# Ohio

## Department Of Taxation
## 2014 Annual Report



John R. Kasich
Governor

Joseph W. Testa
Tax Commissioner

Ohio | Department of Taxation

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The Honorable John R. Kasich
Governor of Ohio

Members of the Ohio General Assembly

Dear Governor, Senators and Representatives,

It is my responsibility and privilege to provide you the 2014 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during fiscal year 2014 in compliance with Ohio Revised Code 5703.42. It provides a complete description of the base, rates, and provisions of each of the 19 taxes administered by the department, two other state taxes, four revenue sharing funds administered by the department and 13 locally administered taxes. The 2014 Annual Report also provides detailed statistical data concerning each 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 you, the General Assembly, and the people of Ohio.

Respectfully,

Joseph W. Testa
Tax Commissioner

# Ohio Department of Taxation 2014 Annual Report

Prepared by the
Communications Office of the Ohio
Department of Taxation

Joseph W. Testa
Ohio Tax Commissioner


# Table of Contents

# Part I: Year in Review

# Year in Review

The Ohio Department of Taxation (ODT) under Tax Commissioner Joe Testa began Fiscal Year (FY) 2014 focused on several priorities, resulting from the continuing efforts of Ohio Governor John R. Kasich and the Ohio General Assembly to boost an already growing Ohio economy and provide a state tax system that promotes economic growth and job creation. Chief among these priorities were:

- Implementing tax reform initiatives fostered in House Bill 59 (H.B. 59), the biennial budget bill for FY 2014-2015. This bill delivered $2.7 billion in tax cuts to individuals and to nearly all small business taxpayers over three years, the largest tax decrease of any state in the country.
- Successfully resetting the State Taxation Accounting and Revenue System (STARS) computer project which will replace ODT's existing and outdated technology infrastructure. Once implemented, STARS will integrate all tax information into one database providing cost- and time-savings to ODT, state taxpayers and local governments that interact with Ohio's tax system.
- Reaffirming ODT's commitment to improve taxpayers' experience with the state's tax system by continuing to review, simplify and streamline processes, systems and procedures.

As FY 2014 progressed, ODT was called upon to research and develop additional tax reform proposals intended to further Ohio's economic momentum and enhance the state's job creation potential.

**Implementing the Tax Cuts and Reforms from HB 59**

The most prominent of the H.B. 59 tax reforms called on ODT to immediately engage and implement two primary tax cut initiatives; one focused on individuals, the other on small businesses and both lessening Ohio's income tax burden over the next three years.

**10 Percent Personal Income Tax Cut** – effective with the 2013 tax year, personal income tax rates have been reduced by 8.5 percent, 9.0 percent in 2014, and 10.0 percent (see H.B. 483 on pg. 7) in 2015. This three-year reduction will cumulatively deliver nearly $2.7 billion in tax relief.

**50 Percent Small Business Deduction** – also effective beginning with the 2013 tax year, small business owners/investors can exclude from their state income tax returns half of their net business income up to a cap of $250,000. This is keeping more than $1.6 billion in the hands of Ohio small business owners to use to grow their businesses.

Of the numerous other tax law changes contained in H.B. 59, many had significant impact on tax revenues and reform, involving income, sales, commercial activity and real property taxes. Other changes brought improvements and simplification to Ohio's tax system. Please note that some of the income tax changes effectuated through H.B. 59 were further modified in the Mid-Biennium Budget Review Process.

The changes implemented include:

**Income Tax**

- Updating employer withholding tables to reflect the lower income tax rates.
- Assisting lower income Ohioans by introducing an Ohio Earned Income Tax Credit that will benefit an estimated 475,000 eligible taxpayers with tax reductions of up to $302.
- Establishing a means test limiting the $20 personal exemption tax credit to taxpayers with Ohio taxable income less than $30,000.
- Temporarily freezing for three years the annual inflation adjustments to the income tax brackets and the personal and dependent exemptions.

**Sales Tax**

- As part of Ohio's tax reform plan to lower income tax rates that pose a barrier to job creation, the state sales tax rate was adjusted from 5.5 percent to 5.75 percent.
- Broadened the sales tax base to include digital goods (e.g., books, music, videos) and magazine subscriptions purchased online to ensure equal treatment with the way in which those products are taxed in retail stores.

**Commercial Activity Tax (CAT)**

- Changed the annual minimum tax from a flat rate of $150 to a variable amount tied to the level of business receipts.
- Switched motor fuel refineries, terminals and other suppliers from the CAT to the new Petroleum Activity Tax (PAT). The PAT is a tax for the privilege of doing business, measured by the gross receipts related to the first sale of motor fuel in Ohio.

**Real Property Tax**

- Returned the homestead exemption to its former and long-standing status as a means-tested program. Seniors currently eligible for the program will continue to receive the exemption; those turning 65 years old in 2014 and beyond are subject to an eligibility limit of $30,000 of Ohio Adjusted Gross Income (OAGI). Social security benefits and some individual retirement account and pension benefits do not count toward the $30,000 limit as they are not included in OAGI. The $30,000 OAGI limit is adjusted annually for inflation; it was adjusted to $30,500 for 2014 applications. The program had been opened to all seniors in 2007 vastly increasing the costs of the program from $70 million in 2006 to $428 million in 2013.

- Removed the state subsidy for certain new levies meaning residential property owners will pay the full tax related to those new levies instead of being subsidized by all taxpayers in Ohio. The subsidy reimburses local governments for the non-business and owner-occupied credits.

**Other Tax Changes**

- Changed the Other Tobacco Products tax rate on ‘little cigars’ to one comparable to the rate imposed on cigarettes.
- Repealed an income tax deduction for gambling losses that was to be effective in 2013.
- Requires CAT, severance and financial institutions taxpayers to file returns electronically.
- Eliminated a loophole which allowed both a parent and their child to claim a dependent credit for that same child on their respective income tax returns.

**Mid-Biennium Budget Review Process Delivers More Tax Cuts for Ohioans**

Continuing a practice begun with his first biennial budget, Governor Kasich again launched a budget and policy review of state government prior to the mid-point of the current two-year budget. This mid-biennium budget review coincided with an improving Ohio economy and the realization of greater efficiencies achieved at ODT and other departments across state government. The confluence of efficient management of state government and strengthening state revenues gave Governor Kasich and the General Assembly an opportunity to make additional tax cuts. The result: the Governor in June, 2014 signed HB 483 and its package of expanded tax cuts into law. Those tax reductions total $402 million.

For tax year 2014, the personal income tax deduction on small business income gets a one-time temporary boost from 50 percent to 75 percent, freeing up funds for private sector job creators to further invest in growing their businesses. Ohio is also accelerating the last phase of the 10 percent personal income tax cut, authorized in the FY14-15 budget bill (H.B. 59), to make it effective for all of tax year 2014. That cut was originally set to begin in January 2015. Employer withholding rates have also been adjusted to align with the 10 percent reduction in the income tax.

Furthermore, there is additional tax relief for low- and middle-income Ohioans with increases in the earned income tax credit (EITC) and state income tax personal and dependent tax exemption. The EITC doubles from 5 to 10 percent of the federal credit. The personal and dependent exemption increases from $1,700 to $2,200 for Ohioans with OAGI less than $40,000 a year and from $1,700 to $1,950 for those with OAGI between $40,000 and $80,000.

The legislation also contained a number of tax system improvements, including:

- Addressing the issue of when payments and documents are considered to have been filed, which is especially important given the increase in electronic payments and requirements for more returns to be filed electronically. This provision clarifies that the time stamp assigned by the first electronic system receiving the payment or document determines the point at which the filing occurred. For documents and payments that are mailed, the postmark date will continue to serve as the filing date.
- Allowing ODT to more expeditiously share information with the Development Services Agency (DSA) relating to taxpayers that are applying for tax credits as part of an agreement with DSA. The change facilitates this important process to ensure that a tax credit applicant is in good standing with regard to their tax obligations before a tax benefit is extended.
- Carrying the job creation and job retention tax credits (JCTC and JRTC) from the CAT to the new PAT. H.B. 59 carved motor fuel tax receipts out of the CAT base and placed them into the PAT. During that shift, the JCTC and JRTC were not carried over from the CAT to the PAT. This change is a matter of fairness to those taxpayers that previously entered into JCTC or JRTC agreements.
- Moving the sale of cigarette tax stamps from the Treasurer’s Office to ODT to be more in step with online-filing capabilities and ODT’s tobacco enforcement responsibilities and to provide a one-stop-shop for cigarette wholesalers.
- Allowing ODT to pay interest on refunds, and not just charge interest on delinquent billings, for kilowatt-hour and natural gas distribution taxes, and the replacement tire fee.

**Fixing the Flaw: Tax Overpayments by Businesses**

With the enactment of Senate Bill 263 (S.B. 263), Ohio permanently abolished a long-time, anti-business practice of deliberately not informing business taxpayers of tax overpayments. This law ensures that business taxpayers are treated fairly going forward. If they pay too much, ODT will be obligated to return the extra amount that was paid or apply the overpayment to existing or future tax liabilities. Fixing this problem sends the right signal to job creators.

SB 263 follows an initiative by ODT to return overpayments to business taxpayers who were previously unaware of them. This occurred after the Tax Commissioner found out about a departmental practice that treated business taxpayers differently than individual taxpayers. While individual taxpayers receive refunds expeditiously, business taxpayers had to identify and ask for the return of their overpayments. Although this practice complied with the law, the approach made it difficult for businesses to get refunds as ODT had an unwritten policy of not informing most business taxpayers of overpayments that may have been refundable. If taxpayers did not formally request the refund within the statute of limitations, filing the correct form and stating the precise amount, they forfeited the money.

In December 2012, ODT began contacting business taxpayers about their credit balances. To date, ODT has returned more than $30.2 million to Ohio businesses that likely would have never claimed the overpayments had this initiative not been taken.

**STARS Success**

ODT launched a new era in FY 2014 with the successful implementation of the first three of eight scheduled releases which will collectively constitute the STARS computer system. This year's roll-outs cover the administration of employer withholding, natural gas distribution and sales and use taxes, as well as the replacement tire fee. Ultimately STARS will integrate all tax information into one database and, once launched department-wide, will completely replace an outdated and fragmented technology support structure.

STARS is not only making ODT more efficient, it is also simplifying processes at other levels of government and for taxpayers. For example, STARS allows county auditors' offices to issue sales tax vendor's licenses more efficiently. Someone standing at the county auditor's counter can now immediately apply for and receive a vendor's license. In the past, the process was completely paper-driven with a turnaround of about ten days.

**Financial Institutions Tax (FIT)**

In 2014, ODT began administering the new FIT, a tax on banks, savings and loans and other financial institutions. This tax replaced the previous fragmented system of taxing these businesses. The creation of the FIT made it possible to eliminate the dealers in intangibles tax and to finalize the phase-out of the corporate franchise tax. There are three tax rates for the FIT depending on the amount of equity a financial institution has in Ohio. The FIT helped cut taxes for most smaller community banks and closed loopholes that had allowed very large banks to significantly reduce taxable income through corporate planning.

**Cutting Costs/Increasing Efficiency**

ODT is continuously trying to create more uniformity and streamlining within the tax system. Beginning in 2011, ODT has been processing more revenue with less overhead. Since then, total revenues collected have grown 18 percent while the number of employees and operating expenses decreased by more than 22 percent with the close of FY 2014.

ODT conducted a comprehensive review of forms in FY 2014 with the goal of reducing the nearly 550 forms used both internally by employees and externally by taxpayers and other government entities. As a result, 45 external forms were recommended for consolidation and 100 external forms were recommended for elimination. Thirty-two internal forms were eliminated. Ten additional internal forms were transformed so they can now be filled out and submitted electronically on ODT's intranet site. The forms page on the intranet site lists all internal forms alphabetically by division, which makes it easier for employees to locate.

Other efficiencies and accomplishments achieved during FY 2014 are described below:

- Transferred wireless 9-1-1 fee administration from the Public Utilities Commission of Ohio to ODT, with the addition of a point-of-sale fee to gain equity with the customers of post-sale fees for pre-paid cell phone services (from wireless service provider to vendor point-of-sale).
- Implemented electronic filing through the Ohio Business Gateway (OBG) for employer withholding for payroll processors like ADP and Paychex.
- Created a portal for county auditors to use to verify the income of homestead exemption applicants. Since the portal became operational in February 2014, it has been used by 74 counties to make approximately 5,000 income verification inquiries.
- Mandated electronic filing for CAT annual filers effective May 2014, either through OBG or Telefile.
- Instituted an automated refund claim process for the CAT to notify taxpayers of overpayments stemming from amended returns.
- Ohio became a full member of the Streamlined Sales Tax Project. It had been an associate member since the project began in 2005.
- E-mailed a reminder notice to a pilot group of taxpayers that they had not remitted payment when they filed their personal income and/or school district income tax return. This is a new communication and compliance step taken before sending a billing notice.
- Created ODT's first mobile phone application. Check My Refund went live in the spring of 2014.

### Ohio Virtual Tax Academy (OVTA)

ODT expanded its educational outreach with the launch of OVTA. Governor John Kasich has made helping small business a priority and has supported and encouraged the development of OVTA. This program provides tax-related information to small business owners to help them succeed. Attorneys and accountants are also invited to attend and earn free continuing professional and legal education credits. Participants can attend the event in person or view it from anywhere as an online webinar. The inaugural OVTA event was held in Columbus in March 2014, with 448 people attending either the live session or participating online. The third and latest OVTA event in December 2014 was an online-only event and had 842 virtual attendees. ODT plans to host these types of seminars at least twice a year.

### Ohio Department of Taxation Overview

ODT, under the Ohio Tax Commissioner, is responsible for administering and collecting most state and several local taxes as well as supervising the real property tax. These responsibilities include making tax assessments, valuations, findings and determinations; promulgating rules and regulations, auditing tax returns, issuing and overseeing certain licenses and distributing revenues from certain taxes to various units of local government.

In FY 2014, ODT collected approximately $26.0 billion in state and local taxes. ODT's actual expenditures, from all funds, totaled approximately $125.7 million.

**Table 1**

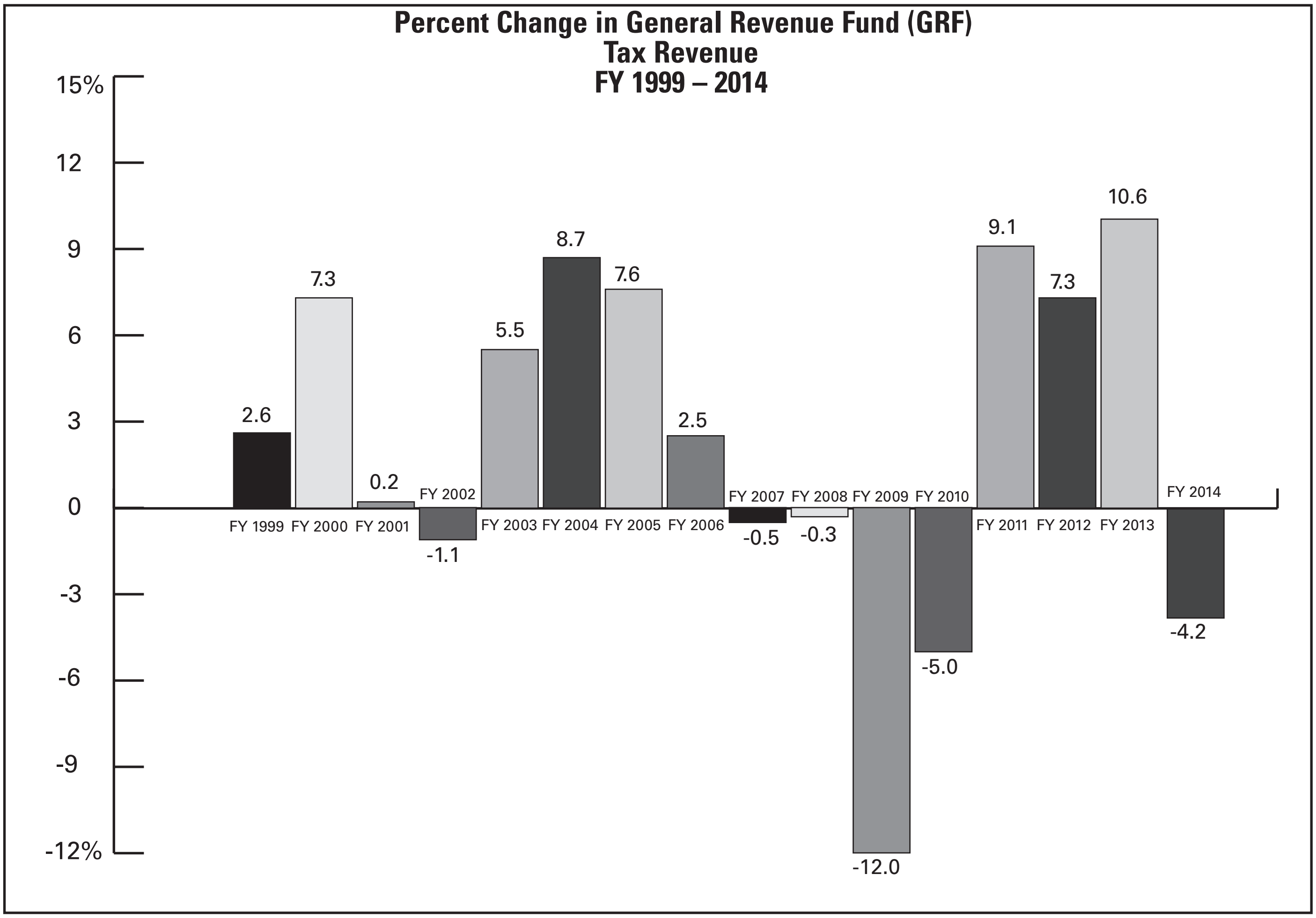



**Table 2**

| GRF Tax Revenue, 2007 - 2014 (figures in millions) | | |
|---|---|---|
| Fiscal Year | Revenue | % Change |
| 2007 | $19,468.9 | -0.5% |
| 2008 | $19,419.5 | -0.3% |
| 2009 | $17,093.7 | -12.0% |
| 2010 | $16,233.6 | -5.0% |
| 2011 | $17,706.1 | +9.1% |
| 2012 | $19,005.2 | +7.3% |
| 2013 | $21,015.7 | +10.6% |
| 2014 | 20,134.4 | -4.2% |

**Table 3**

**Collections for Taxes Administered by the Ohio Tax Commissioner**

This table shows both gross and net tax collections for 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 will differ slightly from data shown elsewhere in the report. Other tables in this report frequently represent taxes reported as shown on tax returns filed during the fiscal year, rather than actual collections during the fiscal year or for specific funds (like the state's General Revenue Fund). For locally-collected taxes, collections are shown on a calendar year basis, rather than a fiscal year basis.

