individual taxpayers 65 years of age or older 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. Taxpayers who claim this credit are barred from claiming future senior citizen credits.

**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. Taxpay-

ers who claim this credit may not claim a retirement income credit in future tax years unless this credit exceeds their tax due. If the credit exceeds their tax due that year, they may receive a reduced credit in subsequent tax years. A taxpayer may claim a credit in a future tax year if they receive another pension, retirement, or profit-sharing lump-sum distribution in one taxable year.

**Nonresident Credit** (R.C. 5747.05(A)) – Nonresidents 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.

**Political Contributions Credit** (R.C. 5747.29) – Individual and estate taxpayers may claim a credit for contributions made to the 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.

**Resident Credit** (R.C. 5747.05(B)) – Resident individuals and resident estates 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.

**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 per return if the taxpayer was 65 years of age on or before Dec. 31 of the taxable year. Estates may claim the credit if the decedent was 65 years or older at the date of death.

#### 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. 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 an Ohio income tax return if:

- the taxpayer was a full-year resident of one of the five listed states for the taxable year, 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 and revised in July 2008.

## Filing and Payment Dates

(R.C. 5747.07-5747.09)

### For Individuals, Estates and Trusts

**Annual return** – 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.

**Quarterly payments** – 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.

**Electronic filing** – Generally speaking, tax return preparers who file more than 75 original income tax returns, reports, or other tax payment documents in a calendar year that begins on or after Jan. 1, 2008, must begin filing electronically on Jan. 1, 2010.

#### 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 2008, 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 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).

These distributions were structured by House Bill 66, the fiscal year 2006-07 main operating budget bill, which continued a freeze on local government funds that had been in place, in some form, since fiscal year 2002.

H.B. 119, the fiscal year 2008-09 operating budget bill enacted in 2007, maintained this freeze through the end of calendar year 2007 and revised the formula and the revenue accounting associated with the local government funds. Starting in January 2008, all income tax revenue has been 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

**House Bill 562 – Capital Appropriations, 127th General Assembly (effective date Sept. 23, 2008; certain provisions effective on other dates).**

**Electronic filing** – Generally speaking, tax return preparers who file more than 75 original income tax returns, reports, or other tax payment documents in a calendar year that begins on or after Jan. 1, 2008, must begin filing electronically on Jan. 1, 2010.

**Exemptions** – The act exempts from the income tax:

- grants received from the Military Injury Relief Fund.
- retired military personnel payments made to a surviving spouse or former spouse under the Survivor Benefit Plan.

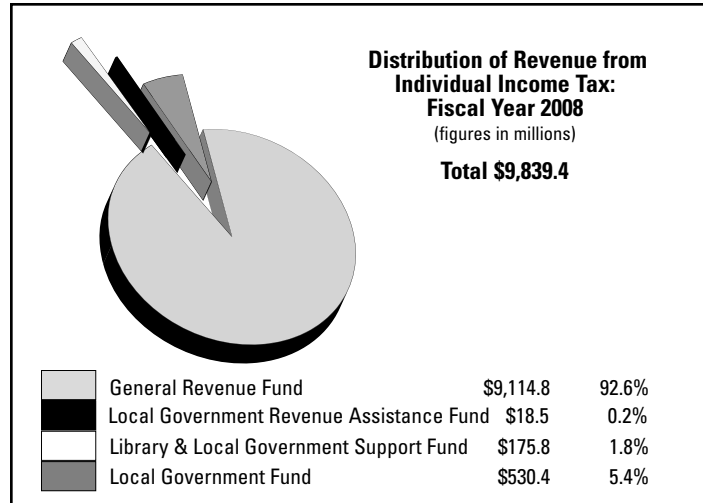
**House Bill 554, 127th General Assembly (effective June 12, 2008).**

**Historic Building Rehabilitation Tax Credit changes** – This bill revised the Historic Building Rehabilitation Tax Credit enacted by the 126th General Assembly's House Bill 149. Among the changes:

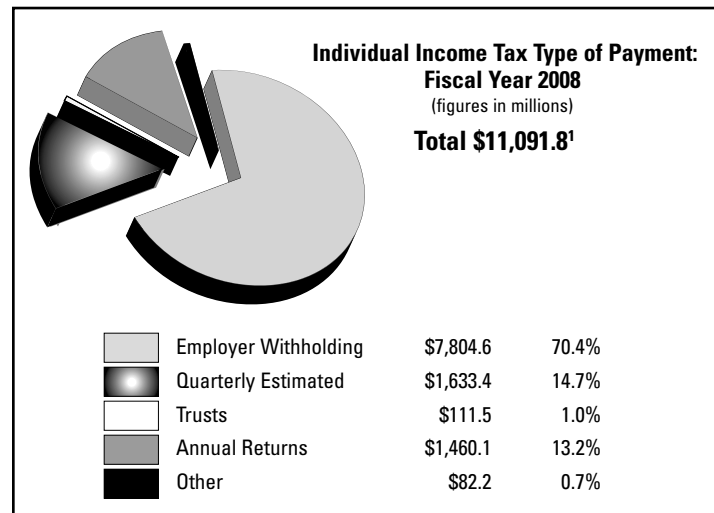
- **Extension of the Credit** – The credit was extended for two additional years (fiscal years 2010 and 2011) and the fiscal year 2009 application period was eliminated.
- **Maximum Credit** – Under the act, the maximum credit that may be claimed by each taxpayer (or entity) each year is \$5 million. This limit applies only to credits awarded under the two additional application periods, not to credits awarded for the first application period from July 2007 through June 2008.
- **Additional Awards Available** – The bill reserved \$45 million of each additional year's total new credit awards for credit applications previously filed but not approved. To qualify for the reserve, an applicant must have filed a completed application as of March 1, 2008, and not have since withdrawn the application.
- **Refundability Limited** – The act limited the amount of a credit that may be refunded if a taxpayer claims the tax credit against the income tax or dealers in intangibles tax. It also limits the refundability of newly authorized credits to \$3 million (less any credit applied to reduce first-year tax liability); originally authorized credits, and any new corporation franchise tax credits, remain fully refundable.



**Chart 1**



**Chart 2**



<sup>1</sup> Includes \$1,241.9 million refunded back to taxpayers.

Source: Department of Taxation

**Chart 3**

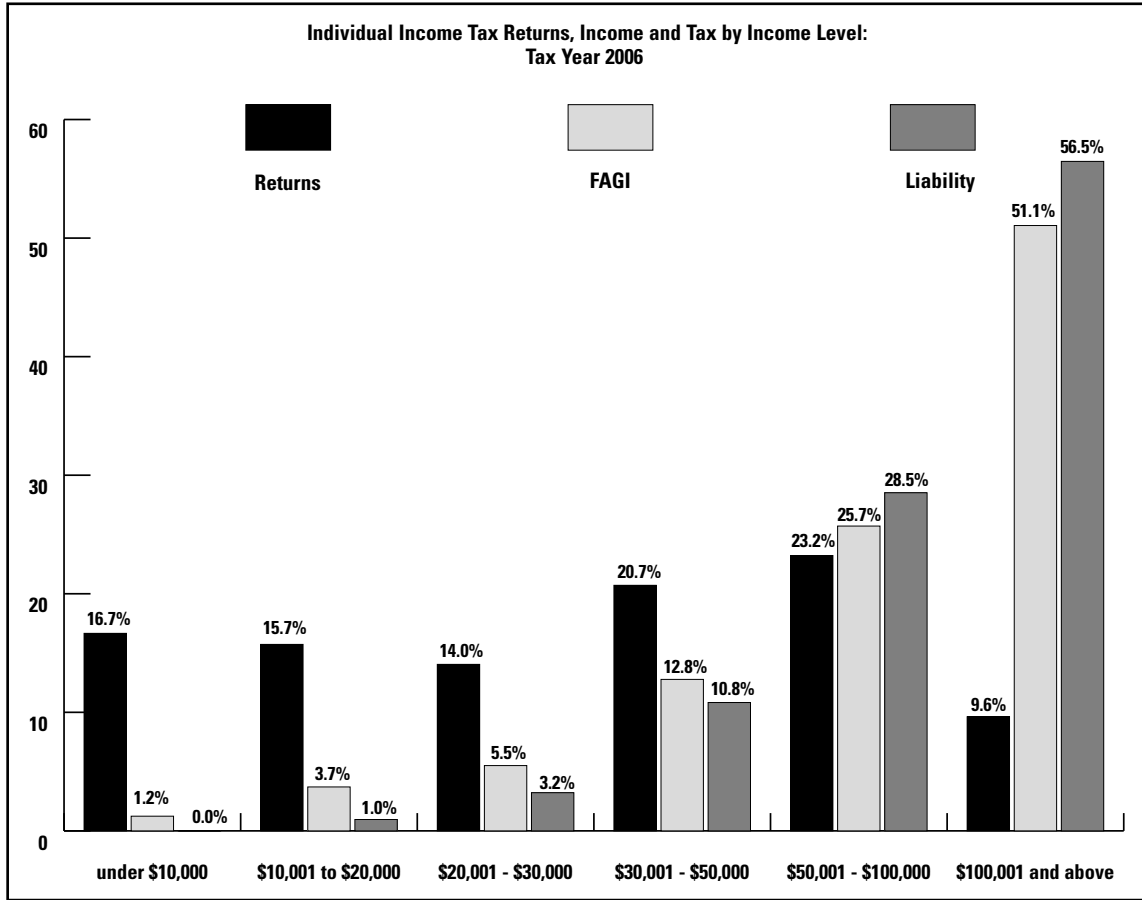


Table 1

2006 Ohio Individual Income Tax Returns, by Income Level <sup>1</sup>									
Income Level	Number of Returns	FAGI	OAGI	Reported Value of Personal Exemptions	Ohio Taxable Income	Tax Before Credits	Value of Joint Filer Credit	Total Income	Tax Liability <sup>2</sup>
Under \$5,000	442,855	\$865,831,672	\$1,172,097,538	\$767,495,369	\$542,298,534	\$4,246,351	\$2,523	\$259,010	
\$5,001 - 10,000	448,276	3,340,830,367	3,224,678,557	895,640,126	2,348,480,010	18,821,382	2,964	87,798	
10,001 - 15,000	426,571	5,328,512,670	5,105,946,397	967,559,696	4,151,259,532	47,161,545	37,422	21,022,911	
15,001 - 20,000	414,712	7,249,288,383	6,955,295,979	979,140,737	5,985,739,510	96,423,232	398,981	66,722,763	
20,001 - 25,000	388,861	8,736,192,443	8,387,166,935	950,998,842	7,443,752,905	151,357,028	1,331,017	119,735,547	
25,001 - 30,000	362,329	9,955,634,090	9,536,752,544	903,869,399	8,638,926,306	207,441,527	2,782,433	174,637,918	
30,001 - 35,000	330,313	10,722,054,882	10,243,094,976	840,945,182	9,407,276,312	251,118,496	3,964,076	218,175,817	
35,001 - 40,000	296,398	11,099,897,920	10,588,671,937	777,994,145	9,814,783,470	281,138,660	5,912,985	247,623,692	
40,001 - 45,000	256,999	10,906,011,002	10,379,088,706	711,576,681	9,670,551,710	291,987,067	8,334,450	258,562,089	
45,001 - 50,000	224,125	10,637,071,034	10,093,661,647	657,941,310	9,438,665,510	300,468,550	11,194,160	265,403,506	
50,001 - 55,000	196,819	10,324,431,028	9,773,963,624	608,925,602	9,167,468,684	304,772,012	13,151,004	268,748,677	
55,001 - 60,000	175,396	10,076,767,952	9,536,281,876	563,747,802	8,974,808,543	309,694,522	12,345,514	275,333,416	
60,001 - 65,000	156,387	9,767,302,260	9,251,691,077	523,329,470	8,730,197,100	310,525,810	13,672,741	275,854,305	
65,001 - 70,000	141,088	9,516,785,209	9,018,287,554	490,674,640	8,529,328,515	311,214,470	15,291,854	275,587,151	
70,001 - 75,000	127,115	9,209,217,310	8,738,597,681	456,481,102	8,283,662,825	308,841,244	16,714,880	272,695,422	
75,001 - 80,000	113,801	8,814,476,276	8,388,499,601	419,291,200	7,970,541,834	303,019,670	16,276,036	268,021,595	
80,001 - 85,000	100,401	8,277,069,878	7,895,479,954	378,478,800	7,517,234,872	290,382,732	10,776,658	261,989,905	
85,001 - 90,000	88,209	7,713,406,305	7,375,948,372	340,363,800	7,035,707,078	277,158,333	9,469,370	251,074,722	
90,001 - 95,000	76,580	7,079,341,414	6,794,126,485	301,287,012	6,491,880,750	261,027,625	8,927,369	236,576,097	
95,001 - 100,000	66,509	6,480,393,024	6,227,850,638	266,699,282	5,961,755,229	244,150,077	8,367,504	221,457,861	
100,001 - 125,000	203,457	22,541,120,504	21,685,850,878	825,186,120	20,861,683,921	1,010,388,498	30,503,461	810,622,852	
125,001 - 150,000	94,676	12,902,804,308	12,444,813,301	388,156,502	12,057,359,571	564,642,060	18,751,075	503,432,622	
150,001 - 175,000	53,825	8,692,024,250	8,408,626,159	219,777,600	8,189,243,659	405,054,932	12,960,352	356,592,196	
175,001 - 200,000	34,041	6,353,078,171	6,167,940,214	139,367,400	6,026,766,022	310,116,636	9,626,182	269,274,498	
200,001 - 250,000	39,166	8,696,606,260	8,462,753,822	161,252,000	8,301,441,463	445,867,108	13,264,676	383,839,727	
250,001 - 300,000	21,043	5,741,218,072	5,606,430,866	87,346,000	5,521,636,824	312,248,330	7,578,962	263,175,866	
300,001 - 350,000	12,783	4,131,951,487	4,046,167,612	53,758,600	3,992,196,591	233,520,680	4,451,441	192,435,711	
350,001 - 400,000	8,897	3,324,639,652	3,264,398,769	36,892,800	3,227,545,605	193,400,175	2,979,748	156,283,653	
400,001 - 450,000	6,439	2,729,459,388	2,683,378,792	26,726,000	2,656,666,652	162,566,443	2,124,847	128,166,110	
450,001 - 500,000	5,244	2,486,593,711	2,442,498,273	21,736,200	2,421,252,623	149,774,220	1,680,073	118,965,578	
500,001 - 750,000	14,017	8,476,286,280	8,357,739,868	58,164,400	8,299,068,936	526,566,591	4,391,531	394,731,413	
750,001 - 1,000,000	5,865	5,045,468,334	4,986,415,568	23,972,200	4,962,458,781	323,156,950	1,755,212	218,921,982	
1,000,001 - 1,500,000	5,425	6,576,530,147	6,491,418,579	21,910,750	6,469,550,820	427,808,640	1,513,850	253,220,374	
1,500,001 - 2,000,000	2,530	4,359,667,596	4,304,758,605	9,774,800	4,295,479,811	286,309,417	663,662	152,101,340	
2,000,001 - 3,000,000	2,522	6,142,698,321	6,073,853,407	9,906,400	6,063,955,406	407,615,545	593,403	182,846,095	
3,000,001 - 4,000,000	1,302	4,500,748,953	4,441,969,466	5,049,800	4,436,949,666	299,693,744	299,139	117,524,496	
4,000,001 - 5,000,000	809	3,626,430,214	3,594,042,052	3,192,000	3,590,857,061	243,560,678	159,250	87,805,147	
5,000,001 - 10,000,000	1,613	11,255,841,540	11,118,396,984	6,165,600	11,112,231,389	756,123,548	329,192	203,703,606	
Over \$10,000,000	1,331	45,705,281,065	44,782,294,429	5,346,600	44,765,780,731	3,270,306,294	237,251	368,714,530	
<b>Total</b>	<b>5,348,729</b>	<b>\$339,388,963,374</b>	<b>\$328,050,929,725</b>	<b>\$14,906,121,969</b>	<b>\$313,356,444,763</b>	<b>\$14,899,670,823</b>	<b>\$272,817,250</b>	<b>\$9,141,927,994</b>	

1 As reported on returns due April 15, 2006.

2 This represents tax liability after all tax credits. Although 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 \$5.2 billion.

**Table 2**

Comparison of 2005 and 2006 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	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Under \$5,000	457,382	442,855	\$1,101,507,420	\$865,831,672	\$600,311,899	\$542,298,534	\$3,553	\$2,523	\$428,203	\$259,010
\$5,001 - \$10,000	461,227	448,276	3,438,492,073	3,340,830,367	2,439,452,753	2,348,480,010	1,561	2,964	95,256	87,798
\$10,001 - \$15,000	439,075	426,571	5,483,742,812	5,328,512,670	4,303,703,778	4,151,259,532	51,667	37,422	23,232,405	21,022,911
\$15,001 - \$20,000	428,502	414,712	7,490,482,392	7,249,288,383	6,207,960,512	5,985,739,510	493,708	398,981	72,879,850	66,722,763
\$20,001 - \$40,000	1,405,171	1,377,901	41,270,799,036	40,513,779,336	36,112,609,518	35,304,738,992	16,290,525	13,990,511	819,165,290	760,172,973
\$40,001 - \$80,000	1,376,246	1,391,730	78,209,002,216	79,252,062,072	70,143,889,065	70,765,224,722	116,839,937	106,980,640	2,244,990,342	2,160,206,161
\$80,001 - \$100,000	311,267	331,699	27,700,569,088	29,550,210,621	25,417,634,494	27,006,577,929	37,762,213	37,540,901	957,477,672	971,098,585
\$100,001 - \$200,000	346,017	385,999	45,179,948,398	50,489,027,233	42,343,142,986	47,135,053,173	67,323,255	71,841,070	1,825,087,488	1,939,922,168
over \$200,000	115,967	128,986	114,117,796,294	122,799,421,020	112,187,496,008	120,117,072,359	47,117,231	42,022,238	2,983,772,916	3,222,435,626
<b>Total</b>	<b>5,340,854</b>	<b>5,348,729</b>	<b>\$323,992,339,729</b>	<b>\$339,388,963,374</b>	<b>\$299,756,201,012</b>	<b>\$313,356,444,763</b>	<b>\$285,883,651</b>	<b>\$272,817,250</b>	<b>\$8,937,129,422</b>	<b>\$9,141,927,994</b>

**Table 3**

Comparison of 2005 and 2006 Individual Income Tax Returns with Tax Liability					
Income Level	Number of Returns with Tax Liability		Ohio Income Tax		Ohio Income Tax Liability
	2005	2006	2005	2006	
Under \$5,000	979	788	\$428,203	\$259,010	\$259,010
\$5,001 - \$10,000	865	833	95,256	87,798	87,798
\$10,001 - \$15,000	188,982	181,364	23,232,405	21,022,911	21,022,911
\$15,001 - \$20,000	352,126	337,569	72,879,850	66,722,763	66,722,763
\$20,001 - \$40,000	1,355,931	1,326,705	819,165,290	760,172,973	760,172,973
\$40,001 - \$80,000	1,354,978	1,370,009	2,244,990,342	2,160,206,161	2,160,206,161
\$80,001 - \$100,000	307,302	327,486	957,477,672	971,098,585	971,098,585
\$100,001 - \$200,000	340,607	379,860	1,825,087,488	1,939,922,168	1,939,922,168
over \$200,000	111,077	123,488	2,983,772,916	3,222,435,626	3,222,435,626
<b>Total</b>	<b>4,012,847</b>	<b>4,048,102</b>	<b>\$8,937,129,422</b>	<b>\$9,141,927,994</b>	<b>\$9,141,927,994</b>

**Table 4**

2006 Ohio Individual Income Tax Returns for All Filing Status Categories						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate <sup>1</sup>
Under \$5,000	442,855	\$865,831,672	\$542,298,534	\$2,523	\$259,010	0.03%
\$5,001 - \$10,000	448,276	3,340,830,367	2,348,480,010	2,964	87,798	0.00%
\$10,001 - \$15,000	426,571	5,328,512,670	4,151,259,532	37,422	21,022,911	0.39%
\$15,001 - \$20,000	414,712	7,249,288,383	5,985,739,510	398,981	66,722,763	0.92%
\$20,001 - \$40,000	1,377,901	40,513,779,336	35,304,738,992	13,990,511	760,172,973	1.88%
\$40,001 - \$80,000	1,391,730	79,252,062,072	70,765,224,722	106,980,640	2,160,206,161	2.73%
\$80,001 - \$100,000	331,699	29,550,210,621	27,006,577,929	37,540,901	971,098,585	3.29%
\$100,001 - \$200,000	385,999	50,489,027,233	47,135,053,173	71,841,070	1,939,922,168	3.84%
over \$200,000	128,986	122,799,421,020	120,117,072,359	42,022,238	3,222,435,626	2.62%
<b>Total</b>	<b>5,348,729</b>	<b>\$339,388,963,374</b>	<b>\$313,356,444,763</b>	<b>\$272,817,250</b>	<b>\$9,141,927,994</b>	<b>2.69%</b>

<sup>1</sup> 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**

2006 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status					
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate <sup>1</sup>
Under \$5,000	19,548	-\$257,108,276	\$13,571,686	\$154,648	-0.06%
\$5,001 - \$10,000	36,034	278,653,740	118,790,519	30,004	0.01%
\$10,001 - \$15,000	59,951	758,715,015	463,624,306	515,758	0.07%
\$15,001 - \$20,000	79,527	1,396,563,906	988,312,198	4,669,272	0.33%
\$20,001 - \$40,000	340,415	10,281,123,150	8,108,786,420	136,645,781	1.33%
\$40,001 - \$80,000	731,902	43,737,342,550	38,022,222,221	1,109,984,187	2.54%
\$80,001 - \$100,000	262,691	23,439,879,059	21,288,470,783	757,217,331	3.23%
\$100,001 - \$200,000	322,919	42,292,512,395	39,417,791,901	1,613,933,914	3.82%
over \$200,000	108,916	100,598,003,303	98,317,438,484	2,701,096,987	2.69%
<b>Total</b>	<b>1,961,903</b>	<b>\$222,525,684,842</b>	<b>\$206,739,008,519</b>	<b>\$6,324,247,881</b>	<b>2.84%</b>

<sup>1</sup> 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**

2006 Ohio Individual Income Tax Returns Claiming Single Filing Status					
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate <sup>1</sup>
Under \$5,000	417,994	\$1,112,518,646	\$522,058,562	\$93,288	0.01%
\$5,001 - \$10,000	404,681	3,004,285,301	2,187,606,728	51,499	0.00%
\$10,001 - \$15,000	353,690	4,404,567,101	3,550,301,314	19,449,164	0.44%
\$15,001 - \$20,000	310,759	5,420,715,003	4,619,341,264	56,597,953	1.04%
\$20,001 - \$40,000	868,517	25,043,179,323	22,472,835,435	508,086,012	2.03%
\$40,001 - \$80,000	490,576	26,317,104,465	24,119,740,482	765,641,497	2.91%
\$80,001 - \$100,000	47,940	4,243,373,999	3,927,924,915	144,290,072	3.40%
\$100,001 - \$200,000	46,070	6,024,103,126	5,622,073,451	232,838,175	3.87%
over \$200,000	16,342	17,578,152,411	17,237,328,143	411,479,191	2.34%
<b>Total</b>	<b>2,956,569</b>	<b>\$93,147,999,374</b>	<b>\$84,259,210,294</b>	<b>\$2,138,526,851</b>	<b>2.30%</b>

<sup>1</sup> 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**

2006 Ohio Individual Income Tax Returns Claiming Married Filing Separate Status						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate <sup>1</sup>	
Under \$5,000	5,313	\$10,421,302	\$6,668,286	\$11,074	0.11%	
\$5,001 - \$10,000	7,561	57,891,326	42,082,763	6,295	0.01%	
\$10,001 - \$15,000	12,930	165,230,555	137,333,913	1,057,989	0.64%	
\$15,001 - \$20,000	24,426	432,009,474	378,086,048	5,455,538	1.26%	
\$20,001 - \$40,000	168,969	5,189,476,863	4,723,117,137	115,441,181	2.22%	
\$40,001 - \$80,000	169,253	9,197,659,982	8,623,305,544	284,581,850	3.09%	
\$80,001 - \$100,000	21,068	1,866,957,563	1,790,182,231	69,591,181	3.73%	
\$100,001 - \$200,000	17,010	2,172,411,712	2,095,187,821	93,150,079	4.29%	
over \$200,000	3,727	4,578,340,526	4,517,382,352	106,776,432	2.33%	
	<b>430,257</b>	<b>\$23,670,399,302</b>	<b>\$22,313,346,095</b>	<b>\$676,071,619</b>	<b>2.86%</b>	

<sup>1</sup> 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**

2006 Ohio Individual Income Tax Returns by Ohio Taxable Income Level					
Income Level	Number of Returns	\$20 Exemption Credit	Joint Filer Credit <sup>1</sup>	Ohio Income Tax	
Under \$5,000	442,855	\$10,961,882	\$2,523	\$259,010	
\$5,001 - \$10,000	448,276	12,794,161	2,964	87,798	
\$10,001 - \$15,000	426,571	13,821,698	37,422	21,022,911	
\$15,001 - \$20,000	414,712	13,988,323	398,981	66,722,763	
\$20,001 - \$40,000	1,377,901	49,625,859	13,990,511	760,172,973	
\$40,001 - \$80,000	1,391,730	63,313,785	106,980,640	2,160,206,161	
\$80,001 - \$100,000	331,699	18,383,214	37,540,901	971,098,585	
\$100,001 - \$200,000	385,999	22,464,118	71,841,070	1,939,922,168	
over \$200,000	128,986	7,588,165	42,022,238	3,222,435,626	
<b>Total</b>	<b>5,348,729</b>	<b>\$212,941,205</b>	<b>\$272,817,250</b>	<b>\$9,141,927,994</b>	

<sup>1</sup> Differs from other tables due to methodology of computation.

**Table 9**

2006 Ohio Individual Income Tax Returns Claiming the Joint Filer Credit, by Income Level						
Income Level	Number of Returns <sup>1</sup>	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate	
Under \$5,000	42	-\$815,142	\$897,066.0	\$24,649.0	-3.02%	
\$5,001 - \$10,000	60	475,038	744,268	14,855	3.13%	
\$10,001 - \$15,000	2,351	33,064,042	26,188,514	146,642	0.44%	
\$15,001 - \$20,000	16,000	286,027,697	221,538,625	1,563,326	0.55%	
\$20,001 - \$40,000	167,026	5,197,959,251	4,280,021,506	70,043,310	1.35%	
\$40,001 - \$80,000	536,271	32,506,992,359	28,837,253,375	832,279,261	2.56%	
\$80,001 - \$100,000	216,048	19,285,941,488	17,759,207,672	631,824,728	3.28%	
\$100,001 - \$200,000	258,005	33,563,517,902	31,587,677,092	1,292,821,834	3.85%	
over \$200,000	67,852	47,486,799,362	46,501,751,029	1,562,827,472	3.29%	
	<b>1,263,655</b>	<b>\$138,359,961,997</b>	<b>\$129,215,279,147</b>	<b>\$4,391,546,075</b>	<b>3.17%</b>	

<sup>1</sup> Differs from other tables due to methodology of computation.