| | Gross Tax Collections | | Net Tax Collections | | Percent |
|---|---|---|---|---|---|
| **State-Collected Taxes** | **FY 2013** | **FY 2014** | **FY 2013** | **FY 2014** | **Change, 13-14** |
| State Sales and Use | $8,701,147,686 | $9,465,531,587 | $8,625,426,589 | $9,344,575,216 | 8.34% |
| Local Sales and Use | 2,005,468,152 | 2,134,302,887 | 2,005,468,152 | 2,134,302,887 | 6.42% |
| Resort Area Excise | 1,094,065 | 1,165,978 | 1,094,065 | 1,165,978 | 6.57% |
| State Individual Income | 11,174,351,040 | 10,116,735,182 | 9,869,817,561 | 8,425,116,548 | -14.64% |
| Municipal Income Tax for Electric Light Companies | 9,905,416 | 8,796,853 | 9,905,416 | 8,796,853 | -11.19% |
| School District Income | 390,372,689 | 408,357,723 | 368,577,221 | 386,666,212 | 4.91% |
| Corporation Franchise[1] | 341,802,018 | 72,629,614 | 262,226,256 | (11,171,983) | N/A |
| Commercial Activity Tax | 1,671,853,550 | 1,829,164,711 | 1,594,848,533 | 1,685,787,403 | 5.70% |
| Financial Institutions Tax[6] | 0 | 197,931,125 | 0 | 197,837,292 | N/A |
| Dealers in Intangibles[1] | 38,455,459 | 480,388 | 38,429,463 | 475,979 | -98.76% |
| Motor Vehicle Fuel | 1,742,705,818 | 1,844,815,403 | 1,725,000,270 | 1,825,528,042 | 5.83% |
| Motor Fuel Use | 32,686,515 | 34,523,106 | 32,133,587 | 34,013,939 | 5.85% |
| Public Utility Excise | 96,910,788 | 106,050,399 | 96,665,733 | 106,011,927 | 9.67% |
| Kilowatt-Hour Excise | 547,544,113 | 544,779,979 | 547,544,113 | 544,630,705 | -0.53% |
| Natural Gas Consumption | 57,804,017 | 76,109,967 | 57,804,017 | 76,109,967 | 31.67% |
| Cigarette Excise | 828,854,094 | 815,722,596 | 827,440,021 | 813,983,559 | -1.63% |
| Local Cigarette Excise[3] | 19,850,492 | 18,937,553 | 19,808,032 | 18,859,778 | -4.79% |
| Alcoholic Beverage Excise[2] | 57,790,655 | 56,697,412 | 57,632,015 | 56,564,921 | -1.85% |
| Local Alcoholic Beverage[2,3] | 5,372,056 | 5,499,710 | 5,371,520 | 5,434,788 | 1.18% |
| Replacement Tire Fee | 7,107,983 | 7,668,409 | 7,047,554 | 7,649,409 | 8.54% |
| Horse Racing | 6,246,801 | 5,526,549 | 6,246,801 | 5,526,549 | -11.53% |
| Severance | 12,307,593 | 15,037,950 | 12,307,593 | 15,037,950 | 22.18% |
| Estate Tax[1] | 105,202,436 | 39,391,459 | 105,202,436 | 39,391,459 | -62.56% |
| Casino Gross Revenue Tax | 225,438,259 | 273,393,331 | 225,438,259 | 273,393,331 | 21.27% |
| Wireless 911[6] | 0 | 15,760,376 | 0 | 15,752,244 | N/A |
| **Total State-Collected Taxes** | **$28,080,271,695** | **$28,095,010,246** | **$26,501,435,206** | **$26,011,440,953** | **-1.85%** |
| | | | | | |
| | **Tax Collections** | | **Percent Change, 2013-14** | | |
| Locally-Collected Taxes | **CY 2013** | **CY 2014** | | | |
| Public Utility Property[4] | $862,109,396 | $934,646,188 | 8.41% | | |
| Estate[1,5] | 340,503,355 | 167,496,346 | -50.81% | | |
| **Total Locally-Collected Taxes** | **$1,202,612,751** | **$1,102,142,534** | **-8.35%** | | |
| | | | | | |

[1]These taxes are no longer in effect. Tax year 2013 was the last for the Corporation Franchise Tax (taxpayers began paying Financial Institutions Tax). Estate Tax was repealed for estates with dates of death on or after January 1, 2013. The Dealers in Intangibles Tax ceased on January 1, 2013 (most taxpayers began paying the Commercial Activity Tax). Only residual revenues and refunds are applicable going forward.

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

[3] Collected for Cuyahoga County.

[4] Consists of taxes levied on the tangible peronsal property of public utilites in 2013 and collected in 2014.

[5] CY 2013 data is from County Auditor estate tax settlements for the August 2012 and February 2013 periods; CY 2014 data is from the settlements for the August 2013 and February 2014 periods.

[6] New taxes administered by the Tax Commissioner.

Sources: Fiscal Year 2013 and 2014 data on state-collected taxes was extracted from the state accounting system (OAKS). Data on locally-collected taxes is based on the Department of Taxation's own data sources.

# General Revenue Fund Sources, Fiscal Year 2014

**(excluding federal aid)**

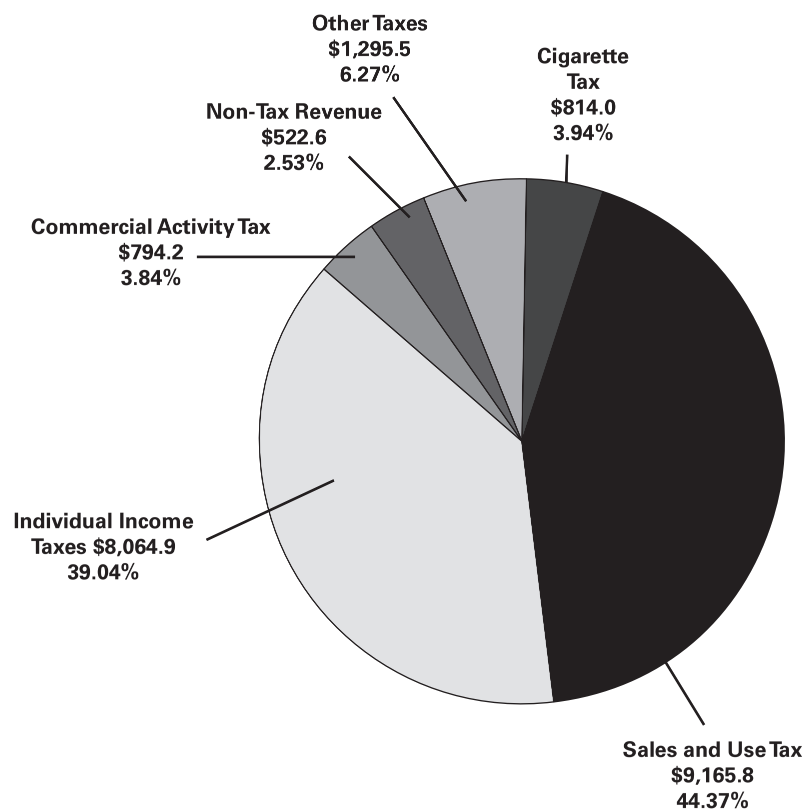
(dollars in millions)

**Chart 1**

| Major Taxes: | Collections | Percent of Total |
|---|---|---|
| Sales and Use Tax | $9,165.8 | 44.37% |
| Individual Income Tax | 8,064.9 | 39.04% |
| Cigarette Tax | 814.0 | 3.94% |
| Commercial Activity Tax | 794.2 | 3.84% |
| **Total Major Taxes** | **$18,838.9** | **91.20%** |
| | | |
| **Miscellaneous:** | | |
| Kilowatt-Hour Excise Tax | $306.3 | |
| Foreign Insurance Tax | 286.5 | |
| Financial Institutions Tax[1] | 197.8 | |
| Domestic Insurance Tax | 196.9 | |
| Public Utility Excise Tax | 106.0 | |
| Alcoholic Beverage Taxes (including liquor gallonage) | 97.4 | |
| Natural Gas Distribution Tax | 76.1 | |
| Estate Tax | 39.4 | |
| Dealers in Intangibles Property Tax | 0.5 | |
| Corporation Franchise Tax | (11.4) | |
| **Total Tax Revenue** | **$1,295.5** | **6.27%** |
| | | |
| **Non-Tax Revenue:** | | |
| Earnings on Investment | $17.3 | |
| Liquor Profits | – | |
| Miscellaneous[2] | 505.2 | |
| **Total Non-Tax Revenue** | **$522.6** | **2.53%** |
| | | |
| **Total** | **$20,656.9** | **100.00%[3]** |
| | | |

Source: Ohio Office of Budget and Management.

[1] Collections respresent estimated payments for tax year 2014 only.
[2] Includes certain transfers into the general revenue fund, licenses and fees and other income.
[3] Because of rounding, total percentage sums to 99.99%.

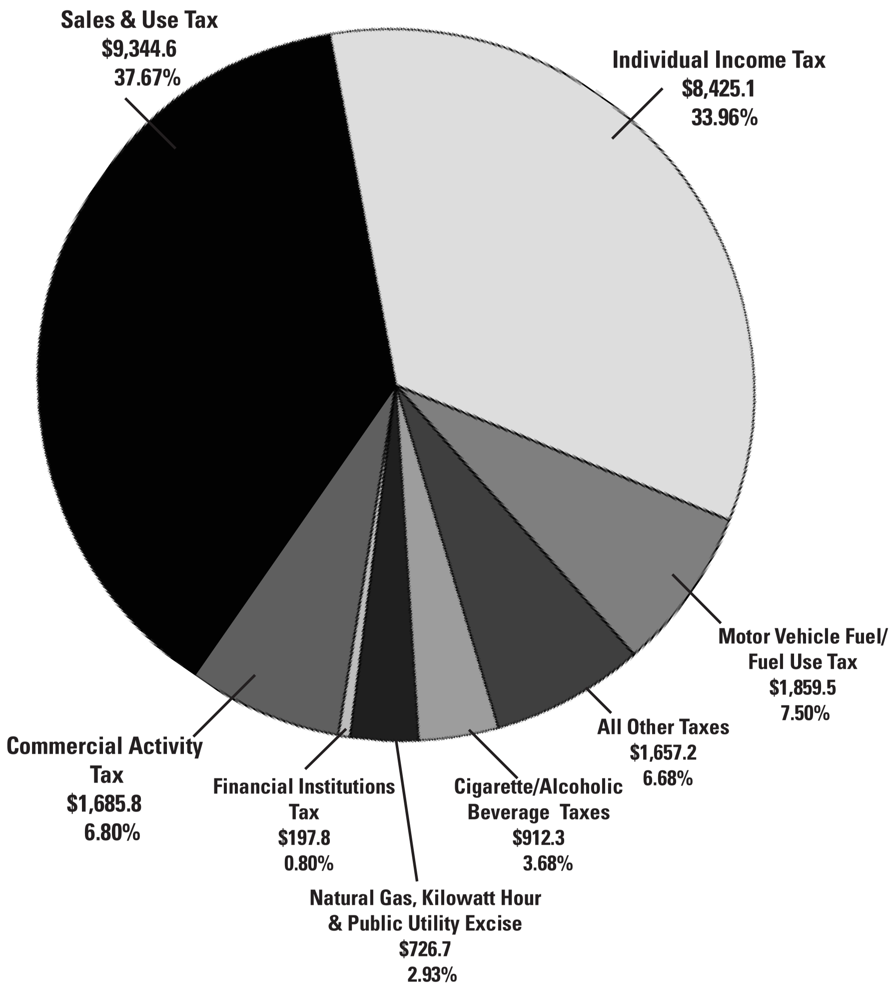


# All State Tax Sources, Fiscal Year 2014

**(excluding federal aid)**

(dollars in millions)

**Chart 2**




| Major Taxes: | Collections | Percent of Total |
|---|---|---|
| Sales and Use Tax | $9,344.6 | 37.67% |
| Individual Income Tax | 8,425.1 | 33.96% |
| Motor Vehicle Fuel and Fuel Use Tax | 1,859.5 | 7.50% |
| Commercial Activity Tax | 1,685.8 | 6.80% |
| Cigarette/Alcoholic Beverage Taxes[1] | 912.3 | 3.68% |
| Natural Gas, Kilowatt Hour and Public Utility Excise | 726.7 | 2.93% |
| Financial Institutions Tax | 197.8 | 0.80% |
| All Other Taxes | 1,657.2 | 6.68% |
| **Total** | **$24,809.0** | **100.00%**** |
| | | |
| **Other Taxes:** | | |
| Motor Vehicle License | $800.9 | |
| Foreign Insurance Tax | $308.0 | |
| Casino Gross Revenue Tax | $273.4 | |
| Domestic Insurance Tax | $202.3 | |
| Estate Tax | $39.4 | |
| Wireless 9-1-1 | $15.8 | |
| Severance | $15.0 | |
| Replacement Tire | $7.6 | |
| Horse Racing | $5.5 | |
| Dealers in Intangibles Property Tax | $0.5 | |
| Corporation Franchise Tax | $(11.2) | |
| | | |
| **Total All Other Taxes** | **$1,657.2** | |
| | | |

Source: Ohio Office of Budget and Management and Department of Taxation Records.

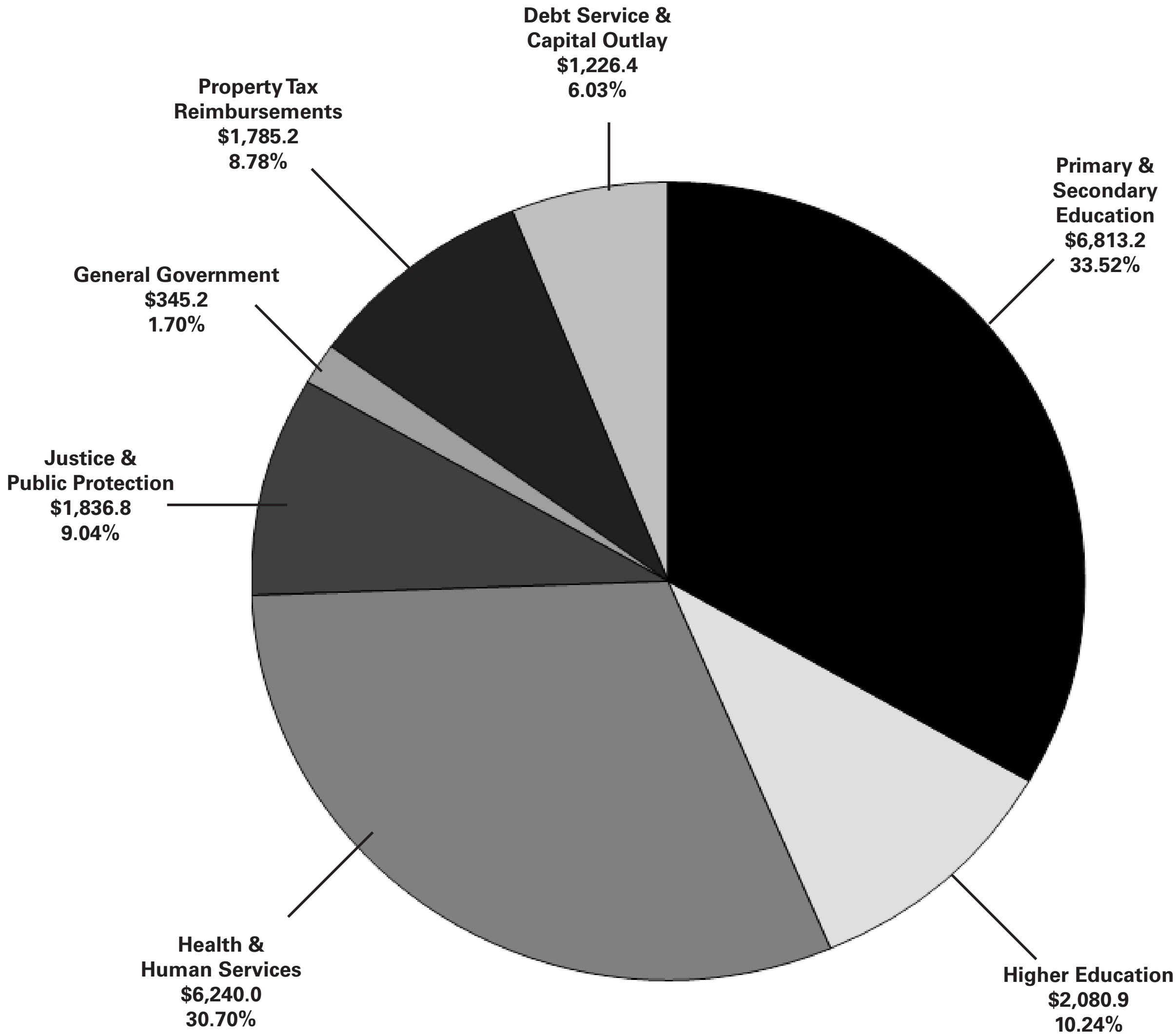
[1]Includes tax on liquor of $41.8 million, which is administered by the Department of Commerce
** Because of rounding, total percentage sums to 100.02%.

# General Revenue Fund Expenditures Fiscal Year 2014

**(excluding federal aid)**

Chart 3

(dollars in millions)




| Category | FY 2014 Expenditures | Percentage of Total |
|---|---|---|
| Primary, Secondary and Other Education | $6,813.2 | 33.52% |
| Higher Education | $2,080.9 | 10.24% |
| Health and Human Services (including Medicaid) | $6,240.0 | 30.70% |
| Justice and Public Protection | $1,836.8 | 9.04% |
| General Government | $345.2 | 1.70% |
| Property Tax Reimbursements | $1,785.2 | 8.78% |
| Debt Service & Capital Outlay | $1,226.4 | 6.03% |
| **Total** | **$20,327.9** | **100.00%** |
| | | |
| Source: Office of Budget and Management financial reports and Ohio Department of Taxation calculations | | |

# Tax Burden Comparisons Among the States

The table on this page compares the overall state and local tax burden in Ohio to that of nine other states. The comparisons rely on data compiled by the U.S. Census Bureau documenting tax collections during fiscal year 2011. Tax burdens are compared both on a per capita basis and as a percentage of income. The rankings – 1 through 51 – indicate the states' standing in comparison to all other 50 states as well as the District of Columbia.

States were included in this table either because they neighbor Ohio or because, like Ohio, they are large, economically important states. The same nine states are used for comparisons throughout this book.

**Table 4**

**State and Local Tax Burdens: Ohio and 9 Comparison States**

| | Taxes per capita | | Taxes as % of Personal Income | |
|---|---|---|---|---|
| **State** | **Total** | **Rank** | **Percentage** | **Rank** |
| Georgia | $3,173 | 46 | 9.0 | 41 |
| Indiana | 3,553 | 33 | 10.0 | 28 |
| Kentucky | 3,333 | 41 | 9.9 | 32 |
| Mass. | 5,425 | 8 | 10.2 | 21 |
| Mich. | 3,655 | 30 | 10.1 | 27 |
| Ohio | 3,910 | 27 | 10.4 | 18 |
| Pa. | 4,376 | 19 | 10.2 | 22 |
| Tenn. | 2,981 | 48 | 8.25 | 50 |
| Texas | 3,542 | 34 | 8.99 | 42 |
| W. Va. | 3,760 | 28 | 11.46 | 9 |

Source: U.S. Dept. of Commerce: U.S. Census Bureau, Bureau of Economic Analysis

# Responsibilities and Organization of the Department

## The Tax Commissioner

Section 5703.05 of the Ohio Revised Code vests all powers, duties and functions of the Department of Taxation in 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. Broadly speaking, the principal powers and duties of the Tax Commissioner include:

- making all tax assessments, valuations, findings, determinations, computations and orders;
- reviewing, re-determining or correcting previous assessments, valuations or findings;
- promulgating rules and regulations and preparing and distributing tax return forms and other reporting tools;
- 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 specific duties. These include:

- the actual collection of Ohio casino, individual income, school district income, horse racing, sales and commercial activity taxes as well as certain 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 certain other funds.