**Table 10**

2006 Ohio Individual Income Tax Returns Claiming the Senior Citizen Credit, by Income Level						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Senior Citizen Credit	Retirement Income Credit <sup>1</sup>	Ohio Income Tax
Under \$5,000	22,012	\$1,197,854	\$18,911,863	\$1,100,008	\$719,556	\$3,549
\$5,001 - \$10,000	46,245	360,640,223	220,190,212	2,311,352	3,780,999	16,292
\$10,001 - \$15,000	75,590	951,450,867	679,128,589	3,778,682	9,562,349	490,797
\$15,001 - \$20,000	76,006	1,324,433,629	993,151,373	3,799,627	10,912,485	2,437,286
\$20,001 - \$40,000	186,142	5,384,672,236	3,937,269,154	9,304,853	28,444,083	46,386,518
\$40,001 - \$80,000	173,771	9,910,942,957	7,057,913,301	8,686,815	26,805,793	172,224,067
\$80,001 - \$100,000	38,750	3,443,146,666	2,598,397,658	1,936,949	5,863,016	82,714,150
\$100,001 - \$200,000	48,974	6,498,848,828	5,320,229,286	2,448,250	7,041,338	207,183,759
over \$200,000	21,667	28,419,393,443	27,559,159,182	1,083,206	2,531,921	590,960,155
	<b>689,157</b>	<b>\$56,294,726,703</b>	<b>\$48,384,350,617</b>	<b>\$34,449,742</b>	<b>\$95,661,540</b>	<b>\$1,102,416,572</b>

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

Table 11

2006 Ohio Individual Income Tax Returns: By County							
County	Number of Returns	FAGI	Ohio Income Tax	County	Number of Returns	FAGI	Ohio Income Tax
ADAMS	11,828	\$412,847,524	\$10,188,520	LORAIN	137,253	\$6,698,439,682	\$212,667,866
ALLEN	48,542	2,163,160,369	66,871,636	LUCAS	193,523	9,692,009,570	325,449,924
ASHLAND	23,891	1,000,215,290	27,933,070	MADISON	17,952	927,045,524	26,647,501
ASHTABULA	44,714	1,695,035,036	45,191,664	MAHONING	108,030	4,930,984,110	155,047,154
ATHENS	22,177	863,308,774	24,464,741	MARION	27,671	1,126,152,489	31,715,388
AUGLAIZE	22,160	1,028,867,246	30,911,720	MEDINA	80,876	4,733,818,290	164,687,253
BELMONT	30,008	1,175,682,618	30,851,757	MEIGS	8,881	313,880,749	7,822,706
BROWN	18,791	718,149,203	18,868,574	MERCER	20,228	854,358,954	24,654,468
BUTLER	160,052	8,571,951,784	285,903,973	MIAMI	48,752	2,343,073,647	73,968,878
CARROLL	12,639	499,312,590	13,829,411	MONROE	6,330	213,825,340	5,135,252
CHAMPAIGN	17,404	752,762,039	21,669,044	MONTGOMERY	244,690	12,277,059,806	403,229,536
CLARK	62,049	2,634,542,896	76,536,259	MORGAN	5,948	208,314,211	4,530,745
CLERMONT	87,929	4,755,838,957	159,628,030	MORROW	13,782	558,953,640	15,552,503
CLINTON	20,058	940,145,159	26,111,372	MUSKINGUM	38,181	1,497,149,966	42,933,679
COLUMBIANA	46,877	1,823,925,943	49,939,623	NOBLE	5,222	181,578,770	4,628,713
COSHOCTON	15,939	582,309,872	14,886,099	OTTAWA	20,904	999,540,952	30,666,837
CRAWFORD	21,328	780,927,112	20,226,629	PAULDING	9,021	368,828,513	10,194,557
CUYAHOGA	593,646	32,618,761,462	1,155,223,207	PERRY	14,408	526,606,728	13,880,813
DARKE	25,018	1,002,911,582	28,133,841	PICKAWAY	22,612	1,012,312,650	29,643,760
DEFIANCE	18,862	838,202,972	24,680,380	PIKE	11,504	412,598,590	10,476,049
DELAWARE	72,922	6,534,566,651	273,822,156	PORTAGE	70,772	3,456,128,491	111,617,140
ERIE	37,464	1,811,678,821	59,210,530	PREBLE	18,507	885,347,435	28,310,314
FAIRFIELD	62,820	3,228,414,387	103,646,218	PUTNAM	16,858	753,922,912	22,425,584
FAYETTE	12,991	491,313,774	13,323,309	RICHLAND	56,479	2,378,231,803	69,212,392
FRANKLIN	523,339	28,274,860,423	986,931,588	ROSS	31,957	1,297,348,559	36,887,206
FULTON	20,843	918,241,629	26,340,887	SANDUSKY	30,085	1,194,409,098	32,934,132
GALLIA	12,114	490,791,647	14,370,552	SCIOTO	27,337	1,053,762,597	28,627,013
GEAUGA	44,627	3,428,157,603	138,571,830	SENECA	26,884	1,031,772,171	28,095,016
GREENE	70,578	4,004,240,448	133,939,063	SHELBY	23,738	1,070,843,714	33,600,723
GUERNSEY	17,499	617,358,604	16,188,177	STARK	174,688	8,065,377,918	254,780,893
HAMILTON	376,236	24,206,417,037	924,002,038	SUMMIT	251,588	13,577,638,623	471,742,762
HANCOCK	33,849	1,688,396,283	55,415,211	TRUMBULL	99,441	4,353,386,272	130,551,009
HARDIN	13,246	511,417,635	13,776,853	TUSCARAWAS	44,082	1,754,856,404	50,239,611
HARRISON	6,691	462,682,179	5,806,547	UNION	21,318	1,195,121,837	40,395,218
HENRY	13,780	595,046,227	17,068,542	VAN WERT	14,251	570,242,990	15,641,334
HIGHLAND	18,492	669,247,441	17,432,361	VINTON	4,767	171,786,186	4,433,871
HOCKING	12,011	441,236,745	11,493,038	WARREN	90,995	6,351,969,759	238,825,128
HOLMES	13,994	557,477,095	16,067,913	WASHINGTON	27,451	1,164,021,652	33,014,350
HURON	29,223	1,191,551,262	33,519,617	WAYNE	52,456	2,429,030,767	76,645,499
JACKSON	13,573	502,714,329	13,596,754	WILLIAMS	18,257	744,296,422	21,093,947
JEFFERSON	30,176	1,236,107,241	34,933,240	WOOD	56,897	3,049,526,207	102,810,512
KNOX	25,485	1,133,266,685	33,641,819	WYANDOT	10,924	422,867,627	11,759,144
LAKE	114,703	5,769,128,899	185,386,831				
LAWRENCE	24,940	948,463,060	25,327,314	<b>COUNTY TOTAL</b>	<b>5,207,356</b>	<b>\$266,006,206,699</b>	<b>\$8,866,889,266</b>
LICKING	74,240	3,618,021,007	115,037,082	<b>OTHER<sup>1</sup></b>	<b>141,373</b>	<b>\$73,382,756,675</b>	<b>\$275,038,729</b>
LOGAN	22,108	968,129,535	28,813,867	<b>STATE TOTAL</b>	<b>5,348,729</b>	<b>\$339,388,963,374</b>	<b>\$9,141,927,994</b>

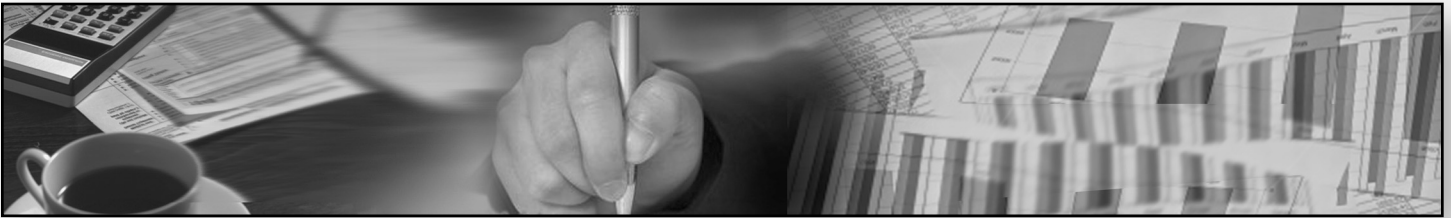
1 Includes non-resident returns.



Table 12

Rank of Counties by Average Income as Reported on 2006 Ohio Individual Income Tax Returns <sup>1</sup>							
County	FAGI	Percentage of State Average	Rank	County	FAGI	Percentage of State Average	Rank
ADAMS	\$34,904	55.02%	86	LOGAN	\$43,791	69.02%	40
ALLEN	44,563	70.24%	36	LORAIN	48,804	76.92%	22
ASHLAND	41,866	65.99%	48	LUCAS	50,082	78.94%	19
ASHTABULA	37,908	59.75%	73	MADISON	51,640	81.40%	15
ATHENS	38,928	61.36%	65	MAHONING	45,645	71.94%	32
AUGLAIZE	46,429	73.18%	29	MARION	40,698	64.15%	53
BELMONT	39,179	61.75%	64	MEDINA	58,532	92.26%	6
BROWN	38,218	60.24%	71	MEIGS	35,343	55.71%	83
BUTLER	53,557	84.42%	14	MERCER	42,236	66.57%	46
CARROLL	39,506	62.27%	62	MIAMI	48,061	75.75%	25
CHAMPAIGN	43,252	68.17%	42	MONROE	33,780	53.24%	88
CLARK	42,459	66.92%	44	MONTGOMERY	50,174	79.08%	18
CLERMONT	54,087	85.25%	10	MORGAN	35,023	55.20%	85
CLINTON	46,871	73.88%	28	MORROW	40,557	63.93%	55
COLUMBIANA	38,909	61.33%	66	MUSKINGUM	39,212	61.81%	63
COSHOCTON	36,534	57.58%	79	NOBLE	34,772	54.81%	87
CRAWFORD	36,615	57.71%	77	OTTAWA	47,816	75.37%	27
CUYAHOGA	54,946	86.61%	9	PAULDING	40,886	64.44%	50
DARKE	40,088	63.19%	57	PERRY	36,550	57.61%	78
DEFIANCE	44,439	70.04%	38	PICKAWAY	44,769	70.56%	34
DELAWARE	89,610	141.24%	1	PIKE	35,866	56.53%	82
ERIE	48,358	76.22%	24	PORTAGE	48,835	76.97%	21
FAIRFIELD	51,392	81.00%	16	PREBLE	47,839	75.40%	26
FAYETTE	37,820	59.61%	74	PUTNAM	44,722	70.49%	35
FRANKLIN	54,028	85.16%	11	RICHLAND	42,108	66.37%	47
FULTON	44,055	69.44%	39	ROSS	40,597	63.99%	54
GALLIA	40,514	63.86%	56	SANDUSKY	39,701	62.58%	61
GEAUGA	76,818	121.08%	2	SCIOTO	38,547	60.76%	69
GREENE	56,735	89.43%	7	SENECA	38,379	60.49%	70
GUERNSEY	35,280	55.61%	84	SHELBY	45,111	71.10%	33
HAMILTON	64,338	101.14%	5	STARK	46,170	72.77%	31
HANCOCK	49,880	78.62%	20	SUMMIT	53,968	85.06%	12
HARDIN	38,609	60.86%	68	TRUMBULL	43,779	69.00%	41
HARRISON	69,150	108.99%	4	TUSCARAWAS	39,809	62.75%	60
HENRY	43,182	68.06%	43	UNION	56,062	88.36%	8
HIGHLAND	36,191	57.04%	80	VAN WERT	40,014	63.07%	58
HOCKING	36,736	57.90%	76	VINTON	36,037	56.80%	81
HOLMES	39,837	62.79%	59	WARREN	69,806	110.03%	3
HURON	40,774	64.27%	51	WASHINGTON	42,404	66.84%	45
JACKSON	37,038	58.38%	75	WAYNE	46,306	72.99%	30
JEFFERSON	40,963	64.57%	49	WILLIAMS	40,768	64.26%	52
KNOX	44,468	70.09%	37	WOOD	53,597	84.48%	13
LAKE	50,296	79.28%	17	WYANDOT	38,710	61.01%	67
LAWRENCE	38,030	59.94%	72				
LICKING	48,734	76.81%	23	<b>TOTAL</b>	<b>\$63,444</b>	<b>100.00%</b>	

1 Includes only returns indicating a county of residence.



# Individual Income Tax – School District

**S**chool districts' ability to levy an income tax dates back to 1979, when the Ohio General Assembly permitted such a tax solely to repay a state loan. Two years later, lawmakers repealed this law, which had not been used, and enacted Chapter 5748, granting broader authority for school districts to levy an income tax, subject to voter approval. In 1983, after voters in six districts approved such taxes, the legislature blocked other districts from enacting new income taxes by repealing most of the chapter. School districts' ability to enact income taxes was restored in 1989.

During fiscal year 2008, 170 of Ohio's 614 school districts levied the tax. In most districts the tax applies to Ohio taxable income, as reported on line 5 of Ohio individual income tax form IT 1040 or IT 1040 EZ; this base is known as the "traditional" tax base. In certain other districts, the tax only applies to earned income, such as wages, salary and self-employment income.

The Department of Taxation administers the school district income tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During fiscal year 2008, total net collections for all districts were approximately \$313.9 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. In districts that use the traditional tax base, the tax is also paid by the estates of persons who, at the time of their death, were residing in such a school district.

## Tax Base

(R.C. 5748.01)

### "Traditional base" school districts

The "traditional base" of the tax is Ohio taxable income – meaning, Ohio adjusted gross income, less \$1,500 for each personal and dependent exemption claimed on the Ohio individual income tax return for 2008. The value of these exemptions is indexed to inflation.

### "Earned income only" school districts

As of the end of the 2008 fiscal year, voters in 13 school districts had approved income taxes that only apply to earned income. Earned income includes wages, salaries, tips and other employee compensation as well as self-employment income from sole proprietorships, partnerships and

limited liability companies treated as partnerships for income tax purposes. Earned income does not include retirement income, lottery winnings, interest, dividends, capital gains, profit from rental activities, distributive shares of profit from S corporations, and any other unearned income.

Most exemptions and deductions permitted for the federal and state income taxes – such as those claimed on the front page of IRS Form 1040 or on Schedule A of the Ohio IT 1040 – are not permitted for the "earned income only" version of the school district income tax. However, military pay received by the taxpayer while stationed outside Ohio is exempt from the tax.



## Rates

(R.C. 5748.02)

Rates must be multiples of 0.25 percent. The rate must be approved by a vote of the school district residents before implementation. During fiscal year 2008, rates ranged from 0.5 percent to 2 percent.

## Special Provisions

### Senior Citizen Credit (5748.06)

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.
- Taxpayers must file a quarterly estimated return if they expect 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 basis or by electronic funds transfer 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. Deposited amounts accrue interest. 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.

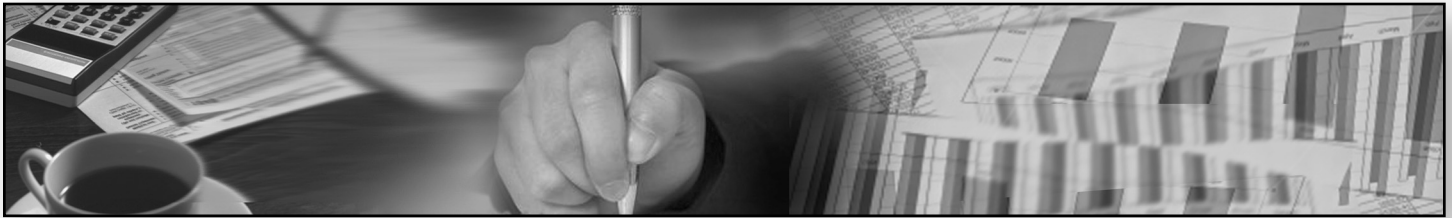
**Recent Legislation**

**House Bill 73, 126th General Assembly (effective Jan. 1, 2007):**  
Amended R.C. 5747.24 and R.C. 5748.01 so that:

- 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.
- 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 by Fiscal Year 2003-2008					
	2003	2004	2005	2006	2007	2008
"Traditional base" districts	134	133	145	152	155	157
"Earned income only" districts	0	0	0	1	9	13
<b>Total districts levying the tax</b>	<b>134</b>	<b>133</b>	<b>145</b>	<b>153</b>	<b>164</b>	<b>170</b>
Individual Returns	\$45,282,962	\$52,903,150	\$64,413,461	\$85,737,114	\$109,112,417	\$115,840,480
Employer Withholding	111,135,680	117,069,441	132,269,908	150,211,785	178,394,566	220,696,342
<b>Total Collections</b>	<b>\$156,418,642</b>	<b>\$169,972,590</b>	<b>\$196,683,370</b>	<b>\$235,948,898</b>	<b>\$287,506,983</b>	<b>\$336,536,822</b>
Refunds and Administration	\$14,535,252	\$14,043,694	\$15,881,773	\$18,218,448	\$20,637,802	24,866,366
Interest Earned	930,035	0	915,517	1,551,584	2,527,516	2,259,576
<b>Net to School Districts</b>	<b>\$142,813,425</b>	<b>\$155,928,896</b>	<b>\$181,717,114</b>	<b>\$219,282,034</b>	<b>\$269,396,698</b>	<b>\$313,930,032</b>



# 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. The tax has tiered rates that vary according to the kilowatt-hour consumption of individual end users of electricity. For certain large consumers of electricity, there exists a self-assessor option tax that 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 2008, the tax generated approximately \$570.7 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)

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio:

- for end users at or below 45 million kWh in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- for end users above 45 million kWh of annual consumption who opt to self-assess, the tax base 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 base 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
The first 0 – 2,000 kWh	0.465 cents
The next 2001 – 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 3.5 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption.

## 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.

## 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. Payments reflect the amount of electricity distributed to the end users during the preceding month.

An application for registration as a self-assessing purchaser and payment of a \$500 fee shall be made annually before the first day of May. The registration year begins on May 1 and ends on the following April 30.

### Disposition of Revenue

(R.C. 5727.84)

Since January 2008, state law has called for funds to be distributed according to the following schedule:

Fund	Percentage
General Revenue Fund	63%
School District Property Tax Replacement Fund	25.4
Local Government Property Tax Replacement Fund	11.6
Total Distribution	100%

### Administration

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

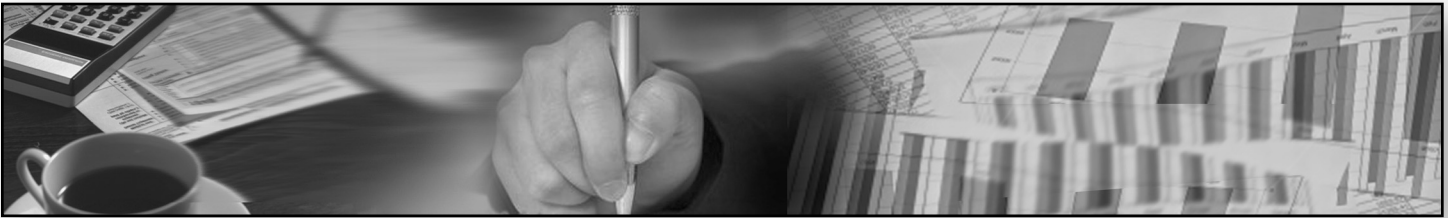
### Ohio Revised Code Citations

Chapter 5727.

Table

Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2004 - 2008							
Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	Public Library Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2004	\$538,044,462	\$338,961,216	\$0	\$0	\$0	\$136,668,104	\$62,415,142
2005	539,354,909	339,793,592	0	0	0	136,996,147	62,565,170
2006	557,166,445	325,307,962	22,493,535	3,213,362	0	141,520,356	64,361,229
2007	559,691,878	326,929,075	22,493,535	3,213,362	0	142,161,737	64,924,258
2008	570,676,257	231,217,687	6,232,333	890,333	121,218,846	144,915,698	66,201,360

Source: State of Ohio accounting system.



# Motor Vehicle Fuel Tax

**A**n excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used to generate power for the operation of motor vehicles.

The motor fuel excise tax rate was 28 cents per gallon during fiscal year 2008. This 28 cents per gallon rate is actually composed of five separate levies, each subject to a different distribution 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 2008, the reported net motor fuel tax collections totaled nearly \$1,819.2 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 2008 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)

The base of the tax is gallons of motor vehicle fuel sold, used, or distributed in Ohio.

## Rates

The overall rate of 28 cents per gallon 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
<b>Total:</b>	<b>28 cents</b>

## 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.

### Shrinkage allowance (5735.06)

In addition, licensed motor fuel dealers receive a discount intended to cover “evaporation, shrinkage, or other unaccounted-for losses.” An uncodified provision of House Bill 119, enacted in mid-2007, set this “shrinkage allowance” at the following levels for fiscal years 2008-09:

- licensed distributors received a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation.



- retailers received a 0.5 percent discount on gallons of fuel purchased from licensed distributors for fuel lost through shrinkage and evaporation. This discount is received in the form of a refund.

House Bill 119 also granted licensed distributors an additional 0.9 percent “administration” discount on total gallons received for fiscal years 2008-09.

**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 intraplant 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;<sup>1</sup>
- the motor fuel was used in aircraft;
- the 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 developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

## Special Provision

### Fuel Use Tax (Chapter 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 fiscal year 2008. 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 fiscal year 2008, \$34.8 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 by the Department of Taxation monthly in a different manner.

Before any other distributions are made, the Treasurer of State deposits \$1.6 million of motor fuel tax revenues to the State Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles. This distribution is a two-year temporary provision of law that was scheduled to expire on July 1, 2009.

After the Highway Safety Fund distribution and applicable refunds to taxpayers, the following distributions are made from all five levies:

- 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 is distributed 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  $\frac{2}{17}$  of the monthly \$100,000. The remaining revenue is distributed as follows:

- 30 percent to municipal corporations in proportion to their motor vehicle registrations;<sup>2</sup>
- 25 percent to all counties in equal amounts;<sup>2</sup>
- 45 percent to the state.

**2 cents per gallon** (R.C. 5735.25, 5735.26, 5735.27) – Revenue is distributed as follows:

- 67.5 percent to the state;
- 7.5 percent to all counties in equal amounts;<sup>2</sup>
- 17.5 percent to all townships in equal amounts;<sup>2</sup>
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.<sup>2</sup>

**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

<sup>1</sup> Tax collected per the one-cent bond retirement levy may not be refunded to transit systems.

<sup>2</sup> Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

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) – All revenue is distributed to the state for highway bond retirement funds, as long as this funding is required. Thereafter, all revenue 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 <sup>15</sup>/<sub>17</sub> 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;<sup>1</sup>
- 9.3 percent to all counties in equal amounts;<sup>1</sup>
- 5.0 percent to all townships in equal amounts.<sup>1</sup>

### 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.

**Table 1**

Estimated Distributions of Motor Fuel Tax Fiscal Year 2008		
Distribution	Dollar Amount	Percentage of Total
Highway Operating Fund	\$919,547,871	49.7%
Local Transportation Improvement Program Fund	64,592,332	3.5%
Highway Bond Retirement Fund	195,644,360	10.6%
State & Local Government Highway Distribution Fund (for distribution to counties, townships and municipalities)	224,868,080	12.2%
Gasoline Excise Tax Fund (for distribution to counties, townships and municipalities)	397,725,654	21.5%
Other <sup>1</sup>	46,027,083	2.5%
<b>Total</b>	<b>\$1,848,405,380</b>	<b>100.0%</b>

<sup>1</sup> Includes amounts deposited in the Attorney General Claims Fund, Grade Crossing Fund, State Highway Safety 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 reported in the state accounting system (OAKS), modified to reflect various fund transfers.

**Table 2**

Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2004-2008			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2008	1,840,101,163	20,902,540	1,819,198,623

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

<sup>1</sup> Proceeds are deposited by the state in the Local Government Highway Distribution Fund and distributed monthly to counties, townships, and municipalities.



**Table 3**

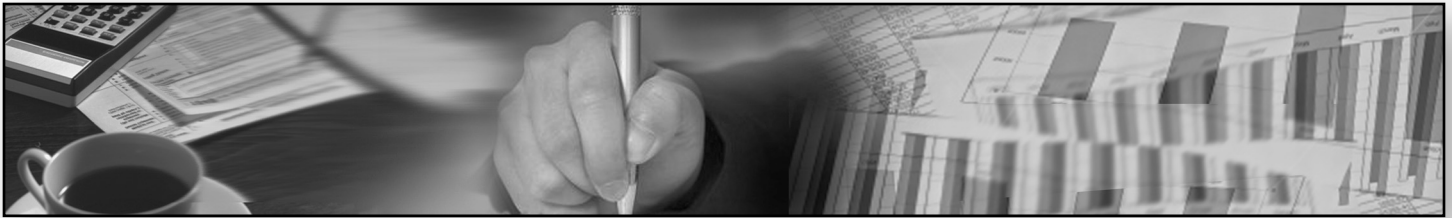
<b>Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2004-2008</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Gasoline	5,197,093,204	5,149,443,769	5,103,346,287	5,098,793,739	5,011,225,903
Special Fuels <sup>1</sup>	1,482,899,139	1,535,755,695	1,543,938,210	1,579,493,298	1,568,327,418
<b>Total</b>	<b>6,689,992,343</b>	<b>6,685,199,464</b>	<b>6,647,284,497</b>	<b>6,678,287,037</b>	<b>6,579,553,321</b>

<sup>1</sup> 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 2007									
County	Amount Distributed To:				County	Amount Distributed To:			
	County	Townships	Municipalities	Total		County	Townships	Municipalities	Total
ADAMS	\$2,396,839	\$1,334,693	\$313,739	\$4,045,271	LOGAN	\$2,396,839	\$1,516,857	\$831,268	\$4,744,964
ALLEN	2,396,839	1,179,933	1,955,491	5,532,263	LORAIN	2,396,839	1,629,935	7,498,280	11,525,054
ASHLAND	2,396,839	1,334,693	988,826	4,720,358	LUCAS	2,396,839	1,241,563	11,181,819	14,820,222
ASHTABULA	2,396,839	2,411,676	1,808,032	6,616,547	MADISON	2,396,839	1,245,713	707,849	4,350,402
ATHENS	2,396,839	1,259,443	668,426	4,324,708	MAHONING	2,396,839	1,686,592	3,453,777	7,537,209
AUGLAIZE	2,396,839	1,245,713	1,089,315	4,731,868	MARION	2,396,839	1,338,599	1,322,277	5,057,715
BELMONT	2,396,839	1,453,910	1,189,837	5,040,587	MEDINA	2,396,839	1,581,741	3,010,903	6,989,484
BROWN	2,396,839	1,427,751	515,721	4,340,311	MEIGS	2,396,839	1,067,754	230,878	3,695,471
BUTLER	2,396,839	1,745,187	6,156,466	10,298,492	MERCER	2,396,839	1,245,713	834,623	4,477,176
CARROLL	2,396,839	1,255,792	209,705	3,862,335	MIAMI	2,396,839	1,080,826	2,531,572	6,009,237
CHAMPAIGN	2,396,839	1,067,754	650,874	4,115,467	MONROE	2,396,839	1,601,632	157,705	4,156,176
CLARK	2,396,839	1,057,704	2,265,640	5,720,183	MONTGOMERY	2,396,839	1,202,033	14,403,411	18,002,283
CLERMONT	2,396,839	1,776,859	855,766	5,029,464	MORGAN	2,396,839	1,245,713	117,548	3,760,101
CLINTON	2,396,839	1,156,734	902,476	4,456,049	MORROW	2,396,839	1,423,672	265,040	4,085,551
COLUMBIANA	2,396,839	1,672,580	1,690,760	5,760,179	MUSKINGUM	2,396,839	2,262,604	1,151,883	5,811,326
COSHOCTON	2,396,839	1,957,550	563,879	4,918,268	NOBLE	2,396,839	1,334,693	113,045	3,844,577
CRAWFORD	2,374,614	1,423,672	1,056,135	4,854,421	OTTAWA	2,396,839	1,067,754	662,550	4,127,144
CUYAHOGA	2,396,839	193,825	37,877,801	40,468,465	PAULDING	2,396,839	1,067,754	323,602	3,788,196
DARKE	2,396,839	1,790,461	989,269	5,176,569	PERRY	2,396,839	1,245,713	448,443	4,090,995
DEFIANCE	2,396,839	1,067,754	784,306	4,248,900	PICKAWAY	2,396,839	1,334,693	796,666	4,528,198
DELAWARE	2,396,839	1,814,268	1,645,415	5,856,522	PIKE	2,396,839	1,245,713	243,690	3,886,242
ERIE	2,396,839	835,682	1,812,282	5,044,803	PORTAGE	2,396,839	1,648,848	2,423,803	6,469,490
FAIRFIELD	2,396,839	1,322,050	2,116,414	5,835,303	PREBLE	2,396,839	1,067,754	758,679	4,223,272
FAYETTE	2,396,839	889,795	554,192	3,840,827	PUTNAM	2,396,839	1,334,693	652,194	4,383,726
FRANKLIN	2,396,839	1,621,839	35,295,480	39,314,158	RICHLAND	2,396,839	1,669,233	2,794,745	6,860,817
FULTON	2,396,839	1,081,092	807,637	4,285,568	ROSS	2,396,839	1,452,706	1,003,776	4,853,321
GALLIA	2,396,839	1,335,977	223,671	3,956,487	SANDUSKY	2,396,839	1,080,723	1,072,580	4,550,142
GEAUGA	2,396,839	1,568,859	535,632	4,501,329	SCIOTO	2,396,839	1,454,006	823,122	4,673,967
GREENE	2,396,839	1,100,588	3,961,180	7,458,607	SENECA	2,396,839	1,334,693	1,270,538	5,002,070
GUERNSEY	2,396,839	1,690,611	571,956	4,659,407	SHELBY	2,396,839	1,245,713	1,112,745	4,755,298
HAMILTON	2,396,839	2,059,104	16,447,411	20,903,354	STARK	2,396,839	2,447,191	5,566,087	10,410,117
HANCOCK	2,396,839	1,523,814	1,806,929	5,727,583	SUMMIT	2,396,839	1,003,868	15,010,586	18,411,293
HARDIN	2,396,839	1,334,693	583,362	4,314,894	TRUMBULL	2,396,839	2,344,798	3,583,660	8,325,297
HARRISON	2,396,839	1,334,693	277,900	4,009,432	TUSCARAWAS	2,396,839	1,964,576	2,096,790	6,458,205
HENRY	2,396,839	1,156,734	588,247	4,141,820	UNION	2,396,839	1,245,713	780,335	4,422,888
HIGHLAND	2,396,839	1,517,860	517,449	4,432,149	VAN WERT	2,396,839	1,067,754	552,589	4,017,183
HOCKING	2,396,839	986,279	284,388	3,667,506	VINTON	2,396,839	1,067,754	126,517	3,591,111
HOLMES	2,396,839	1,245,713	193,936	3,836,488	WARREN	2,396,839	1,269,846	3,187,034	6,853,719
HURON	2,396,839	1,690,611	1,430,591	5,518,041	WASHINGTON	2,396,839	1,969,552	917,220	5,283,611
JACKSON	2,396,839	1,067,754	491,703	3,956,297	WAYNE	2,396,839	1,445,639	2,041,680	5,884,159
JEFFERSON	2,396,839	1,265,055	1,364,511	5,026,405	WILLIAMS	2,396,839	1,067,754	789,681	4,254,274
KNOX	2,396,839	1,969,095	728,346	5,094,280	WOOD	2,396,839	1,778,459	2,576,171	6,751,469
LAKE	2,396,839	592,708	6,159,250	9,148,797	WYANDOT	2,396,839	1,156,734	519,570	4,073,143
LAWRENCE	2,396,839	1,276,317	743,398	4,416,554					
LICKING	2,396,839	2,265,782	3,226,823	7,889,444	<b>TOTAL</b>	<b>\$210,899,620</b>	<b>\$123,145,937</b>	<b>\$244,847,495</b>	<b>\$578,893,052</b>

Source: Records of the Department of Taxation.



# Municipal Income Tax for Electric Light Companies and Telephone Companies

**T**he municipal income tax for electric light companies and local exchange telephone companies, set out 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 conventional municipal income tax, which is administered by cities and villages within the parameters of Chapter 718 of the Revised Code. The Chapter 5745 municipal income tax applies only to electric light companies and local exchange telephone companies. It 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 that includes Jan. 1, 2002. The tax began to apply to local exchange telephone companies two years later, 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 elect to be subject to the state-administered tax (Chapter 5745). Otherwise, they remain subject to the conventional municipal income tax (Chapter 718). For details, see **Special Provisions**.

The municipal income tax for electric light companies and local exchange telephone companies generated \$31.7 million in revenue in calendar year 2008 on returns filed for taxable year 2007, the last year for which such information is available.

## Taxpayer

(Ohio Revised Code 5745.01)

Chapter 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. This definition does not include rural electric companies (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 (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 ser-

vice, excluding cellular radio service, in this state (R.C. 5727.01(D)(2)).

## Tax Base

The “starting point” for Chapter 5745 municipal income taxpayers is federal taxable income. After making certain adjustments to federal taxable income (described below), the taxpayer computes Ohio income by multiplying the taxpayer’s adjusted federal taxable income by the taxpayer’s Ohio apportionment ratio. Then, municipal income is computed for each municipality that has enacted an income tax and in which the company has taxable nexus by multiplying Ohio income by the taxpayer’s apportionment ratio for that municipality. Finally, municipal income tax liability is determined by multiplying the income apportioned to each municipality by the municipality’s income tax rate.

### Ohio Apportionment Ratio

The Chapter 5745 Ohio apportionment ratio is computed in a manner similar to the Ohio corporation franchise tax apportionment ratio. But, unlike the franchise tax property, payroll and sales factors, the Chapter 5745 property, payroll and sales factors are not weighted.

### Municipal Apportionment Ratio

For purposes of determining the taxpayer’s apportionment ratio for each municipality, the taxpayer’s property, payroll and sales are generally situated consistent with the franchise tax siting provisions. However, for purposes of the municipal payroll factor, compensation is situated based upon the amount of compensation that is earned in the municipality for services performed for the taxpayer by the taxpayer’s employees, and that is subject to income tax withholding by the municipality.

### Taxable Year

For Chapter 5745 municipal income tax purposes, a 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 as a taxpayer 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. Intangible income is generally not part of the municipal income tax base.

**Book-tax difference** – Both electric companies and telephone companies must compute a book-tax difference adjustment which is either added to or subtracted from federal taxable income. For details, see the instructions on the department’s Web site, [tax.ohio.gov](http://tax.ohio.gov).

## Tax Rates

Tax rates are established locally by each city or village that imposes a municipal income tax. For Chapter 5745 taxpayers, the rate that applies is the rate that was in effect as of Jan. 1 of the taxable year. If a taxpayer's taxable year is for a period of less than 12 months and does not happen to include Jan. 1, then the rate that applies is the rate that was in effect on Jan. 1 of the preceding taxable year.

## Credits

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 taxpayer's proportionate share of the tax due from, or paid by, the qualifying pass-through entity, whichever is less.

## Special Provisions

**Taxpayer elections** – An “electric light company that is not an electric company” may 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 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 make this election remains subject to the conventional municipal income tax (Chapter 718).

**Qualified subchapter S subsidiaries** – If an electric company or a telephone company 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.

**Combined companies** (R.C. 1701.18(F)(6)) – 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 **Ohio** property, payroll, and sales factors) to include only the company's activity as an electric company. This is because, for a combined company, only the income attributed from the activity of an electric company is subject to taxation by a municipal corporation.

**Alternative apportionment methods** – If the standard 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 set out in R.C. 5733.05(B)(2)(d).

**Municipality cannot require tax return** (R.C. 5745.02(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

### 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.

### Payment by electronic funds transfer

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

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 distributed to each municipality and to defray the costs of administering the tax, receives 1.5 percent of collections.

## Administration

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**

**House Bill 562, 127th Ohio General Assembly (effective Sept. 23, 2008).**

Amended R.C. 5745.05(A) to require that all investment earnings on money in the Municipal Income Tax Fund are

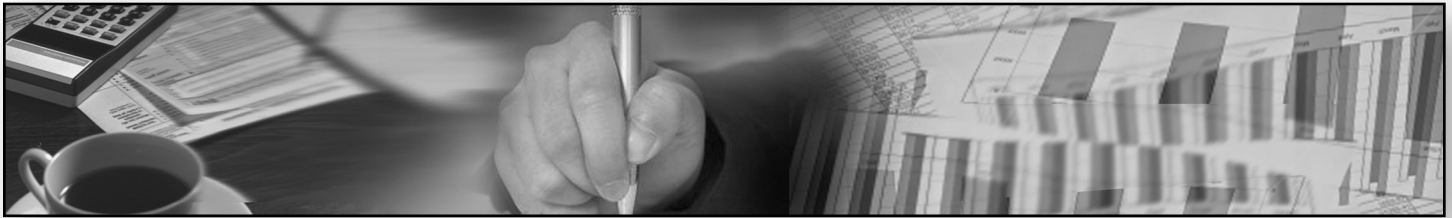
to be credited to that fund for distribution to municipalities, rather than to the General Revenue Fund.

**House Bill 458, 127th General Assembly (effective Dec. 30, 2008).**

Amended the definition of "Internal Revenue Code as amended" contained within R.C. 5701.11 to adopt amendments to the Internal Revenue Code enacted by Congress between Dec. 21, 2007 (the effective date of the General Assembly's previous amendment of R.C. 5701.11), and Dec. 30, 2008.

**Table**

<b>Revenue from Municipal Income Tax For                      Electric Light Companies and Telephone Companies:                      Calendar Years                      2004 - 2008                      (in millions)</b>			
<b>Calendar Year</b>	<b>Distribution to Municipalities</b>	<b>Municipal Income Tax Administration Fund</b>	<b>Total</b>
2004	\$30.7	\$0.2	\$30.9
2005	40.3	0.6	40.9
2006	31.5	0.5	32.0
2007	41.2	0.6	41.8
2008	31.2	0.5	31.7



# 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 2008, the tax generated approximately \$69.6 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 outlined above 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

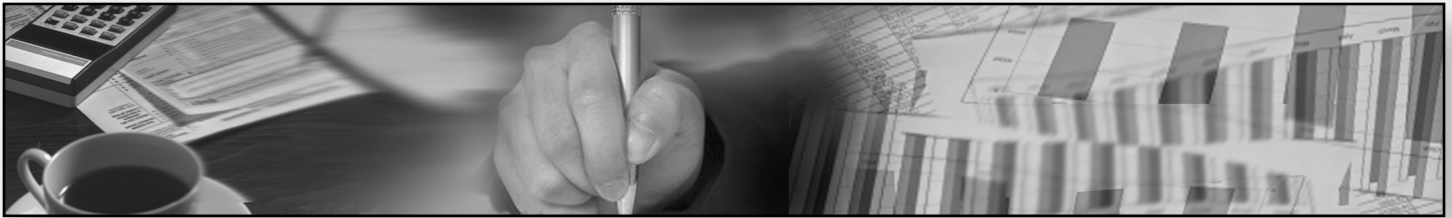
The Tax Commissioner administers the tax and is responsible for the distribution of revenue.

## Ohio Revised Code Citations

Chapter 5727.

## Table

Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
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
2008	69,635,315	47,839,461	21,795,853



## Pass-Through Entity and Trust Withholding Tax

**T**he 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 and corporation franchise tax that is otherwise due and payable by equity investors in qualifying pass-through entities.

A pass-through entity is an S corporation, a partnership, or a limited liability company (LLC) treated for federal income tax purposes as either a partnership or an S corporation. 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 the qualifying pass-through entity completes and files. In this sense, the form is somewhat analogous to an IRS W-2. Through the IT 1140, 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 most corporate investors as part of the phase-out of the corporation franchise tax (see **Entity Tax Phase-Out for Qualifying Investors**). When completing their own tax returns, qualifying investors may claim an income tax credit or a corporation franchise tax credit based on the investors’ 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 non-corporate 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 qualifying pass-through entity tax collections is from tax and fiscal year 2007. During taxable year 2007, 10,108 pass-through entity taxpayers filed returns on form IT 1140. The liability from the 5 percent withholding tax component of these returns was \$107.8 million. The entity tax liability amounted to \$23.2 million. Thus, the total taxable year 2007 pass-through entity tax liability was \$131 million.

During the 2007 taxable year, 4,429 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 \$136.7 million.

### Entity Tax Phase-Out for Qualifying Investors

The entity tax that a qualifying pass-through entity must withhold is 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 Beginning in:	Pass-Through Entity's Tax Rate on Income that Passes Through to the Entity's Qualifying Investors that are 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%)

**Note:** Fiscal year filers must use the rate in effect on the last day of the taxable year.

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:

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

The 8.5 percent entity tax rate also continues to apply to estates, trusts and other pass-through entities.

## Taxpayer

(Ohio Revised Code 5733.40, 5747.08)

A qualifying pass-through entity is generally an S corporation, a partnership, or an LLC treated for federal income tax purposes as a partnership or S corporation. 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 net sum of qualifying investors' distributive shares of the pass-through entity's income, gain, expense, and loss apportioned to Ohio. This net sum is known as the "adjusted qualifying amount."

### Form IT 4708

The tax base is the distributive shares of the pass-through entity's taxable income to qualifying noncorporate investors, to the extent that such income was not reported on 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. However, 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 2008 taxable year was 6.24 percent.

## Exemptions and Exclusions

(R.C. 5733.40, 5733.401, 5733.402, 5747.08(D), 5747.401)

### Form IT 1140

The following are not qualifying pass-through entities:

- 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;
- qualified subchapter S subsidiary corporations (if the parent S corporation has qualifying investors, the par-

ent 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 those entities' investors, during the three-year period beginning 12 months prior to the first day of the taxable year, are limited to the types of qualifying investors listed above;
- investors that are themselves pass-through entities, but only if the owners of the investor 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 may not 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 applies 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 investor in an investment pass-through entity is deemed to be an investor in any other qualifying 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: (1) the adjusted qualifying amount which would otherwise pass-through to the investment pass-through entity; and (2) 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 fiscal year 2007, 91.5 percent was deposited in the General Revenue Fund, 4.7 percent was deposited in the Library and Local Government Support Fund, 3.3 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 fiscal year 2007, 95.6 percent was deposited in the General Revenue Fund, 3.7 percent was deposited in the Local Government Fund, 0.5 percent was deposited in the Local Government Revenue Assistance Fund, and 0.2 percent was deposited in litter tax funds and the Attorney General claims fund.

### **Administration**

The Tax Commissioner administers the tax and the distribution of revenue.

### **Ohio Revised Code Citations**

Chapters 5733 and 5747.

### **Recent Legislation**

#### **House Bill 458, 127th General Assembly (effective Dec. 30, 2008).**

Incorporated into Ohio's tax laws all Internal Revenue Code changes made between Dec. 21, 2007 and Dec. 30, 2008.

#### **House Bill 554, 127th General Assembly (effective Sept. 9, 2008).**

The bill amended R.C. 5747.76 to limit the historic building rehabilitation tax credit, a refundable credit of up to \$5 million against either corporation franchise, dealers in intangibles, or individual income tax liability. The bill amended the statute to limit the amount that can be refunded and applied to tax liability in a single taxable year. If the credit allowed in a taxable year exceeds the tax due after all other allowed credits, the sum of the amount refunded and the amount applied to reduce tax otherwise due cannot exceed \$3 million. If the taxpayer is a pass-through entity, the refund cannot exceed the taxpayer's distributive or proportionate share of \$3 million. The taxpayer can carry forward any balance of the credit for not more than five years, but must deduct the amount claimed for any year from the amount claimed in an ensuing year.

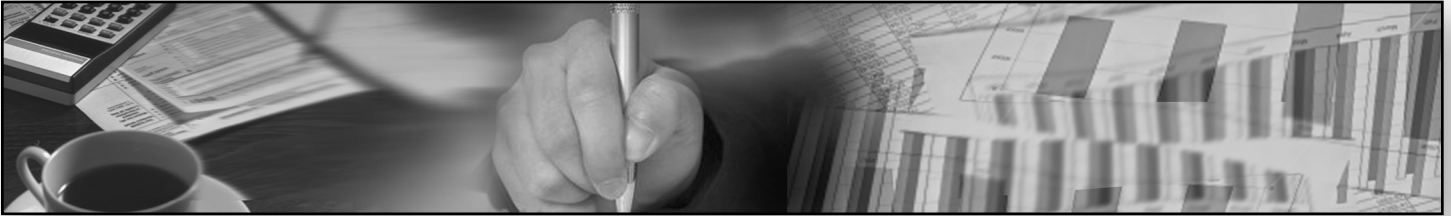
**Table 1**

<b>Pass-Through Entity Tax Liability (Form IT-1140), Tax Years 2004-2007</b> (figures in millions)			
<b>Tax Year</b>	<b>Withholding Tax (5.0%)</b>	<b>Entity Level Tax (8.5%)</b>	<b>Total Pass-Through Entity Tax Liability</b>
2004	\$71.4	\$20.2	\$91.6
2005	91.2	37.9	129.1
2006	94.2	23.4	117.6
2007	107.8	23.2	131.0

**Table 2**

<b>Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708), Fiscal Years 2004-2007</b> (figures in millions)	
<b>Fiscal Year</b>	<b>Revenue Collected<sup>1</sup></b>
2004	\$75.5
2005	101.7
2006	104.4
2007	136.7

<sup>1</sup> Includes estimated tax payments (form IT 4708 ES).



## Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that will remain subject to property taxation once changes enacted by the Ohio General Assembly in 2005 are fully phased in. Some of these tax changes also apply to the taxation of public utility property and will, over time, decrease property tax revenue from some utilities.

This chapter also touches on the taxation of public utility real property, since the Department of Taxation has a role in assessing the real property of railroads. However, tables showing the taxes paid on public utility real property will be found in the **Property Tax – Real Property** chapter.

The assessed valuation of public utility personal property was approximately \$8.5 billion in tax year 2007. Electric utilities accounted for about 75.2 percent of the total public utility personal property valuation in 2007 and the natural gas industry accounted for 8.4 percent of the total valuation. These amounts were determined using the tax year 2007 assessment rates.

Revenue from the public utility property tax amounted to about \$621.2 million in calendar year 2007 (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.

### Taxpayer

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers. The assessment rate on railroad personal property was reduced from 25 percent of true value in 2005 to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

The tax on tangible personal property is also being phased out for telephone companies and inter-exchange telecommunications companies, which were reclassified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies is 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

### Changes for 2009

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 is considered a “public utility lessor” and is 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 property leased to a public utility in a sale and leaseback transaction, and property leased to a railroad, water transportation, telephone, or telegraph company (R.C. 5727.01(M)).

Also, beginning in 2009, a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others will 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 (R.C. 5727.031).

### Tax Base

(Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

For most public utilities, the personal property tax base consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The exceptions:

- For water transportation companies, the 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.
- Railroad property, both real and personal, is valued according to the unitary method described under **Determining true value**, on next page.

### Listing percentages

The percentage of true value at which personal property is listed for taxation varies according to the type of public utility. The percentages are as follows:

#### Electric companies:

Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%

#### Rural electric companies:

Transmission and distribution personal property	50%
All other tangible personal property <sup>1</sup>	25%

#### Natural gas companies

25%

#### Heating, pipeline, and water works companies

88%

#### Water transportation companies

25%

The table above does not include the listing percentages for the personal property of railroads, telephone companies and inter-exchange telecommunications companies, which are falling to zero according to schedules described in the **Taxpayer** section.

The above table also does not apply to real property. All public utilities also pay tax on real property, which is uniformly listed at 35 percent of true value in Ohio. 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.

### Determining true value

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. Exceptions:

- 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 situated on the basis of their physical location.

### Apportionment of value

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 of all railroad property in the state (in this case, both real and personal) is apportioned according to the miles of track in Ohio and track-age rights, weighted by use, compared to the miles of track in the entire system.

### 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, school districts, joint vocational school districts and special service districts.

These total rates, or gross tax rates, apply to personal property. For real property, the application of tax reduction factors according to R.C. 319.301, commonly known as "House Bill 920," results in lower "effective" tax rates. For

<sup>1</sup> Including production equipment.

details on tax reduction factors, see the section on credits in **Real Property Tax**.

## 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 public utility 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 include:

- 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 <sup>1</sup>	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 <sup>2</sup>	323.12 323.17	At least half of total tax liability due
June 20 <sup>2</sup>	323.12 323.17	Balance of tax liability due

<sup>1</sup> Tax Commissioner may grant an extension of up to 60 days.

<sup>2</sup> 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.

### Chart

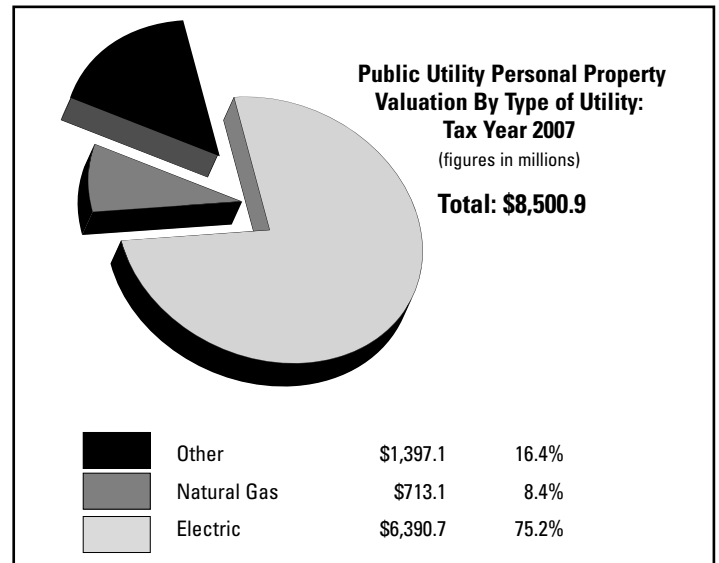


Table 1

Class of Utility	Number of Taxpayers 2007	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2003 - 2007				
		Assessed Values				
		2003	2004	2005	2006	2007
Electric <sup>1</sup>	20	\$5,450,273,000	\$5,523,375,530	\$5,702,660,740	\$5,789,028,700	\$6,390,727,590
Telephone <sup>2</sup>	-	2,627,731,270	2,571,456,080	2,082,059,560	1,710,226,520	-
Natural Gas <sup>3</sup>	29	560,131,920	591,653,220	622,753,060	652,656,240	713,082,350
Railroad	37	275,488,860	270,911,390	280,935,810	221,809,710	133,631,890
Pipeline	16	645,206,580	695,838,050	719,356,480	733,341,850	713,799,520
Rural Electric	27	294,763,870	308,889,580	322,366,860	337,995,440	391,893,760
Water Works	16	119,104,530	122,202,520	130,002,630	131,570,430	153,161,070
Other <sup>4</sup>	7	3,675,010	3,010,510	2,737,940	2,837,390	4,619,360
<b>Totals<sup>5</sup></b>	<b>152</b>	<b>\$9,976,375,040</b>	<b>\$10,087,336,880</b>	<b>\$9,862,873,080</b>	<b>\$9,579,466,280</b>	<b>\$8,500,915,540</b>
<b>Taxes Levied</b>		<b>\$751,787,109</b>	<b>\$775,375,587</b>	<b>\$755,171,101</b>	<b>\$745,800,863</b>	<b>\$621,194,887</b>

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 Starting in tax year 2007, values of telephone and inter-exchange telecommunications companies are included with general business tangible personal property values.

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.

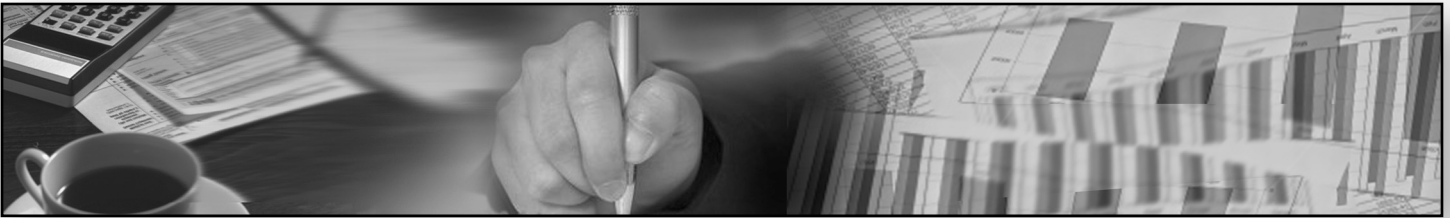
5 Only companies with taxable property are included.

Source: Department of Taxation

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2007					
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	\$180,266,400	\$7,964,303	LOGAN	\$31,548,520	\$2,021,862
ALLEN	76,794,020	4,359,111	LORAIN	242,322,740	20,293,673
ASHLAND	54,595,910	3,780,202	LUCAS	211,387,090	19,467,732
ASHTABULA	83,439,520	6,371,304	MADISON	29,975,270	1,987,844
ATHENS	77,165,970	5,714,497	MAHONING	139,765,510	10,888,174
AUGLAIZE	17,499,690	1,071,320	MARION	61,355,540	4,013,551
BELMONT	67,135,600	4,095,982	MEDINA	82,331,600	7,342,438
BROWN	26,137,270	1,333,543	MEIGS	35,639,130	1,766,929
BUTLER	221,175,070	16,295,532	MERCER	19,621,200	1,137,872
CARROLL	41,087,340	2,168,684	MIAMI	53,198,900	3,610,896
CHAMPAIGN	29,377,700	1,871,671	MONROE	42,714,480	2,104,826
CLARK	64,213,480	4,688,870	MONTGOMERY	274,928,290	26,515,354
CLERMONT	275,816,290	18,803,463	MORGAN	56,255,160	3,177,378
CLINTON	27,765,220	1,464,733	MORROW	19,683,410	1,052,127
COLUMBIANA	73,318,200	4,185,464	MUSKINGUM	72,610,030	4,726,313
COSHOCTON	91,674,900	4,678,802	NOBLE	33,192,050	1,546,481
CRAWFORD	21,898,020	1,588,403	OTTAWA	119,913,070	6,869,733
CUYAHOGA	588,838,680	61,652,984	PAULDING	23,784,080	1,321,743
DARKE	44,241,220	2,220,520	PERRY	39,526,310	2,441,718
DEFIANCE	46,865,840	2,979,400	PICKAWAY	54,119,220	3,120,929
DELAWARE	125,269,450	9,455,509	PIKE	31,755,010	1,760,118
ERIE	47,524,950	4,010,714	PORTAGE	73,644,680	6,532,968
FAIRFIELD	96,038,050	6,894,363	PREBLE	32,372,420	1,754,348
FAYETTE	31,730,990	1,714,844	PUTNAM	23,799,120	1,199,467
FRANKLIN	553,976,680	55,304,512	RICHLAND	80,158,830	6,356,835
FULTON	35,585,730	2,611,639	ROSS	49,436,490	2,901,834
GALLIA	172,447,760	6,991,976	SANDUSKY	38,936,700	2,262,834
GEAUGA	56,385,620	5,487,189	SCIOTO	71,147,270	4,159,792
GREENE	83,179,950	6,606,713	SENECA	50,869,230	3,255,997
GUERNSEY	43,044,310	2,569,044	SHELBY	33,042,620	1,923,107
HAMILTON	604,778,670	54,975,934	STARK	224,773,430	17,125,238
HANCOCK	52,267,820	3,036,070	SUMMIT	205,120,870	18,484,280
HARDIN	20,398,190	1,146,679	TRUMBULL	105,814,580	7,962,015
HARRISON	20,926,210	1,258,917	TUSCARAWAS	61,650,840	3,907,505
HENRY	17,066,490	1,221,835	UNION	50,714,020	3,753,061
HIGHLAND	26,027,940	1,182,229	VAN WERT	18,204,360	1,211,338
HOCKING	44,365,550	2,706,542	VINTON	29,222,250	1,336,479
HOLMES	24,437,930	1,375,694	WARREN	135,350,390	11,005,130
HURON	29,147,380	1,766,407	WASHINGTON	123,695,980	6,943,211
JACKSON	42,356,190	1,849,184	WAYNE	51,758,720	3,938,916
JEFFERSON	231,203,020	12,612,859	WILLIAMS	19,385,710	1,347,634
KNOX	33,686,470	2,071,411	WOOD	70,299,120	5,559,589
LAKE	333,127,300	27,308,876	WYANDOT	12,521,710	631,424
LAWRENCE	60,869,940	2,254,691	<b>Total</b>	<b>\$8,243,145,630</b>	<b>\$621,194,887</b>





## Property Tax – Real Property

**T**he 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 2007, the assessed valuation of real property in Ohio was about \$235.9 billion (\$674 billion in appraised true value), an increase of approximately 0.8 percent from 2006. Revenue from taxes levied on this assessed value were distributed by county auditors to the local taxing authorities during calendar year 2008.

Net taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (a section frequently referred to as "House Bill 920") were nearly \$13.1 billion for tax year 2007, an increase of 1.3 percent over 2006. This amount 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 2008 fiscal year was marked by the expansion of 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 exemption, restructured in mid-2007 by House Bill 119, 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 amount of property tax relief for calendar year 2007 (reimbursed in 2008) was \$990.6 million for the 10 percent reduction, \$193.9 million for the 2.5 percent reduction and \$317.1 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 2007, the statewide average "gross" tax rate was 86.35 mills on residential and agricultural real property and 87.52 mills on commercial and industrial property. The statewide average "effective" or net tax rate on residential and agricultural real property was 53.69 mills, while the effective rate was 62.60 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 they are approved by voters. This is known in state law as the 10-mill limitation on nonvoted or "inside" millage. Since these inside mills are levied on taxable value, which is 35 percent of true value, the result is a statutory limit of 0.35 percent, or nearly three times as strict as the constitutional 1 percent limit.

## 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 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 the purpose of applying 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 on “carry over” property – meaning, 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 reduce the effective tax rate for current expenses of a school district below 20 mills on real property in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills. (However, districts that levy less than 20 mills do not automatically reach this 20 mill floor; a district that only levies 18 mills for current expense purposes will never receive more than 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 previously received the exemption.

Before the 2007 tax year, eligibility for the exemption was limited to taxpayers who earned \$26,200 or less, with benefits tiered according to income. In the last year of this structured exemption, the 2006 tax year, some 216,810 taxpayers qualified. The average size of an exemption was \$11,625 in true value (\$4,070 in taxable value) – meaning that those homeowners who qualified for the program were able to exempt an average of \$11,625 of the value of their homestead from property taxation. This resulted in a total tax savings of about \$70.1 million (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 applied. Instead, each qualified homeowner received a credit equal to the taxes that would otherwise be charged on up to \$25,000 of the true value (meaning, \$8,750 in taxable value) of the homestead. In effect, the homestead exemption shields up to \$25,000 of the value of an eligible homestead from property taxation.

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 had already been enrolled under the earlier guidelines and who would continue to participate. The total tax savings from the homestead exemption during the 2007 tax year (for bills payable in 2008) was \$317.1 million (see Table 1).

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 (but not as) real property:

**Personal property approach** – The assessed value of a manufactured home, if situated 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 situated to the home's assessed value.