To efficiently perform these 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, 2014. The department had five deputy tax commissioners, one also serving as chief legal counsel and as the department's chief ethics officer. Senior management also includes a number of executive administrators who oversee various divisions within the department.

The department also has a problem resolution officer on staff who provides additional assurance to taxpayers that their rights are being protected. To serve those in other states that have a business or residential nexus with Ohio, the department maintains regional audit centers near Chicago and Los Angeles.

At the close of fiscal year 2014, the department had 1,064 permanent employees. During the fiscal year, the department spent about $125.7 million to fulfill the various functions and responsibilities. Further details on department staffing levels and expenditures are shown in Tables 1 and 2, in this chapter.

Further details on the organization of the department are included 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 2014, the Taxpayer Services Division handled 844,000 phone calls and 59,000 emails. Agents also assisted 12,900 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's licenses. Other responsibilities include maintaining the cumulative vendor accounts, updating of demographic information, maintaining vendor registration for liquor permit holders and safekeeping information and data purification.

When time permits, Taxpayer Services assists several other divisions with their workload to avoid backlog, which in turn decreases the need for taxpayers to contact the department.

**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. Revised Code section 5703.52 states that the officer or additional persons designated for the office is to "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 his or her 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 and the mailing of billing notices to taxpayers who fail to pay an 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 notice 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.

In fiscal year 2014, the Compliance Division certified 138,872 individual income tax and 80,323 school district income tax assessments to the Ohio Attorney General's Office for total certified amounts of $247,532,361 and $27,879,774, respectively.

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 14 hearing officers and supervisors and two support staff as of June 30, 2014, a decrease of two hearing officers from fiscal year 2013. In fiscal year 2014, the division had an opening balance of 2,800 cases and received an additional 2,179 during the fiscal year. A total of 2,420 final determinations were finalized, for an end-of-year balance of 2,559 cases on hand. The outstanding inventory of cases has improved from fiscal year 2013, when Tax Appeals started the year with 3,197 cases, received 3,482 more during the year, finalized 3,997 final determinations, and ended with a balance of 2,682 cases.

**Appeals Management Division**

The Appeals Management Division serves as a liaison with the Attorney General's office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General's office. The Appeals Management Division had nine employees as of June 30, 2014.

Case information is tracked on a fiscal year basis. As of June 30, 2014, Appeals Management had 1,067 cases on appeal at the Board of Tax Appeals; 12 in the state appeals court system and 26 at the Ohio Supreme Court. This was a decrease in cases from fiscal year 2013, when the division had 1,111 cases on appeal at the Board of Tax Appeals; three in the state appeals court system and four at the Ohio Supreme Court.

**Bankruptcy Division**

The Bankruptcy Division is charged with pursuing 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. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. After a bankruptcy case is closed or discharged, the division must determine whether taxes still remain due or are effectively discharged by the bankruptcy process. The Bankruptcy Division works closely with the Ohio Attorney General's Office to assist with collection processes and to answer informal and formal objections concerning both tax and bankruptcy related issues. The Bankruptcy Division had 10 employees as of June 30, 2014.

In fiscal year 2014, the division received 10,736 notices of bankruptcies filed. It processed a total of 3,658 proofs of claim, which amounted to $128,283,557. By comparison, during fiscal year 2013, 12,124 notices of bankruptcy were received and 4,412 proofs of claim were processed amounting to $242,358,070.

**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.

**Audit Division**

The Audit Division conducts audits relating to most of Ohio's major business taxes, which includes sales and use, commercial activity, corporation franchise, pass-through entity, employer withholding and tangible personal property taxes. During the fiscal year ending June 30, 2014, the Audit Division completed the following number of audits for each of these tax types:

| Tax Type | Total Audits |
|---|---|
| Sales and Use | 1,416 |
| Personal Property | 8 |
| Corporation Franchise | 235 |
| Pass-Through Entity | 560 |
| Employer Withholding | 166 |
| Commercial Activity | 495 |
| **Total** | **2,880** |

**Criminal Investigations Division**

The Criminal Investigations Division is comprised of 28 sworn police officers and three civilian employees who enforce the criminal provisions of Ohio tax laws. The division was created in 1971, primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown in size and responsibility. The division now enforces most of the taxes administered by the department, including the cigarette tax, other tobacco products tax, motor fuel tax, income tax, employer withholding taxes and the sales and use tax.

In 2014, for the fifth time, the Criminal Investigations Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA). This time, the division was recognized as an elite law enforcement organization, receiving the "Accreditation with Excellence Award," and being highlighted as one of the top accredited agencies in the United States. Criminal Investigations is the only state tax law enforcement agency in the nation to have achieved CALEA accreditation, doing so first in 2002. CALEA accreditation is considered the international gold standard for recognition of public safety professionalism.

The Criminal Investigations Division through its activities also generates revenue for state services. In fiscal year 2014, the division brought in approximately $12 million in revenue that normally would not be recovered through audits or assessments.

**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.

Through the identification of additional tax liability by Tax Discovery, the department's cash collections were $18.9 million in fiscal year 2014; primarily in the individual income, pass-through entity, trust, 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 some reason and interpreting law and policy to resolve taxpayer issues.

These divisions are:

- Business Tax, which is responsible for the corporation franchise tax, the pass-through entity and trust withholding tax, and the municipal income tax for electric light companies and telephone companies.
- Commercial Activity Tax.
- Excise & Energy. 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 some 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 oversees 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.

**Tax Processing and Data Capture**

Tax Processing and Data Capture is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation. The primary function of Tax Processing and Data Capture is to facilitate voluntary compliance. This is accomplished through:

- receiving and recording tax returns, documents and remittances;
- storing and retrieving tax documents; and
- depositing taxpayer payments to the bank so that funds are available for distribution to state and local governments.

As part of this mission, Tax Processing and Data Capture has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2014 calendar year through Sept. 1, 2014, income tax returns transmitted electronically accounted for 4,561,708 of the 5,328,923 total reports or just over 85% of all income tax reports received. The electronic methods included:

- TeleFile, the ability to submit a return by touchtone telephone. TeleFile was the department's first electronic filing method when it was first offered for the 1997 taxable year. This filing method accounted for 30,362 returns.
- The Internal Revenue Service's e-file program, which became available through tax practitioners and software packages starting in 1999. This filing method included 3,988,026 returns.
- Ohio I-File, a Web-based solution introduced in 2003 for the 2002 filing year. I-File asks taxpayers a series of questions and then compiles a state or school district income tax return based on those answers. The Ohio I-File system recorded 543,320 returns for income tax.

School district returns received during calendar year 2014 through Sept 1, 2014 totaled 589,382 reports. Electronic transmissions accounted for 584,861 or approximately 99 percent of all reports.

Electronic filing not only allows taxpayers to get their refund faster through direct deposit, but it also substantially reduces both 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.

The Personal Income and School District Income Tax Division annually conducts extensive testing with more than 30 software vendors for the electronic products and both 1D and 2D barcoding on paper returns. The Ohio I-File and TeleFile systems are updated and tested annually to assure maximum accuracy and optimum taxpayer experience.

Tax Processing and Data Capture processed over 2.7 million paper returns and 3.1 million check payments in fiscal year 2014. Listed below are volumes by tax type:

| Tax Type | Volume |
|---|---|
| CAT | 12,332 |
| Corporation Franchise | 5,162 |
| Employer Withholding/ Employer Withholding School District | 1,317,983 |
| Personal & School District Income Tax | 1,164,153 |
| Pass-Through Entity | 115,867 |
| Sales | 67,321 |
| Tax Equalization | 96,806 |
| Excise | 0 |

Additionally, Tax Processing and Data Capture receives business tax returns that are filed through the Ohio Business Gateway (OBG), which provides businesses a single portal for filing certain business taxes. In calendar year 2014, through Sept. 1, ODT received over 1.9 million returns filed through the OBG (see chart below).

| Tax Type | Volume |
|---|---|
| Commercial Activity | 275,769 |
| Employer Withholding | 624,371 |
| Employer Withholding School District | 153,290 |
| Sales | 938,066 |

From businesses, the department also received 75,324 sales tax returns that were filed electronically through TeleFile in calendar year 2014 through Sept. 1, 2014

**Forms Unit (Support Processing)**

First founded in 1998 as the Forms and Noticing Division with three full-time employees, the objective of the division was to centralize the production and ordering of hundreds of forms utilized by tax practitioners and taxpayers, to bring consistency to the layout and editing of tax forms and instructions, and to develop scanning guidelines for third-party software vendors and payroll processing companies.

In 2013, the now four-member section was renamed the Forms Unit and moved under the Revenue Processing Division. Over 15 years, the unit has:

- created scannable forms for the IT 1040, IT 1040EZ and SD 100 and promoted 2D barcoding, which allow the forms to be quickly and accurately scanned as opposed to being processed by hand;
- developed fill-in versions of many forms, which allow taxpayers to fill out tax forms using their computer;
- reduced the department's printed materials by more than 70 percent;
- consolidated income tax, school district and TeleFile booklets into one income tax publication;
- streamlined the forms portion of the agency's Web site to allow taxpayers to more easily look up tax forms and instructions.
- recently created scannable forms for the IT 1041, IT 1140 and IT 4708.

The unit is currently responsible for composing forms and instructions, distributing forms and maintaining an inventory. The distribution of forms includes both individual (taxpayers and tax practitioners) and bulk fulfillments. The bulk fulfillments include:

- other divisions and sections within the department (i.e., Taxpayer Services and Communications)
- libraries
- post offices
- banks
- senior centers
- Volunteer Income Tax Assistance
- American Association of Retired Persons
- Internal Revenue Service
- other governmental agencies and tax practitioners.

The unit works directly with the business and technical divisions to determine the content of forms and instructions, though it has latitude to edit for readability, consistency and grammatical errors. The unit generally works on an individual basis with divisions to update and edit their forms and instructions on an as-needed basis. However, in regard to the IT 1040, IT 1040EZ and school district income tax forms, a yearly review committee is formed that represents several sections within the agency.

In addition, the unit also acts as a forms liaison with third- party software vendors and payroll processing companies. The unit receives recreations of our tax forms from vendors and then reviews them for accuracy. If vendors submit payment coupons, those are sent to data entry to be tested. In recent years, the unit has revised forms and promoted 2D barcoding to be scanned and imaged by a full-page scanner for more efficient data capture.

The unit ultimately is responsible for making sure that the most up-to-date forms and instructions are available on the department's Web site. The forms section is one of the most visited sections of the agency's Web site: tax.ohio.gov/forms

**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 2014, Revenue Accounting distributed approximately $4.9 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 from casinos;
- revenue from 9-1-1 fees
- revenue shared from specific state taxes including motor fuel and horse racing taxes;
- property and manufactured home tax relief efforts from the non-business credit, the owner occupancy credit and the homestead exemption;
- property tax replacement fund distributions, including those associated with kilowatt-hour, natural gas distribution and commercial activity taxes;
- revenue from income tax check-off programs, including the political party check-off and the following refund donation check-offs: Non-game and Endangered Wildlife, Natural Areas and Preserves, Injured Military and Historical Society.

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 is also responsible for exception processing for most of the refunds released by the agency.

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 also has a Central Payment Unit that is responsible for researching payments that need processing for all taxes. 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, policy analysis, and other information to internal and external customers. The division supplies this information upon request from the Governor's office, members of the General Assembly, other divisions of the department, all levels of local government, and to a wide variety of academic and private researchers. 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 assists the Office of Budget and Management (OBM) with forecasting tax revenues, tracking revenue on a monthly basis, and making updates to OBM forecasts. The division 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 website – a statisical compilation series that puts Ohio in the forefront when it comes to data scope and quality. The division produces similar data for other publications, including "Property Taxation and School Funding," which is an educational aid for decision makers. The division also assembles the statistics, tables, graphs, and interstate comparison data for departmental publications, including this annual report.

Tax Analysis 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 two local government funds. The division's employees frequently make presentations to state and local governmental officials, public school officials, and other organizations on a variety of topics.

## Support Services

Other divisions of the Department of Taxation serve in more of a support role.

**Budget and Fiscal Division**

The Budget and Fiscal Division performs internal financial operations that help the department run its day-to-day operations. The division prepares and monitors the department's operating budget with primary responsibilities that include centralized purchasing, invoice payment, travel expense reimbursement, telecommunication management, asset management and financial reporting. The division also administers the department's payment cards, petty cash funds and contracts.

**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 news media with questions about the department or requests for interviews. The office also:

- issues news releases and coordinates other events with state and local media to highlight significant events and policy changes at the department.

- manages the department's Web site, tax.Ohio.gov, with support from Information Services and liaisons throughout the agency.
- oversees several periodic publications, including this annual 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.

**Office of Agency Performance**

The Office of Agency Performance consists of the following areas:

**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. The 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.

**Organizational Development**

Organizational Development coordinates and provides practical and applied professional skills and career development opportunities for all Taxation employees. The division works within the department's tax and administrative divisions to assess their ongoing organizational and staff development needs and then presents or assists with the development and delivery of appropriate and timely training.

Organizational Development coordinates, facilitates and participates in both process improvement initiatives and Kaizen events in-house and for other agencies. Results from these events prove to save taxpayer dollars, reduce errors, decrease wait times, increase productivity and ensure standardization throughout the enterprise. The division also coordinates the department's involvement in the statewide Public Practice Continuing Legal Education (CLE) Coalition, including presenting a minimum of two Public Practice CLE seminars per year. The division has also launched a new initiative that allows business owners, accountants, attorneys and practitioners the option to participate in virtual tax academy sessions in which the most up to date information pertaining to small business owners are discussed in great detail. The accountants and attorneys who attend are also able to receive free continuing education credits. Organizational Development also coordinates special projects, conferences, department-wide health and wellness initiatives, corporate citizenship programs and employee recognition programs.

**Internal Audit**

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 to the executive administrator of the Office of Agency Performance and has open access to discuss matters directly with the Tax Commissioner's deputies. 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 departmental 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 and Office of Budget and Management's Internal Audit offices.

**Facilities Management**

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

**Information Services Division**

The Information Services Division (ISD) supports the department's business divisions through the development and support of the tax administration systems, databases and information systems. This division provides a secure architecture for the exchange of information with internal and external customers.

During fiscal year 2014, ISD worked on various legislated initiatives, including establishing a portal for counties to aid them in processing applications for the Homestead Exemption related to their property taxes. The division continued to support the statewide information technology transformation project by successfully moving all State Tax Revenue and Accounting System (STARS) processing and data to Office of Information Technology managed servers and storage, as well as participating in the statewide VoIP phone system project. Additionally, the division implemented a solution to enable the administration of three new taxes: 9-1-1, financial institutions and petroleum activity. Taxation continued to enhance its web capabilities by implementing its first mobile application – Check My Refund – during this time frame. ISD continued to provide enhanced taxpayer self-services using Taxation's web site and the state's Ohio Business Gateway.

The STARS project made significant progress in fiscal year 2014, with three releases. In October 2013, employer withholding and school district withholding were moved to STARS. Later, in February 2014 and June 2014, respectively, the natural gas tax, tire replacement fee and sales and use tax were implemented. More releases are planned for fiscal year 2015 and beyond.

Additionally, ISD continued its focus on the security of internal and external facing systems and applications, and concentrated on keeping the infrastructure available and reliable. All measured systems were available at least 98 percent of the time and most were available more than 99 percent of the time during fiscal year 2014.

**Legislation Division**

The Legislation Division is the legislative coordinating unit for the Department of Taxation. It monitors state tax-related legislation and federal tax legislation that could affect Ohio or its tax laws, and it coordinates the department's program for compliance with legislative lobbying laws. The division also works with the Governor's Office and members of the Ohio General Assembly to provide legislative services including:

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

The division's employees attend committee hearings of the Ohio General Assembly and prepare and present 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 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 Development Services Agency certifies to the Department of Taxation certain credits available to Ohio taxpayers, such as the job creation tax credit, the job retention tax credit, the research and development investment tax credit, the technology investment tax credit, and the Ohio historic preservation tax credit.

The Ohio 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 on businesses with liquor permits according to procedures spelled out in the Ohio Revised Code. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

## Administrative Tables

The tables that follow illustrate various aspects of the Department of Taxation's structure and mission, including its organization, expenditures and staffing. The tables also document 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

| Tax Commissioner | Began service | Ended service | Appointed by |
|---|---|---|---|
| William S. Evatt | June 3, 1939 | Dec. 31, 1944 | John W. Bricker |
| C. Emory Glander | Jan. 1, 1945 | Jan. 31, 1951 | Frank J. Lausche |
| John W. Peck | Feb. 1, 1951 | Jan. 31, 1954 | Frank J. Lausche |
| Stanley J. Bowers | Feb. 1, 1954 | April 14, 1963 | Frank J. Lausche |
| Louis J. Schneider | April 15, 1963 | Dec. 29, 1964 | James A. Rhodes |
| Gerald A. Donahue | Jan. 4, 1965 | March 12, 1966 | James A. Rhodes |
| Gail W. Porterfield | March 13, 1966 | Jan. 10, 1971 | James A. Rhodes |
| Robert J. Kosydar | Jan. 11, 1971 | Jan. 12, 1975 | John J. Gilligan |
| Gerald S. Collins | Jan. 13, 1975 | Sept. 10, 1975 | James A. Rhodes |
| Edgar L. Lindley | Sept. 11, 1975 | Jan. 9, 1983 | James A. Rhodes |
| Joanne Limbach | Jan. 10, 1983 | Jan. 13, 1991 | Richard F. Celeste |
| Roger W. Tracy | Jan. 14, 1991 | Jan. 11, 1999 | George V. Voinovich |
| James J. Lawrence | Jan. 11, 1999 | June 30, 1999 | Bob Taft |
| Thomas M. Zaino | July 1, 1999 | Oct. 31, 2003 | Bob Taft |
| J. Patrick McAndrew | Nov. 1, 2003 | Jan. 11, 2004 | Bob Taft |
| William W. Wilkins | Jan. 12, 2004 | Jan. 7, 2007 | Bob Taft |
| Richard A. Levin | Jan. 8, 2007 | Jan. 9, 2011 | Ted Strickland |
| Joseph W. Testa | Jan. 10, 2011 | | John R. Kasich |