**Real property approach** – If a home was situated 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 situated 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 applying a 10 percent rollback. 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)

Under ordinary circumstances, 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**

**House Bill 359, 127th General Assembly (effective Sept. 30, 2008).**

**Delinquent Tax and Assessment Collection (DELTA) Fund**

– R.C. 321.261 was amended to allow a county treasurer or county prosecuting attorney of a county with more than 100,000 people to expend each year a combined amount not to exceed \$3 million of excess moneys in the county's DELTA Fund for the purpose of assisting townships and municipalities in abating foreclosed residential nuisances, including paying the costs of securing such buildings, lot maintenance, and demolition. The changes also allow a prosecuting attorney to apply the funds to costs of prosecuting alleged violations of criminal and civil laws governing real estate and related transactions, including fraud and abuse.

**House Bill 562, 127th General Assembly (effective Sept. 23, 2008; certain provisions effective on other dates).**

**Delinquent Tax and Assessment Collection (DELTA) Fund**

– R.C. 321.262 was enacted. In a county with a population exceeding 400,000, the county treasurer or county prosecuting attorney may expend the excess in the DELTA Fund (beyond what is needed to fulfill the requirements of R.C. 321.261 for the collection of delinquent taxes) to provide financial assistance in the form of loans to borrowers in default on their home mortgages, including for the payment of late fees, to clear arrearage balances, and to augment moneys used in the county's foreclosure prevention program. The combined amount so expended in any year may not exceed \$3 million.

**Joint Economic Development District (JEDD)**

– R.C. 715.73 was amended to allow a JEDD to be zoned for residential use and to require that no electors shall reside within a JEDD on the effective date of the contract creating the JEDD. Also, R.C. 715.74 was amended to provide that an income tax levied in a JEDD, with respect to an individual, shall only apply to the individual's income that is received for personal services performed within the JEDD.

**School Emergency Levies** – R.C. 5705.194 was amended to increase the maximum term of a school emergency levy

from five to ten years. Also, R.C. 5705.199 was enacted to create a new type of levy, called a substitute levy, whereby a school district may substitute all or a portion of its existing emergency levies. In the initial year of the substitute levy, the amount levied shall equal the aggregate amount of the existing emergency levies, or portions of emergency levies, being substituted. In each subsequent year, the amount levied equals the sum of (a) the amount levied in the prior year and (b) the product of the taxable value of all non-carry over property (such as new construction) added to the current tax year times last year's tax rate. Substitute levies may be enacted in terms of up to ten years or for a continuing period of time.

**Charitable Exemption** – Adds a new division (C) to R.C. 5709.121 that defines an institution as a charitable institution eligible for exemption from property taxation if it is a nonprofit corporation or association, if no part of its net earnings inures to the benefit of any private shareholder or individual, it is exempt from federal income taxation, if the majority of the institution's board of directors are appointed by the mayor or legislative authority of a municipality or a board of county commissioners, or a combination thereof, and if the primary purpose of the institution is to assist in the development and revitalization of downtown urban areas. (Note: This provision was later amended by H.B. 458, effective Dec. 30, 2008, to clarify that not all charitable institutions are required to exhibit these characteristics.) Uncodified Section 757.10 expressed the legislative intent that H.B.562's change to R.C. 5709.121 was intended to clarify that the institutions described in the amendment are charitable institutions for the purposes of that section as it existed before the effective date of the amendment. Thus, the amendment applies to any application for exemption pending before the Tax Commissioner on the effective date of this act or filed thereafter.

**Township Tax Increment Financing (TIF)** – Uncodified Section 757.10 allows the board of trustees of a township with a population exceeding 55,000, according to the most recent federal decennial census, to adopt a resolution under R.C. 5709.73(B) to create a parcel TIF on or before Dec. 31, 2008, by majority vote. Such a board may also adopt a resolution under R.C. 5709.73(C) for an incentive district TIF on or before Dec. 31, 2008, by majority vote, if the other requirements of that division are satisfied. Permanent law requires a unanimous vote under both divisions.

**Conservancy District** – R.C. 6101.53 and 6101.55 were amended to extend from Sept. 1 to Sept. 30 the deadline for the board of directors of a conservancy district to levy a maintenance assessment or place the improvement assessment in the conservancy assessment record.

**Tax Certificates** – Amended R.C. 5721.30 through 5721.43 and enacted uncodified sections 803.03 and 812.50 of the bill to make substantial changes to the tax certificate program, including allowing counties of all sizes to participate. The tax certificate program allows county treasurers to sell tax lien certificates on delinquent property. Property owners whose tax liens are sold in this manner have one year to redeem the certificate with the treasurer, after which their property can be foreclosed by the certificate holder.

**House Bill 385, 127th General Assembly (effective Sept. 12, 2008).**

**Greenspace** – R.C. 5705.19(HH) was amended to allow land acquired by a board of township trustees for the purpose of protecting or preserving greenspace to be used for recreational purposes, as long as no building, structure, or fixture used for recreational purposes is permanently attached or affixed to the land. The authorization does not apply to land located in a township that had a population, at the time it passed its first greenspace levy, of more than 38,000 within a county that had a population, at that time, of at least 860,000.

**House Bill 138, 127th General Assembly (effective Sept. 11, 2008).**

**Foreclosures of delinquent property** – R.C. 323.25, 323.28, 323.47, 5721.18, 5721.19, and 5723.01 were amended to change some procedures regarding judicial sales of delinquent real property. Courts and county boards of revision are permitted to transfer certain tax delinquent lands subject to judicial foreclosure without appraisal or sale. Also, property that did not sell at a judicial sale is offered to a political subdivision before forfeiture to the state.

**House Bill 46, 127th General Assembly (effective Sept. 1, 2008).**

**Tax lists and duplicates** – R.C. 319.28 and 319.54 were amended to allow a safety worker to request, by written affidavit, the county auditor to remove the safety worker's name from the real property tax list and duplicate and insert the safety worker's initials without the charge of the real property conveyance fee. If such removal and insertion is not practicable, the auditor must verbally or in writing within five business days after receiving the written request explain to the safety worker why the removal and insertion is not practicable. For purposes of this provision, a safety worker includes a peace officer, parole officer, prosecuting attorney, assistant prosecuting attorney, correctional employee, youth services employee, firefighter, or EMT.

**House Bill 289, 127th General Assembly (effective July 18, 2008).**

**Agricultural security areas** – R.C. 5709.28 was amended to change the exemption for a qualifying building, structure, improvement, or fixture on land enrolled in an agricultural security area from any such property with a true value of at least \$25,000 to such property whose aggregate new investment has a true value of at least \$25,000.

**House Bill 160, 127th General Assembly (effective June 20, 2008).**

**Limited liability companies** – R.C. 1705.02 was amended to provide that a limited liability company (LLC) may be formed for any profit or nonprofit purpose. Also, R.C. 5701.14 was enacted to define a nonprofit LLC. Uncodified Section 6 states that R.C. 1705.02 and R.C. 5701.14 apply to any LLC that was in existence prior to the effective date of the act and that asserts to be a nonprofit LLC.

**Tax exemptions** – R.C. 5713.08 was amended to provide that a county auditor may not strike property from the exempt list solely because it had been conveyed to a single member LLC with a nonprofit purpose from its nonprofit

member or because it had been conveyed by a single member LLC with a nonprofit purpose to its nonprofit member. R.C. 5713.08 was also amended to:

- remove the requirement that all special assessments due must be paid at the time the exemption application is filed to give the Tax Commissioner jurisdiction over the application; and
- provide that if the treasurer's certificate is not included with the exemption application or the certificate reflects unpaid taxes, penalties, and interest that may not be remitted, the Tax Commissioner will notify the property owner, who has 60 days to produce a corrected treasurer's certificate to give the Commissioner jurisdiction over the application.

Also, R.C. 5715.27 was amended to provide that a vendee in possession under a purchase agreement or a land contract, the beneficiary of a trust, or a lessee for an initial term of not less than 30 years of any property may file an application for exemption. R.C. 5715.27 was also amended to:

- provide that notifications of exemption applications to requesting school districts will be given on a monthly basis, instead of quarterly as under prior law; and
- add several exemption sections for economic incentives to the list of sections for which the Tax Commissioner may grant or deny an exemption application upon the request of the property owner without waiting for the school district to file a statement in opposition thereto.

Finally, uncodified Section 3 of the bill indicates that the amendments to R.C. 5713.08 and R.C. 5715.27 are intended to be remedial in nature and apply to any application for exemption from taxation pending before the Tax Commissioner, the Board of Tax Appeals, a court of appeals, or the Supreme Court on the effective date of the act.

## Recent Court Decisions

### **Columbus City School District Board of Education v. Franklin County Board of Revision, 114 Ohio St.3d 1224 (2007):**

Under R.C. 5717.03(B), the Board of Tax Appeals (BTA) must certify its decision to "the person in whose name the property is listed, or sought to be listed, if such person is not a party to the appeal," among others. The Supreme Court interpreted that requirement to apply to the person whom the record shows to be the owner of the property at the time the BTA is required to certify its decision, not the owner at the time the original complaint was filed. Since the current owner was not served the notice of appeal, the Court dismissed the appeal for lack of jurisdiction under R.C. 5717.04.

### **Colonial Village Ltd. v. Washington County Board of Revision, 114 Ohio St.3d 493 (2007):**

The Supreme Court held that the failure to use certified mail, required by R.C. 5715.20(A), belongs to that limited class of jurisdictional defects that may be waived under appropriate circumstances. To wit, a party to a BTA appeal under R.C. 5717.01 may waive the method of certification to itself when it pursues an appeal and when no party contests jurisdiction before the BTA. The issuance of a BTA

decision on the merits completes the waiver, and such decision is valid and binding.

### **St. Bernard Self-Storage LLC. v. Hamilton County Board of Revision, 115 Ohio St.3d 365 (2007):**

For purposes of allocating a part of the sale price of real property to items other than the realty, the Supreme Court held, in general, that, in the context of valuing property for tax purposes, such an allocation does not reflect the value of the real property, unless other indicia on the face of the contract, the circumstances attending the allocation, or some other independent evidence establishes the propriety of the allocation. In the instant case, the Court denied an allocation of value to goodwill for two reasons. First, income generated from leasing space in a self-storage facility is part of the rights and privileges of the realty and as a result constitutes a part of the value of the real property. Second, such goodwill cannot be severed from the realty and transferred or retained separately.

### **Cummins Property Services LLC. v. Franklin County Board of Revision, 117 Ohio St.3d 516 (2008):**

Citing *Berea City School District Board of Education v. Cuyahoga County Board of Revision*, 106 Ohio St.3d 269 (2005), the Supreme Court held that the sale price of real property subject to a recent arm's length sale shall be the true value for taxation purposes, even when the property is encumbered with deed restrictions. Moreover, where no such sale exists, "the uniform rule envisions that an appraisal will be prepared, and constitutional uniformity does not prohibit the differential treatment of encumbrances when property is being appraised in materially different contexts."

### **Dublin City Schools Bd. of Educ. v. Franklin County Bd. of Revision, 118 Ohio St.3d 45 (2008):**

Citing *Berea City School District Board of Education v. Cuyahoga County Board of Revision*, 106 Ohio St.3d 269 (2005), the Supreme Court held that the sale price of real property subject to a recent arm's length sale shall be the true value for taxation purposes, even when the property is encumbered with easements.

### **Rhodes v. Hamilton County Board of Revision, 117 Ohio St.3d 532 (2008):**

Citing *Berea City School District Board of Education v. Cuyahoga County Board of Revision*, 106 Ohio St.3d 269 (2005) holding on property subject to long-term, below-market leases, the Supreme Court held that the sale price of real property subject to a recent arm's length sale shall be the true value for taxation purposes, even when the property is encumbered with long-term, above-market leases. The difference between a property being encumbered with a lease for below-market rent or above-market rent "is a distinction without legal significance."

### **Polaris Amphitheater Concerts Inc. v. Delaware County Board of Revision, 118 Ohio St.3d 330 (2008):**

The Supreme Court held that Polaris was in its rights to file a notice of appeal that challenged only the land valuation as a method of reducing the total valuation of the property. The notice of appeal sought a reduction in total value equal to the amount by which the land value was allegedly overstated.

## Recent Forms

DTE Form 100R, Residential Rental Property Registration Notice, was prescribed in September 2007.

DTE Form 105A, Homestead Exemption Application for Senior Citizens, Disabled Persons, and Surviving Spouses, was revised in October 2007.

DTE Form 105A-Supplement, Instructions to Accompany DTE Form 105A-Homestead Exemption Application for Senior Citizens, Disabled Persons, and Surviving Spouses Occupying a Unit in a Housing Cooperative, was revised in August 2007.

DTE Form 105B, Continuing Homestead Exemption Application for Senior Citizens, Disabled Persons, and Surviving Spouses, was revised in October 2007.

DTE Form 105E, Certificate of Disability for the Homestead Exemption, was revised in October 2007.

DTE Form 106A, Homestead Exemption and 2½% Reduction Certificate of Denial, was revised in September 2007.

DTE Form 106B, Homestead Exemption and 2½% Reduction Complaint, was revised in September 2007.

DTE Form 106C, Certificate of Reduction for Homestead Exemption for Senior Citizens, Disabled Persons, and Surviving Spouses, was revised in October 2007.

DTE Form 106E, Certificate of Reduction for Homestead Exemption for Senior Citizens, Disabled Persons, and Surviving Spouses Occupying a Unit in a Housing Cooperative, was revised in October 2007.

## Recent Bulletins

Bulletin 23, The Homestead Exemption for the Aged, Disabled, and Surviving Spouse, was prescribed in September 2007 and revised in November 2007.

Bulletin 24, Residential Rental Property: Registration, Notification, and Penalty Assessment Procedures, was prescribed in September 2007.

**Table 1**

<b>Assessed Value Of Taxable Real Estate, Taxes Charged, Average Tax Rates, And Tax Relief</b>					
<b>Tax Years 2003 - 2007</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Value Of Taxable Property	\$196,583,301,381	\$202,591,836,961	\$222,488,359,822	\$234,133,065,917	\$235,916,746,794
Residential & Agricultural	151,127,413,080	156,078,137,391	170,735,325,098	180,305,043,717	184,029,442,834
Other <sup>1</sup>	45,455,888,301	46,513,699,570	51,753,034,724	53,828,022,200	51,887,303,960
Taxes Charged <sup>2</sup>	10,473,581,729	11,242,570,059	12,276,786,818	12,956,794,743	13,128,191,919
Residential & Agricultural	7,747,678,792	8,346,325,594	8,997,828,917	9,568,110,019	9,880,261,962
Other <sup>1</sup>	2,725,902,937	2,896,244,464	3,278,957,901	3,388,684,724	3,247,929,957
Average Effective Tax Rate <sup>3</sup>	53.28 mills	55.49 mills	55.18	55.34	55.65
Residential & Agricultural	51.27mills	53.48 mills	52.70	53.07	53.69
Other <sup>1</sup>	59.97 mills	62.27 mills	63.36	62.95	62.60
10% Reduction In All Real Property Taxes	1,047,877,702	1,124,053,183	893,847,539	952,065,574	990,608,456
2.5% Reduction In Homeowner's Real Property Taxes	149,435,621	160,761,041	172,959,794	184,750,709	193,869,450
Homestead Exemption Reduction <sup>4</sup>	<u>67,951,739</u>	<u>69,297,551</u>	<u>70,479,229</u>	<u>70,966,085</u>	<u>317,107,593</u>
<b>Net Taxes Collectible (After 12.5% Reduction &amp; Homestead Exemption)</b>	<b>\$9,209,719,664</b>	<b>\$9,888,458,284</b>	<b>\$11,139,500,255</b>	<b>\$11,749,012,375</b>	<b>\$11,626,606,421</b>

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 2007									
County	Class I		Class II		County	Class I		Class II	
	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>		Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>
ADAMS	50.80	41.03	47.66	43.27	LOGAN	65.05	44.54	65.57	48.39
ALLEN	56.54	45.40	56.46	46.95	LORAIN	79.99	50.12	81.08	57.74
ASHLAND	73.20	45.91	76.37	53.67	LUCAS	98.65	55.64	96.90	69.04
ASHTABULA	76.27	50.40	76.75	55.77	MADISON	66.31	51.38	66.54	54.61
ATHENS	80.39	55.04	86.26	59.88	MAHONING	80.05	53.33	81.80	59.94
AUGLAIZE <sup>6</sup>	2.61	45.19	62.17	51.62	MARION	64.95	43.13	66.09	47.77
BELMONT	62.26	41.10	61.60	44.29	MEDINA	92.98	50.06	94.24	52.84
BROWN	50.01	37.92	50.29	40.06	MEIGS	47.86	39.07	49.91	46.39
BUTLER	77.49	52.84	77.72	58.34	MERCER	58.12	48.41	57.55	51.16
CARROLL	56.06	40.29	56.97	42.53	MIAMI	67.19	42.03	66.30	46.32
CHAMPAIGN	62.47	41.28	68.90	49.46	MONROE	50.13	32.94	50.15	49.26
CLARK	71.65	49.52	72.70	52.79	MONTGOMERY	101.04	67.35	98.31	75.09
CLERMONT	86.87	52.45	85.79	56.73	MORGAN	53.95	37.04	55.60	44.19
CLINTON	54.15	43.90	52.69	45.04	MORROW	53.26	41.03	58.42	45.76
COLUMBIANA	57.47	42.31	59.71	46.27	MUSKINGUM	66.04	44.90	67.34	47.42
COSHOCTON	60.38	39.43	61.10	44.21	NOBLE	46.19	33.78	45.01	38.04
CRAWFORD	73.39	44.38	73.86	52.93	OTTAWA	67.94	36.40	65.57	40.11
CUYAHOGA	114.64	68.07	105.63	75.44	PAULDING	59.03	46.94	63.19	52.89
DARKE	51.64	38.41	53.12	40.80	PERRY	62.25	43.52	63.36	49.42
DEFIANCE	62.51	46.72	63.49	49.27	PICKAWAY	59.13	45.52	62.43	49.33
DELAWARE	77.55	50.54	78.70	53.07	PIKE	59.17	42.31	65.51	48.74
ERIE	84.85	45.39	86.56	55.64	PORTAGE	89.87	49.17	92.27	56.09
FAIRFIELD	82.27	46.30	84.04	42.23	PREBLE	53.41	40.57	55.46	43.27
FAYETTE	57.54	44.57	59.74	45.87	PUTNAM	49.84	41.06	49.02	43.17
FRANKLIN	102.71	59.13	97.25	70.28	RICHLAND	77.63	49.20	79.21	62.99
FULTON	74.97	50.68	74.41	55.29	ROSS	58.78	41.27	63.57	46.08
GALLIA	46.97	39.77	46.01	39.78	SANDUSKY	59.12	41.01	55.56	42.85
GEAUGA	101.57	55.34	101.43	59.63	SCIOTO	59.96	45.34	64.08	49.16
GREENE	81.09	58.39	81.02	59.76	SENECA	63.74	41.87	66.20	53.17
GUERNSEY	59.13	45.92	60.29	50.42	SHELBY	59.69	43.27	60.02	47.11
HAMILTON	93.44	55.13	90.05	65.00	STARK	78.89	48.29	77.05	52.88
HANCOCK	62.41	41.55	63.51	51.44	SUMMIT	89.31	57.81	88.20	64.27
HARDIN	57.09	41.98	55.35	41.51	TRUMBULL	74.06	52.87	72.17	57.46
HARRISON	59.69	39.63	60.94	45.12	TUSCARAWAS	66.28	43.28	67.35	48.26
HENRY	72.98	52.94	73.93	63.05	UNION	76.29	52.74	75.19	58.48
HIGHLAND	45.58	36.59	45.58	37.81	VAN WERT	67.57	48.41	68.77	61.69
HOCKING	60.99	44.13	60.92	46.79	VINTON	47.17	43.10	50.12	48.27
HOLMES	53.66	42.53	53.12	45.68	WARREN	83.98	51.35	87.71	54.26
HURON	60.51	39.61	62.93	43.65	WASHINGTON	55.02	39.45	55.70	43.59
JACKSON	45.93	41.29	47.96	43.57	WAYNE	76.81	49.50	83.76	61.61
JEFFERSON	58.60	38.15	58.78	47.31	WILLIAMS	71.14	44.28	71.30	46.94
KNOX	62.61	45.42	58.41	48.16	WOOD	82.93	52.13	84.06	56.20
LAKE	91.04	50.12	88.90	57.48	WYANDOT	51.90	32.31	50.09	33.93
LAWRENCE	37.69	34.25	40.03	37.37					
LICKING	65.88	48.53	63.93	49.30	<b>STATEWIDE</b>	<b>86.35</b>	<b>53.69</b>	<b>87.52</b>	<b>62.60</b>

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 by taxable value.

3 For the two combined classes of real property, the statewide average gross rate is 88.61 and the statewide average net rate is 55.65 mills.



**Table 3**

Total Real Property Taxes, Values and Effective Tax Rates, by County, Tax Year 2007											
County	Taxable Value	Gross Taxes levied	Taxes Charged <sup>1</sup>	Special Assessments	Effective Tax Rate <sup>2</sup>	County	Taxable Value	Gross Taxes levied	Taxes Charged <sup>1</sup>	Special Assessments	Effective Tax Rate <sup>2</sup>
ADAMS	\$369,189,050	\$18,461,514	\$15,356,982	\$21,924	41.60	LOGAN	\$983,786,660	\$64,090,895	\$44,500,035	\$603,323	45.23
ALLEN	1,684,668,310	95,218,810	77,134,123	3,454,844	45.79	LORAIN	6,523,764,330	523,060,167	335,715,176	3,300,428	51.46
ASHLAND	863,554,330	63,631,994	40,669,142	52,587	47.10	LUCAS	8,648,578,630	849,586,886	508,913,330	33,441,370	58.84
ASHTABULA <sup>3</sup>	1,633,817,130	124,758,277	84,003,132	0	51.42	MADISON	733,788,710	48,684,511	38,059,511	1,552,707	51.87
ATHENS	723,393,460	59,041,885	40,551,230	1,073,524	56.06	MAHONING	3,884,447,950	312,506,309	213,009,970	2,171,139	54.84
AUGLAIZE	778,672,270	48,693,689	36,069,414	807,502	46.32	MARION	959,528,370	62,546,350	42,290,228	1,574,722	44.07
BELMONT	939,515,830	58,337,997	39,351,837	249,645	41.89	MEDINA	4,569,350,280	425,744,853	230,679,618	2,451,706	50.48
BROWN	645,418,560	32,296,304	24,611,137	467,602	38.13	MEIGS	248,364,520	11,972,973	10,012,184	13,444	40.31
BUTLER	7,270,538,110	563,754,732	392,882,280	31,333,565	54.04	MERCER	725,678,280	42,129,013	35,373,831	891,932	48.75
CARROLL	493,683,170	27,727,469	20,019,231	15,686	40.55	MIAMI	2,054,075,790	137,697,153	87,893,497	1,762,341	42.79
CHAMPAIGN	686,320,190	43,430,152	29,041,343	79,822	42.31	MONROE	186,564,690	9,352,264	6,520,279	22,524	34.95
CLARK	2,318,555,580	166,665,577	116,480,211	676,376	50.24	MONTGOMERY	9,850,479,520	989,004,929	681,254,066	30,404,051	69.16
CLERMONT	3,912,542,590	339,024,540	208,665,279	9,125,903	53.33	MORGAN <sup>3</sup>	200,335,540	10,851,484	7,608,546	0	37.98
CLINTON	756,447,470	40,700,277	33,411,821	388,035	44.17	MORROW	601,048,700	32,244,213	24,875,257	396,213	41.39
COLUMBIANA	1,504,177,940	86,942,503	64,528,017	958,459	42.90	MUSKINGUM	1,391,572,720	92,275,712	63,214,754	289,068	45.43
COSHOCTON	542,940,910	32,857,969	21,922,259	4,386	40.38	NOBLE	165,618,560	7,627,561	5,672,891	1,133	34.25
CRAWFORD	641,306,090	47,115,230	29,375,008	182,225	45.80	OTTAWA	1,562,688,230	105,567,868	57,817,744	2,613,498	37.00
CUYAHOGA	30,390,947,875	3,408,140,687	2,130,805,856	78,275,144	70.11	PAULDING	272,243,600	16,201,217	12,966,137	393,999	47.63
DARKE	848,862,800	44,014,398	32,894,082	429,121	38.75	PERRY	438,779,260	27,362,918	19,362,223	95,046	44.13
DEFIANCE	613,726,085	38,474,192	28,952,065	896,464	47.17	PICKAWAY	930,367,610	55,448,631	42,851,028	341,606	46.06
DELAWARE	5,983,487,794	464,784,339	304,124,037	14,792,071	50.83	PIKE	288,889,350	17,375,211	12,508,253	25,705	43.30
ERIE	1,979,074,990	168,652,167	94,197,116	1,365,607	47.60	PORTAGE	3,282,160,950	296,472,257	165,703,544	1,727,830	50.49
FAIRFIELD	3,099,252,490	255,865,563	141,446,662	1,062,411	45.64	PREBLE	706,971,070	37,937,182	28,918,898	2,048,632	40.91
FAYETTE	498,647,950	28,911,794	22,353,878	1,051,272	44.83	PUTNAM	543,933,320	27,067,350	22,447,159	559,999	41.27
FRANKLIN	26,843,112,060	2,714,487,845	1,674,247,345	65,438,364	62.37	RICHLAND	1,969,934,720	153,526,545	102,161,387	1,682,209	51.86
FULTON	810,403,310	60,670,005	41,796,960	1,171,707	51.58	ROSS	1,057,158,600	63,106,879	44,596,363	342,858	42.19
GALLIA	420,383,350	19,635,383	16,719,018	177,316	39.77	SANDUSKY	1,057,138,680	61,838,998	43,697,849	642,079	41.34
GEAUGA	2,952,085,220	299,793,201	164,753,967	1,743,618	55.81	SCIOTO	815,083,570	49,535,612	37,573,259	801,016	46.10
GREENE	3,391,336,050	274,949,486	198,876,499	2,557,230	58.64	SENECA	820,811,790	52,660,261	35,948,843	485,183	43.80
GUERNSEY	525,859,870	31,216,915	24,628,887	181,806	46.84	SHELBY	864,199,760	51,646,653	38,115,030	849,959	44.10
HAMILTON	19,025,718,540	1,760,914,375	1,097,789,712	73,740,611	57.70	STARK	7,103,881,680	557,627,507	350,072,354	2,395,248	49.28
HANCOCK	1,474,490,680	92,351,018	64,236,807	1,089,116	43.57	SUMMIT	12,062,492,360	1,074,411,455	714,196,015	27,358,275	59.21
HARDIN	387,249,540	22,008,171	16,229,866	1,201,950	41.91	TRUMBULL	3,289,043,090	242,394,194	176,797,333	1,790,322	53.75
HARRISON	206,689,770	12,374,957	8,357,095	17,612	40.43	TUSCARAWAS	1,551,996,500	103,199,665	68,709,872	318,015	44.27
HENRY	469,316,160	34,308,760	25,469,206	663,7795	4.27	UNION	1,230,933,760	93,646,143	66,303,979	210,386	53.86
HIGHLAND	614,320,840	28,000,932	22,580,683	626,419	36.76	VAN WERT	401,760,150	27,211,786	20,150,533	923,469	50.16
HOCKING	489,858,970	29,872,265	21,743,590	45,049	44.39	VINTON	140,178,180	6,650,941	6,108,134	2,018	43.57
HOLMES	705,892,160	37,806,941	30,427,088	5,119	43.10	WARREN	5,941,739,710	503,130,531	308,337,887	5,340,993	51.89
HURON	965,771,160	58,820,758	38,897,306	364,395	40.28	WASHINGTON	923,147,750	50,936,838	37,278,704	310,862	40.38
JACKSON	406,565,090	18,856,632	16,993,531	26,268	41.80	WAYNE	1,959,298,080	153,042,692	101,427,193	772,536	51.77
JEFFERSON	914,243,690	53,612,456	36,635,555	233,566	40.07	WILLIAMS	645,773,220	45,962,519	28,927,909	1,059,546	44.80
KNOX	988,036,120	61,385,393	45,189,767	1,580,721	45.74	WOOD	2,672,349,140	222,356,115	142,004,480	7,997,380	53.14
LAKE	6,348,400,560	575,057,370	328,208,816	9,197,389	51.70	WYANDOT	380,307,000	19,631,494	12,380,708	128,436	32.55
LAWRENCE	694,639,850	26,388,068	24,074,213	661,701	34.66						
LICKING	3,463,388,450	227,047,460	168,533,878	2,786,058	48.66	<b>TOTAL</b>	<b>\$235,916,746,794</b>	<b>\$20,432,385,186</b>	<b>\$13,128,191,919</b>	<b>\$450,367,172</b>	<b>55.65</b>

<sup>1</sup> 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.