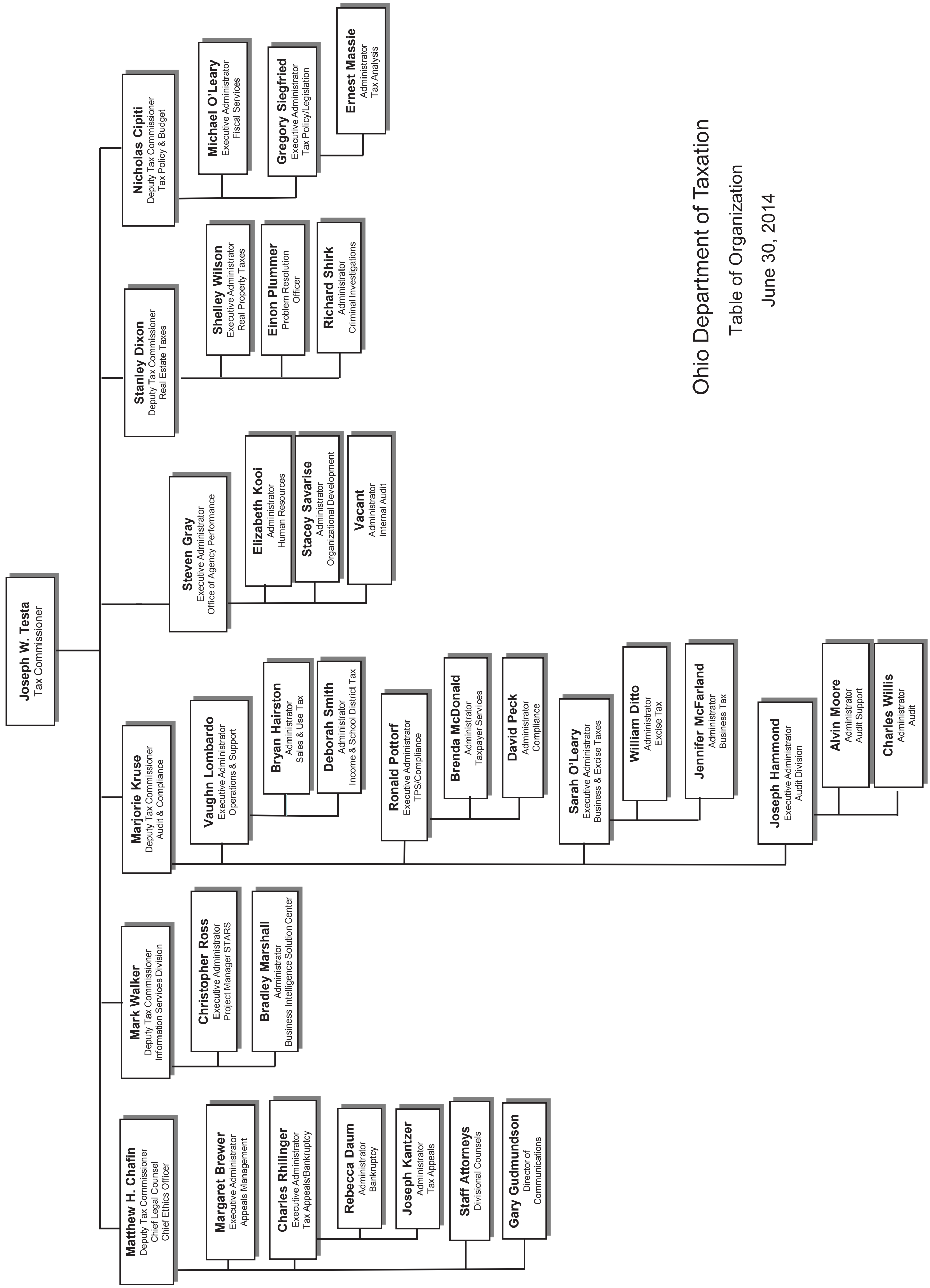

Ohio Department of Taxation
Table of Organization
June 30, 2014
Joseph W. Testa
Tax Commissioner
Nicholas Cipiti
Deputy Tax Commissioner
Tax Policy & Budget
Michael O'Leary
Executive Administrator
Fiscal Services
Gregory Siegfried
Executive Administrator
Tax Policy/Legislation
Ernest Massie
Administrator
Tax Analysis
Stanley Dixon
Deputy Tax Commissioner
Real Estate Taxes
Shelley Wilson
Executive Administrator
Real Property Taxes
Einon Plummer
Problem Resolution
Officer
Richard Shirk
Administrator
Criminal Investigations
Steven Gray
Executive Administrator
Office of Agency Performance
Elizabeth Kooi
Administrator
Human Resources
Stacey Savarise
Administrator
Organizational Development
Vacant
Administrator
Internal Audit
Marjorie Kruse
Deputy Tax Commissioner
Audit & Compliance
Vaughn Lombardo
Executive Administrator
Operations & Support
Bryan Hairston
Administrator
Sales & Use Tax
Deborah Smith
Administrator
Income & School District Tax
Ronald Pottorf
Executive Administrator
TPS/Compliance
Brenda McDonald
Administrator
Taxpayer Services
David Peck
Administrator
Compliance
Sarah O'Leary
Executive Administrator
Business & Excise Taxes
William Ditto
Administrator
Excise Tax
Jennifer McFarland
Administrator
Business Tax
Joseph Hammond
Executive Administrator
Audit Division
Alvin Moore
Administrator
Audit Support
Charles Willis
Administrator
Audit
Mark Walker
Deputy Tax Commissioner
Information Services Division
Christopher Ross
Executive Administrator
Project Manager STARS
Bradley Marshall
Administrator
Business Intelligence Solution Center
Matthew H. Chafin
Deputy Tax Commissioner
Chief Legal Counsel
Chief Ethics Officer
Margaret Brewer
Executive Administrator
Appeals Management
Charles Rhilinger
Executive Administrator
Tax Appeals/Bankruptcy
Rebecca Daum
Administrator
Bankruptcy
Joseph Kantzer
Administrator
Tax Appeals
Staff Attorneys
Divisional Counsels
Gary Gudmundson
Director of
Communications

**Table 1**

**Ohio Department of Taxation Staff Structure & Number of Employees: Fiscal Year 2014**

| Unit of Organization | Number of Employees June 30, 2014 |
|---|---|
| **Administrative Divisions** | |
| Tax Commissioner | 9 |
| Office of Agency Performance | 11 |
| Tax Analysis | 8 |
| Organizational Development | 12 |
| Legislation | 2 |
| Communications | 3 |
| **Divisions Total** | **45** |
| **Audit** | |
| Ohio | 228 |
| Chicago | 6 |
| Los Angeles | 15 |
| **Division Total** | **249** |
| **Fiscal Services** | |
| Administration, Budget & Fiscal | 9 |
| Revenue Accounting & Support Staff | 73 |
| **Division Total** | **82** |
| **Chief Counsel** | **46** |
| **Tax Criminal Investigations** | **31** |
| **Facilities Management** | **19** |
| **Information Services** | **117** |
| **Internal Audit** | **3** |
| **Tax Equalization** | **19** |

| Unit of Organization | Number of Employees June 30, 2014 |
|---|---|
| **Taxpayer Services Divisions** | |
| Taxpayer Services | 124 |
| Compliance | 110 |
| **Divisions Total** | **234** |
| **Business & Excise Taxes Divisions** | |
| Administration/Support | 2 |
| Business Taxes | 59 |
| Excise Taxes | 27 |
| **Divisions Total** | **88** |
| **Personal Income & School District, Business & Sales & Use Tax Divisions** | |
| Administration | 3 |
| Individual Income & School District Tax | 75 |
| Employment Tax | 53 |
| **Divisions Total** | **131** |
| **Total Permanent Employees** | **1,064** |

Chart 1

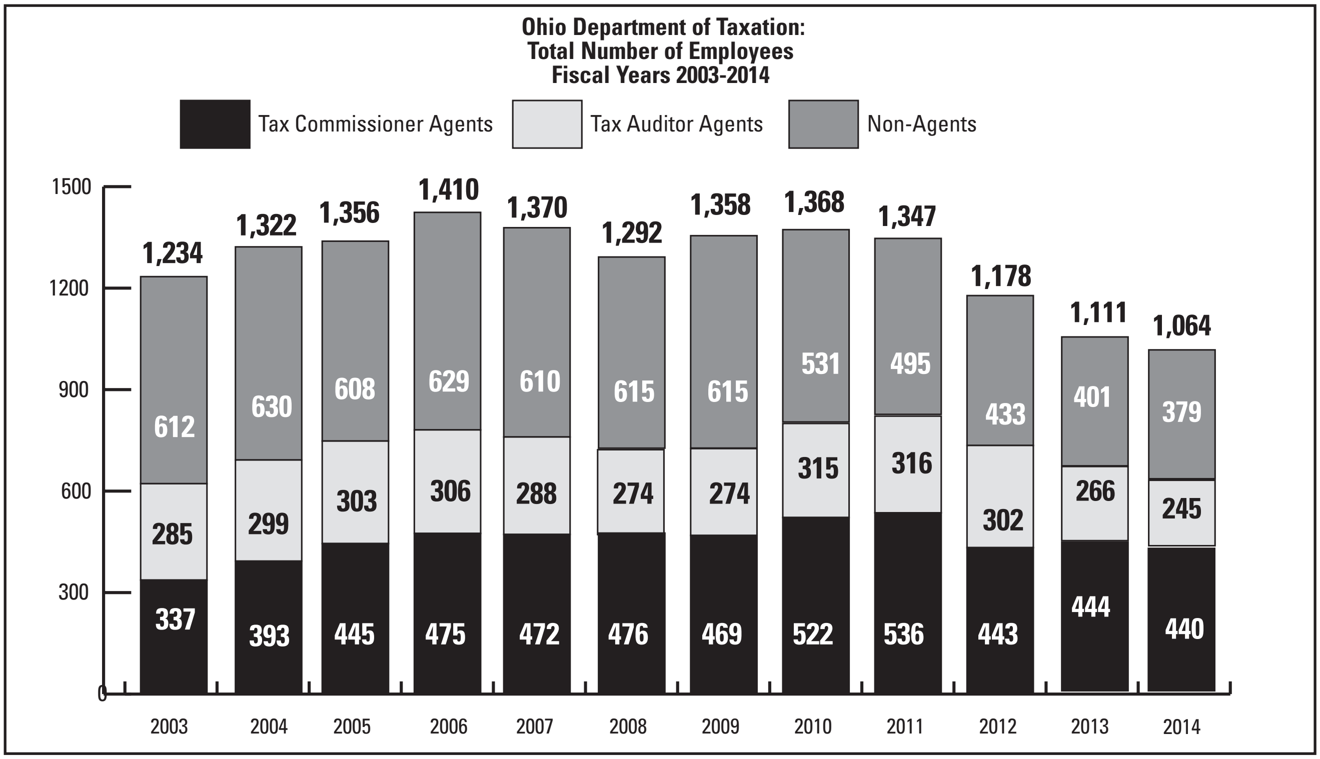



Table 2

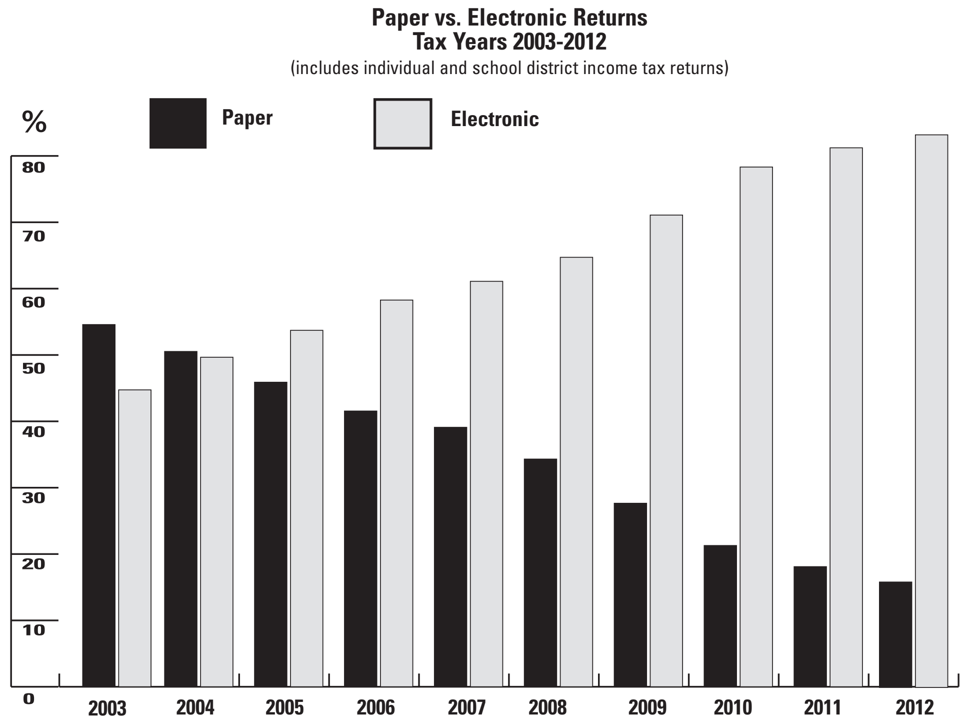
| Expenditures of the Ohio Department of Taxation by Division Fiscal Year 2014 | | | | |
|---|---|---|---|---|
| **Division** | **Personal Service** | **Total Maintenance** | **Equipment** | **Total** |
| Administration | $6,841,718 | $4,893,937 | $144,707 | $11,880,362 |
| Chief Counsel | 4,908,547 | 310,823 | - | 5,219,370 |
| Criminal Investigations | 2,584,233 | 366,664 | 19,760 | 2,970,657 |
| Information Services | 17,363,271 | 8,342,236 | 7,479,059 | 33,184,566 |
| Audit | 22,711,211 | 1,963,402 | - | 24,674,613 |
| Fiscal Services | 5,822,271 | 1,782,909 | 113,030 | 7,718,210 |
| Taxpayer Services | 7,283,628 | 475,603 | 58,223 | 7,817,454 |
| Compliance | 7,352,923 | 665,265 | - | 8,018,188 |
| Tax Equalization | 1,750,289 | 164,987 | - | 1,915,276 |
| Business & Excise | 7,652,461 | 2,936,315 | - | 10,588,776 |
| PIT/SDIT/Employment Tax | 10,159,968 | 1,597,056 | - | 11,757,024 |
| **Total** | **94,430,520** | **23,499,197** | **7,814,779** | **125,744,496** |

**Table 3**

## Ohio Individual Income & School District Income Tax Return Filing: Tax Years 2003 - 2012

| State Returns | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Form IT 1040 (Paper) | 2,259,825 | 2,118,800 | 1,742,348 | 1,523,984 | 1,602,623 | 1,397,111 | 1,060,834 | 829,241 | 752,607 | 297,908 |
| Form IT 1040 EZ (Paper) | 593,326 | 491,338 | 678,362 | 683,055 | 520,271 | 462,551 | 393,498 | 307,231 | 241,881 | 212,725 |
| IT 10 (Paper) | | | | | | | | 662 | 5,033 | 3,354 |
| 1040 2D Barcode | | | | | | | | | | 399,312 |
| **Total Paper** | **2,853,151** | **2,610,138** | **2,420,710** | **2,207,039** | **2,122,894** | **1,859,662** | **1,454,332** | **1,137,134** | **997,950** | **913,299** |
| | | | | | | | | | | |
| IRS e-file program | 1,837,659 | 2,069,667 | 2,348,393 | 2,575,570 | 2,838,958 | 2,953,002 | 3,224,727 | 3,565,617 | 3,809,166 | 3,904,374 |
| ELF IT 10 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 62 | 1,082 |
| ELF ITDA | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 3 | 19,288 |
| Telefile | 435,883 | 375,944 | 292,217 | 227,173 | 142,087 | 98,220 | 67,499 | 48,710 | 35,262 | 32,771 |
| I-File | 213,815 | 303,896 | 346,302 | 405,071 | 413,833 | 494,013 | 489,156 | 504,092 | 533,175 | 528,694 |
| I-File IT 10 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 528 | 322 |
| eForm IT 1040 | n/a | n/a | n/a | n/a | 20,601 | 21,350 | 16,622 | 20,258 | n/a | n/a |
| eForm IT 1040 EZ | n/a | n/a | n/a | n/a | 24,078 | 20,787 | 14,178 | 21,554 | n/a | n/a |
| **Total Electronic** | **2,487,357** | **2,749,507** | **2,986,912** | **3,207,814** | **3,439,557** | **3,587,372** | **3,812,182** | **4,160,231** | **4,378,196** | **4,522,531** |
| | | | | | | | | | | |
| Total State Returns | 5,340,508 | 5,359,645 | 5,047,622 | 5,414,853 | 5,562,451 | 5,447,034 | 5,266,514 | 5,297,365 | 5,376,146 | 5,435,830 |
| % filed on paper | 53.4% | 48.7% | 44.8% | 40.8% | 38.2% | 34.0% | 27.6% | 21.5% | 18.6% | 16.8% |
| % filed electronically | 46.6% | 51.3% | 55.2% | 59.2% | 61.8% | 66.0% | 72.4% | 78.5% | 81.4% | 83.2% |
| | | | | | | | | | | |
| **School District Returns** | | | | | | | | | | |
| SD 100 2d Barcode | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0 | 64,202 |
| Form SD 100 (paper) | 351,214 | 336,504 | 321,717 | 307,221 | 324,053 | 293,600 | 213,468 | 173,496 | 152,397 | 71,995 |
| **Total Paper** | **351,214** | **336,504** | **321,717** | **307,221** | **324,053** | **293,600** | **213,468** | **173,496** | **152,397** | **136,197** |
| | | | | | | | | | | |
| IRS w/SDIT | 151,649 | 183,777 | 224,825 | 266,247 | 318,190 | 366,276 | 443,999 | 488,467 | 526,736 | 568,267 |
| I-File | n/a | 27,479 | 41,142 | 56,171 | 66,077 | 77,187 | 82,095 | 86,223 | 88,306 | 87,320 |
| eForm SD 100 | n/a | n/a | n/a | n/a | 5,023 | 4,937 | 4,322 | 5,041 | n/a | n/a |
| **Total Electronic** | **151,649** | **211,256** | **265,967** | **322,418** | **389,290** | **448,400** | **530,416** | **579,731** | **615,042** | **655,587** |
| **Total School Returns** | **502,863** | **547,760** | **587,684** | **629,639** | **713,343** | **742,000** | **743,884** | **753,227** | **767,725** | **791,784** |
| | | | | | | | | | | |
| **% filed on paper** | **69.8%** | **61.4%** | **54.7%** | **48.8%** | **45.4%** | **39.5%** | **28.7%** | **23.0%** | **19.8%** | **17.2%** |
| **% filed electronically** | **30.2%** | **38.6%** | **45.3%** | **51.2%** | **54.6%** | **60.5%** | **71.3%** | **77.0%** | **80.2%** | **82.8%** |
| | | | | | | | | | | |
| **All Returns** | | | | | | | | | | |
| **Grand Total** | **5,843,371** | **5,907,405** | **5,995,306** | **6,044,492** | **6,275,794** | **6,189,034** | **6,010,398** | **6,039,864** | **6,143,737** | **6,227,614** |
| **Grand Total Paper** | **3,204,365** | **2,946,642** | **2,742,427** | **2,514,260** | **2,446,947** | **2,153,262** | **1,667,800** | **1,310,630** | **1,150,499** | **1,049,496** |
| **Grand Total Electronic** | **2,639,006** | **2,960,763** | **3,252,879** | **3,530,232** | **3,828,847** | **4,035,772** | **4,342,598** | **4,739,962** | **4,993,238** | **5,178,118** |
| **% filed on paper** | **55.0%** | **49.9%** | **45.7%** | **41.6%** | **39.0%** | **34.8%** | **27.7%** | **21.5%** | **18.8%** | **16.9%** |
| **% filed electronically** | **45.0%** | **50.1%** | **54.3%** | **58.4%** | **61.0%** | **65.2%** | **72.3%** | **78.5%** | **81.2%** | **83.1%** |
| | | | | | | | | | | |

**Chart 2**




| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Paper Total** | **3,204,365** | **2,946,642** | **2,742,427** | **2,514,260** | **2,446,947** | **2,153,262** | **1,667,800** | **1,310,630** | **1,150,499** | **1,049,496** |
| **Electronic Total** | **2,639,006** | **2,960,763** | **3,252,879** | **3,530,232** | **3,828,847** | **4,035,772** | **4,342,598** | **4,739,962** | **4,993,238** | **5,178,118** |
| Paper% | 55% | 49.9% | 45.7% | 41.6% | 39% | 34.8% | 27.7% | 21.5% | 18.8% | 16.9% |
| Electronic% | 45% | 50.1% | 54.3% | 58.4% | 61% | 65.2% | 72.3% | 78.5% | 81.2% | 83.1% |

Table 4

| Sales and Excise Tax Assessments Levied and Unpaid Assessments Certified for Collection: Fiscal Years 2013- 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Assessments Levied | | | | | Unpaid Assessments Certified for Collection | |
| This table shows tax assessments levied against taxpayers for the fiscal years indicated, but not assessments collected. The number of assessments certified for collection in a fiscal year include assessments levied in a prior year, after taxpayers have exhausted all avenues of appeal. | | | | | | |
| | FY 2013 | | FY 2014 | | FY 2013 | FY 2014 |
| **Tax Category** | **Amount** | **Number** | **Amount** | **Number** | **Amount** | **Amount** |
| Sales and Use | $446,994,493 | 145,987 | $457,736,819 | 137,212 | $287,633,881 | $223,507,054 |
| Commercial Activity | $275,055,209 | 45,873 | $280,871,565 | 40,848 | $152,880,400 | $173,789,961 |
| Motor Vehicle Use | 9,288,616 | 27 | 3,124,297 | 29 | 6,741,467 | 11,520,858 |
| Cigarette | 6,279 | 12 | 50,285 | 13 | 0 | 175,431 |
| Other Tobacco Products | 2,319,609 | 173 | 1,342,865 | 111 | 2,760,787 | 1,476,336 |
| Alcoholic Beverage | 77,644 | 93 | 120,755 | 137 | 2,148 | 101,710 |
| Severance | 1,320,157 | 313 | 1,464,733 | 203 | 507,067 | 754,791 |
| Horse Racing | 0 | 0 | 0 | 0 | 0 | 0 |
| Replacement Tire Fee | 6,081 | 7 | 1,911 | 3 | 0 | 0 |
| IFTA | 65,385 | 112 | 42,967 | 48 | 404,045 | 71,725 |
| Kilowatt-Hour | 736,942 | 169 | 147,469 | 73 | 1,282 | 45,284 |
| Master Settlement Agreement | 78,000 | 93 | 18,500 | 67 | 69,673 | 41,500 |
| MCF | 0 | 0 | 5,806 | 2 | 0 | 0 |
| Public Utlity Excise | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Casino Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **$735,948,415** | **192,859** | **$744,927,972** | **178,746** | **$451,000,750** | **$411,484,650** |

Table 5

| Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2013 - 2014 | | | | |
|---|---|---|---|---|
| | Fiscal Year 2013 | | Fiscal Year 2014 | |
| **Tax** | **Amount** | **Number** | **Amount** | **Number** |
| Corporation Franchise | $62,930,542 | 513 | $45,498,515 | 258 |
| Individual Income | 286,556,205 | 168,247 | 268,997,270 | 150,896 |
| Total | $349,486,747 | 168,760 | $314,495,785 | 151,154 |

**Table 6**

| Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2014 (figures in millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Tax** | **Delinquent Programs** | **Automated Billing Programs** | **Assessment Collections** | **Audit Collections** | **Desk Exams** | **Discovery/ Nexus** | **Discovery** | **Total** | **% of Total** |
| Sales & Use | $63.1 | $22.2 | $74.6 | $28.5 | n/a | n/a | $0.9 | $189.3 | 32.3 |
| Corporation Franchise | 0.0 | 3.7 | 2.5 | 16.8 | n/a | n/a | n/a | 23.0 | 3.9 |
| Personal Income | 1.3 | 52.5 | 131.7 | n/a | n/a | n/a | 16.7 | 202.2 | 34.6 |
| Employer Withholding | 0.0 | 3.5 | 9.2 | 0.3 | 0.1 | n/a | 0.3 | 13.4 | 2.3 |
| Commercial Activity | 39.4 | 10.2 | 20.2 | 22.1 | n/a | 0.9 | n/a | 92.8 | 15.9 |
| Excise | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Pass-Through Entity | n/a | n/a | n/a | 4.9 | <0.1 | n/a | 1.4 | 6.3 | 1.1 |
| School District Income | 0.3 | 14.1 | 26.3 | n/a | n/a | n/a | 0.1 | 40.8 | 7.0 |
| Energy | 3.7 | 9.6 | 2.0 | n/a | 0.6 | 1.3 | n/a | 17.2 | 2.9 |
| **Total** | **$107.8** | **$115.8** | **$266.5** | **$72.6** | **$0.7** | **$2.2** | **$19.4** | **$585.0** | **100%** |

# Part II: State Taxes Administered by the Tax Commissioner

# Alcoholic Beverage Taxes

Responsibility for administering Ohio's taxes on alcoholic beverages is split between the Ohio Department of Taxation and the Ohio Department of Commerce's Division of Liquor Control. This chapter covers only the role of the Department of Taxation, which administers 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 $56.6 million in fiscal year 2014. Of this amount, approximately $55.5 million was distributed to the General Revenue Fund. Approximately $1.0 million from five cents per gallon of the excise tax on wine (including sparkling wine and vermouth) was distributed to the Ohio Grape Industries Fund. Two cents of the five cents is temporary and is scheduled to end on June 30, 2015.

The Department of Taxation also administers county permissive taxes on beer, wine, cider and mixed beverages. Cuyahoga County is the only county that levies such taxes; in 2008, the General Assembly prohibited new local taxes on alcohol. See the Local Government Taxes section for details.

## Taxpayer

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

| 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 is brewed or fermented from malt products. It contains at least 0.5 percent but not more than 12 percent alcohol by volume.
- Mixed beverages are mixtures of wine or distilled spirits with carbonated or noncarbonated flavoring materials. They contain at least 0.5 percent and not more than 21 percent alcohol by volume.
- Wine, including sparkling wine and vermouth, consists of fermented juices of grapes, fruits or other agricultural products. It contains at least 0.5 percent and not more than 21 percent alcohol by volume. By law, wine with less than four percent alcohol is not subject to the alcoholic beverage excise tax.
- Cider consists of fermented juices of apples, including flavored, sparkling or carbonated cider. It contains at least 0.5 percent and not more than six 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)[1] |
| Wine (containing alcohol 4% - 14% by volume | 4301.43 - 4301.432 | Gallon | 32 cents |
| Wine (containing alcohol 14% - 21% by volume | 4301.43 - 4301.432 | Gallon | $1.00 cents |
| Vermouth | 4301.43 - 4301.432 | Gallon | $1.10 |
| Sparkling & carbonated wine & champagne | 4301.43 - 4301.432 | Gallon | $1.50 |
| Cider | 4301.43 | Gallon | 24 cents |
| Mixed Beverages | 4301.43 | Gallon | $1.20 |
| Beer in barrels | 4305.01 | 31 gallons | $5.58 |

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

## Exemptions and Refunds

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

**Exemptions**

The alcoholic beverage tax does not apply to:

- Sacramental wine used in religious rites.
- Sales to the federal government.
- Sales for resale outside Ohio.

**Small breweries**

Any Ohio A-1-c permit holder 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.

**Small wineries**

Any licensed Ohio wine producer whose total production does not exceed 500,000 gallons in a calendar year will be granted an exemption from the excise tax for such year and a refund of any excise tax paid.

## 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.

## 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 three 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: three percent of 10 percent of the advance payment or three percent of the net amount of tax due after deducting the advance payment.

**Wine and mixed beverage permit holders**

A three 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.

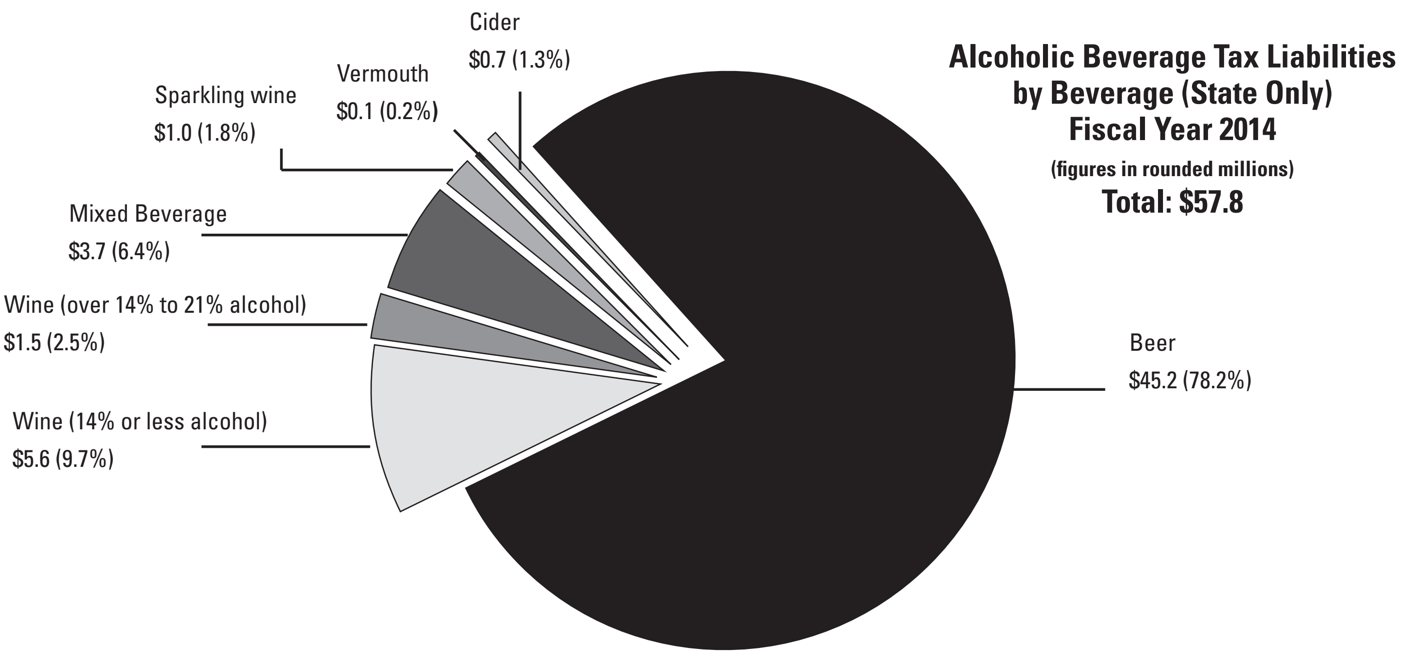
## Disposition of Revenue

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

**State levies**

All of the excise tax is distributed to the General Revenue Fund, except for five cents per gallon of the excise tax

**Chart 1**




Source: Ohio Department of Taxation

on wine (including sparkling wine and vermouth), which is distributed to the Ohio Grape Industries Fund.

## 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.

## History of Major Changes

| | |
|---|---|
| 1805 | General Assembly enacts first saloon license law, permitting counties to charge annual fees of between $4 and $12. |
| 1851 | New Ohio constitution prohibits the licensing of liquor traffic, but permits the legislature to "provide against evils resulting therefrom." |
| 1886 | After two previous taxes are struck down, the General Assembly enacts the Dow Law, a $200 annual tax on the traffic of liquor and $100 annual tax on the traffic of "malt or vinous" alcohol. Generally, the tax applies to saloons; manufacturers are exempted. Initially, proceeds are split between county treasuries and county poor funds. The Dow Law, framed as an "act providing against the evils" of liquor traffic, withstands constitutional scrutiny. |
| 1888 | Dow tax is raised to $250, regardless of type of alcohol. One-fifth of proceeds is directed to the state general revenue fund. |
| 1896 | Dow tax is raised to $350; 30 percent of revenue is dedicated to state general revenue fund. |
| 1906 | Dow tax is raised to $1,000. |
| 1920 | Prohibition begins. |
| 1933 | Prohibition ends; the modern taxation of alcohol begins. Beer and malt beverages are taxed at $1 per barrel. Wine is taxed at 10 percent of retail price. |
| 1934 | Liquor is taxed at $1 per gallon. Tax on bottled beer and malt beverages is set at 0.75 cents per each six ounces or fractional share thereof. |
| 1935 | Mixed beverages are taxed at 10 percent of retail price. Malt beverage tax is increased to $2.50 per barrel. |
| 1939 | Mixed beverages are taxed at 40 cents per gallon. Wine tax is revised as follows:<br>• Wine (less than 14 percent alcohol): 12 cents per gallon.<br>• Wine (14 percent to 21 percent alcohol): 30 cents per gallon.<br>• Vermouth: 60 cents per gallon.<br>• Sparkling wine and champagne: $1 per gallon. |
| 1959 | Sales of wine and mixed beverages are subjected to sales tax. Beer tax is increased to $2.50 per barrel. |
| 1967 | Beer and malt beverages are subjected to sales tax. |
| 1969 | New rates are enacted as follows:<br>• Liquor gallonage: $2.25 per gallon.<br>• Mixed beverages: 80 cents per gallon.<br>• Wine (less than 14 percent): 24 cents per gallon.<br>• Wine (14 to 21 percent): 60 cents per gallon.<br>• Vermouth: 75 cents per gallon.<br>• Sparkling wine and champagne: $1.25 per gallon. |
| 1981 | Temporary tax increases on beer, malt beverages, wine and mixed beverages take effect from January to June. |
| 1982 | • Credit against taxes is enacted for Ohio brewers and wine producers.<br>• Wine tax is increased 2 cents per gallon, with 3 cents per gallon earmarked for grape industries. Distinction between "beer" and "malt" beverages is repealed. Tax on beer in containers of 12 ounces or less is changed to 0.125 cents per ounce. |
| 1989 | Tax on barreled beer is increased to $3.50 per barrel. |
| 1992 | Tax on beer is increased to 0.14 cents per ounce bottled and $5.58 per barrel. Mixed beverage tax is increased to $1.20 per gallon. Wine taxes are increased to the following rates:<br>• Less than 14 percent alcohol: 32 cents per gallon. Between 14 and 21 percent alcohol: $1 per gallon.<br>• Sparkling wine: $1.50 per gallon.<br>• Vermouth: $1.10 per gallon. |
| 1995 | Additional 2 cents of the excise tax on wine is temporarily allocated to the Ohio grape industry special account until July 1, 1999. |
| 1997 | Department of Liquor Control is renamed Division of Liquor Control and placed within the Department of Commerce. |
| 1999 | Temporary two cents per gallon tax on wine for the Ohio Grape Industries Fund is extended until July 1, 2001 (and extended for an additional two years in 2001, 2003, 2005, 2007, 2009, 2011 and 2013). |
| 2007 | General Assembly creates two new permit types, B-2A and S, to allow for the direct shipment of wine by small wineries to retailers and consumers in Ohio. |

**History of Major Changes - continued**

| | |
|---|---|
| 2008 | General Assembly exempts holders of B-2a and S permits from 30 cents of the 32 cents per gallon wine tax and allows for a refund of all but two cents per gallon of the total tax paid by these permit holders, retroactive to Oct. 1, 2007. Also raises the threshold at which wine manufacturers are eligible for these permits from 150,000 gallons to 250,000 gallons. |
| 2011 | General Assembly allows an "S" permit holder direct shipment of beer by brand owner, or United States importer, to consumers in Ohio. The first monthly tax return that was affected by these changes was July, 2011 return, which was due August 10, 2011. |
| 2013 | Carved the A-1-c permit holders out of the A-1 permit holders. A-1-c permit holders are those manufacturers whose total production of beer, wherever produced, will not exceed 31 million gallons of beer in a calendar year. |

## Comparisons with Other States

(as of July 1, 2014)

The percentages in this listing refer to alcohol content, which is measured by volume. Malt beverages include beer. One barrel equals 31 gallons. In states where the tax is on a per liter basis, a conversion to gallons was done for comparison sake.

| | |
|---|---|
| **Georgia** | • Distilled spirits: $3.79 (inclusive of import tax).<br>• Beer: $10 per barrel.<br>• Wine: Up to $1.51 per gallon (inclusive of import tax). |
| **Indiana** | • Beer, flavored malt beverages and hard cider: 11.5 cents per gallon.<br>• Mixed beverages (15 percent or less): 47 cents per gallon.<br>• Wine (less than 21 percent): 47 cents per gallon.<br>• Liquor and wine (21 percent or more): $2.68 per gallon. |
| **Kentucky** | • Beer: $2.50 per barrel.<br>• Wine: 50 cents per gallon.<br>• Spirits: $1.92 per gallon.<br>• Distilled spirits placed in containers for resale (less than 6%): 25 cents per gallon. |
| **Michigan** | • Beer: $6.30 per barrel.<br>• Wine (16 percent or less): 51 cents per gallon; 75.7 cents per liter if over 16 percent.<br>• Mixed drinks (10 percent or less): $1.81 per gallon.<br>• For liquor, including wine (more than 21 percent): 12 percent of retail selling price. |
| **North Carolina** | • Beer: $19.13 per barrel.<br>• Wine: $1.00 per gallon; If more than 16% but less than 24%: $1.11 per gallon).<br>• Liquor: 30 percent excise on distiller's price plus state store freight and bailment charge. |
| **Pennsylvania** | • Malt or brewed beverages: $2.48 per barrel.<br>• Any alcoholic beverage, except malt or brewed beverages, which contains more than 0.5 percent: 18 percent of net price. |
| **Tennessee** | • Wine: $37.50 per barrel.<br>• Spirits: $4.40 per gallon.<br>• Alcoholic beverages (7 percent or less) $1.10 per gallon.<br>• Wine: $1.21 per gallon. |
| **Texas** | • Beer (0.5 percent by volume to 4 percent by weight): $6 per barrel.<br>• Still wine (14 percent or less): 20.4 cents per gallon.<br>• Still wine (over 14 percent): 40.8 cents per gallon.<br>• Sparkling wine: 51.6 cents per gallon.<br>• Ale and malt liquor (over 4 percent): 19.8 cents per gallon.<br>• Distilled spirits: $2.40 per gallon.<br>• Mixed beverages: 14 percent of gross receipts. |
| **West Virginia** | • Beer and similar products (0.5 to 6 percent): $5.50 per barrel.<br>• Wine: $1.00 per gallon.<br>• Liquor: 5 percent of retail price. |

**Table 1**

| Alcoholic Beverage Tax Revenue<br>Fiscal Years 2010 - 2014<br>(dollars in millions) | | | | |
|---|---|---|---|---|
| Fiscal Year | Beer | Wine & Mixed Beverages | Liquor | Total |
| 2010 | $45.9 | $10.2 | $36.5 | $92.6 |
| 2011 | 44.9 | 11.5 | 37.6 | 94.0 |
| 2012 | 46.5 | 12.2 | 39.4 | 98.1 |
| 2013 | 44.7 | 12.9 | 40.7 | 98.3 |
| 2014 | 44.0 | 12.6 | 41.8 | 98.4 |
| Source: Office of Budget and Management financial reports | | | | |

**Table 2**

| Alcoholic Beverage Taxes, Reported Payments and Credits<br>Fiscal Year 2014 | | | |
|---|---|---|---|
| Type of Beverage | Gross Tax | Credits and Discounts | Net Tax Receipts |
| **Beer** | | | |
| Advance tax payments | $37,869,083 | $1,092,483 | $36,776,600 |
| Payments with return | 7,312,193 | 59,341 | 7,243,462 |
| Sub-Total | $45,181,276 | $1,161,214 | $44,020,062 |
| **Wine and Mixed beverages** | | | |
| Payment with return | $13,062,833 | $370,035 | $12,692,798 |
| Total | $58,244,109 | $1,531,249 | $56,712,860 |
| Source: Ohio Department of Taxation, as reported on tax returns. | | | |

**Table 3**

| Alcoholic Beverage Taxes Liability, as Reported on Returns<br>Fiscal Years 2012 - 2014 | | | |
|---|---|---|---|
| Type of Beverage | 2012 | 2013 | 2014 |
| Beer | $47,114,394 | $48,907,607 | $45,206,066 |
| Wine 14% or less alcohol | 5,588,212 | 5,936,640 | 5,604,643 |
| Wine 14-21% alcohol | 1,394,923 | 1,503,243 | 1,464,552 |
| Mixed beverages | 3,958,262 | 3,822,599 | 3,713,666 |
| Vermouth | 70,469 | 84,376 | 90,661 |
| Sparkling wine | 965,831 | 1,027,167 | 1,021,494 |
| Cider | 134,360 | 279,146 | 720,382 |
| Total | $59,226,451 | $61,560,778 | $57,821,465 |
| Note: Amounts represent tax liability as opposed to tax payments reported on Table 2. | | | |
| Source: Ohio Department of Taxation, as reported on tax returns. | | | |

# Cigarette and Other Tobacco Products Tax

Ohio has levied an excise tax on cigarettes since 1931. The current rate, $1.25 per pack, was set by the Ohio General Assembly effective July 1, 2005. The tax is paid primarily by wholesale dealers through the purchase of stamps (tax indicia) that are affixed to packs of cigarettes. Individual consumers are responsible for paying the tax on cigarettes that are not taxed at the wholesale dealer level.