<sup>2</sup> Rates shown in mills equal taxes charged divided by taxable value.

<sup>3</sup> Counties which levied no special assessments.

Table 4

Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2007 <sup>1</sup>											
County	Taxes Charged <sup>2</sup>	10% Reduction <sup>3</sup>	Homestead Exemption Reduction <sup>3</sup>	2.5% Reduction in Taxes of Homeowners <sup>3</sup>	Net Taxes Collectible <sup>4</sup>	County	Taxes Charged <sup>2</sup>	10% Reduction <sup>3</sup>	Homestead Exemption Reduction <sup>3</sup>	2.5% Reduction in Taxes of Homeowners <sup>3</sup>	Net Taxes Collectible <sup>4</sup>
ADAMS	\$15,356,982	\$1,131,762	\$633,999	\$79,091	\$13,512,130	LOGAN	\$44,500,035	\$3,585,885	\$935,678	\$408,795	\$39,569,677
ALLEN	77,134,123	5,752,161	2,477,667	1,104,476	67,799,819	LORAIN	335,715,176	26,928,470	8,112,943	5,096,198	295,577,565
ASHLAND	40,669,142	3,351,594	1,446,872	641,980	35,228,695	LUCAS	508,913,330	36,501,124	12,451,040	7,728,686	452,232,481
ASHTABULA	84,003,132	6,646,853	3,026,460	1,014,011	73,315,808	MADISON	38,059,511	3,184,678	1,033,805	627,896	33,213,132
ATHENS	40,551,230	3,147,787	1,446,366	471,932	35,485,145	MAHONING	213,009,970	15,965,740	8,628,155	3,207,118	185,208,957
AUGLAIZE	36,069,414	2,900,385	1,088,502	527,330	31,553,196	MARION	42,290,228	3,291,669	1,596,833	614,730	36,786,996
BELMONT	39,351,837	2,910,667	1,834,610	516,483	34,090,078	MEDINA	230,679,618	19,317,191	4,371,254	3,966,613	203,024,561
BROWN	24,611,137	2,222,912	878,201	304,748	21,205,277	MEIGS	10,012,184	802,496	593,199	100,446	8,516,043
BUTLER	392,882,280	29,896,949	8,392,540	5,741,520	348,851,272	MERCER	35,373,831	3,083,135	1,134,032	494,847	30,661,816
CARROLL	20,019,231	1,759,743	699,573	240,122	17,319,794	MIAMI	87,893,497	7,113,314	2,513,250	1,334,674	76,932,259
CHAMPAIGN	29,041,343	2,481,365	890,709	338,491	25,330,778	MONROE	6,520,279	536,606	332,933	61,215	5,589,524
CLARK	116,480,211	8,920,555	4,053,743	1,588,062	101,917,850	MONTGOMERY	681,254,066	50,749,262	21,357,723	10,762,236	598,384,845
CLERMONT	208,665,279	16,973,799	4,411,218	3,424,050	183,856,212	MORGAN	7,608,546	644,863	360,139	68,534	6,535,010
CLINTON	33,411,821	2,538,857	803,529	405,245	29,664,189	MORROW	24,875,257	2,280,664	719,976	313,068	21,561,548
COLUMBIANA	64,528,017	5,411,697	2,900,979	879,025	55,336,315	MUSKINGUM	63,214,754	4,928,117	2,256,961	809,807	55,219,869
COSHOCTON	21,922,259	1,721,812	835,245	255,406	19,109,796	NOBLE	5,672,891	497,788	292,559	65,157	4,817,386
CRAWFORD	29,375,008	2,370,831	1,315,513	335,570	25,353,094	OTTAWA	57,817,744	4,768,120	1,186,568	422,521	51,440,535
CUYAHOGA	2,130,805,856	148,376,052	50,859,061	31,098,699	1,900,472,045	PAULDING	12,966,137	1,134,607	587,010	191,079	11,053,442
DARKE	32,894,082	2,799,385	1,290,619	446,119	28,357,959	PERRY	19,362,223	1,716,974	848,716	311,241	16,485,291
DEFIANCE	28,952,065	2,355,981	1,141,637	464,238	24,990,209	PICKAWAY	42,851,028	3,640,935	1,153,421	629,242	37,427,430
DELAWARE	304,124,037	26,863,321	2,831,988	5,696,555	268,732,172	PIKE	12,508,253	1,035,193	717,026	163,197	10,592,837
ERIE	94,197,116	7,037,696	2,221,846	1,294,216	83,643,357	PORTAGE	165,703,544	13,051,013	3,540,573	2,231,166	146,880,792
FAIRFIELD	141,446,662	11,986,578	2,897,835	2,183,627	124,378,621	PREBLE	28,918,898	2,512,349	1,064,540	459,519	24,882,490
FAYETTE	22,353,878	1,777,729	693,409	296,730	19,586,010	PUTNAM	22,447,159	2,019,608	760,260	411,830	19,255,460
FRANKLIN	1,674,247,345	113,282,385	22,961,940	23,727,947	1,514,275,072	RICHLAND	102,161,387	7,793,049	3,921,548	1,511,570	88,935,221
FULTON	41,796,960	3,309,227	1,165,702	648,219	36,673,813	ROSS	44,596,363	3,526,222	1,748,228	574,318	38,747,594
GALLIA	16,719,018	1,212,428	781,126	152,943	14,572,521	SANDUSKY	43,697,849	3,568,498	1,542,660	680,066	37,906,625
GEAUGA	164,753,967	14,466,673	2,822,650	2,755,903	144,708,741	SCIOTO	37,573,259	2,954,963	2,110,102	527,772	31,980,422
GREENE	198,876,499	16,125,833	4,549,169	2,943,751	175,257,746	SENECA	35,948,843	2,855,044	1,320,754	494,011	31,279,034
GUERNSEY	24,628,887	1,922,649	1,131,836	285,146	21,289,256	SHELBY	38,115,030	2,937,115	1,090,472	460,136	33,627,307
HAMILTON	1,097,789,712	80,750,611	19,151,651	16,664,302	981,223,147	STARBUCK	350,072,354	26,898,906	11,158,807	5,320,288	306,694,353
HANCOCK	64,236,807	4,875,022	1,439,462	989,770	56,932,553	SUMMIT	714,196,015	54,442,417	17,395,038	10,878,354	631,480,206
HARDIN	16,229,866	1,386,263	708,499	223,797	13,911,307	TRUMBULL	176,797,333	14,010,415	7,707,608	2,380,306	152,699,005
HARRISON	8,357,095	699,468	457,963	85,292	7,114,373	TUSCARAWAS	68,709,872	5,387,460	2,276,320	893,980	60,152,113
HENRY	25,469,206	2,169,366	921,706	351,746	22,026,388	UNION	66,303,979	5,138,906	955,794	909,204	59,300,074
HIGHLAND	22,580,683	1,940,386	801,315	213,010	19,625,971	VAN WERT	20,150,533	1,698,311	1,030,439	313,812	17,107,970
HOCKING	21,743,590	1,937,378	726,895	299,500	18,779,817	VINTON	6,108,134	538,309	348,667	67,647	5,153,511
HOLMES	30,427,088	2,457,144	560,005	292,711	27,117,227	WARREN	308,337,887	24,873,573	3,955,251	5,266,087	274,242,976
HURON	38,897,306	3,191,488	1,228,660	629,348	33,847,809	WASHINGTON	37,278,704	2,821,036	1,513,448	458,525	32,485,695
JACKSON	16,993,531	1,305,644	852,238	124,229	14,711,419	WAYNE	101,427,193	7,882,395	2,834,693	1,419,772	89,290,332
JEFFERSON	36,635,555	2,753,917	1,997,135	479,222	31,405,281	WILLIAMS	28,927,909	2,305,202	1,000,300	417,157	25,205,250
KNOX	45,189,767	3,972,015	1,474,185	629,641	39,113,925	WOOD	142,004,480	10,495,560	2,960,448	1,774,963	126,773,509
LAKE	328,208,816	24,907,136	7,347,316	5,039,959	290,914,405	WYANDOT	12,380,708	1,038,075	464,241	159,447	10,718,945
LAWRENCE	24,074,213	2,150,918	1,540,339	332,339	20,050,617						
LICKING	168,533,878	14,000,777	3,532,263	2,665,715	148,335,124						
						<b>TOTAL</b>	<b>\$13,128,191,919</b>	<b>\$990,608,456</b>	<b>\$317,107,593</b>	<b>\$193,869,450</b>	<b>\$11,626,606,421</b>

1 Taxes charged in tax year 2007 and collected or reimbursed in calendar year 2008.

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**

<b>Assessed Valuation of Exempt Real Property, by Ownership Classifications: Tax Years 2003 - 2007</b>					
(figures in millions)					
<b>Property Under Public Ownership</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Boards of Education	\$5,019.3	\$5,239.0	\$5,569.1	\$5,877.4	\$6,225.0
Municipalities	4,413.1	4,497.2	4,667.8	4,938.9	5,039.1
State	2,915.6	2,984.6	3,113.6	3,303.0	3,367.2
Counties	2,070.6	2,235.9	2,144.9	2,343.6	2,446.9
United States	1,568.9	1,578.7	1,619.9	1,720.1	1,725.1
Park Districts	489.4	479.3	518.7	586.0	606.1
Townships	238.9	249.5	271.0	309.5	331.1
<b>Total</b>	<b>\$16,715.9</b>	<b>\$17,282.2</b>	<b>\$17,905.0</b>	<b>\$19,078.5</b>	<b>\$19,740.4</b>
<b>Property Under Private Ownership</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Tax Abatements	\$5,501.7	\$5,679.1	\$6,264.1	\$6,908.8	\$7,911.4
Charities	3,556.9	3,693.1	3,888.3	4,119.6	4,381.4
Churches	3,339.6	3,431.0	3,726.0	3,822.8	3,957.9
Schools and Colleges	2,631.7	2,743.0	3,054.8	3,219.7	3,351.7
Cemeteries	213.2	213.3	232.2	232.2	238.3
<b>Total</b>	<b>\$15,243.1</b>	<b>\$15,759.5</b>	<b>\$17,165.4</b>	<b>\$18,303.3</b>	<b>\$19,840.6</b>
<b>Grand Total<sup>1</sup></b>	<b>\$32,610.8</b>	<b>\$33,688.6</b>	<b>\$35,741.6</b>	<b>\$38,123.6</b>	<b>\$40,317.1</b>

<sup>1</sup> 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 2007							
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	\$369,189,050	\$47,786,850	11.46%	LOGAN	\$983,786,660	\$96,863,840	8.96%
ALLEN	1,684,668,310	324,726,210	16.16	LORAIN	6,523,764,330	825,766,050	11.24
ASHLAND	863,554,330	137,083,610	13.70	LUCAS	8,648,578,630	1,436,366,360	14.24
ASHTABULA	1,633,817,130	215,018,270	11.63	MADISON	733,788,710	149,443,940	16.92
ATHENS	723,393,460	297,675,760	29.15	MAHONING	3,884,447,950	495,077,980	11.30
AUGLAIZE	778,672,270	86,649,040	10.01	MARION	959,528,370	198,036,180	17.11
BELMONT	939,515,830	174,447,040	15.66	MEDINA	4,569,350,280	396,037,440	7.98
BROWN	645,418,560	66,774,280	9.38	MEIGS	248,364,520	26,098,260	9.51
BUTLER	7,270,538,110	1,353,699,290	15.70	MERCER	725,678,280	93,800,528	11.45
CARROLL	493,683,170	31,154,960	5.94	MIAMI	2,054,075,790	255,046,030	11.05
CHAMPAIGN	686,320,190	56,949,230	7.66	MONROE	186,564,690	22,230,110	10.65
CLARK	2,318,555,580	387,174,750	14.31	MONTGOMERY	9,850,479,520	1,826,880,180	15.64
CLERMONT	3,912,542,590	495,336,670	11.24	MORGAN	200,335,540	23,143,950	10.36
CLINTON	756,447,470	115,272,040	13.22	MORROW	601,048,700	47,652,430	7.35
COLUMBIANA	1,504,177,940	197,771,640	11.62	MUSKINGUM	1,391,572,720	267,121,910	16.10
COSHOCTON	542,940,910	57,717,050	9.61	NOBLE	165,618,560	34,204,180	17.12
CRAWFORD	641,306,090	73,782,340	10.32	OTTAWA	1,562,688,230	115,175,710	6.86
CUYAHOGA	30,390,947,875	6,035,049,465	16.57	PAULDING	272,243,600	35,483,470	11.53
DARKE	848,862,800	88,596,300	9.45	PERRY	438,779,260	71,154,700	13.95
DEFIANCE	613,726,085	91,250,260	12.94	PICKAWAY	930,367,610	158,690,370	14.57
DELAWARE	5,983,487,794	842,516,980	12.34	PIKE	288,889,350	286,529,320	49.79
ERIE	1,979,074,990	237,788,200	10.73	PORTAGE	3,282,160,950	742,289,950	18.44
FAIRFIELD	3,099,252,490	323,554,780	9.45	PREBLE	706,971,070	67,112,240	8.67
FAYETTE	498,647,950	51,922,020	9.43	PUTNAM	543,933,320	96,248,540	15.03
FRANKLIN	26,843,112,060	6,131,008,470	18.59	RICHLAND	1,969,934,720	280,290,600	12.46
FULTON	810,403,310	173,932,240	17.67	ROSS	1,057,158,600	215,354,610	16.92
GALLIA	420,383,350	85,915,530	16.97	SANDUSKY	1,057,138,680	180,142,190	14.56
GEAUGA	2,952,085,220	218,494,570	6.89	SCIOTO	815,083,570	247,977,210	23.33
GREENE	3,391,336,050	783,323,200	18.76	SENECA	820,811,790	120,284,910	12.78
GUERNSEY	525,859,870	115,868,310	18.06	SHELBY	864,199,760	104,350,850	10.77
HAMILTON	19,025,718,540	4,553,993,550	19.31	STARK	7,103,881,680	1,087,578,110	13.28
HANCOCK	1,474,490,680	211,070,960	12.52	SUMMIT	12,062,492,360	1,593,104,560	11.67
HARDIN	387,249,540	64,917,310	14.36	TRUMBULL	3,289,043,090	423,251,700	11.40
HARRISON	206,689,770	11,503,670	5.27	TUSCARAWAS	1,551,996,500	148,307,390	8.72
HENRY	469,316,160	72,930,990	13.45	UNION	1,230,933,760	123,430,740	9.11
HIGHLAND	614,320,840	68,409,270	10.02	VAN WERT	401,760,150	78,902,700	16.42
HOCKING	489,858,970	70,915,360	12.65	VINTON	140,178,180	21,136,420	13.10
HOLMES	705,892,160	42,607,050	5.69	WARREN	5,941,739,710	775,275,440	11.54
HURON	965,771,160	112,020,040	10.39	WASHINGTON	923,147,750	135,527,600	12.80
JACKSON	406,565,090	94,156,820	18.80	WAYNE	1,959,298,080	331,204,310	14.46
JEFFERSON	914,243,690	138,665,870	13.17	WILLIAMS	645,773,220	105,312,420	14.02
KNOX	988,036,120	176,519,760	15.16	WOOD	2,672,349,140	580,294,950	17.84
LAKE	6,348,400,560	455,103,760	6.69	WYANDOT	380,307,000	33,572,200	8.11
LAWRENCE	694,639,850	111,681,770	13.85				
LICKING	3,463,388,450	482,644,660	12.23	<b>TOTAL</b>	<b>\$235,916,746,794</b>	<b>\$40,317,132,773</b>	<b>14.60%</b>

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 Year 2006							
County	Number of Homestead Exemptions Granted <sup>1</sup>	Average Reduction in Taxable Value <sup>1</sup>	Total Reduction in Real Property Taxes <sup>2</sup>	County	Number of Homestead Exemptions Granted <sup>1</sup>	Average Reduction in Taxable Value <sup>1</sup>	Total Reduction in Real Property Taxes <sup>2</sup>
ADAMS <sup>3</sup>	1,006	\$4,019	\$218,211	LOGAN	622	\$3,989	\$163,537
ALLEN	1,321	4,090	316,900	LORAIN	3,940	4,731	1,456,473
ASHLAND <sup>3</sup>	907	3,914	279,098	LUCAS	9,428	3,707	3,196,504
ASHTABULA	2,843	4,182	921,616	MADISON	643	4,268	181,211
ATHENS	1,468	4,098	468,840	MAHONING	7,511	3,918	2,282,312
AUGLAIZE	616	3,683	136,680	MARION	1,481	4,284	405,282
BELMONT	2,661	4,159	692,385	MEDINA	2,777	3,826	974,797
BROWN	1,156	4,158	243,654	MEIGS	1,068	3,863	195,258
BUTLER	4,712	4,171	1,395,194	MERCER	697	4,099	168,164
CARROLL	813	4,146	189,518	MIAMI	1,763	3,984	506,891
CHAMPAIGN	716	3,993	183,541	MONROE	488	4,252	105,774
CLARK	2,896	4,061	911,492	MONTGOMERY	11,502	3,955	4,355,861
CLERMONT	2,196	4,009	699,993	MORGAN <sup>5</sup>	537	3,785	133,790
CLINTON	505	3,999	110,651	MORROW	732	3,954	161,196
COLUMBIANA	3,394	4,124	819,700	MUSKINGUM	2,290	4,298	631,270
COSHOCTON	803	4,085	206,848	NOBLE	542	4,125	104,345
CRAWFORD	1,277	4,171	395,116	OTTAWA	1,022	4,041	257,301
CUYAHOGA	29,986	4,046	12,716,529	PAULDING	370	4,121	98,523
DARKE	1,172	4,106	248,803	PERRY <sup>3</sup>	1,269	4,182	314,863
DEFIANCE	699	3,956	170,585	PICKAWAY	753	4,042	207,628
DELAWARE <sup>3</sup>	1,079	3,900	326,797	PIKE	998	4,090	245,430
ERIE	1,350	4,016	467,518	PORTAGE	2,149	3,785	726,746
FAIRFIELD	2,085	4,290	686,604	PREBLE	950	4,199	212,789
FAYETTE <sup>4</sup>	560	4,388	173,907	PUTNAM	532	3,925	105,433
FRANKLIN	11,341	4,182	4,594,346	RICHLAND	2,865	4,305	968,624
FULTON	703	3,914	210,846	ROSS	2,022	3,959	480,973
GALLIA	1,347	4,196	282,746	SANDUSKY	1,248	3,915	287,598
GEAUGA	1,337	3,893	479,070	SCIOTO	3,432	4,367	893,082
GREENE	1,661	3,838	462,780	SENECA	1,012	3,972	264,348
GUERNSEY	1,256	3,881	285,056	SHELBY	746	3,981	177,633
HAMILTON	8,503	4,052	3,172,890	STARK	8,943	4,071	2,767,180
HANCOCK	889	4,010	232,156	SUMMIT	10,877	4,138	4,149,018
HARDIN	672	4,105	151,408	TRUMBULL	6,223	4,287	2,016,161
HARRISON	671	4,111	163,280	TUSCARAWAS	2,458	4,184	649,155
HENRY	571	3,734	150,064	UNION <sup>3</sup>	543	3,924	155,049
HIGHLAND	1,273	4,160	241,376	VAN WERT	671	4,192	199,575
HOCKING	730	4,118	190,387	VINTON	659	4,172	130,867
HOLMES	365	4,191	88,762	WARREN	1,629	3,746	570,583
HURON	1,328	3,556	269,120	WASHINGTON	1,508	3,904	314,619
JACKSON	1,478	4,566	324,078	WAYNE	1,688	3,822	482,786
JEFFERSON	2,770	4,185	668,627	WILLIAMS	679	4,055	202,533
KNOX <sup>3</sup>	1,089	4,005	265,876	WOOD	1,523	3,843	469,073
LAKE	3,836	3,884	1,346,749	WYANDOT	444	4,091	97,185
LAWRENCE	3,716	4,466	652,269				
LICKING	1,819	4,087	426,092	<b>TOTAL</b>	<b>216,810</b>	<b>\$4,070</b>	<b>\$70,105,575</b>

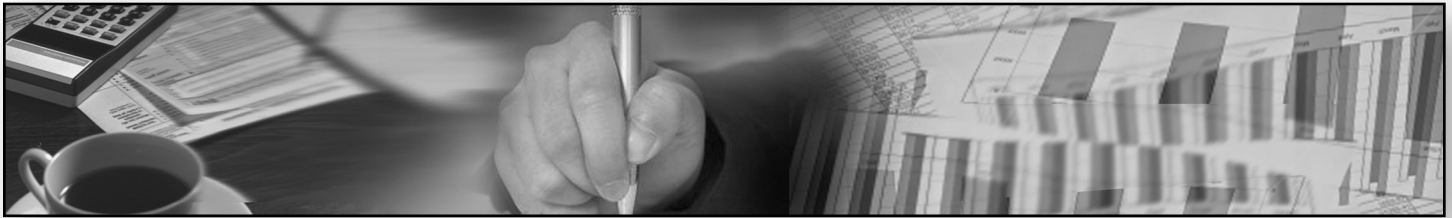
1 Compiled from surveys of county auditors conducted by the Department of Taxation.

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 are for tax year 2005.

4 Most recent data available are for tax year 2002.

5 Most recent data available are for tax year 2004.



## Property Tax – Tangible Personal Property

**T**he 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 2007 tax year, taxes levied on tangible personal property totaled approximately \$1 billion on a taxable value of approximately \$12.3 billion.

The general taxation of tangible personal property in Ohio 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 tangible personal property used in the course of conducting business.

The ongoing phase-out plan calls for the percentage of true value at which tangible personal property is listed for tax purposes to be reduced gradually to zero. For the 2008 tax year, tangible personal property was listed at 6.25 percent of true value. For most taxpayers, the tax ended with the final payments due in September 2008. The listing percentage falls to zero in 2009, when 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, as described below in **Tax Base**.

### 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 of true value for tax year 2007 and 6.25 percent of true value for tax year 2008.

Taxable value is determined by applying the appropriate assessment percentage to the true value of different classes of tangible personal property. The true value of business prop-

erty 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 (essentially, the cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally Dec. 31).

Although the tax is phased out for most taxpayers in 2009, it will continue to apply to telephone companies and inter-exchange telecommunications companies. The tax phases out for these companies over a two-year period. 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 zero percent in 2011.

### 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. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, and special districts.

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 tax rate on tangible property in 2007 was 81.68 mills.

### Exemptions and Exceptions

Exemptions include:

- the first \$10,000 of otherwise taxable value for each company. 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 (R.C. 5709.01).
- 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 – 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 naphtha (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 15 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 the school district in question.

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 was scheduled to end in fiscal year 2009.

## Filing and Payment Dates

(R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03)

**Feb. 15 to April 30** – 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** – By this date, the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

**Third Monday in August** – County auditors certify and deliver tangible personal property lists to county treasurers.

**Sept. 20** – 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.

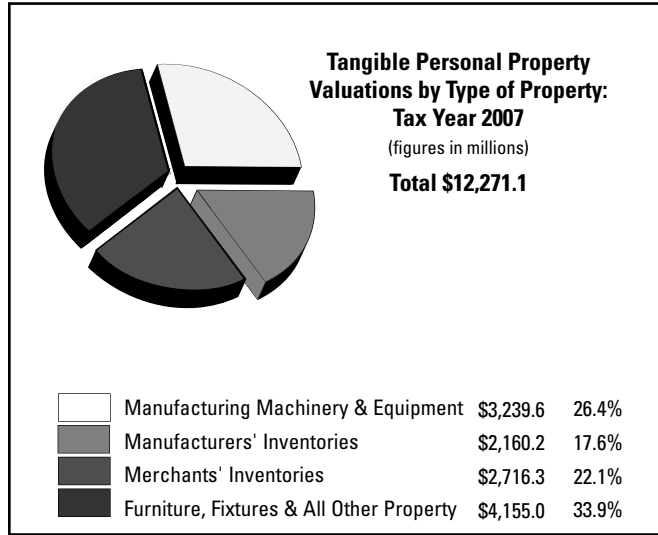
Inter-county taxpayers – meaning businesses with taxable property in more than one county – file with and are assessed by the Tax Commissioner.

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.

**Chart**



**Table 1**

Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2003-2007					
Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
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
2007	12,271,111,018	1,002,333,421	-26.4%	-25.5%	81.68

**Table 2**

Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District <sup>1</sup>	Township	County <sup>2</sup>		
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
2007	53,546,471	717,690,030	42,329,372	188,767,548	322,319,603	1,324,653,024

1 Includes Joint Vocational Schools.  
2 Includes special districts.



**Table 3**

<b>Taxes Levied on Tangible Personal Property in Ohio Cities, by Subdivision, Tax Years 2003-2007</b>						
<b>Tax Year</b>	<b>Taxes Levied in Cities</b>				<b>Delinquent Taxes from Prior Years</b>	<b>Total Taxes and Delinquencies</b>
	<b>City and Village</b>	<b>School District<sup>1</sup></b>	<b>Township</b>	<b>County<sup>2</sup></b>		
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
2007	47,675,780	476,905,755	4,671,937	125,867,389	200,012,908	855,133,769

1 Includes Joint Vocational Schools.  
2 Includes special districts.

**Table 4**

<b>Assessed Value of Tangible Personal Property, by Class of Property, Tax Years 2006-2007</b> (in millions of dollars)				
	<b>Assessment Levels (% of True Value)</b>		<b>Assessed Taxable Value of All Taxpayers</b>	
	<b>2006</b>	<b>2007</b>	<b>2006<sup>1</sup></b>	<b>2007<sup>1</sup></b>
Manufacturing Machinery & Equipment	18.75%	12.50%	\$5,206.4	\$3,239.6
Manufacturers' Inventories	18.75%	12.50%	3,116.3	2,160.2
Merchants' Inventories	18.75%	12.50%	4,084.5	2,716.3
Furniture, Fixtures, & All Other Property	18.75%	12.50%	4,259.5	4,155.0
<b>Total</b>			<b>\$16,666.7</b>	<b>\$12,271.1</b>

1 Figures by class of property are estimated. Railroad property has been excluded from these figures.

**Table 5**

<b>Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1999-2008</b>						
<b>Tax Year</b>	<b>Manufacturing Machinery and Equipment</b>	<b>Manufacturers' Inventories</b>	<b>Merchants' Inventories</b>	<b>Electrical Equipment<sup>1</sup></b>	<b>Telephone and Inter-exchange Telecommunications Property<sup>2</sup></b>	<b>All Other Property<sup>3</sup></b>
1999-2001	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	20.00	12.50
2008	6.25	6.25	6.25	85.00	15.00	6.25

1 Property used in generating or distributing electricity to others (except utilities).  
2 Beginning in tax year 2007, telecommunications property is listed as general tangible personal property (and no longer listed as public utility personal property).  
3 Includes furniture and fixtures.

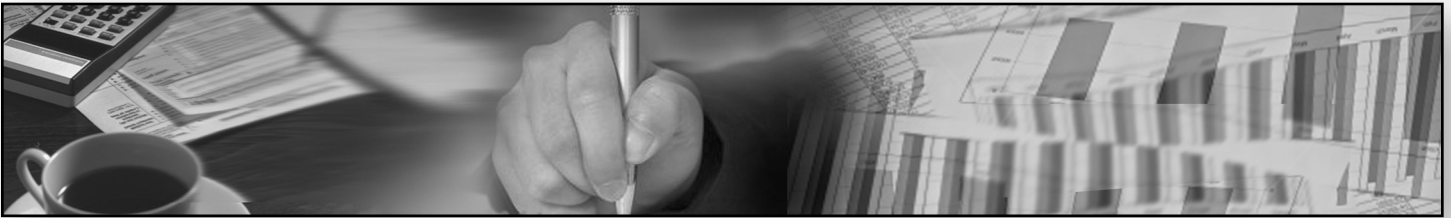
Table 6

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2007							
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	\$27,831,580	\$1,392,288	50.03	LOGAN	\$78,474,010	\$5,011,267	63.86
ALLEN	203,329,500	11,557,168	56.84	LORAIN	273,888,580	22,144,008	80.85
ASHLAND	48,526,881	3,673,776	75.71	LUCAS	469,770,093	44,172,457	94.03
ASHTABULA	113,343,780	8,622,897	76.08	MADISON	42,102,470	2,782,141	66.08
ATHENS	22,366,364	1,986,126	88.80	MAHONING	205,761,000	16,555,861	80.46
AUGLAIZE	74,095,440	4,599,596	62.08	MARION	78,996,797	5,146,252	65.15
BELMONT	55,686,840	3,407,109	61.18	MEDINA	162,596,130	14,991,206	92.20
BROWN	14,734,582	743,371	50.45	MEIGS	6,906,020	324,422	46.98
BUTLER	453,532,419	34,410,042	75.87	MERCER	40,675,020	2,337,418	57.47
CARROLL	17,039,907	1,004,081	58.93	MIAMI	131,017,670	9,143,292	69.79
CHAMPAIGN	43,739,312	2,922,103	66.81	MONROE	9,610,840	476,942	49.63
CLARK	108,223,478	7,747,124	71.58	MONTGOMERY	504,161,421	47,588,433	94.39
CLERMONT	110,183,631	9,559,513	86.76	MORGAN	5,825,540	313,810	53.87
CLINTON	71,360,702	3,633,366	50.92	MORROW	15,488,640	912,432	58.91
COLUMBIANA	64,868,250	3,909,821	60.27	MUSKINGUM	69,974,950	4,673,395	66.79
COSHOCTON	39,320,032	2,242,226	57.03	NOBLE	\$7,106,551	\$325,332	45.78
CRAWFORD	49,513,891	3,624,517	73.20	OTTAWA	45,156,900	3,172,331	70.25
CUYAHOGA	1,403,229,702	140,679,136	100.25	PAULDING	13,440,692	801,547	59.64
DARKE	41,353,640	2,174,153	52.57	PERRY	12,529,180	772,837	61.68
DEFIANCE	49,356,970	3,075,964	62.32	PICKAWAY	39,130,078	2,353,699	60.15
DELAWARE	157,458,553	11,989,218	76.14	PIKE	23,927,981	1,463,453	61.16
ERIE	102,116,750	8,642,670	84.64	PORTAGE	146,106,983	13,238,919	90.61
FAIRFIELD	75,742,054	6,038,278	79.72	PREBLE	42,161,540	2,326,230	55.17
FAYETTE	35,481,671	2,090,855	58.93	PUTNAM	32,309,678	1,659,492	51.36
FRANKLIN	1,266,824,369	124,419,777	98.21	RICHLAND	161,943,782	12,405,980	76.61
FULTON	99,973,010	7,603,114	76.05	ROSS	64,703,330	4,097,576	63.33
GALLIA	22,473,444	1,061,133	47.22	SANDUSKY	77,121,160	4,324,341	56.07
GEAUGA	92,736,550	8,941,480	96.42	SCIOTO	41,068,820	2,470,609	60.16
GREENE	92,850,614	7,269,090	78.29	SENECA	52,041,979	3,469,984	66.68
GUERNSEY	46,633,460	2,601,331	55.78	SHELBY	138,782,421	8,035,178	57.90
HAMILTON	1,002,702,620	87,678,838	87.44	STARK	418,678,654	31,530,755	75.31
HANCOCK	124,536,481	7,773,205	62.42	SUMMIT	601,669,253	52,713,890	87.61
HARDIN	33,509,171	1,778,453	53.07	TRUMBULL	237,676,895	17,482,812	73.56
HARRISON	11,637,840	707,466	60.79	TUSCARAWAS	107,463,223	7,023,814	65.36
HENRY	45,036,420	3,247,465	72.11	UNION	117,567,036	8,861,406	75.37
HIGHLAND	30,301,710	1,418,695	46.82	VAN WERT	26,358,940	1,820,897	69.08
HOCKING	16,656,253	1,013,431	60.84	VINTON	6,536,280	301,065	46.06
HOLMES	49,317,310	2,585,365	52.42	WARREN	254,292,440	22,352,137	87.90
HURON	65,640,740	4,064,279	61.92	WASHINGTON	120,308,380	6,261,089	52.04
JACKSON	31,768,213	1,486,185	46.78	WAYNE	137,805,780	11,093,297	80.50
JEFFERSON	77,446,023	4,610,332	59.53	WILLIAMS	58,232,797	4,148,666	71.24
KNOX	68,231,229	3,917,221	57.41	WOOD	173,015,896	14,591,101	84.33
LAKE	260,444,764	23,487,135	90.18	WYANDOT	28,323,358	1,401,607	49.49
LAWRENCE	26,102,510	993,478	38.06				
LICKING	143,143,170	8,877,173	62.02	<b>TOTAL</b>	<b>\$12,271,111,018</b>	<b>\$1,002,333,421</b>	<b>81.68</b>

Table 7

Tangible Personal Property Tax - Reduction in Taxable Value & in Taxes Levied Due to the \$10,000 Exemption, by County, Tax Year 2007					
County	Reduction in Taxable Value	Reduction in Taxes Levied <sup>1</sup>	County	Reduction in Taxable Value	Reduction in Taxes Levied <sup>1</sup>
ADAMS	\$623,380	\$33,151	LOGAN	\$2,092,250	\$135,500
ALLEN	5,290,410	300,470	LORAIN	9,833,960	776,760
ASHLAND	2,536,762	189,529	LUCAS	18,117,420	1,755,316
ASHTABULA	3,531,610	270,629	MADISON	1,213,110	80,600
ATHENS	1,569,584	137,150	MAHONING	11,509,980	919,739
AUGLAIZE	2,411,210	144,755	MARION	1,798,520	117,115
BELMONT	2,235,260	139,259	MEDINA	6,980,490	650,117
BROWN	975,280	49,857	MEIGS	729,140	34,098
BUTLER	13,539,790	1,062,891	MERCER	2,650,490	155,489
CARROLL	883,280	50,244	MIAMI	4,711,860	325,807
CHAMPAIGN	1,279,118	85,825	MONROE	388,450	19,560
CLARK	4,335,943	323,676	MONTGOMERY	20,389,820	1,960,681
CLERMONT	5,256,520	449,470	MORGAN	275,290	14,916
CLINTON	1,759,670	90,296	MORROW	660,300	35,806
COLUMBIANA	3,958,540	230,751	MUSKINGUM	3,397,540	228,258
COSHOCTON	1,416,740	91,040	NOBLE	370,000	17,000
CRAWFORD	1,706,180	125,892	OTTAWA	1,886,320	131,831
CUYAHOGA	53,214,952	5,453,323	PAULDING	772,730	47,968
DARKE	2,365,650	123,691	PERRY	886,675	56,353
DEFIANCE	1,845,250	116,237	PICKAWAY	1,278,750	78,939
DELAWARE	5,479,216	422,387	PIKE	742,340	45,061
ERIE	3,281,130	279,684	PORTAGE	6,134,170	562,013
FAIRFIELD	3,855,410	307,728	PREBLE	1,157,190	62,765
FAYETTE	1,171,710	69,693	PUTNAM	1,782,360	89,913
FRANKLIN	42,407,770	4,178,929	RICHLAND	4,884,980	376,193
FULTON	2,397,140	179,280	ROSS	2,093,450	131,665
GALLIA	1,217,496	61,800	SANDUSKY	2,625,960	145,620
GEAUGA	4,209,710	407,033	SCIOTO	2,123,140	134,049
GREENE	4,051,946	313,534	SENECA	2,294,447	147,983
GUERNSEY	1,610,400	96,002	SHELBY	2,707,930	165,437
HAMILTON	36,820,910	3,297,853	STARK	14,711,770	1,131,293
HANCOCK	3,550,230	230,297	SUMMIT	23,406,826	2,062,203
HARDIN	927,810	51,834	TRUMBULL	7,719,585	569,554
HARRISON	416,520	25,139	TUSCARAWAS	5,103,750	335,374
HENRY	1,352,880	96,022	UNION	2,052,230	148,491
HIGHLAND	1,622,450	74,817	VAN WERT	1,254,280	87,321
HOCKING	927,990	56,952	VINTON	336,630	16,339
HOLMES	5,039,390	262,722	WARREN	7,267,470	615,745
HURON	3,017,570	185,255	WASHINGTON	3,206,330	175,165
JACKSON	535,410	24,681	WAYNE	6,359,500	485,400
JEFFERSON	2,082,220	123,101	WILLIAMS	2,309,480	164,383
KNOX	2,136,260	128,803	WOOD	5,544,210	463,073
LAKE	12,254,000	1,085,605	WYANDOT	1,080,180	55,136
LAWRENCE	979,760	39,761			
LICKING	4,926,040	302,439	<b>TOTAL</b>	<b>\$453,847,800</b>	<b>\$37,481,516</b>

<sup>1</sup> 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 2008 was \$30.6 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.



# Public Utility Excise Tax

**O**hio'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 \$167 million in public utility excise tax liabilities were reported during the 2007 tax year. Of this, natural gas companies accounted for about 96 percent of total tax reported.

Total revenue collected from the public utility tax amounted to \$160.8 million in fiscal year 2008. Of that, 1.7 percent was distributed to the Local Government Fund, 0.2 percent was distributed to the Public Library Fund (this distribution was traditionally made to the Local Government Revenue Assistance Fund), and 98.1 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, interexchange 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, 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

received 0.8 percent, and the General Revenue Fund received 93.6 percent of public utility excise tax collections.

This distribution was structured by House Bill 66, the Fiscal Year 2006-2007 operating budget bill enacted by the 126th General Assembly, which continued a freeze on local government funds that began in fiscal year 2002. For each month of fiscal year 2007, the Local Government Fund and Local Government Revenue Assistance Fund received a designated amount stipulated in the budget bill.

In H.B. 119, the fiscal year 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 is directed to the General Revenue Fund (see chart in this chapter for a distribution of fiscal year 2008 revenues). For details on the local government fund changes, see the **Revenue Sharing** section of this book.

## **Administration**

The Tax Commissioner administers the tax and certifies to the Treasurer of State the amounts to be collected.

## **Ohio Revised Code Citations**

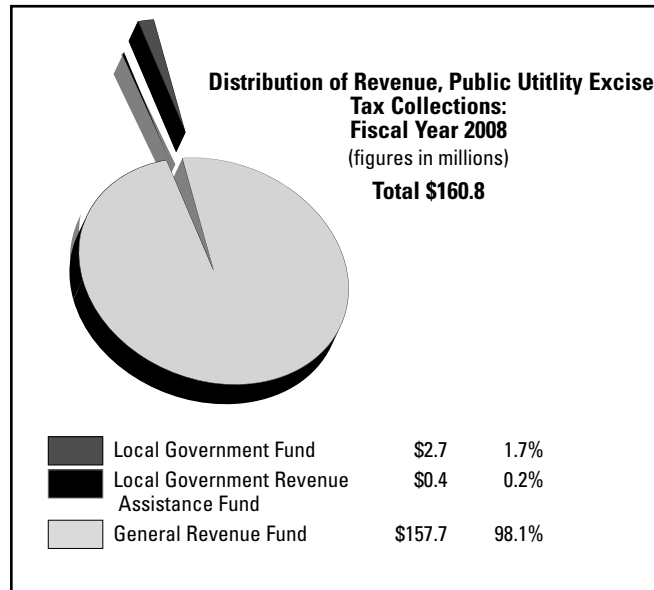
Chapters 5703 and 5727.

Table

Public Utility Excise Tax Levied By Class of Utility: Tax Years 2003 - 2007 <sup>1</sup>							
Class of Utility	Number of Taxpayers in 2007	Tax Rate 2007	Tax Year				
			2003	2004	2005	2006	2007
Natural Gas <sup>2</sup>	32	4.75%	\$145,553,831	\$144,259,415	\$161,505,284	\$183,273,754	\$154,729,267
Telephone <sup>3</sup>	0	0	117,333,061	106,197,855	0	0	0
Water Works	17	4.75	3,182,696	3,090,875	3,142,948	3,340,085	3,218,411
Pipeline	16	6.75	278,723	147,777	349,816	437,523	616,522
Other <sup>4</sup>	7	4.75	1,657,460	1,650,390	1,617,721	1,878,200	2,056,638
<b>Total</b>	<b>72</b>		<b>\$268,005,771</b>	<b>\$255,346,310</b>	<b>\$166,615,769</b>	<b>\$188,929,562</b>	<b>\$160,620,838</b>

- 1 Amount of tax certified for collection (except for natural gas companies beginning 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 2003 through 2007.  
 3 Beginning in 2005, telephone companies are no longer subject to the public utility excise tax.  
 4 Includes water transportation and heating.

Chart





# Replacement Tire Fee

The replacement tire fee provides revenue to defray the cost of regulating scrap tire facilities, to abate accumulations of scrap tires, for grants to promote research regarding alternative methods of recycling scrap tires, and for loans to promote the recycling or recovery of energy from scrap tires. The fee was enacted by the Ohio General Assembly effective Dec. 1, 1993.



In fiscal year 2008, approximately \$7.3 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 by 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)

The fee is \$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 percent on the total amount owed.

## Filing and Payment Dates

(R.C. 3734.904)

Returns and payments are due on 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 and its distribution are administered by the Tax Commissioner.

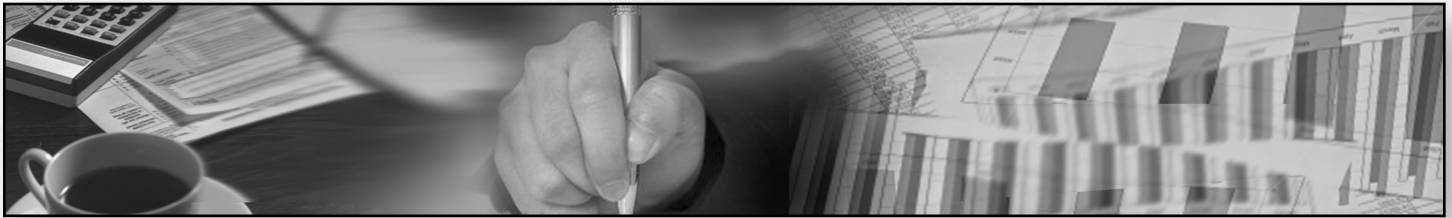
## Ohio Revised Code Citations

R.C. 3734.90 – 3734.99.

### Table

Fiscal Year	Replacement Tire Fee Revenue Fiscal Years 2004 – 2008		Total
	Scrap Tire Management Fund	Administrative Fund	
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
2008	7,118,699	145,363	7,264,062

Source: State accounting system (OAKS).



## Sales and Use Tax

**T**he sales and use tax is state government's second-largest source of revenue. It also represents an important revenue source for county governments and regional transit authorities, which are authorized to levy "piggyback" taxes also administered by the Ohio Department of Taxation.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted 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 2008, the tax generated about \$7.87 billion in revenue for state government. Of that amount 96.8 percent or \$7.61 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, 2008, all 88 Ohio county governments levied permissive sales and use taxes ranging in size from 0.25 percent to 1.5 percent. During the 2008 calendar year, the state collected over \$1,396.1 million for county governments from such levies.

As of July 1, 2008, seven transit authorities also levied sales and use taxes of up to 1 percent. They were: the Greater Cleveland Regional Transit Authority, the Central Ohio Transit Authority, the Laketran Transit Authority (Lake County), 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 2008, the state collected more than \$339.1 million for these transit authorities.

Fiscal year 2008 saw continued efforts by the state 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. This involved the implementation of a change to the way Ohio taxed delivery sales.

During fiscal year 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 continuing to permit 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 (see **Recent Legislation**).

### 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;
- personal care services;
- transportation of persons by motor vehicle or aircraft entirely within this state;
- motor vehicle towing services;



**Exhibit 1**

<b>Description of Sales Tax Taxpayers and Vendor's Licenses</b>		
<b>Taxpayer</b>	<b>Cost of License</b>	<b>Description</b>
<b>Vendor</b>	<b>\$25</b>	Each person or business establishment located in Ohio making retail sales.
<b>Service vendor</b>	<b>\$25</b>	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.
<b>Transient vendor</b>	<b>\$25</b>	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
<b>Delivery vendor</b>	<b>\$25</b>	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.
<b>Seller</b>	<b>No fee</b>	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
<b>Direct pay permit holder</b>	<b>No fee</b>	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.
<b>Clerks of court</b>	<b>No fee</b>	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.
<b>Division of Liquor Control</b>	<b>No fee</b>	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
<b>Consumers' use tax account</b>	<b>No fee</b>	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.

- snow removal services; and
- electronic publishing 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 also 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 has been 5.5 percent since July 1, 2005.

**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, 2008.

<b>Total Rate</b>	<b>Number of Jurisdictions</b>
6.00 %	2
6.25 %	5
6.50 %	24
6.75 %	14
7.00 %	42
7.75 %	1

**Rate schedule**

A combined sales tax schedule that includes local levies is outlined in R.C. 5739.025.

**Sourcing**

For most taxable sales, the sales tax rate is based on the location of the vendor from which the sale was made.

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.

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.

## Exemptions and Exceptions

(R.C. 5709.25, 5739.01, 5739.011, 5739.02, 5741.02, 6121.16, 6123.041)

The sales and use tax does not apply to:

- 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; 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;
- as defined by federal law, normally taxable food items, such as soft drinks, 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 made to qualifying certified teachers and used for educational purposes;
- sales of certain tangible personal property made to qualified motor racing teams;
- 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;
- 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); and
- items used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.

Also, Ohio law:

- permits a 25 percent sales tax refund for qualified computer purchases for providers of electronic information services; and
- caps at \$800 the sales or use tax on any aircraft sold as a fractional share aircraft.

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 gross receipts 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 intra-state 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. In 2008, the tax was 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 December 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 75 percent of each month's anticipated tax by the 23rd of that month. These vendors are still required to file a return by the 23rd of the next month and pay the balance of their tax due, along with that month's accelerated payment.

## 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.

### 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, 2007. (Example: \$5,000 tax due - \$37.50 discount = \$4,962.50 net tax due.)

**Exhibit 2**

<b>Type of Sales Tax Returns and Filing Payment Dates</b>		
Note: All monthly and semi-annual returns must be filed electronically starting with the first filing period in 2009.		
<b>Type of Return</b>	<b>Taxpayer</b>	<b>Payment Date</b>
Weekly	Clerks 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, delivery 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 exceeded \$75,000 are required to pay by EFT. These same taxpayers are required to make accelerated payments during each month.

**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 fiscal year 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 House Bill 66 (the fiscal year 2006-07 operating budget bill) that froze fiscal year 2006-07 local government fund distributions at fiscal year 2005 levels.

H.B. 119, the fiscal year 2008-09 main operating budget bill enacted in 2007, continued the freeze through calendar year 2007 and established a new system of revenue sharing with local governments. Beginning in January 2008, the two local government funds are consolidated into a single Local Government Fund that receives 3.68 percent of all General Revenue Fund tax revenues. In addition, the Library and Local Government Support Fund is changed to the Public Library Fund, and receives 2.22 percent of all General Revenue Fund tax revenues.

All revenues from the state sales and use tax are initially deposited into the General Revenue Fund. However, each month an amount is deposited into the Public Library Fund, with one-half of that amount credited against the state sales tax portion of General Revenue Fund revenues.

**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; 1 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

**House Bill 429, 127th General Assembly (effective April 18, 2008; certain provisions effective on other dates).**

**Origin sourcing of delivery sales** – The bill adopted origin sourcing for sales of tangible personal property delivered to an Ohio county with a different sales and use tax rate, as provided in the Streamlined Sales and Use Tax Agreement. H.B. 429 repealed provisions of that law requiring all vendors to adopt destination sourcing. It also requires that vendors who had switched to destination sourcing switch back by Jan. 1, 2010 (or sooner, if they wish).

**Destination sourcing compensation** – The bill repealed a system of compensation for counties impacted by destination sourcing (effective May 1, 2009).

**Sales tax refunds** – This bill permits vendors, when making a refund of all but a delivery charge, to retain the amount of the sales tax attributable to the delivery charge if the delivery charge was stated separately (effective July 1, 2008).

**House Bill 562, 127th General Assembly (effective Sept. 23, 2008; certain provisions effective on other dates).**

**Auto protection coverage included in sales tax** – This bill enacted R.C. 5739.01(B)(10) to define “guaranteed auto protection” coverage that is included in the contract for the sale or lease of a motor vehicle as a sale subject to the sales tax (effective Sept. 23, 2008).

**Out of state direct selling exemption** – Enacted R.C. 5739.02(B)(48) to create an exemption for machinery, equipment and computer software sold to a “qualified direct selling entity” and used in a warehouse or distribution center to store, handle or transport inventory to independent salespersons operating as direct sellers and that is primarily for distribution out of state. The exemption is available only to a direct selling entity that obtains a job creation tax credit on or after Jan. 1, 2007. The exemption only applies to purchases made within five years of the effective date of this exemption (effective June 24, 2008).

**Aircraft parts and maintenance exemption** – The legislation enacted R.C. 5739.02(B)(49) to exempt purchases of parts, equipment and engines used in the repair of aircraft. Also exempts repair, remodeling, replacement or maintenance of aircraft at Federal Aviation Administration (FAA)-certified repair stations in this state (effective Aug. 1, 2008). (Note: H.B. 420 of the 127th General Assembly, effective Feb. 1, 2009, removed the requirement that repair, remodeling, replacement or maintenance be performed at an FAA-certified repair station.)

**Full flight simulator purchase exemption** – Enacted R.C. 5739.02(B)(50) to exempt purchases of “full flight simulators” used for pilot or flight crew training, and repairs and maintenance of such full flight simulators (effective Aug. 1, 2008).

**Nonresident motor vehicle sales exemption** – This bill amended R.C. 5739.029 to expand the exemption for sales of motor vehicles to nonresidents of Ohio that will be removed from the state for titling, use or registration in another state to include vehicles removed to provinces of Canada (effective Sept. 23, 2008).

**Electronic filing** – Amended several sections to authorize the Tax Commissioner to require electronic filing of sales and use tax returns.

**House Bill 157, 127th General Assembly (effective Dec. 21, 2007)**

**Sales tax applied to electronic publishing** – This bill enacted R.C. 5739.01(B)(3)(u) to include electronic publishing within the definition of a “sale” subject to the sales tax. It included a definition of electronic publishing in R.C. 5739.01(LLL). It also enacted R.C. 5739.02(B)(42)(n) to create an exemption for using the thing transferred in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.

## Recent Court Decisions

**DaimlerChrysler Corporation v. Levin, 117 Ohio St.3d 46, 2008-Ohio-259**

An automobile manufacturer paid its dealers for parts and services to provide owners of its products with “goodwill” repairs after the expiration of the warranty. The Court found that the anticipated cost of the goodwill repairs was built into the price of the vehicles sold by the taxpayer. Therefore the ultimate purchaser of the vehicle, and not the taxpayer, was the consumer of the goodwill repairs. Since the taxpayer was not the consumer, it did not owe use tax on the parts or services.

## Recent Information Releases

**ST 2008-04** – “Aircraft Parts and Repair,” August 2008, revised January 2009.

**ST 2008-03** – “Resort Area Gross Receipts Excise Tax,” April 2008.

**ST 2008-02** – “Motor Vehicles – Dealer Transfers for No Consideration, and Sales or Gifts to Nonprofit Organizations,” March 2008.

**ST 2008-01** – “Television Converter Box Coupons,” February 2008.

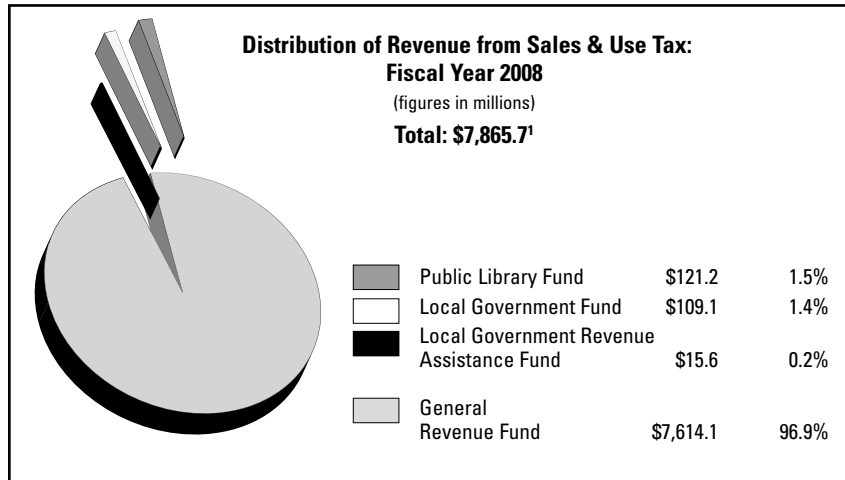
**ST 2007-06** – “Accelerated and Electronic Sales and Use Tax Payments,” December 2007.

**ST 2007-05** – “Origin Sourcing of Delivery Sales,” October 2007.

**ST 2007-04** – “Sales of Motor Vehicles to Nonresidents of Ohio,” August 2007, revised March 2009.

**ST 2007-03** – “Sales by School Support Groups and Other Charitable Organizations,” August 2007.

**Chart**



<sup>1</sup> Includes Attorney General collections which amount to \$5.6 million.

**Table 1**

<b>Sales and Use Tax - Collections By Type of Payments</b> (includes State and County/Transit Authority Permissive Tax) <b>Fiscal Year 2008</b>	
<p>The figures in this table 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.</p> <p>Also, local sales and use tax collections include deposits into the Local Sales Tax Administration Fund, amounting to \$17,472,390. The local sales and use tax figure reflects collections during the July 2007-June 2008 period (rather than distributions made during the July 2007-June 2008 period).</p>	
Type	Amount
Vendor's Sales	\$6,710,902,698
Motor Vehicle and Water Craft (from Clerks of Court)	1,168,028,795
Seller's Use	1,011,716,535
Consumers' Use	330,021,806
Direct Payment	281,528,219
Liquor Sales by Division of Liquor Control	31,434,537
Attorney General Sales and Use Tax Collections	42,839,429
<b>Total State and Local Collections</b>	<b>\$9,586,639,058</b>
Less Local Sales and Use Tax Collections	<u>1,729,767,507</u>
<b>Total State Collections</b>	<b>\$7,856,871,551</b>

Source: Ohio Department of Taxation records and information from state accounting system.

**Table 2**

<b>Sales &amp; Use Tax</b>				
<b>Number of Accounts, By Type and Payment Schedule</b>				
(As of July 1, 2008)				
<b>Accounts</b>	<b>Payment Schedule</b>			<b>Total</b>
	<b>Semi-Annual</b>	<b>Monthly</b>	<b>Quarterly</b>	
Vendors (includes 39,671 master <sup>1</sup> accounts issued by counties)	102,463	75,747		178,210
Master <sup>1</sup> (accounts issued by the state)	230	3,322		3,552
Transient	25,309	2563		27,872
Service	13,192	8,659		21,851
Delivery	8,369	1,518		9,887
Consumers	0	1,898	12,983	14,881
Direct-Pay	0	363	132	495
Out of State	<u>6,818</u>	<u>7,607</u>		<u>14,926</u>
<b>Grand Total</b>	<b>156,882</b>	<b>101,677</b>	<b>13,115</b>	<b>271,674</b>

<sup>1</sup> 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.



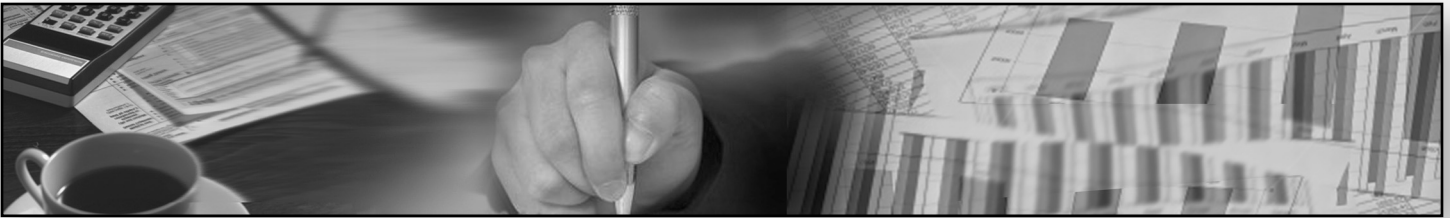


Table 3 (cont'd.)