In fiscal year 2014, the Treasurer of State reported total state receipts from the sale of stamps amounted to over $757.7 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 (OTP) – 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 2014, total net receipts were over $57.0 million. This amount was credited to the state General Revenue Fund. In 2013, the Ohio General Assembly increased the tax on "little cigars" from the 17 percent OTP rate to 37 percent.

The Department of Taxation administers and collects both the state tax and the permissive tax. 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 two percent of the collections for administrative expenses. All state cigarette tax exemptions and credits also apply to the county levies. See the Local Government Taxes section for details.

## Taxpayer

(Ohio Revised Code 5743.01)

The cigarette tax is paid by:

- Wholesale dealers, meaning those who purchase cigarettes directly from manufacturers, producers, importers or other wholesalers and then sell cigarettes to retailers for the purpose of resale.
- Persons, meaning individuals, companies or any other person who have cigarettes in their possession on which the excise tax has not been paid.

The tax on other tobacco products is paid by:

- Distributors, meaning all manufacturers, wholesalers or retailers who are licensed as other tobacco product distributors.
- 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, use, or consumption of cigarettes is $1.25 per pack of 20 or 6.25 cents per cigarette (R.C. 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 tax rate for "little cigars" is 37 percent of the wholesale price. Little cigars are defined as any roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter or other filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco (R.C 5743.51).

## 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 cancelling 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 and importers 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 and importers 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.**

**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 (meaning, 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.

**Local Permissive Cigarette Tax levies are described in the Local Government Taxes section.**

## 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 (R.C. 5743.03).

Persons with untaxed cigarettes file monthly by the 15th day of each month for the preceding month (R.C. 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 (R.C. 5743.52).

## Disposition of Revenue

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

## Administration

The state cigarette tax, the county cigarette tax and the tax on other tobacco products are administered by the Tax Commissioner.

## Ohio Revised Code Citations

Chapter 5743.

## Recent Legislation

**House Bill 59, 130th General Assembly**

Amends R.C. 5743.51 effective for invoices dated October 1, 2014, to raise the other tobacco products tax on little cigars from 17% to 37%. A "little cigar" is "any roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter or other filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco."

**House Bill 492, 130th General Assembly**

Amends several sections of the Revised Code. Items concerning cigarette and OTP taxes include: changing the due date for other tobacco products tax returns and payments to the 23rd of the month (both for monthly and quarterly filers) from the last day of the month; moving the selling of tax stamps from the Treasurer of State to the

Ohio Department of Taxation; and eliminating the Tobacco Settlement Enforcement Fund. These provisions became effective Sept. 17, 2014.

## History of Major Changes

| Year | Item | Rate |
|---|---|---|
| 1893 | Legislature enacts annual tax of $300 on wholesalers and $100 on retailers. | --- |
| 1894 | Annual tax is lowered to $30 for wholesalers and $15 for retailers. | --- |
| 1920 | Annual tax is hiked to $200 for wholesalers and $50 for retailers. | --- |
| 1931 | Legislature enacts cigarette tax, including the use of stamps. Wholesale and retail license fees fall to $100 and $25, respectively. | 2 cents |
| 1956 | Rate increases by one cent. | 3 cents |
| 1959 | Rate increases by two cents. | 5 cents |
| 1969 | Rate increases by five cents. | 10 cents |
| 1971 | Rate increases by five cents; cigarettes are exempted from sales tax. | 15 cents |
| 1981 | Rate is cut by one cent; cigarettes again become subject to sales tax. | 14 cents |
| 1983 | Tax is modified to a per-cigarette rate of 0.7 cents. | 14 cents |
| 1987 | Rate increases by 0.2 cents per cigarette. | 18 cents |
| 1991 | All cigarette tax revenues are allocated to the General Revenue Fund when capital improvement bonds retired in 1992. | 18 cents |
| 1992 | Legislature enacts tax on other tobacco products at 17 percent of the wholesale price; cigarette rate increases by 0.3 cents per cigarette. | Cigarettes - 24 cents; OTP - 17% |
| 2001 | Minimum stamp discount rate is lowered from 3.6 percent to 1.8 percent. | Cigarettes - 24 cents; OTP - 17% |
| 2002 | Legislature increases cigarette tax by 1.55 cents per cigarette. | Cigarettes - 55 cents; OTP - 17% |
| 2005 | Legislature (HB 66) increases the cigarette tax by 3.5 cents. | Cigarettes - $1.25; OTP - 17% |
| 2009 | Legislature (HB 1) increases the annual license fees for cigarette wholesalers and tobacco distributors to $1,000 (from $200 and $100, respectively) and for retailers to $125 per place of business (from $30 for the first five places and $25 for each additional place). Sixty percent of this revenue is allocated for enforcement and 30 percent to the political subdivision where the business is located and 10 percent to the county. | Cigarettes - $1.25; OTP - 17% |
| 2013 | House Bill 59 increases the tax on "little cigars" from the 17 percent OTP tax rate on wholesale price to 37 percent. | Cigarettes - $1.25; OTP - 17%; Little Cigars - 37% |
| 2014 | House Bill 492 changed the due date for OTP taxes from the end of the month to the 23rd and moved the selling of the stamps and collection of revenue from the Treasurer of State to the Ohio Department of Taxation. | |

## Comparison with Other States

(As of July 1, 2014)

In the table below, the cigarette tax rates are expressed in dollars per pack of 20. Taxes on other tobacco products, such as chewing tobacco and smokeless tobacco products, are expressed as a percentage of wholesale cost, unless specifically noted (Texas, for example). Some states may apply special tax rates to additional tobacco products like cigars, rolling papers and loose tobacco.

| State | Cigarette Rate Per Pack | Other Tobacco Products Rate |
|---|---:|---:|
| **Georgia** | $0.37 | 23% |
| **Indiana** | 0.995 | 24% |
| **Kentucky** | $0.60 | 15% |
| **Michigan** | $2.00 | 32% |
| **North Carolina** | $0.45 | 12.8% |
| **Ohio** | $1.25 | 17% |
| **Pennsylvania** | $1.60 | none |
| **Tennessee** | $0.62 | 6.60% |
| **Texas** | $1.41 | $1.22 per ounce |
| **West Virginia** | $0.55 | 7% |

**Table 1**

| Cigarette and Other Tobacco Products Tax Revenue, Fiscal Years 2010 - 2014 (in millions rounded) | | | |
|---|---|---|---|
| Fiscal Year | Cigarette | Other Tobacco Products | Total |
| 2010 | $838.4 | $48.5 | $886.9 |
| 2011 | 803.8 | 51.9 | 855.7 |
| 2012 | 789.8 | 53.4 | 843.2 |
| 2013 | 773.3 | 54.1 | 827.4 |
| 2014 | 757.0 | 57.0 | 814.0 |

Source: Office of Budget and Management fiscal reports.

**Table 2**

| Cigarette Tax Receipts: Fiscal Years 2010 - 2014 (in millions rounded) | | | |
|---|---|---|---|
| Fiscal Year | Gross Stamp Tax | Discount | Net Tax Collected |
| 2010 | $853.7 | $15.4 | $838.3 |
| 2011 | 818.4 | 14.7 | 803.7 |
| 2012 | 786.0 | 14.1 | 771.9 |
| 2013 | 788.4 | 14.2 | 774.2 |
| 2014 | 771.6 | 13.9 | 757.7 |

Source: Treasurer of State.

**Table 3**

| Other Tobacco Products Tax Receipts: Fiscal Years 2010 - 2014 (in millions rounded) | | | |
|---|---|---|---|
| Fiscal Year | Gross Tax | Discount | Net Tax Collected |
| 2010 | $49.7 | $1.2 | $48.5 |
| 2011 | 53.5 | 1.3 | 52.2 |
| 2012 | 54.8 | 1.4 | 53.4 |
| 2013 | 55.5 | 1.4 | 54.1 |
| 2014 | 57.2 | 1.6 | 55.6 |

Source: Office of Budget and Management fiscal reports; 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 most business types that operate in Ohio, regardless of location within Ohio. The General Assembly enacted the tax in 2005 as part of House Bill 66, which also gradually phased out the tangible personal property tax and corporation franchise tax for most Ohio businesses. In fiscal year 2014, total CAT revenue was about $1,685.8 million.

Of the amount remaining after 0.85 percent was deposited in the revenue enhancement fund, about $794.2 million was deposited in the General Revenue Fund, about $555.9 million was deposited in the School District Property Tax Replacement Fund, and $238.3 million in the Local Government Property Tax Replacement Fund. About $80.9 million was deposited in the Commercial Activity Tax (CAT) motor fuel fund representing CAT revenues measured by receipts from the sale of motor fuel used to propel vehicles on the highways. Smaller amounts were deposited into the Attorney General claims fund and the registration fee fund.

Returns due and filed in fiscal year 2014 show that manufacturing taxpayers accounted for the largest share of tax liability or about $422.4 million and 24.9 percent of the total while accounting for 10.2 percent of all filers. The retail sector represented the largest group of filers (12.4 percent) and represented about 20.4 percent of total liability. Filers with taxable gross receipts over $100 million accounted for more than half (55.6 percent) of total CAT liability and just above 0.6 percent of the overall filer population. In contrast, taxpayers whose receipts were under $1 million represented about 0.7 percent of total tax liability but made up 67.0 percent of all taxpayers.

## Taxpayer

(Ohio Revised Code 5751.01)

Generally, the CAT is paid by any person with more than $150,000 in taxable gross receipts 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. 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 of payroll in Ohio;
- have at least 25 percent of their total property, payroll or gross receipts in Ohio; or
- are domiciled in Ohio.

The tax does not apply to entities that are deemed "excluded persons" such as nonprofit organizations or certain types of entities that are liable for another Ohio tax, including:

- financial institutions and certain affiliates of financial institutions, which, depending on the privilege year, pay the financial institutions tax;
- insurance companies, which pay the Ohio insurance premiums tax.

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

## Tax Base

(R.C. 5751.001(F))

The CAT is a business privilege tax measured by gross receipts sitused to Ohio. "Gross receipts" means the total amount realized, without deduction for the cost of goods sold or other expenses incurred, that contributes to the production of gross income. Examples of gross receipts include sales, performance of services and rentals or leases. The CAT is measured by gross receipts sitused to Ohio in accordance with rules that are primarily destination based. The method of accounting for gross receipts for the CAT is the same as for federal income tax purposes (that is, accrual or cash basis).

## Rates

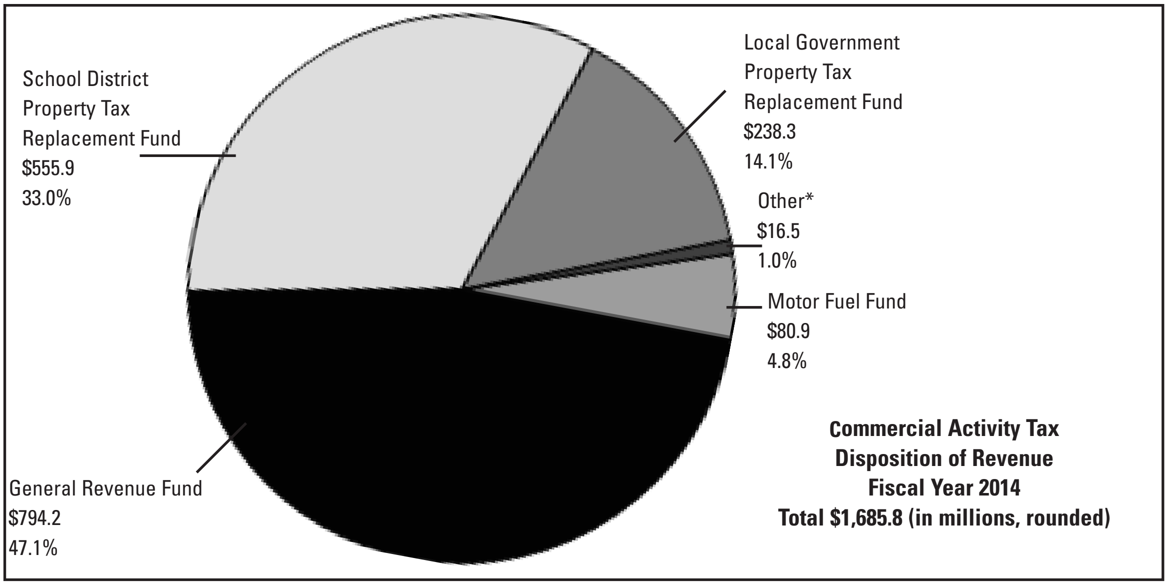
(R.C. 5751.03 and 5751.031)

Generally, filers with annual taxable gross receipts of $150,000 or less are not subject to the CAT.

Filers with annual taxable gross receipts of more than $150,000 are subject to an annual minimum tax. For tax periods beginning on or after January 1, 2014, the tax for the first $1 million in taxable gross receipts comes from a schedule of fixed dollar amounts that determines the amount taxpayers pay corresponding to their overall commercial activity.

- $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year.

Chart 1




Other Includes: Revenue Enhancement Fund, AG Claims Fund, CAT Registration Fund and CAT Tax Receipts Fund.
Source: Office of Budget and Management financial reports.

- $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year.
- $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year.
- $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year.

Businesses with annual taxable gross receipts in excess of $1 million pay the annual minimum tax plus the product of a tax rate of 0.26% multiplied by taxable gross receipts for the tax period after subtracting the exclusion amount as provided for in the law. Each taxpayer may exclude the first $1 million of taxable gross receipts for a calendar year. Calendar quarter taxpayers apply the full exclusion amount to the first calendar quarter return the taxpayer files that calendar year and may carry forward and apply any unused exclusion amount to subsequent calendar quarters within that same calendar year.

## Major Exemptions and Exclusions

(R.C 5751.01)

The CAT does not apply to:

- nonprofit organizations;
- financial institutions and certain affiliates of financial institutions, which pay the financial institutions tax;
- insurance companies that pay the Ohio premiums tax;
- certain receipts of public utilities that are subject to the public utility excise tax.

There are certain kinds of receipts that are excluded from the definition of "gross receipts" under R.C. 5751.01(F)(2). A new exclusion that began in July of 2014 includes those gross receipts from the sale or exchange of motor fuel.

## Credits

(R.C. 5751.51 – 5751.53, 5751.98)

Eligible taxpayers began accumulating one or all of the following credits against their CAT liabilities beginning Jan. 1, 2008, and were able to claim these credits beginning July 1, 2008 (on the return due Nov. 9, 2008):

- jobs creation tax credit;
- jobs retention tax credit;
- credit for qualified research expenses; and
- credit for research and development loan payments.

Credit for unused franchise tax net operating loss deductions became available starting with the 2010 calendar year. Additionally, beginning in March 2013, a refundable motion picture tax credit became available against the CAT. Temporarily, the historic preservation tax credit may be claimed against the CAT.

For more information about these credits, see the **Business Tax Credits** chapter.

## 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 due by May 10 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 by the 10th day of the second month after the end of each calendar quarter (May 10, Aug. 10, Nov. 10, and Feb. 10).

Taxpayers with taxable gross receipts less than $1 million may file annual returns. The annual return must also be filed electronically, by using the Ohio Business Gateway or the department's TeleFile system. The annual return is due on or before May 10 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)

All collections from the CAT are deposited in the commercial activities tax receipts fund. From that fund, 0.85 percent is dedicated to the revenue enhancement fund and is used to defray the costs incurred by the department in administering the tax and in implementing tax reform measures. The remainder is first credited to the commercial activity tax motor fuel receipts fund in accordance with R.C. 5751.20(B)(2) and then to the general revenue fund, to the school district tangible property tax replacement fund, and to the local government tangible property tax replacement fund in the following percentages:

- 50 percent of the revenue to the General Revenue Fund.
- 35 percent of the revenue to the School District Property Tax Replacement Fund.
- 15 percent of the revenue to the Local Government Property Tax Replacement Fund.

**Table 1: Commercial Activity Tax Revenue (all funds)**

| Fiscal Year | Total (in millions) |
|---|---|
| 2010 | $1,342.1 |
| 2011 | $1,451.6 |
| 2012 | $1,656.3 |
| 2013 | $1,595.1 |
| 2014 | $1,685.8 |

Source: Office of Budget & Management financial reports

## Administration

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

## Ohio Revised Code Citations

Chapter 5751.

## Recent Court Cases

Beaver Excavating Co. v. Testa, 2012-Ohio-5776, 134 Ohio St. 3d 565, 566, 983 N.E.2d 1317, 1320 (2012). The Ohio Supreme Court reversed the decision made by the Tenth District Court of Appeals. The issue raised in this case is the constitutionality of the commercial activity tax as applied to gross receipts from motor vehicle fuel sales. The decision was issued on Dec. 7, 2012 and is given prospective application. The Court held that the statutory allocation of CAT revenues derived from the sale of motor-vehicle fuel violates the Section 5a clause of the Ohio Constitution because the funds are not dedicated to highway expenditures.

## Recent Legislation

**Amended Substitute House Bill 59, 130th General Assembly (effective July 1, 2013)**

Beginning on July 1, 2014, receipts from the sale, transfer, exchange, or other disposition of motor fuel are excluded from the definition of taxable gross receipts for purposes of the CAT. Beginning on July 1, 2014, the Petroleum Activity Tax (PAT) is levied on suppliers of motor fuel, and is measured by a supplier's gross receipts from the first sale, transfer, exchange or other disposition of motor fuel in Ohio to a point outside of the distribution system.