County and Transit Authority Permissive Sales Tax Collections									
Calendar Years 2003 - 2008									
County	Tax Rate	2003	2004	2005	2006	2007	2008	Initial Enactment	Effective Date of Current Rate
MORROW	1.50	\$2,424,705	\$2,487,996	\$2,693,181	\$2,659,921	\$2,789,891	\$2,732,270	July 1, 1971	July 1, 1995
MUSKINGUM	1.50	13,816,527	13,935,522	14,152,783	14,774,019	14,691,024	14,690,306	May 1, 1971	Apr. 1, 1993
NOBLE	1.50	919,946	909,810	1,008,093	1,005,701	1,056,971	1,047,565	Jan. 1, 1971	Feb. 1, 1995
OTTAWA	1.00	4,674,287	4,789,192	4,834,964	5,147,563	5,128,283	5,198,860	Oct. 1, 1973	Jan. 1, 1998
PAULDING	1.50	1,522,795	1,611,341	1,599,105	1,589,247	1,596,866	1,563,396	Apr. 1, 1984	Nov. 1, 1991
PERRY	1.00	1,580,310	1,677,500	1,763,038	1,798,303	1,818,043	1,799,201	Mar. 1, 1971	May 1, 1982
PICKAWAY	1.50	5,399,205	5,538,138	5,567,490	5,711,366	5,860,320	5,952,481	Oct. 1, 1983	Dec. 1, 2001
PIKE	1.50	2,041,142	2,094,889	2,275,828	3,378,628	3,448,304	3,649,439	May 1, 1988	Jan. 1, 2006
PORTAGE	1.00	13,187,643	13,550,567	13,751,342	14,386,517	14,884,820	15,133,049	Apr. 1, 1971	Dec. 1, 1999
PREBLE	1.50	4,002,410	4,150,454	4,436,626	4,388,893	4,383,637	4,340,758	Nov. 1, 1979	May 1, 1994
PUTNAM	1.25	2,982,285	2,972,475	3,211,813	3,152,349	3,450,810	3,378,346	Jan. 1, 1974	July 1, 2006
RICHLAND	1.25	21,207,635	19,975,252	17,304,647	18,303,057	18,564,613	18,463,217	June 1, 1979	Apr. 1, 2005
ROSS	1.50	10,235,264	10,866,703	10,668,371	11,219,815	11,221,083	10,999,022	Jan. 1, 1980	Oct. 1, 1993
SANDUSKY	1.25	5,913,822	5,925,675	5,876,824	6,928,914	7,615,121	7,350,669	Aug. 1, 1979	Apr. 1, 2006
SCIOTO	1.50	8,250,582	8,394,244	8,449,421	8,744,475	9,177,698	9,227,388	May 1, 1979	May 1, 2001
SENECA	1.50	5,189,772	6,449,435	6,652,424	6,747,142	6,748,385	7,088,480	Oct. 1, 1983	Aug. 1, 2003
SHELBY	1.50	7,426,472	7,302,106	7,737,780	7,950,025	8,109,136	7,490,908	Mar. 1, 1971	Apr. 1, 2008
STARK	0.25	4,363,537	11,337,535	11,233,477	11,506,507	11,789,500	11,669,979	Jan. 1, 1987	July 1, 2003
SUMMIT	0.50	33,994,904	35,261,093	35,524,910	36,021,182	36,696,575	35,672,063	Mar. 1, 1973	Nov. 1, 1995
TRUMBULL	1.00	17,563,200	14,609,638	14,733,480	20,735,712	21,444,461	21,118,330	June 1, 1985	July 1, 2005
TUSCARAWAS	1.00	8,692,703	9,156,759	9,072,030	9,267,067	9,431,540	9,410,168	Apr. 1, 1971	July 1, 1998
UNION	1.25	8,358,356	6,799,470	7,070,147	7,163,498	8,354,287	9,630,696	Apr. 1, 1989	July 1, 2008
VAN WERT	1.50	3,364,282	3,439,543	3,548,502	3,480,108	3,457,911	3,542,444	Mar. 1, 1972	Mar. 1, 1991
VINTON	1.50	729,160	715,575	763,791	790,618	868,227	829,382	May 1, 1985	Mar. 1, 1992
WARREN	1.00	21,535,675	23,002,502	24,605,083	24,976,707	26,750,180	26,612,718	Jan. 1, 1972	Jan. 1, 1992
WASHINGTON	1.50	8,601,829	8,979,532	8,956,175	9,411,203	9,800,889	9,662,989	Oct. 1, 1983	Jan. 1, 1990
WAYNE	0.75	7,812,025	8,115,778	8,342,911	8,294,021	8,529,027	8,486,153	Mar. 1, 1971	Jan. 1, 1992
WILLIAMS	1.50	3,266,628	4,535,311	4,529,832	4,754,966	4,923,737	4,942,414	Dec. 1, 1977	Oct. 1, 2003
WOOD	1.00	13,619,983	14,195,793	14,802,876	14,809,636	15,403,260	15,949,426	June 1, 1971	Nov. 1, 1987
WYANDOT	1.50	1,813,228	1,865,055	1,932,519	2,806,218	2,705,482	2,691,934	Feb. 1, 1985	Oct. 1, 2005
<b>COUNTY TOTAL</b>		<b>\$1,140,944,340</b>	<b>\$1,200,755,686</b>	<b>\$1,221,774,249</b>	<b>\$1,361,669,941</b>	<b>\$1,405,634,797</b>	<b>\$1,396,160,722</b>		
CLEVELAND RTA (CUYAHOGA CO.)	1.00	\$158,653,957	\$167,894,949	\$167,165,307	\$169,262,438	\$173,161,230	\$170,707,698	Oct. 1, 1975	Oct 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	0.50	43,205,469	44,940,803	44,741,979	46,371,674	47,598,995	88,246,021	Sep. 1, 1980	Jan 1, 2008
LAKETRAN TA (LAKE CO.)	0.25	7,440,529	7,637,135	7,552,509	7,728,333	7,913,161	7,744,815	Aug. 1, 1988	Aug 1, 1988
GREATER DAYTON RTA (MONTGO- MERY CO.)	0.50	32,290,326	32,783,222	32,923,985	32,363,030	32,185,370	32,149,806	July 1, 1980	Jul 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	0.25	3,281,207	3,390,061	3,412,879	3,583,445	3,705,852	3,775,726	Feb. 1, 2002	Feb 1, 2002
STARK AREA RTA (STARK CO.)	0.25	10,689,964	11,371,235	11,287,333	11,525,065	11,785,691	11,696,465	July 1, 1997	Jul 1, 1997
METRO TA (SUMMIT CO.)	0.50	16,995,514	17,605,364	17,749,845	17,989,459	18,306,155	24,848,457	Feb. 1, 1991	Jul 1, 2008
<b>TRANSIT AUTHORITY TOTAL</b>		<b>\$272,556,965</b>	<b>\$285,622,770</b>	<b>\$284,833,837</b>	<b>\$288,823,443</b>	<b>\$294,656,453</b>	<b>\$339,168,988</b>		
<b>GRAND TOTAL</b>		<b>\$1,413,501,305</b>	<b>\$1,486,378,456</b>	<b>\$1,506,608,086</b>	<b>\$1,650,493,384</b>	<b>\$1,700,291, 250</b>	<b>\$1,735,329,710</b>		

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, enacted by the Ohio General Assembly effective 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 \$9.4 million during fiscal year 2008. Severers are licensed by the Tax Commissioner and other designated state agencies.

## Taxpayer

(Ohio Revised Code 5749.02)

The tax is paid by holders of severance permits.

## 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)

Resource	Tax Rate
Coal	10 cents per ton <sup>1</sup>
Salt	4 cents per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per 1,000 cubic feet
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton

## Exemptions and Credits

(R.C. 5749.03)

An annual exemption applies to natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in the severer's homestead. The exemption is limited to resources with a yearly cumulative market value of \$1,000 or less.

## Special Provisions

The levy imposed on coal operations without a full cost bond can vary from 12 cents to 16 cents depending on the amount in the Reclamation Forfeiture Fund at the end of each fiscal biennium. The rate is 12 cents if the balance of the fund

<sup>1</sup> This base rate does not include an additional 1.2 cents per ton levy for surface mining operations or an additional 12, 14 or 16 cents per ton levy on operations without a full cost bond. Both of these additional rates took effect on April 1, 2007. The additional rate on operations without a full cost bond varies based on the amount remaining in the Reclamation Forfeiture Fund at the end of each state fiscal biennium. The rate is 12 cents if the balance of the fund is \$10 million or more; 14 cents if it is between \$10 million and \$5 million; and 16 cents if it is \$5 million or less.

is \$10 million or more; 14 cents if it is between \$10 million and \$5 million; and 16 cents if it is \$5 million or less.

## Filing and Payment Dates

(R.C. 5749.06)

Payments are due May 15, Aug. 14, Nov. 14, and Feb. 14 for the quarterly periods ending the last day of March, June, September, and December, respectively. Annual returns are due Feb. 14.

## Disposition of Revenue

(R.C. 5749.02)

The distribution formulas described below became effective on April 1, 2007.

The Geological Mapping Fund receives:

- 4.76 percent of the 10 cents tax on coal;
- 15 percent of salt severance tax collections;
- 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
- 10 percent of oil and gas severance tax collections.

The Unreclaimed Lands Fund receives:

- 14.29 percent of the 10 cents tax on coal;
- 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections;
- 85 percent of salt severance tax collections; and
- 100 percent of the 1.2 cent tax on coal mined using surface mining methods.

The Oil and Gas Well Fund receives 90 percent of the oil and gas severance tax collections.

The Coal Mining Administration Fund receives 80.95 percent of the 10 cents tax on coal.

The Reclamation Forfeiture Fund receives all of the revenue from the tax on coal operations without a full cost bond, which may vary from 12 cents to 16 cents depending on the amount in the fund.

The Surface Mining Administrative Fund receives:

- 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
- 100 percent of clay, sandstone, conglomerate, shale, gypsum, and quartzite severance tax collections.

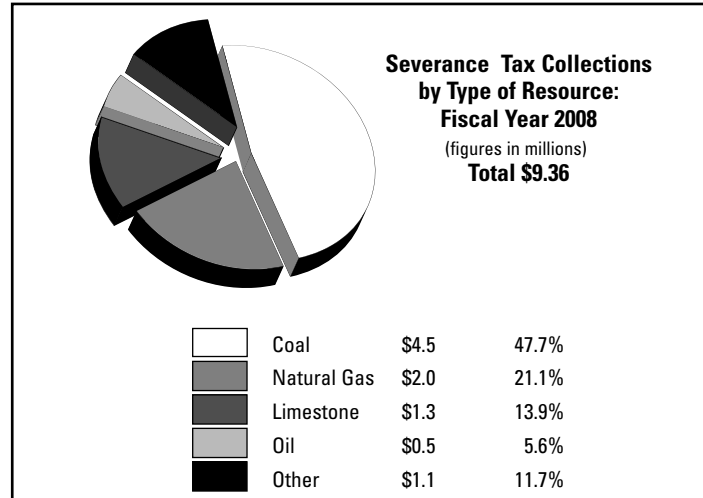
## Administration

The tax is administered by the Tax Commissioner, who also makes distribution to the various funds.

## Ohio Revised Code Citations

Chapter 5749.

## Chart



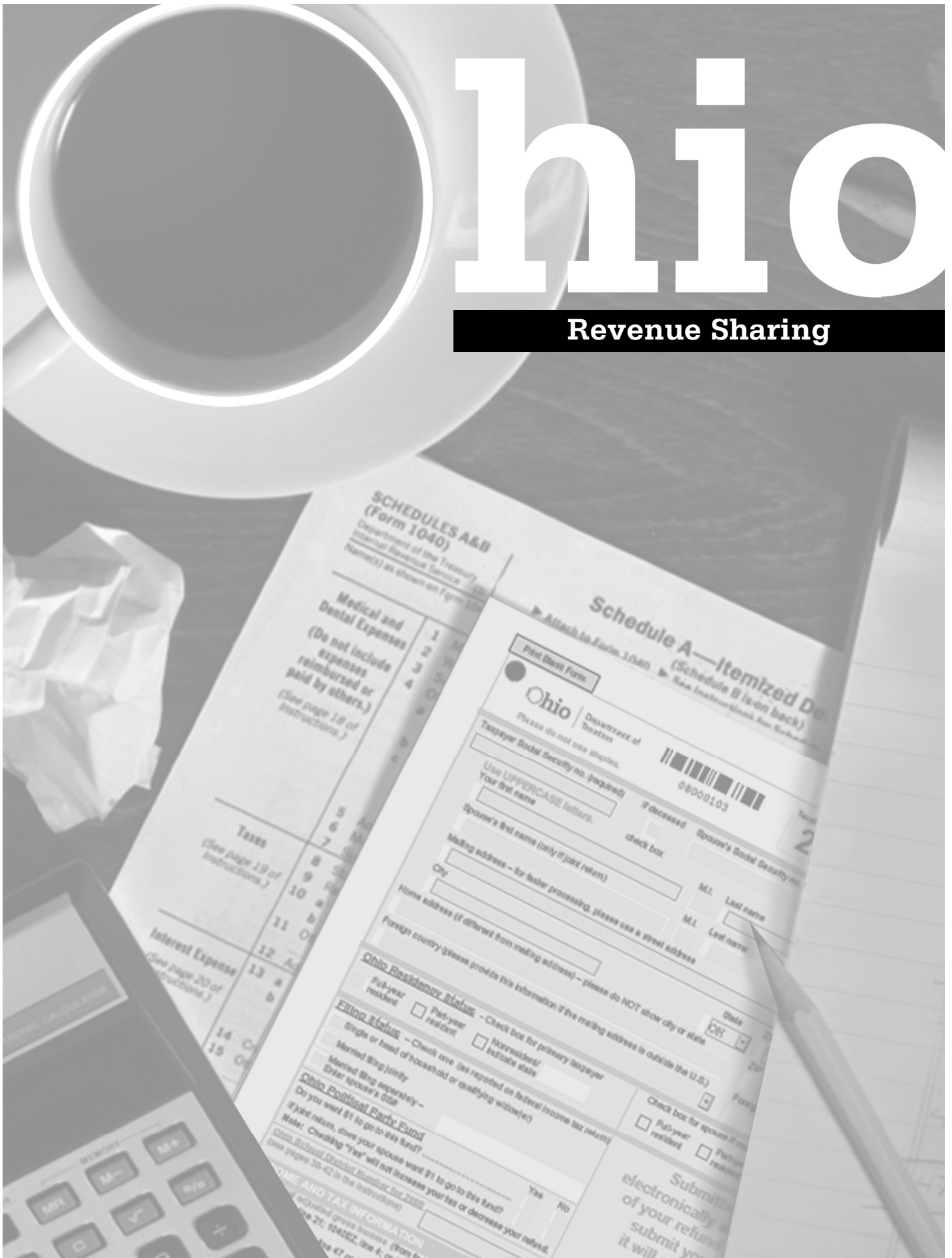
## Table

Severance Tax Collections Fiscal Years 2004-2008						
Natural Resource	Tax Rate	2004	2005	2006	2007	2008
Coal	10.0 cents per ton	\$1,992,269	\$2,052,560	\$2,216,710	\$2,016,846	\$2,224,007
Coal - Reclamation Tax	14.0 cents per ton	-	-	-	-	2,159,954
Coal - Surface Mining	1.2 cents per ton	-	-	-	-	79,891
Natural Gas	2.5 per Mcf <sup>1</sup>	2,155,185	2,104,101	2,023,276	1,945,713	1,973,148
Limestone	2.0 cents per ton	1,454,611	1,512,348	1,360,579	1,252,499	1,299,974
Oil	10.0 cents per barrel	535,399	510,481	530,817	505,876	528,280
Gravel	2.0 cents per ton	562,308	621,376	718,526	580,400	394,991
Sand	2.0 cents per ton	505,841	506,396	510,446	475,825	405,561
Dolomite	2.0 cents per ton	81,296	41,278	41,539	11,840	19,443
Salt	4.0 cents per ton	168,328	186,956	200,422	167,562	211,046
Clay	1.0 cents per ton	19,801	19,742	23,230	14,847	21,982
Sandstone	1.0 cents per ton	11,273	15,594	23,542	16,631	17,669
Shale	1.0 cents per ton	23,761	23,833	25,379	27,292	24,693
Gypsum	1.0 cents per ton	139	-	-	-	-
Quartzite	1.0 cents per ton	3,146	2,986	2,364	3,343	2,152
<b>Total</b>		<b>\$7,513,357</b>	<b>\$7,597,651</b>	<b>\$7,676,830</b>	<b>\$7,018,674</b>	<b>\$9,362,791</b>

<sup>1</sup> Mcf means 1,000 cubic feet.

# Ohio

## Revenue Sharing



**SCHEDULES A&B**  
(Form 1040)  
Department of the Treasury  
Internal Revenue Service

**Schedule A—Itemized Deductions**  
(Schedule B is on back)  
Please do not use staples.  
06000103

**Medical and Dental Expenses**  
(Do not include expenses reimbursed or paid by others.)  
(See page 18 of instructions.)

**Taxes**  
(See page 19 of instructions.)

**Interest Expense**  
(See page 20 of instructions.)

**Ohio** Department of Taxation  
Please do not use staples.

**Taxpayer Social Security no. (required)**  
Your first name

**Spouse's first name (only if joint return)**  **Spouse's Social Security no.**

**Mailing address — for faster processing, please use a street address**  
City

**Home address (if different from mailing address) — please do NOT show city or state**  
Foreign country (please provide this information if the mailing address is outside the U.S.)

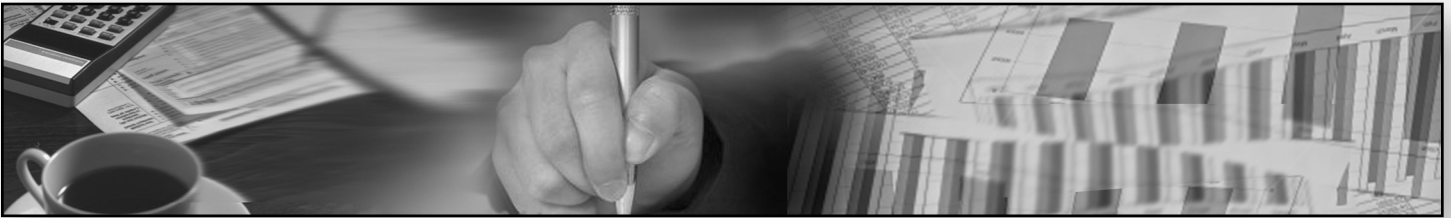
**Ohio Residency Status** — Check box for primary taxpayer  
Full-year resident  Part-year resident

**Filing Status** — Check box for primary taxpayer  
Single or head of household  Married/Partners/Instate state

**Married filing jointly**  **Married filing separately**

**Ohio Political Party Fund**  
Do you want \$1 to go to this fund?  
Note: Checking "Yes" will not increase your tax or decrease your refund.  
Yes  No

**Submit electronically**  
of your refund  
submit your  
it will



## Public Library Fund

The Public Library Fund, formerly known as the Library and Local Government Support Fund, was created by the General Assembly in 1985 as part of a broader effort to phase out the intangible personal property tax. The fund was designed to offset the loss of revenue from the intangibles tax, then a key source of revenue for local libraries, by directing a share of state income tax collections to a fund established in each county. In turn, county officials distribute the revenue from that county fund to libraries and local governments.

The name of the state fund was changed from the Library and Local Government Support Fund to the Public Library Fund effective June 20, 2008 by Senate Bill 185.

Since 1993, permanent law had called for the fund 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, Public Library Fund revenue was distributed to counties based largely on the amount received during the previous year.

The fund was "thawed" and reorganized as part of House Bill 119 (127th General Assembly), the fiscal year 2008-09 state operating budget bill enacted in June 2007. Starting in January 2008, the Public Library Fund began receiving a fixed 2.22 percent of all General Revenue Fund tax collections, and distributions from the fund to counties returned to the old formula outlined in Ohio Revised Code 5747.46.

During the 2007 calendar year, counties received about \$458 million from the fund, roughly the same amount as during the previous year. In calendar year 2008, after implementation of House Bill 119, counties received \$450.6 million.

### Revenue Source

(Ohio Revised Code 131.44, 5747.03)

From 1993 through mid-2007, permanent law called for the Public Library Fund to receive a fixed 5.7 percent of income

tax collections. But the 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 fiscal year 2008-09 operating budget bill, extended this temporary freeze through December 2007 and enacted permanent changes to Ohio's revenue-sharing laws. Starting in January 2008, the Public Library Fund began receiving a fixed 2.22 percent of all General Revenue Fund tax collections each month. Half of this monthly amount is credited against the sales and use tax and half against the kilowatt-hour tax.



### Distributions to Counties

(R.C. 5747.46)

The statutory Public Library Fund 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 Public Library Fund in excess of the sum of guaranteed shares for all counties, it is distributed among counties based on their equalization ratios. The equalization ratio (which is more fully described in R.C. 5747.46) is based on 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 Public Library Fund distributions in prior years to see the greatest per capita growth in funding, while assuring that all counties have relative growth.

**Fund 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 Public Library Fund based largely on the amount received during the previous year.

House Bill 119, the FY08-09 state operating budget bill, reactivated 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's Public Library Fund. The distribution of revenue from each county's Public Library Fund 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 day of each month.

## Estimation of Entitlements

(R.C. 5747.47)

Permanent law calls for the Department of Taxation to certify, on three separate occasions, an estimate of the amount of revenue to which each county will be entitled from the state Public Library Fund. The first estimate is completed by July 20th of the year preceding distribution. The second estimate is certified in December of the year preceding distribution. The third is certified during June of the distribution year.

The formula for calculating entitlements is dynamic and the exact amount to which a county is entitled cannot be known for certain until the end of each distribution year, when the total amount of revenue into the fund is known. Accordingly, each December, the department 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 following year, each county's distribution is adjusted for any overpayment or underpayment received in the preceding year.

The entitlements described in this section were suspended as a result of the temporary "freezes" in effect from mid-2001 through 2007.

## 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 allocated to all libraries. The amount is given to each library based on its needs for building construction and improvement, operations, maintenance, and other expenses required by the library and its branches. By law, libraries collectively may never receive a smaller share of county Public Library Fund distributions than the average percentage of the county's intangible property taxes that were distributed to all libraries in 1982, 1983, and 1984.

After fixing the amount to be distributed to libraries within the county, the county budget commission fixes an amount to distribute to municipal corporations in the county. By law, each municipal corporation receives a percentage of the remainder equal to the percentage share of all classified, or intangible, property taxes originating from that municipality in 1984.

Generally speaking, the vast majority of revenue distributed from the Public Library Fund is provided to libraries, with the remainder provided to other local governments in a few counties.

## Recent Legislation

**Senate Bill 185, 127th General Assembly (effective June 20, 2008).**

This bill changed the name of the Library and Local Government Support Fund to the Public Library Fund.

**House Bill 119, 127th General Assembly (FY 2008-2009 operating budget bill, effective June 30, 2007).**

The bill maintained the freeze on the Public Library Fund – then known as the Library and Local Government Support Fund – through calendar year 2007. Beginning in January 2008, the system of calculating county entitlements reverted to "pre-freeze" mechanisms. Also, in January 2008, the fund began receiving 2.22 percent of all General Revenue Fund tax sources (R.C. 131.51, 5747.03, 5747.46 – 5747.48, 5747.50 – 5747.53 and bill sections 757.03, 757.04, 815.09).

Table 1

Library & Local Government Support Fund/Public Library Fund				
Total Amounts Distributed to Counties:				
Calendar Years 1986 - 2008				
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 <sup>1</sup>	268,793,142	—	268,793,142	0.0
1993 <sup>2</sup>	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 <sup>3</sup>	—	—	496,458,342	1.1
2002 <sup>4</sup>	—	—	457,671,290	-7.8
2003 <sup>5</sup>	—	—	452,648,009	-1.1
2004 <sup>6</sup>	—	—	455,470,323	0.6
2005 <sup>7</sup>	—	—	457,970,324	0.5
2006 <sup>7</sup>	—	—	457,970,324	—
2007 <sup>7</sup>	—	—	457,970,324	—
2008 <sup>8</sup>	450,578,991	—	450,578,991	-1.67

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 2005-2007 were frozen based on amounts distributed during calendar year 2004. Transfers to OPLIN no longer are applied.

8 Distributions during calendar year 2008 returned to the statutory pre-"freeze" methodology.

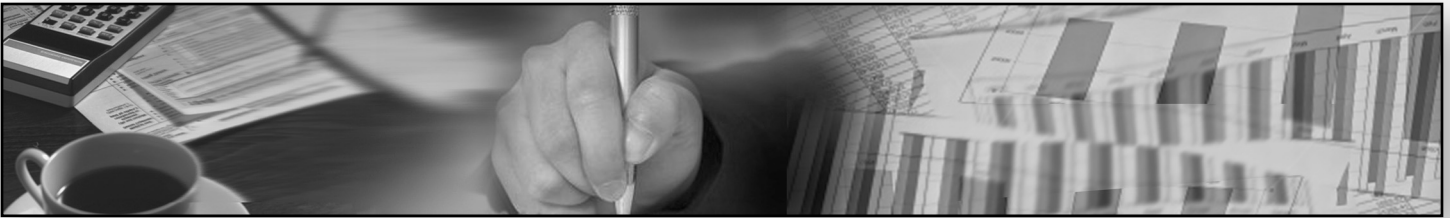


**Table 2**

<b>Library and Local Government Support Fund: Amounts Distributed To Counties, Calendar Years 2006 and 2007</b>					
<p>This table shows the amounts that counties received from this fund each calendar year for both 2006 and 2007. The amounts distributed each year were identical because of the continuation of the freeze on local government funds that kept fund distributions for the years 2005-2007 at the levels of 2004.</p> <p>Effective June 20, 2008, the Library and Local Government Support Fund changed to the Public Library Fund.</p>					
<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>
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	<b>TOTAL</b>	<b>\$457,970,324</b>

**Table 3**

<b>Public Library Fund:</b>					
<b>Amounts Distributed To Counties, Calendar Year 2008</b>					
<p>This table shows the amounts that counties received from this fund during calendar year 2008. These distributions were based on the pre-freeze statutory formula.</p> <p>Effective June 20, 2008, the Library and Local Government Support Fund changed to the Public Library Fund.</p>					
<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>
ADAMS	\$981,366	HAMILTON	\$47,527,770	NOBLE	\$452,460
ALLEN	4,135,781	HANCOCK	2,944,429	OTTAWA	1,541,191
ASHLAND	1,900,300	HARDIN	1,141,615	PAULDING	740,380
ASHTABULA	3,718,260	HARRISON	675,912	PERRY	1,197,116
ATHENS	2,173,305	HENRY	1,069,025	PICKAWAY	1,824,729
AUGLAIZE	1,745,680	HIGHLAND	1,390,165	PIKE	953,010
BELMONT	2,659,818	HOCKING	986,895	PORTAGE	5,398,278
BROWN	1,376,447	HOLMES	1,272,010	PREBLE	1,506,070
BUTLER	11,377,059	HURON	2,167,085	PUTNAM	1,256,901
CARROLL	1,019,930	JACKSON	1,176,363	RICHLAND	4,946,380
CHAMPAIGN	1,333,176	JEFFERSON	2,909,763	ROSS	2,635,408
CLARK	5,414,462	KNOX	1,863,206	SANDUSKY	2,311,137
CLERMONT	5,894,210	LAKE	8,615,529	SCIOTO	2,951,781
CLINTON	1,430,560	LAWRENCE	2,300,084	SENECA	2,272,938
COLUMBIANA	4,059,700	LICKING	4,939,867	SHELBY	1,752,499
COSHOCTON	1,360,264	LOGAN	1,608,782	STARK	14,688,836
CRAWFORD	1,798,514	LORAIN	10,158,477	SUMMIT	21,119,053
CUYAHOGA	64,184,082	LUCAS	18,357,997	TRUMBULL	8,534,552
DARKE	1,996,840	MADISON	1,424,958	TUSCARAWAS	3,205,961
DEFIANCE	1,465,422	MAHONING	9,995,398	UNION	1,322,485
DELAWARE	2,945,857	MARION	2,406,827	VAN WERT	1,124,128
ERIE	3,122,370	MEDINA	4,893,860	VINTON	426,972
FAIRFIELD	4,205,518	MEIGS	859,911	WARREN	4,708,450
FAYETTE	1,033,006	MERCER	1,502,056	WASHINGTON	2,331,355
FRANKLIN	40,800,191	MIAMI	3,687,433	WAYNE	4,144,613
FULTON	1,518,849	MONROE	559,062	WILLIAMS	1,443,082
GALLIA	1,167,073	MONTGOMERY	23,567,010	WOOD	4,879,596
GEAUGA	3,813,125	MORGAN	520,925	WYANDOT	839,657
GREENE	5,287,719	MORROW	1,069,824		
GUERNSEY	1,461,677	MUSKINGUM	3,097,181	<b>TOTAL</b>	<b>\$450,578,991</b>



## Local Government Fund

This chapter deals with two revenue-sharing funds that were merged into one during fiscal year 2008: 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 ensuing decades, but the basic elements remain: a designated portion of state revenues is 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 determine the distribution of the undivided fund moneys to local subdivisions.

In 1989, the General Assembly created the state LGRAF, providing local subdivisions with an additional share of state tax revenue, allocated to each of Ohio's 88 county undivided LGRAFs according to each county's share of the total state population. The LGRAF was eliminated as a separate fund by consolidation into the LGF effective Jan. 1, 2008 as part of a broader overhaul of revenue sharing in Ohio. Starting in the 2008 calendar year, the newly consolidated LGF receives a 3.68 percent share of all general revenue tax collections.

During the 2007 calendar year, approximately \$674.8 million from the state LGF and \$94.6 million from the state LGRAF was distributed to local governments. The LGF amount includes \$12.6 million that was distributed to the county undivided LGFs from the tax on dealers in intangibles. In 2008, approximately \$757.8 million was distributed to local governments from the LGF. Of this amount, nearly \$11.9 million was distributed to 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 the

state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

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." As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

In 2007, House Bill 119 – the main operating budget bill for fiscal year 2008-09 – 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:

- 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.