## History of Major Changes

| | |
|---|---|
| 2005 | The CAT is enacted as part of H.B. 66. |
| 2006 | Legislation allows for certain corporations to claim an unused tax credit that was previously available against corporation franchise tax.<br><br>Beginning in 2007, an existing exemption for amounts derived from shipments into or out of a qualified foreign trade zone was replaced with an exemption for certain receipts from the sale of tangible personal property delivered to a "qualified distribution center." |
| 2007 | Legislation devoted 70 percent of CAT revenue to the School District Tangible Property Tax Replacement Fund.<br><br>The same legislation authorized an alternative method for situsing receipts from services that must be applied in a reasonable, consistent and uniform manner that is supported by the taxpayer's records as they existed when the service was performed or within a reasonable time thereafter. |
| 2009 | In Ohio Grocers Assn. v. Levin, the Ohio Supreme Court reversed the decision made by the Tenth District Court of Appeals and upheld that the CAT "is not a tax on the sale or purchase of food and therefore does not violate the Ohio Constitution."<br><br>Beginning in 2010, the due date for the annual minimum tax was moved from February to May. Additionally, the quarterly due dates for the CAT returns were moved to the tenth day of the second month following each tax period. Previously, the due date floated based on the calculation of forty days following each tax period. |

**History of Major Changes - continued**

| | |
|---|---|
| 2010 | A legislative change allows a person (in certain situations) who, after completion of the calendar year, was not subject to the CAT because the person's taxable gross receipts were $150,000 or less, to apply for a refund of the previously paid annual minimum tax. |
| 2012 | Beaver Excavating Co. v. Testa, 2012-Ohio-5776, 134 Ohio St. 3d 565, 566, 983 N.E.2d 1317, 1320 (2012). The Ohio Supreme Court reversed the decision made by the Tenth District Court of Appeals. The issue raised in this case is the constitutionality of the commercial activity tax (CAT) as applied to gross receipts from motor-vehicle-fuel sales. The decision was issued on Dec. 7, 2012 and is given prospective application. The Court held that the statutory allocation of the CAT revenues derived from the sale of motor-vehicle fuel violates the Section 5a clause of the Ohio Constitution because the funds are not dedicated to highway expenditures. |
| 2013 | House Bill 59, 130th General Assembly, modifies the method of collecting the tax due. It excludes from the CAT base receipts of licensed agricultural commodity handlers from the sale of agricultural commodities. Beginning July 1, 2014, it excludes from the CAT base receipts from the sale or exchange of motor fuel. The bill also replaces a fixed minimum tax with a variable rate minimum tax, beginning Jan. 1, 2014. |

## Comparisons with Other States

(As of November, 2014)

None of the states selected for comparison in this publication impose a tax which is exclusively measured by gross receipts. Texas imposes a franchise tax ("margin tax") which is based on the lesser of three alternative computations: total receipts less costs of goods sold; total receipts less compensation paid; or total receipts multiplied by 70 percent.

**Table 2**

**Fiscal Year 2014 Commercial Activity Tax Returns,**
**Number of Returns and Reported Financial Data, by Industrial Classification[1]**
**(dollar amounts are in thousands)**

| Industrial Classification | NAICS Code Ranges | Number of Filers | Taxable Gross Receipts | Exclusion[2, 5] | Net Taxable Gross Receipts | Tax at 0.26% Rate | Annual Minimum Tax[3] | Tax at 0.26% rate plus Minimum Tax, before all credits[5] | Non-Refundable Tax Credits[4] | Refundable Tax Credits[4] | Total Tax Due: 0.26% Tax & Minimum Tax |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, Forestry, and Fishing | 111100-115310 | 6,954 | $8,270,943 | $3,850,514 | $4,420,429 | $11,491 | $2,817 | $14,308 | $21 | $1 | $14,286 |
| Mining | 211110-213110 | 855 | 7,672,942 | 543,138 | 7,129,804 | 18,544 | 746 | 19,290 | 284 | 234 | 18,833 |
| Utilities (excluding telecommunications) | 221100-221300 | 173 | 17,489,343 | 134,898 | 17,354,444 | 45,121 | 213 | 45,335 | 1,466 | 0 | 43,869 |
| Construction | 236110-238900 | 14,628 | 36,694,068 | 8,550,472 | 28,143,596 | 73,173 | 9,789 | 82,962 | 323 | 149 | 82,560 |
| Manufacturing | 311110-339900 | 16,227 | 196,335,128 | 11,659,413 | 184,675,715 | 480,162 | 17,033 | 497,194 | 41,511 | 33,572 | 422,405 |
| Wholesale Trade | 423100-425120 | 8,896 | 110,025,884 | 6,337,639 | 103,688,245 | 269,570 | 9,593 | 279,163 | 12,958 | 18,035 | 248,393 |
| Retail Trade | 441110-454390 | 19,772 | 144,471,530 | 12,669,972 | 131,801,558 | 342,685 | 14,859 | 357,545 | 1,516 | 9,525 | 346,510 |
| Transportation and Warehousing | 481000-493100 | 4,446 | 17,546,485 | 2,743,505 | 14,802,979 | 38,486 | 3,263 | 41,750 | 54 | 1,222 | 40,464 |
| Information (including telecommunications) | 511110-519100 | 1,632 | 29,395,561 | 1,002,682 | 28,392,879 | 73,817 | 1,327 | 75,145 | 1,462 | 1,430 | 72,244 |
| Finance and Insurance | 522110-525990 | 5,689 | 11,437,455 | 2,476,649 | 8,960,806 | 23,300 | 2,349 | 25,649 | 0 | 3,117 | 23,369 |
| Real Estate, and Rental & Leasing of Property | 531110-533110 | 13,642 | 19,627,705 | 6,716,770 | 12,910,935 | 33,570 | 5,752 | 39,322 | 100 | 25 | 39,266 |
| Professional, Scientific and Technical Services | 541110-541990 | 15,178 | 39,585,021 | 8,201,551 | 31,383,470 | 81,586 | 8,425 | 90,011 | 557 | 6,611 | 82,820 |
| Management of Companies (Holding Companies) | 551111-551112 | 945 | 47,488,551 | 730,423 | 46,758,128 | 121,559 | 1,459 | 123,019 | 11,717 | 12,411 | 98,867 |
| Administrative & Support Services, and Waste Management & Remediation Services | 561110-562000 | 4,038 | 10,903,128 | 2,246,146 | 8,656,982 | 22,508 | 2,365 | 24,873 | 174 | 424 | 24,274 |
| Education, Health Care and Social Assistance | 611000-624410 | 11,830 | 25,649,493 | 7,479,581 | 18,169,911 | 47,243 | 7,357 | 54,600 | 106 | 168 | 54,321 |
| Arts, Entertainment , and Recreation | 711100-713900 | 1,656 | 3,994,834 | 850,721 | 3,144,113 | 8,175 | 712 | 8,886 | 0 | 274 | 8,614 |
| Accommodation and Food Services | 721110-722410 | 9,328 | 17,552,608 | 5,632,370 | 11,920,237 | 30,993 | 5,108 | 36,100 | 150 | 0 | 35,954 |
| Other Services | 811110-812990 | 8,290 | 8,571,167 | 4,185,581 | 4,385,585 | 11,403 | 3,197 | 14,599 | 48 | 13 | 14,538 |
| Unclassified | n/a | 15,333 | 15,063,518 | 7,201,030 | 7,862,488 | 20,442 | 6,278 | 26,720 | 80 | 90 | 26,556 |
| **TOTAL** | | **159,512** | **$767,775,362** | **$93,213,056** | **$674,562,306** | **$1,753,829** | **$102,641** | **$1,856,471** | **$72,528** | **$87,302** | **$1,698,141** |

Source: Department of Taxation

[1] The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2014. The table reflects reported tax liability, not actual payments made. In addition the table reflects information from tax returns processed by the Department of Taxation on or after July 1, 2013 to on or before Sept. 30, 2014, and includes quarterly returns for the 2nd, 3rd, 4th calendar quarters of 2013, the 1st calendar quarter of 2014, and annual returns for calendar year 2013. The quarterly CAT returns for these time periods are due in August 2013, November 2013, February 2014 and May 2014, respectively, and the annual returns are due May 2014. Each of these due dates fall within fiscal year ending June 30, 2014. Any original or amended returns filed after Sept. 30, 2014 are not reflected in this table.

[2] For each filer, the entire annual exclusion of $1,000,000 may be taken on the first quarter return, up to the amount of total gross receipts. Any unused exclusion is carried forward to subsequent quarters.

[3] The annual minimum tax is $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year. The annual minimum tax is $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax. In general, persons with annual gross receipts of $150,000 or less are not subject to the commercial activity tax.

[4] Nonrefundable credits and refundable credits listed on this table were filed according to the time schedule described in footnote 1 and were reviewed and verified by the Department of Taxation, Commercial Activities Tax Division, as of Sept. 30, 2014. Any credits filed, reviewed, or verified after September 30, 2014 are not reflected in this table.

[5] Two fields, "Exclusion" and "Tax at 0.26% rate plus Minimum Tax before all credits", do not exist as lines on CAT returns. Each field was, therefore, calculated. The "Exclusion" field was calculated by subtracting "Net Taxable Gross Receipts" from "Taxable Gross Receipts" for each filer. The "Tax at 0.26% rate plus Minimum Tax, before all credits", field was calculated by summing "Tax at 0.26% Rate", and "Annual Minimum Tax" for each filer.

Table 3

**Fiscal Year 2014 Commercial Activity Tax Returns, Number of Returns and Reported Financial Data, by Size of Taxable Gross Receipts[1]**

(Dollar amounts are in thousands)

| Size of FY 2014 Taxable Gross Receipts[2] | Number of Filers | Taxable Gross Receipts | Exclusion[3, 6] | Net Taxable Gross Receipts | Tax at 0.26% Rate | Annual Minimum Tax[4] | Tax Before Credits | Non-refundable Tax Credits[5] | Refundable Tax Credits[5] | Total Tax Due: 0.26% Tax and Minimum Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Less than $1,000,000 | 106,797 | $41,234,033 | $40,925,976 | $308,057 | $801 | $15,861 | $16,662 | $63 | $4,637 | $12,024 |
| $1,000,000 - $1,999,999 | 21,711 | 30,625,340 | 21,364,573 | 9,260,767 | 24,080 | 16,991 | 41,071 | 203 | 1,471 | 39,555 |
| $2,000,000 - $2,999,999 | 8,779 | 21,413,162 | 8,836,209 | 12,576,953 | 32,699 | 16,605 | 49,303 | 144 | 850 | 48,303 |
| $3,000,000 - $3,999,999 | 4,806 | 16,606,183 | 4,848,454 | 11,757,729 | 30,572 | 9,833 | 40,406 | 210 | 736 | 39,554 |
| $4,000,000 - $4,999,999 | 2,984 | 13,300,992 | 3,009,602 | 10,291,390 | 26,757 | 7,195 | 33,952 | 294 | 1,141 | 32,644 |
| $5,000,000 - $9,999,999 | 6,423 | 44,798,390 | 6,356,872 | 38,441,518 | 99,948 | 16,040 | 115,988 | 785 | 2,053 | 113,304 |
| $10,000,000 - $24,999,999 | 4,425 | 68,165,834 | 4,356,742 | 63,809,092 | 165,905 | 11,087 | 176,992 | 1,256 | 4,776 | 170,963 |
| $25,000,000 - $49,999,999 | 1,653 | 57,799,654 | 1,619,388 | 56,180,266 | 146,066 | 4,157 | 150,223 | 1,122 | 4,735 | 144,322 |
| $50,000,000 - $99,999,999 | 935 | 64,476,254 | 924,650 | 63,551,604 | 165,234 | 2,365 | 167,599 | 2,383 | 11,173 | 154,017 |
| $100,000,000 - $499,999,999 | 839 | 171,073,466 | 810,112 | 170,263,354 | 442,663 | 2,092 | 444,754 | 11,447 | 23,084 | 411,499 |
| $500,000,000 - $999,999,999 | 91 | 61,955,468 | 91,478 | 61,863,990 | 160,846 | 237 | 161,083 | 7,139 | 3,458 | 150,190 |
| $1 billion and above | 69 | 176,326,585 | 69,000 | 176,257,585 | 458,259 | 179 | 458,438 | 47,483 | 29,187 | 381,769 |
| TOTAL | 159,512 | $767,775,362 | $93,213,056 | $674,562,306 | $1,753,829 | $102,641 | $1,856,471 | $72,528 | $87,302 | $1,698,141 |

Source: Department of Taxation

[1] The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2014. The table reflects reported tax liability, not actual payments made. In addition the table reflects information from tax returns processed by the Department of Taxation on or after July 1, 2013 to on or before Sept. 30, 2014, and includes quarterly returns for the 2nd, 3rd, 4th calendar quarters of 2013, the 1st calendar quarter of 2014, and annual returns for calendar year 2013. The quarterly CAT returns for these time periods are due in August 2013, November 2013, February 2014 and May 2014, respectively, and the annual returns are due May 2014. Each of these due dates fall within fiscal year ending June 30, 2014. Any original or amended returns filed after September 30, 2014 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 2014. For example, a taxpayer whose taxable gross receipts were $5 million, $6 million, $4 million, and $7 million, on returns filed in August 2013, November 2013, February 2014 and May 2014, respectively, would have total fiscal year 2014 taxable gross receipts of $22 million, and thereby would be included within the $10 - $25 million category.

[3] For each filer, the entire annual exclusion of $1,000,000 may be taken on the first quarter return, up to the amount of total gross receipts. Any unused exclusion is carried forward to subsequent quarters.

[4] The annual minimum tax is $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year. The annual minimum tax is $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year. The annual minimum tax is $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax. In general, persons with annual gross receipts of $150,000 or less are not subject to the commercial activity tax.

[5] Nonrefundable credits and refundable credits listed on this table were filed according to the time schedule described in footnote 1 and were reviewed and verified by the Department of Taxation, Commercial Activities Tax Division, as of Sept. 30, 2014. Any credits filed, reviewed, or verified after Sept. 30, 2014 are not reflected in this table.

[6] Two fields, "Exclusion", and "Tax at 0.26% rate plus Minimum Tax, before all credits", do not exist as lines on CAT returns. Each field was, therefore, calculated. The "Exclusion" field was calculated by subtracting "Net Taxable Gross Receipts" from "Taxable Gross Receipts" for each filer. The "Tax at 0.26% rate plus Minimum Tax, before all credits", field was calculated by summing "Tax at 0.26% Rate", and "Annual Minimum Tax" for each filer.

# Corporation Franchise Tax

The corporation franchise tax (CFT) is repealed for tax years 2014 and after (see amended substitute House Bill 510, 129th General Assembly). Many of the taxpayers that were subject to this tax have become subject to the Financial Institutions Tax as a result of the legislation. Therefore, the Annual Report will no longer report detailed information on this tax, other than a revenue table.

As the tax is repealed, the only revenue collected would be from audits, billings, amended returns, late returns and the like. Refunds from these filings will also occur. This will continue until the three-year statute of limitations period has expired.

**Table 1**

**Corporation Franchise Tax Collections**
**Fiscal Years 2010-2014**

| Fiscal Year | Gross Tax Collections* | Refunds | Net Tax Collections |
|---|---:|---:|---:|
| 2010 | $367,412,978 | $225,64,540 | $141,748,438 |
| 2011 | 311,944,936 | 75,311,473 | 236,633,463 |
| 2012 | 266,931,480 | 149,852,306 | 117,079,174 |
| 2013 | 341,480,337 | 79,575,762 | 261,904,575 |
| 2014 | 72,629,614 | 83,801,596 | (11,171,983) |

*Includes Attorney General Claims

Source: Office of Budget & Management monthly accounting report.


# Dealers in Intangibles Tax

House Bill (HB) 510 of the 129th General Assembly eliminated the Dealers in Intangibles tax effective Dec. 31, 2013. Most of those who were subject to this tax will be subject to either the newly created Financial Institutions Tax or the Commercial Activity Tax. Therefore, we are no longer reporting detailed information on this tax, except for the revenue table. Previous Annual Reports displayed taxes levied by calendar year by both "traditional" and "qualifying" dealers. As the tax is repealed, we are displaying only the actual revenue received, regardless from what type of dealer. As the tax is repealed, the only revenue collected will be from late payments, amended returns, audit payments and similar items along with refunds for the next few years.

**Table 1**

**FY 2010-2014 Dealers in Intangibles Tax Revenue (dollars in millions)**

| Fiscal Year | State General Revenue Fund |
|---|---:|
| 2010 | $40.9 |
| 2011 | 39.6 |
| 2012 | 20.2 |
| 2013 | 38.4 |
| 2014 | 0.5 |

Source: Office of Budget and Management financial reports.

# Estate Tax

The Ohio Estate Tax has been repealed for estates of individuals dying on or after Jan. 1, 2013 (see House Bill 153, 129th General Assembly). Because this tax was repealed, the Annual Report for 2013 was the last report that contains detailed information on the Ohio Estate Tax. Residual revenue is reported below in the revenue table and the allocation by county table. Refunds are expected to continue for the next several years.

**Table 1**

**Estate Tax Collections[1]**
**Fiscal Years 2010 - 2014 (figures in millions)**

| Fiscal Year | Total Collections | State General Revenue[2] | Local Governments[2] |
|---|---|---|---|
| 2010 | 285.8 | 55.0 | 230.8 |
| 2011 | 374.2 | 72.1 | 302.1 |
| 2012 | 351.8 | 66.5 | 285.3 |
| 2013 | 445.7 | 105.2 | 340.5 |
| 2014 | 206.9 | 39.4 | 167.5 |
| | | | |

[1] Total state GRF estate tax collections for a given fiscal year, presented here in Table 1, do not match with settlement data presented in Table 2 of this section. The figures reflect two different measures. Table 1 contains the state GRF amounts that were actually received during FY 2014. The state share in Table 2 is what was certified on the August 2013 and February 2014 settlements.