### Distributions to Local Governments

(R.C. 5747.50, 5747.501)

From mid-2001 through mid-2007, a permanent statutory formula for calculating the amount of money to be distributed

to local governments through the LGF was suspended as part of a series of local government fund "freezes."

H.B. 119 extended the freeze through the end of 2007 and permanently revamped the statutory formula for calculating distributions. Starting with the 2008 calendar year:

- subject to available resources, each county's undivided LGF fund receives at least what it received in combined distributions from the LGF and LGRAF during the 2007 calendar year.
- subject to available resources, each of the more than 500 municipalities that received a direct distribution from the LGF in 2007 receives an equal amount in subsequent calendar years.

If revenue in the LGF is not sufficient to meet the minimums described above, then each county and municipality receives a prorated share of the state LGF proportionate to that received in 2007.

If additional revenue is available once these distributions have been made, it is distributed to the 88 county undivided LGFs based on each county's proportionate share of the state



population, using U.S. Census Bureau estimates from the previous year. No additional revenue is allocated directly to municipalities, which may not receive directly from the state LGF more than they received in 2007.

## Monthly Distribution Procedure

(R.C. 5747.50)

Distributions from the state LGF to municipal corporations and counties are made on or before the tenth of each month.

## Use of Funds

(R.C. 5747.50–5747.53)

All amounts received by a municipal corporation directly from 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 the share of dealers in intangibles tax revenue that is collected by the state and returned to the county of origin.

Before January 2008 (when the state LGRAF was merged with the LGF), the amount that each county received from the state LGRAF was also expressly designated for deposit into the county's undivided LGRAF.

Revenue from county undivided LGFs (and, before January 2008, county undivided LGRAFs) 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 either done according to statutory guidelines that are intended to distribute revenue in a manner that reflects the needs of the various recipient governmental units or according to alternative apportionment methods 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 distribution requirements outlined above. The bill guaranteed that, during fiscal years 2006-07, no subdivision would receive less than the proportionate share received from the county undivided fund during the fiscal year 2004-05 period without the consent of the subdivision. H.B. 119 of

the 127th General Assembly continued this "freeze" through the end of calendar year 2007. Beginning in calendar year 2008, new LGF funding mechanisms took effect.

## Recent Legislation

**House Bill 119, 127th General Assembly (FY 2008-FY 2009 operating budget bill, effective June 30, 2007).**

**Revenue sharing reforms** – This bill dramatically changed revenue sharing in Ohio. It continued the freeze on distributions through calendar year 2007. Then beginning in January 2008, it consolidated the LGRAF into the LGF and began funding the LGF through a 3.68 percent share of all general revenue fund tax sources (R.C. 131.51, 5747.03, 5747.46 – 5747.48, 5747.50 – 5747.53 and bill sections 757.03, 757.04 and 815.09).

**House Bill 530, 126th General Assembly (effective June 30, 2006).**

**Distribution from county undivided LGF and LGRAFs** – H.B. 530 altered a provision in H.B. 66 pertaining to the percentage share each political subdivision may receive from the monthly county undivided LGF and LGRAF distributions. H.B. 66 required that, during fiscal years 2006 and 2007, each subdivision would receive the same percentage share of the fund as it received in fiscal year 2005. H.B. 530 made an exception to this "freeze" of the subdivision distribution shares. The bill reactivated a provision existing in permanent law that limits the county government's percentage share of the county undivided LGF and LGRAF. This limit is based on the proportion of the county's population that is located within a municipal corporation. The subdivision shares were to be recomputed on a proportional basis if, due to updated county population figures, there was a population change within the county which would affect the amount a county government may receive from the county undivided LGF and LGRAF (Bill sections 606.17, 606.18, 815.03).

**Table 1**

<b>Total State Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1998-2008</b>						
<b>Calendar Year</b>	<b>Total State Local Government Fund</b>		<b>Dealers in Intangibles Tax</b>		<b>State LGF and Intangibles Tax Combined</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>
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
2007	\$662,184,887	0.00	\$12,605,989	-9.37	\$674,790,876	-0.19
2008 <sup>1</sup>	\$745,905,715	12.67	\$11,852,573	-5.98	\$757,758,288	12.32

<sup>1</sup> 2008 displays the effects of H.B 119 and the combining of the Local Government and Local Government Revenue Assistance Funds.

**Table 2**

<b>Local Government Revenue Assistance Fund Distributions: Calendar Years 1998 - 2007</b>		
<b>Calendar Year</b>	<b>Amount</b>	<b>Change</b>
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
2007	94,597,556	0.00

Table 3

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2007							
County	To County Undivided Local Government Fund <sup>1</sup>	To Municipalities	Total	County	To County Undivided Local Government Fund <sup>1</sup>	To Municipalities	Total
ADAMS	\$645,983	\$844	\$646,827	LICKING	\$6,600,997	\$359,234	\$6,960,231
ALLEN	4,472,556	316,336	4,788,892	LOGAN	1,753,948	118,108	1,872,056
ASHLAND	2,050,767	164,958	2,215,724	LORAIN	16,628,133	1,119,707	17,747,840
ASHTABULA	3,855,641	233,709	4,089,350	LUCAS	25,252,042	3,525,339	28,777,381
ATHENS	1,883,134	141,539	2,024,673	MADISON	1,344,033	77,569	1,421,602
AUGLAIZE	2,301,032	175,651	2,476,683	MAHONING	9,793,809	743,169	10,536,978
BELMONT	2,732,538	23,507	2,756,046	MARION	2,578,887	199,064	2,777,951
BROWN	967,272	16,495	983,767	MEDINA	6,909,461	319,335	7,228,797
BUTLER	14,292,518	1,118,426	15,410,944	MEIGS	558,100	10,025	568,125
CARROLL	688,255	15,354	703,609	MERCER	1,838,331	70,369	1,908,701
CHAMPAIGN	1,366,315	86,546	1,452,861	MIAMI	5,162,724	423,763	5,586,487
CLARK	5,457,552	519,405	5,976,958	MONROE	362,492	5,795	368,287
CLERMONT	3,649,482	53,297	3,702,779	MONTGOMERY	32,265,525	3,979,228	36,244,753
CLINTON	1,550,161	61,950	1,612,111	MORGAN	366,792	9,372	376,165
COLUMBIANA <sup>2</sup>	3,883,961	193,414	4,077,375	MORROW	628,050	20,905	648,954
COSHOCTON	1,382,815	58,120	1,440,935	MUSKINGUM	2,906,924	217,015	3,123,939
CRAWFORD	2,074,418	136,931	2,211,349	NOBLE	327,951	0	327,951
CUYAHOGA	117,499,150	13,046,966	130,546,117	OTTAWA	1,605,349	63,253	1,668,602
DARKE	2,333,417	103,002	2,436,419	PAULDING	620,167	1,947	622,114
DEFIANCE	1,777,655	112,762	1,890,418	PERRY	802,483	18,984	821,466
DELAWARE	4,902,625	213,788	5,116,413	PICKAWAY	1,713,875	84,704	1,798,579
ERIE	3,729,086	175,552	3,904,638	PIKE	673,990	17,312	691,302
FAIRFIELD	4,820,843	259,641	5,080,484	PORTAGE	6,056,116	467,754	6,523,869
FAYETTE	1,112,178	64,018	1,176,196	PREBLE	1,406,522	71,513	1,478,034
FRANKLIN	80,714,835	10,306,093	91,020,928	PUTNAM	1,402,813	59,734	1,462,547
FULTON	1,957,253	158,097	2,115,350	RICHLAND	6,106,978	554,084	6,661,061
GALLIA	883,175	28,799	911,974	ROSS	2,705,613	165,126	2,870,739
GEAUGA	2,447,871	109,252	2,557,123	SANDUSKY	2,832,267	177,216	3,009,483
GREENE	8,269,563	273,449	8,543,012	SCIOTO	2,332,956	115,721	2,448,677
GUERNSEY	1,423,207	61,091	1,484,298	SENECA	2,691,344	217,014	2,908,358
HAMILTON	53,923,648	6,766,395	60,690,043	SHELBY	2,411,094	227,148	2,638,241
HANCOCK	4,036,317	244,804	4,281,121	STARK	15,346,437	1,308,921	16,655,357
HARDIN	1,153,945	62,370	1,216,315	SUMMIT	35,855,557	3,487,518	39,343,075
HARRISON	521,545	14,575	536,121	TRUMBULL	8,780,358	533,553	9,313,912
HENRY	1,216,304	58,979	1,275,282	TUSCARAWAS	4,322,890	207,054	4,529,944
HIGHLAND	1,278,686	70,026	1,348,712	UNION	1,471,641	79,799	1,551,440
HOCKING	790,958	39,934	830,892	VAN WERT	1,287,226	89,103	1,376,329
HOLMES	798,524	14,272	812,796	VINTON	290,738	0	290,738
HURON	2,682,000	253,574	2,935,573	WARREN	6,806,486	428,595	7,235,080
JACKSON	1,207,580	0	1,207,580	WASHINGTON	2,236,581	136,234	2,372,815
JEFFERSON	3,942,023	210,804	4,152,827	WAYNE	4,871,643	269,834	5,141,477
KNOX	1,901,353	125,122	2,026,475	WILLIAMS	1,951,750	150,470	2,102,220
LAKE	17,957,318	1,317,670	19,274,988	WOOD	5,576,390	484,595	6,060,984
LAWRENCE	1,672,178	39,585	1,711,763	WYANDOT	1,024,892	58,601	1,083,493
				<b>TOTAL</b>	<b>\$616,669,991</b>	<b>\$58,120,885</b>	<b>\$674,790,876</b>

1 Includes dealers in intangibles tax distributions for counties.

2 Includes \$1,447,555 redirected to the county's fiscal agent.

**Table 4**

<b>State Local Government Revenue Assistance Fund - Amounts Distributed to Counties, by County: Calendar Year 2007</b>			
This table shows the amounts distributed from this fund to counties during 2007. Calendar year 2007 was the last year for the LGRAF distribution before it was combined with the LGF.			
<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>
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 <sup>1</sup>	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	<b>TOTAL</b>	<b>\$94,597,556</b>

1 Includes \$437,441 redirected to the county's fiscal agent.

Table 5

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2008							
This table shows the first year of distributions under the consolidated LGF.							
County	To Counties <sup>1</sup>	To Municipalities	Total	County	To Counties <sup>1</sup>	To Municipalities	Total
ADAMS	\$881,202	\$844	\$882,046	LOGAN	\$2,125,515	\$118,109	\$2,243,624
ALLEN	5,283,313	316,338	5,599,651	LORAIN	18,707,671	1,119,713	19,827,384
ASHLAND	2,444,027	164,959	2,608,986	LUCAS	28,570,284	3,525,358	32,095,643
ASHTABULA	4,652,798	233,710	4,886,508	MADISON	1,661,078	77,569	1,738,648
ATHENS	2,363,942	141,540	2,505,482	MAHONING	11,680,705	743,173	12,423,878
AUGLAIZE	2,656,314	175,652	2,831,966	MARION	3,090,096	199,065	3,289,162
BELMONT	3,273,386	23,507	3,296,893	MEDINA	7,990,029	319,337	8,309,366
BROWN	1,294,693	16,495	1,311,188	MEIGS	752,879	10,025	762,904
BUTLER	16,744,935	1,118,432	17,863,367	MERCER	2,150,771	70,370	2,221,142
CARROLL	919,568	15,354	934,922	MIAMI	5,924,475	423,765	6,348,240
CHAMPAIGN	1,662,981	86,547	1,749,528	MONROE	486,499	5,795	492,294
CLARK	6,584,563	519,408	7,103,971	MONTGOMERY	36,337,643	3,979,249	40,316,891
CLERMONT	5,051,706	53,296	5,105,003	MORGAN	481,490	9,372	490,862
CLINTON	1,860,579	61,950	1,922,529	MORROW	883,401	20,905	904,305
COLUMBIANA <sup>2</sup>	4,746,762	193,415	4,940,178	MUSKINGUM	3,563,940	217,016	3,780,956
COSHOCTON	1,660,729	58,121	1,718,850	NOBLE	437,184	0	437,184
CRAWFORD	2,432,132	136,931	2,569,063	OTTAWA	1,922,096	63,254	1,985,350
CUYAHOGA	126,672,361	13,047,036	139,719,397	PAULDING	777,002	1,947	778,949
DARKE	2,745,073	103,002	2,848,075	PERRY	1,074,052	18,984	1,093,036
DEFIANCE	2,082,713	112,763	2,195,477	PICKAWAY	2,125,872	84,704	2,210,577
DELAWARE	5,615,357	213,789	5,829,146	PIKE	895,109	17,312	912,421
ERIE	4,312,013	175,553	4,487,566	PORTAGE	7,212,069	467,756	7,679,825
FAIRFIELD	5,790,775	259,643	6,050,417	PREBLE	1,744,550	71,513	1,816,063
FAYETTE	1,329,457	64,018	1,393,475	PUTNAM	1,673,232	59,734	1,732,966
FRANKLIN	87,943,987	10,306,148	98,250,135	RICHLAND	7,084,460	554,086	7,638,547
FULTON	2,275,314	158,098	2,433,412	ROSS	3,292,752	165,127	3,457,879
GALLIA	1,169,454	28,799	1,198,253	SANDUSKY	3,302,424	177,217	3,479,641
GEAUGA	3,149,596	109,253	3,258,849	SCIOTO	2,978,023	115,722	3,093,745
GREENE	9,372,731	273,451	9,646,182	SENECA	3,145,469	217,015	3,362,484
GUERNSEY	1,748,561	61,091	1,809,652	SHELBY	2,768,774	227,149	2,995,923
HAMILTON	60,119,170	6,766,431	66,885,600	STARK	18,278,781	1,308,928	19,587,708
HANCOCK	4,542,738	244,806	4,787,543	SUMMIT	39,776,342	3,487,536	43,263,879
HARDIN	1,398,606	62,370	1,460,976	TRUMBULL	10,517,678	533,556	11,051,234
HARRISON	646,692	14,576	661,268	TUSCARAWAS	4,989,977	207,055	5,197,033
HENRY	1,453,157	58,979	1,512,136	UNION	1,784,364	79,800	1,864,164
HIGHLAND	1,596,526	70,026	1,666,552	VAN WERT	1,513,517	89,104	1,602,621
HOCKING	1,022,594	39,934	1,062,528	VINTON	387,960	0	387,960
HOLMES	1,102,141	14,272	1,116,412	WARREN	7,960,321	428,597	8,388,918
HURON	3,136,427	253,575	3,390,001	WASHINGTON	2,719,067	136,235	2,855,302
JACKSON	1,339,206	0	1,339,206	WAYNE	5,689,400	269,835	5,959,235
JEFFERSON	4,491,035	210,805	4,701,841	WILLIAMS	2,228,569	150,161	2,378,730
KNOX	2,309,711	125,123	2,434,834	WOOD	6,506,087	484,597	6,990,684
LAKE	19,549,838	1,317,677	20,867,515	WYANDOT	1,198,826	58,601	1,257,428
LAWRENCE	2,179,984	39,585	2,219,569				
LICKING	7,638,125	359,236	7,997,360	<b>TOTAL</b>	<b>\$699,637,403</b>	<b>\$58,120,885</b>	<b>\$757,758,288</b>

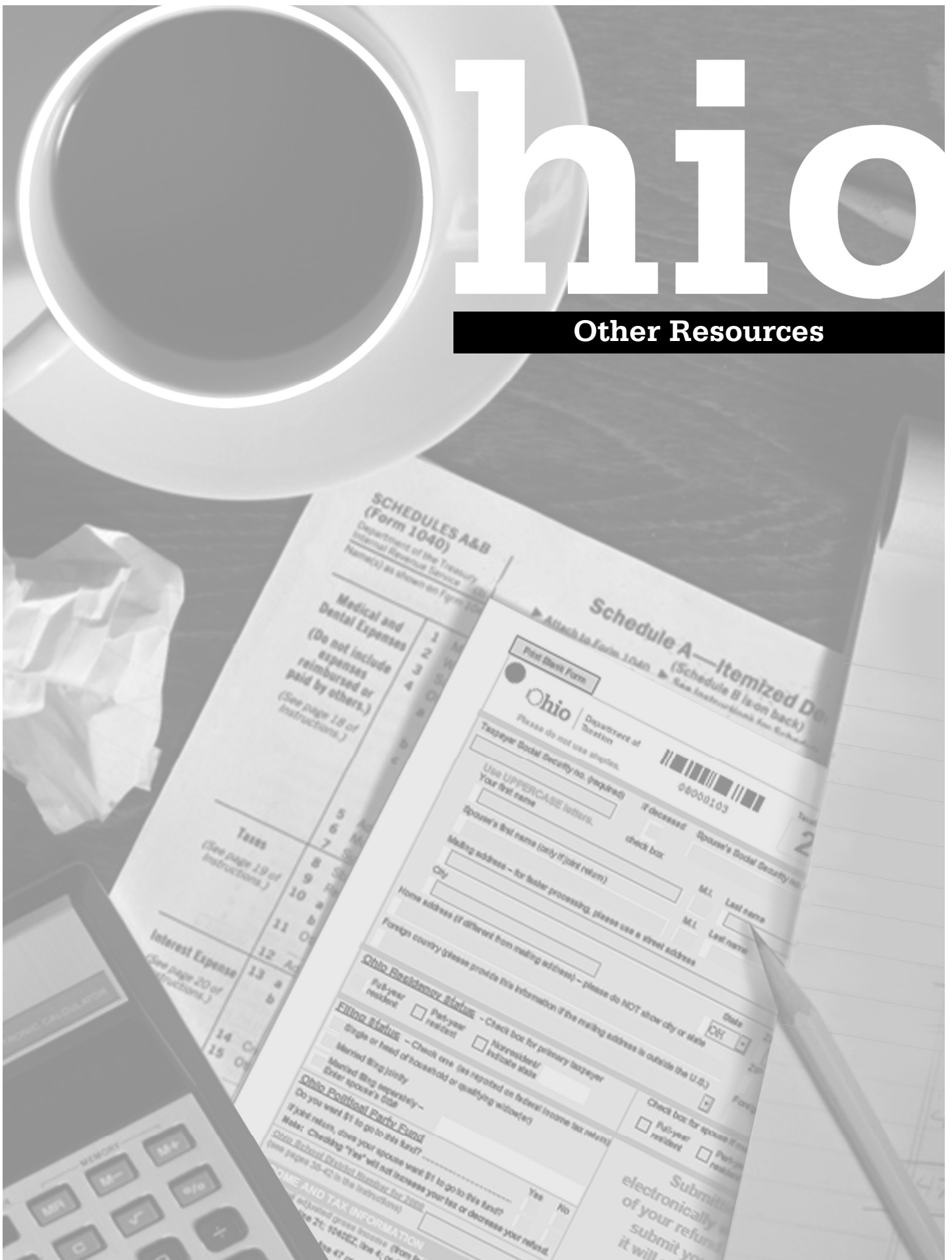
1 Includes dealers in intangibles tax distributions for counties.

2 Includes \$2,236,966 redirected to the county's fiscal agent.



# Ohio

## Other Resources





## 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	Rules
2008	Administration, equalization and excise taxes
2009	Franchise, income, and municipal taxes
2010	Estate tax and commercial activity tax
2011	Sales and use tax
2012	Tangible personal property tax
2013	Administration, equalization and excise taxes

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.

The following is a summary of the department's review of its administration, equalization and excise tax rules in 2008. All rules were determined to be necessary.

### Administration rules:

Rule No.	Title
5703-1-01	Information exchange with other states.
5703-1-02	Information exchange with Kentucky.
5703-1-03	Information exchange with federal government.
5703-1-04	Existing rules and regulations.
5703-1-05	Certification of payment of taxes for purposes of dissolution of corporate charter or surrender of license.
5703-1-06	Certification of exempt facilities under sections 5709.20 and 5709.27 of the Revised Code.
5703-1-07	Request to suspend or revoke liquor permit for unpaid excise tax.
5703-1-11	Remission of additional charge for excise tax assessments.
5703-1-12	Requests for an opinion of the tax commissioner.
5703-1-13	Authorized delivery services.
5703-1-14	Succession of the tax commissioner's duties.

### Equalization rules:

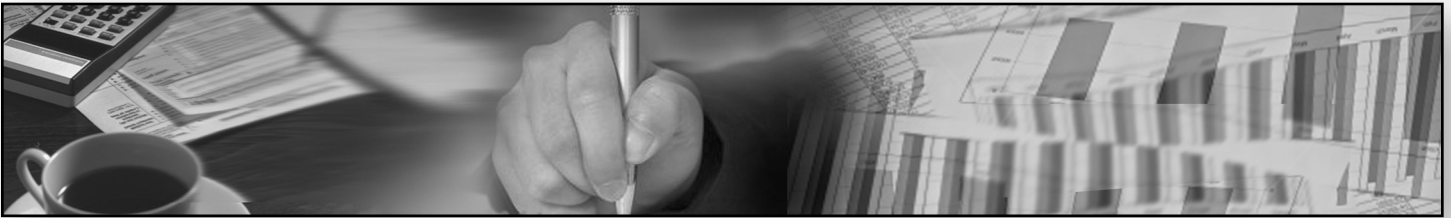
Rule No.	Title
5703-25-01	Public notice of any proposed change in rules.
5703-25-05	Definitions.
5703-25-06	Equalization procedures.

5703-25-07	Appraisals.
5703-25-08	Procedure prior to actual appraisal.
5703-25-09	Adoption and use of property records.
5703-25-10	Classification of real property and coding of records.
5703-25-11	Valuation of land.
5703-25-12	Valuation of buildings, structures, fixtures and improvements to land.
5703-25-13	Review of appraisal.
5703-25-14	Documents to be filed in the county auditor's office.
5703-25-15	Documents to be filed with the department of taxation.
5703-25-16	Procedure after reappraisal or update.
5703-25-18	Partial exemption from real property tax.
5703-25-30	Definitions.
5703-25-31	General.
5703-25-32	Agricultural advisory committee.
5703-25-33	Current agricultural use value of land table or tables.
5703-25-34	Use of prescribed agricultural use value of land tables by county auditor.
5703-25-35	Determination of current agricultural use taxable value of land and total taxable value of parcels in counties that completed sexennial reappraisals for tax year 1972 or later.
5703-25-36	Application of rules.
5703-25-45	Tax reduction factor; computation; minimum for schools.
5703-25-47	Tax reduction factor; allocating taxes collected from each tax levy.
5703-25-48	Tax reduction factor; estimated factors; correcting errors.
5703-25-49	Tax reduction factor; emergency school levy phase-in.
5703-25-55	Real estate assessment fund; expenditures; allowable; disallowable; procedures.
5703-25-56	Real estate assessment fund; competitive bidding requirement.

### Excise rules:

Rule No.	Title
5703-11-01	Surety company certificate of compliance.
5703-11-02	Evidence of purchase of motor vehicle fuel.
5703-11-03	Reimbursement for fuel used outside Ohio.
5703-13-03	Maintenance of records for purposes of reporting fuel use tax.
5703-13-04	Single-trip permits.
5703-13-05	Permit services authorized to issue single-trip permits.

5703-13-06	International registration plan, audits and hearings.	5703-15-15	Applications for refund on unsaleable cigarettes.
5703-15-02	Notice relative to license revocation proceeding.	5703-15-16	Cigarette wholesaler inventories and inventory returns.
5703-15-03	Use of imprinting meter devices, stamp applying machines, or other devices.	5703-15-17	Storage of unstamped cigarettes by dealer.
5703-15-04	Sales of stamps and meter impressions on credit.	5703-15-18	Suspension of discount for selling cigarettes below cost.
5703-15-05	Discount on sales of tax stamps and meter impressions.	5703-15-20	Licensing cigarette manufacturers and importers and registration of other tobacco products manufacturers, importers, and brokers.
5703-15-06	Denial of discount in stamp purchases.	5703-15-21	Sale of other tobacco products between licensed other tobacco product distributors.
5703-15-07	Limiting sale of stamps to licensed dealers.	5703-15-22	Sale of unstamped cigarettes between licensed cigarette wholesalers.
5703-15-08	Sales of packages of cigarettes for which tax indicia are not available.	5703-17-01	Definitions.
5703-15-09	Tax rate on long cigarettes capable of being cut into parts.	5703-17-03	Measuring bottle content.
5703-15-10	Vending machines.	5703-19-01	Liability for payment of the wine and mixed beverage tax.
5703-15-11	Sales by railroad dining and club cars.	5703-23-01	Payment of horse racing tax.
5703-15-12	Delivery of cigarettes for manufacturers' agents.	5703-23-02	Payment of additional horse racing tax.
5703-15-13	Monthly reports of cigarettes shipped by wholesale cigarette dealers.		
5703-15-14	Monthly reports by cigarette dealers receiving cigarettes in Ohio.		



## 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 in computing corporation franchise tax **liability** where a taxpayer's nonbusiness income (such as interest and capital gains) is distributed between Ohio and other states. What is allocated to Ohio is then subject to Ohio tax.

**Adjusted Gross Income** – Adjusted gross income is an amount used in the calculation of an individual's income tax **liability**. It 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 the corporation franchise tax, apportionment describes a process where a taxpayer's business income is distributed between Ohio and other states. What is apportioned to Ohio is then subject to tax. An apportionment process also occurs in public utility property tax to distribute the taxable value of utility company property to various locations; the method of apportionment varies according to the type of utility.

**Assessed value** – In the taxation of real property, this term refers to the taxable value of land and improvements (meaning: buildings). In Ohio, the assessed value of real property is set at 35 percent of true market value, with some exceptions that include certain lands used for agriculture or forestry. "Assessed value" is a term also used in personal property taxation to describe the taxable value of personal property and inventories.

**Credit** – A credit is an amount subtracted from the amount of tax owed (the **liability**). Examples include the credit permitted against Ohio individual income tax liability for child care expenses or the credit permitted against commercial activity tax liability for research and development loan payments.

**Deduction** – In income taxation, a deduction is an amount subtracted from **adjusted gross income** when calculating taxable income. Examples of deductions include those permitted, for federal income tax purposes, for charitable gifts or certain types of interest payments.

**Exemption** – In income taxation, an exemption is an amount excluded from taxable income. For example, the Ohio individual income tax includes a personal exemption for any taxpayer who cannot be claimed as a dependent by another taxpayer.

**Gross receipts** – For purposes of the commercial activity tax, gross receipts refers to 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** – Liability refers to the amount of a specific tax that a taxpayer owes; this amount can be reduced by deductions and credits.

**Lien** – A lien is a claim on a piece of property. For example, 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** – This term is an abbreviation for 1,000 cubic feet, a common unit used to measure natural gas.

**Mill** – A mill can be thought of as a measurement equal to one-tenth of 1 percent. This term is often used to express the rate of taxation imposed on real or personal property. For example, a 2.5 mill tax levy imposed on a home with an **assessed value** of \$100,000 amounts to \$250 in tax.

**Net income** – This term refers to the total earnings or "bottom line" of a business. It is generally calculated by deducting from total sales the costs of doing business, such as depreciation, interest, taxes and certain other expenditures.

**Net worth** – Net worth refers to the value of a business when its liabilities (including debt, taxes and certain other obligations) are subtracted from the value of its assets.

**Nexus** – This term is 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 nonrefundable tax **credit** is a credit against a specific tax that does not entitle the taxpayer to a refund. When such a credit would reduce **liability** to less than zero, the taxpayer is not eligible for a refund of the difference.

**Permissive tax** – This term refers to a tax that a local political jurisdiction is “permitted” by law to enact. This term is frequently used to distinguish the local “piggyback” sales and use taxes enacted at the discretion of county governments or regional transit authorities from the state sales tax.

**Refundable (tax credit)** – A refundable tax **credit** is a credit against a specific tax that may entitle the taxpayer to a refund. When such a credit reduces **liability** to less than zero, then the taxpayer is eligible for a refund of the difference.

**Situs** – This term refers to the place where property is physically located, or where a taxable transaction occurs.

**Sourcing** – In sales taxation, this term refers to the physical location where a sale occurs or where a sale is designated as having occurred. “Origin sourcing” refers to sourcing sales at the physical location of the retailer. When sales are sourced based on where the customer takes possession of a product or service – such as through a delivery – this is referred to as “destination sourcing.”

**Streamlined Sales Tax Project** – This is 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 project is to encourage out-of-state vendors – primarily catalog and Internet retailers – to register with the project and collect the sales tax of participating states.

**Taxing district** – A taxing district is 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 tax levy is an act that imposes or alters a tax. A levy may be enacted at either the state level (such as on income or sales), or at the local level, such as on income, sales, or property. Local tax levies frequently require a vote of the people, are normally for a specific purpose, and are usually for a permanent or specified time period.

**Tax year** – A tax year is an annual accounting period for tax purposes that consists of 12 consecutive months. This may be either a fiscal year (meaning, 12 consecutive months ending on the last day of any month except December) or a calendar year (beginning Jan. 1 and ending Dec. 31). Businesses 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.

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