[2] State GRF figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent the certified local share of the estate tax (including fees) from the semi-annual settlements that occur each year. Effective Jan. 1, 2002, the state share of the estate tax became 20% and the local share became 80%.

| Table 2: Fiscal Year 2014 Estate Tax Settlement Certifications | | | | | | | |
|---|---|---|---|---|---|---|---|
| **County** | **Total Collections** | **Amount due to the State[1]** | **Local Share inlcuding Expenses** | **County** | **Total Collections** | **Amount due to the State[1]** | **Local Share inlcuding Expenses** |
| Adams | $71,796 | $13,153 | $58,643 | Logan | $677,162 | $129,889 | $547,274 |
| Allen | 1,666,769 | 312,360 | 1,354,410 | Lorain | 3,342,351 | 602,034 | 2,740,317 |
| Ashland | 478,059 | 76,137 | 401,922 | Lucas | 4,730,291 | 853,704 | 3,876,587 |
| Ashtabula | 589,438 | 109,785 | 479,654 | Madison | 528,618 | 101,785 | 426,833 |
| Athens | 597,181 | 113,356 | 483,826 | Mahoning | 2,654,090 | 514,684 | 2,139,406 |
| Auglaize | 1,496,834 | 291,796 | 1,205,038 | Marion | 1,129,776 | 219,953 | 909,823 |
| Belmont | 530,549 | 94,495 | 436,054 | Medina | 1,601,601 | 288,287 | 1,313,314 |
| Brown | 1,025,676 | 199,838 | 825,838 | Meigs | 120,274 | 19,989 | 100,285 |
| Butler | 4,253,995 | 832,403 | 3,421,591 | Mercer | 283,957 | 38,304 | 245,653 |
| Carroll | 284,527 | 53,702 | 230,825 | Miami | 1,092,626 | 197,578 | 895,048 |
| Champaign | 253,393 | 42,685 | 210,708 | Monroe | 59,989 | 10,709 | 49,280 |
| Clark | 1,678,743 | 328,954 | 1,349,790 | Montgomery | 12,176,806 | 2,356,825 | 9,819,981 |
| Clermont | 1,454,197 | 267,169 | 1,187,028 | Morgan | 127,715 | 23,481 | 104,234 |
| Clinton | 789,774 | 142,855 | 646,918 | Morrow | 259,025 | 47,359 | 211,665 |
| Columbiana | 1,579,033 | 301,549 | 110,991 | Muskingum | 940,714 | 174,036 | 766,678 |
| Coshocton | 432,232 | 81,294 | 350,938 | Noble | 4,262 | (1,304) | 5,566 |
| Crawford | 733,712 | 139,920 | 593,792 | Ottawa | 1,091,468 | 208,201 | 883,267 |
| Cuyahoga | 44,600,082 | 8,600,217 | 35,999,865 | Paulding | 593,993 | 113,475 | 480,518 |
| Darke | 640,113 | 120,080 | 520,034 | Perry | 373,284 | 68,342 | 304,943 |
| Defiance | 385,358 | 66,888 | 318,470 | Pickaway | 627,379 | 120,629 | 506,750 |
| Delaware | 1,897,064 | 363,847 | 1,533,217 | Pike | 110,307 | 19,718 | 90,588 |
| Erie | 1,212,086 | 225,019 | 987,067 | Portage | 2,105,666 | 400,156 | 1,705,511 |
| Fairfield | 1,503,732 | 269,092 | 1,234,640 | Preble | 421,310 | 79,760 | 341,550 |
| Fayette | 215,167 | 31,534 | 183,633 | Putnam | 1,250,086 | 244,145 | 1,005,940 |
| Franklin | 16,864,118 | 3,227,037 | 13,637,081 | Richland | 2,077,600 | 397,818 | 1,679,782 |
| Fulton | 655,257 | 124,783 | 530,474 | Ross | 780,037 | 150,014 | 630,023 |
| Gallia | 165,546 | 28,383 | 137,163 | Sandusky | 581,602 | 108,909 | 472,693 |
| Geauga | 3,005,453 | 584,737 | 2,420,716 | Scioto | 517,161 | 95,908 | 421,253 |
| Greene | 2,189,184 | 420,995 | 1,768,189 | Seneca | 1,137,407 | 211,340 | 926,066 |
| Guernsey | 124,074 | 13,717 | 110,357 | Shelby | 947,104 | 183,367 | 763,737 |
| Hamilton | 28,317,724 | 5,491,796 | 22,825,928 | Stark | 6,466,952 | 1,259,633 | 5,207,318 |
| Hancock | 1,294,383 | 250,034 | 1,044,349 | Summit | 10,684,278 | 2,006,745 | 8,677,532 |
| Hardin | 891,004 | 170,055 | 720,949 | Trumbull | 2,702,279 | 524,113 | 2,178,166 |
| Harrison | 148,776 | 27,399 | 121,377 | Tuscarawas | 952,124 | 186,908.39 | 765,215.44 |
| Henry | 1,146,678 | 223,640 | 923,038 | Union | 502,743 | 89,640 | 413,103 |
| Highland | 1,102,640 | 208,494 | 894,146 | Van Wert | 829,295 | 153,789 | 675,507 |
| Hocking | 37,597 | 5,879 | 31,718 | Vinton | 37,769 | 4,396 | 33,373 |
| Holmes | 658,305 | 116,645 | 541,660 | Warren | 2,816,234 | 539,557 | 2,276,677 |
| Huron | 802,570 | 149,758 | 652,812 | Washington | 865,752 | 166,584 | 699,168 |
| Jackson | 1,317,661 | 255,791 | 1,061,870 | Wayne | 1,198,102 | 201,109 | 996,993 |
| Jefferson | 1,392,873 | 270,366 | 1,122,507 | Williams | 598,884 | 112,462 | 486,422 |
| Knox | 634,731 | 96,127 | 538,604 | Wood | 1,565,044 | 287,993 | 1,277,051 |
| Lake | 4,138,606 | 802,705 | 3,335,902 | Wyandot | 472,362 | 90,825 | 381,538 |
| Lawrence | 547,896 | 102,816 | 445,080 | | | | |
| Licking | 2,563,745 | 488,839 | 2,074,906 | **Totals** | **$208,403,810** | **$39,740,970** | **$167,496,346** |
| | | | | | | | |

1 Total state GRF estate tax collections for a given fiscal year, presented here in Table 1, do not match with settlement data presented in Table 2 of this section. The figures reflect two different measures: The state GRF amounts in Table 1 reflect those actually received during FY 2014, and the state share in Table 2 is what was certified on the August 2013 and February 2014 settlements.

Source: August 2013 and February 2014 Estate Tax settlements

# Financial Institutions Tax

The financial institutions tax (FIT), for the most part, is a successor tax to the corporation franchise tax for financial institutions. Financial institutions that were subject to the now repealed corporation franchise tax became subject to the FIT for tax years commencing on or after Jan. 1, 2014. Non-bank financial organizations that were subject to the commercial activities tax (CAT) also became subject to the FIT but are excluded persons for purposes of the CAT. In fiscal year 2014, a total of $197.8 million of FIT revenue was deposited into the state's general revenue fund.

## Taxpayer

(Ohio R.C. 5726.01, 5726.02)

The FIT is imposed on financial institutions. Financial institutions include a bank organization, a holding company of a bank organization, or a non-bank financial organization unless exempted under the law. Financial institutions do not include a diversified savings and loan holding company or a grandfathered unitary savings and loan holding company, an institution organized under the "Federal Farm Loan Act" or a successor institution, an insurance company, a credit union, a captive finance company, or a pawn shop/pawnbroker.

## Tax Base

(R.C. 5726.01 et seq.)

The FIT is a business privilege tax. The amount of tax due is equal to the greater of the minimum tax equal to $1,000 or the amount by which the calculated tax exceeds any credits allowed against the tax. The calculated tax is determined by multiplying Ohio equity capital of the financial institution by the appropriate tax rate. Ohio equity capital is equal to the product of multiplying total equity capital of the financial institution by an Ohio apportionment ratio. Total equity capital means the sum of the common stock at par value, perpetual preferred stock and related surplus, other surplus not related to perpetual preferred stock, retained earnings, accumulated other comprehensive income, treasury stock, unearned employee stock ownership plan shares, and other equity components of a financial institution. Total equity capital excludes any noncontrolling (minority) interests as reported on an FR Y-9 or call report, unless such interests are in a bank organization or a bank holding company.

**Apportionment factor** (R.C. 5726.05): The apportionment factor is a fraction, the numerator of which is the total gross receipts of the financial institution in Ohio during the taxable year and the denominator of which is the total gross receipts of the financial institution everywhere during the taxable year. Gross receipts generated by a financial institution shall be sitused to Ohio in the proportion that the customers' benefit in Ohio with respect to the services received bears to the customers' benefit everywhere with respect to the services received. The physical location where the customer ultimately uses or receives the benefit of what was received shall be paramount in determining the proportion of the benefit in Ohio to the benefit everywhere. The method of calculating gross receipts for purposes of the denominator shall be the same as the method used in determining gross receipts for purposes of the numerator. A few examples of gross receipts to be included in the numerator are as follows: receipts from the lease/sub-lease/rental/sub-rental of real property or tangible property to the extent such property is used in Ohio; interest, fees, penalties, or any other charge received from loans secured by real property located within this state or if the borrower is located in Ohio; and loan servicing fees derived from loans secured by real property or borrowers located in Ohio.

**Ohio-qualified real estate investment trusts** (R.C. 5726.041): In computing total Ohio equity capital, a temporary deduction is allowed for an Ohio-qualified real estate investment trust. When computing total equity capital, a financial institution may deduct the following:

- Tax year 2014: 80 percent of the amount that was invested in an Ohio-qualified real estate investment trust.
- Tax year 2015: 60 percent.
- Tax year 2016: 40 percent.
- Tax year 2017 and thereafter: No deduction.

For purposes of calculating the financial institution's apportionment factor for tax years 2014-2017, the act requires a similar phase-in for the institution's gross receipts.

## Rates

(R.C. 5726.04)

The tax has a three-tiered rate structure:

- 8 mills on the first $200 million of total Ohio equity capital.

- 4 mills for each dollar of total Ohio equity capital of greater than $200 million and up to $1.3 billion.
- 2.5 mills for each dollar of total Ohio equity capital in excess of $1.3 billion.

The tax rates are subject to rate adjustment mechanisms after the first and third year depending on whether the tax collections exceed or fall below 10% of the target tax revenue of $200 million for 2014 or 1.06% of any adjusted amount for 2016. In January 2015, the Tax Commissioner calculates whether tax year 2014 collections were greater than 110 percent or less than 90 percent of the target tax amount of $200 million. If the Tax Commissioner's calculations were to show collections greater than 110 percent of the target tax amount, the Tax Commissioner must decrease the tax rates by an equal percentage across all three tiers for tax year 2015 and thereafter. If less than 90 percent, then the 2.5 mill third-tier rate for Ohio equity capital in excess of $1.3 billion would be adjusted upward for tax year 2015 and thereafter. In January 2017, the Tax Commissioner makes a second calculation where the targeted amount is $212 million (or 1.06 times the adjusted amount from 2014). The same adjustment mechanism is to occur with the same results for 2017 and thereafter. A minimum tax of $1,000 applies.

## Exemptions

(R.C. 5726.01)

Entities excluded from the FIT include:

- Pawn shops/brokers (excluded as a small dollar lender);
- Credit unions;
- Diversified savings and loans holding companies;
- Grandfathered unitary savings and loan holding companies;
- Institutions organized under the "Federal Farm Loan Act" or a successor of such an institution;
- Insurance companies; and
- Captive finance companies.

**Ohio qualified real estate investment trusts** (R.C. 5726.041)
See Tax Base for phase-in of the tax on Ohio-qualified real estate investment trusts.

## Credits

(R.C. 5726.50 et seq.)

A number of business tax credits may be claimed against more than one tax (e.g., job creation and retention tax credits, historic building rehabilitation tax credits, Ohio venture capital tax credits, qualified equity investments tax credits, motion picture tax credits, qualified research expense tax credits). Information about these credits has been consolidated in the Business Tax Credits chapter of the Annual Report.

Several business tax credits that remained unused under the corporate franchise tax for FIT taxpayers are allowed to be carried forward and claimed under the FIT.

Other credits that may be taken against this tax only are:

**Tax Credit for Regulatory Assessments** (R.C. 5726.51)

A non-refundable credit equal to the sum of the annual assessments bank organizations paid during the taxable to the division of financial institutions of the Department of Commerce under Title XI of the Revised Code.

**Tax Credit for Qualifying Dealers in Intangibles** (R.C. 5726.57)

For tax year 2014 only, there is allowed to each financial institution a non-refundable dealers in intangibles credit for  financial institutions. The amount of the credit is the lesser of (a) the amount of the dealers in intangibles tax the dealer paid in the preceding calendar year minus refunds (but the amount may not be reduced below zero) or (b) the product of the following amounts: (i) the financial institution's direct investment in stock of the qualifying dealer calculated on the last day of the financial institution's taxable year immediately preceding the tax year, (ii) the ratio of capital employed by the dealer in Ohio (as measured under the now repealed dealers in intangibles tax), and (iii) the dealers in intangibles tax rate of 0.8%. The credit is to offset the dealers in intangibles tax paid in 2015 because these dealers in intangibles also must pay the FIT tax for tax year 2014.

## Special Provisions

**Consolidated Group Filing** (R.C. 5726.01, 5726.03).

If two or more entities are related by ownership or control in such a way that they are required to be included in the same FR-Y9 report or call report, they must file the FIT annual report and pay the tax as a consolidated group composed of all such institutions. If an entity is included in both an FR-Y9 for a holding company and a call report, look to the report filed by the highest tier parent in the consolidated group

**Municipal Taxation** (R.C. 715.013).

Municipal corporations may not levy a tax that is the same as or similar to the FIT.

**Offsetting Personal Income Tax Credit** (R.C. 5747.65)

An individual, estate, or trust that owns an interest in a financial institution that is a pass-through entity is allowed to claim a refundable credit against the personal income tax that offsets the owner's share of the financial institution's FIT tax due or paid by the pass-through entity for the pass-through entity's taxable year ending in the taxpayer's taxable year.

## Filing and Payment Dates

(R.C.5726.03, 5726.06)

The FIT is an annual tax due on or before the 15th of each October. Taxpayers are required to file electronically and pay using electronic funds transfer through the Ohio Business Gateway or the Treasurer of State. Taxpayers may be relieved of this requirement if they can show good cause to the Tax Commissioner.

Annual and estimated report and tax due dates are:

- By Jan. 31: Taxpayers remit the greater of the minimum tax or one-third of the estimated liability for the tax year.
- By March 31: One-half of the amount by which the estimated tax exceeds the payment amount remitted in January.
- By May 31: The remaining one-half of the amount by which the estimated tax exceeds the payment amount remitted in January.
- By October 15: Each reporting person is to submit the annual report (return FIT 10) to the Tax Commissioner and remit any remaining payments.

## Disposition of Revenue

(R.C. 5726.04)

All FIT revenue is deposited in the state's General Revenue Fund.

## Administration

(R.C. 5726.10)

The Tax Commissioner administers the FIT.

## Ohio Revised Code Citations

Chapter 5726.

## Recent Legislation

**H.B. 510 (129th General Assembly)**

Replaced the corporation franchise tax on financial institutions with a new business privilege tax on financial institutions commencing with tax year 2014.

## History of Major Changes

| | |
|---|---|
| 2012 | Financial institutions tax eastablished, beginning tax year 2014 |

## Comparison With Other States

| | |
|---|---|
| Georgia | Georgia imposes a banking franchise tax on banks and savings associations measured by the gross receipts of depository financial institutions allocated and apportioned to Georgia at the rate of 0.25%. |
| Indiana | Indiana imposes a financial institutions tax on any corporation transacting the business of a financial institution in Indiana measured by adjusted gross income or apportioned income at the rate of 8% for tax years beginning after December 31, 2013 and before January 1, 2015. |
| Kentucky | Kentucky imposes a financial institutions tax on any financial institution regularly engaged in business in Kentucky on net capital after allocation and apportionment to Kentucky at the rate of 1.1%. |
| Michigan | Michigan imposes a financial institution franchise tax on net capital under its corporate income tax after allocation and apportionment to Michigan at the rate of 0.29%. |
| Tennessee | Tennessee does not impose a tax specifically limited to financial institutions. Tennessee imposes a franchise and an excise tax on businesses organized or doing business in Tennessee. The franchise tax rate is 0.25% of the greater of net worth or real and tangible property and the excise tax rate is 6.5% of Tennessee taxable income. |
| Texas | Texas does not impose a tax specifically limited to financial institutions. Texas imposes a franchise margin tax on each entity that does business in Texas or that is chartered or organized in Texas measured by taxable margin and taxed at a rate of 1%. |
| West Virginia | West Virginia does not impose a tax specifically limited to financial institutions. West Virginia imposes a corporate income tax with special income apportionment rules for financial organizations. The rate is 7% effective for tax years starting on or after January 1, 2013 and before January 1, 2014, and 6.5% effective for tax years starting after January 1, 2014. |

| Table 1 | | | |
|---|---|---|---|
| **Financial Institutions Tax<br>Revenue for Fiscal Year 2014<br>(dollars in millions)** | | | |
| **Fiscal Year** | **General Revenue Fund** | **Refunds** | **Total** |
| 2014 | $197.8 | $0.1 | $197.9 |
| Source: Office of Budget and Management fiscal reports. | | | |

# Gross Casino Revenue Tax

Ohio voters passed a constitutional amendment in 2009 that provides for four casino facilities to be located in this state: Cleveland, Toledo, Columbus and Cincinnati. Three casinos opened in calendar year 2012. Cincinnati opened in February, 2013.

The Ohio Department of Taxation is responsible for administering the gross casino revenue tax and for ensuring that casinos comply with all pertinent state tax laws, administrative rules and policies. The Ohio Casino Control Commission is responsible for licensing and regulating casino operators, their employees and gaming-related vendors.

The gross casino revenue tax is imposed on licensed casino operators at the rate of 33%. In fiscal year 2014, total receipts were $273.4 million.

## Taxpayer

(Ohio Revised Code 5753.01)

The tax is paid by operators of the four casinos authorized by Article XV, Section 6(C) of the Ohio constitution.

## Tax Base

(R.C. 5753.02)

The tax applies to all gross casino revenue received by each casino operator. "Gross casino revenue" means the amount of money exchanged for the purchase of chips, tokens, tickets, electronic cards, or similar objects by casino patrons, less winnings paid to wagerers.

## Rates

(R.C. 5753.02)

The tax rate is equal to 33% of an operator's gross casino revenue.

## Major Exemptions

None.

## Revenue

Fiscal year 2013 tax collections totaled $225.4 million and increased 21% in fiscal year 2014 to $273.4 million. Fiscal year 2014 was the first full year that all four casinos in the state were operational.

**Table 1**

| Gross Casino Tax Receipts | |
|---|---|
| Fiscal Year | Revenue |
| FY 2012 | $19,760,134 |
| FY 2013 | $225,438,259 |
| FY 2014 | $273,393,331 |

Source: Office of Budget & Management, OAKS financial reports.

## Disposition of Revenue

(R.C. 5753.03)

Revenue from the tax is distributed as follows:

- 51% to Gross Casino Revenue County Fund, which is distributed to each Ohio county by population. In counties whose largest city has a population greater than 80,000, revenue from this fund is split evenly between county government and the largest city. In other counties, all revenue is directed to county government;
- 34% to Gross Casino Revenue County Student Fund, where it is distributed to public school districts based on student population. Funds are transferred to districts semi-annually at the end of every August and January;
- 5% to host city where a casino is located;
- 3% to Ohio State Racing Commission. Of this amount, 5% may be retained by the commission for operating expenses necessary for the administration of the fund;
- 3% to Ohio Casino Control Commission. Of this amount, one cent of every dollar is reserved for tax administration costs;
- 2% to Problem Casino Gambling and Addictions Fund to support efforts to alleviate problem gambling and substance abuse and to fund related research;
- 2% to Ohio Law Enforcement Training Fund. Of this amount, 85% is directed to the Ohio Peace Officer Training Academy and the remainder is directed to the Department of Public Safety's Office of Criminal Justice Services.

## Payment Dates

(R.C. 5753.04)

The operators of each casino facility are required to file returns and to remit payments for the related tax liabilities each day that banks are open for business. Each return reflects casino gaming activity over a 24-hour period.

## Sections of the Revised Code

Chapter 5753.

## Responsibility for Administration

(R.C. 5753.09)

The Tax Commissioner administers the tax. The Ohio Casino Control Commission regulates casinos.

## History of Major Changes

| | |
|---|---|
| **2009** | Ohio voters approve a constitutional amendment authorizing one casino each in Cincinnati, Cleveland, Columbus and Toledo, requiring a 33% tax on gross casino revenue and providing for the disposition of the revenue. |
| **2010** | H.B. 519 established casino gaming statutes in accordance with the constitutional amendment, created the Ohio Casino Control Commission, and implemented the tax on gross casino revenue. |
| **2012** | H.B. 386. makes many regulatory changes to Ohio's gambling laws that mainly affect the Ohio Casino Control Commission, the Ohio Racing Commission, and the Ohio Lottery Commission, The bill includes related provisions for the Inspector General, Attorney General, the Development Services Agency, the Department of Taxation, and also addresses video lottery terminals, gambling addiction services, charitable gaming activities, and sweepstakes terminal devices. The bill did not make significant changes to the casino tax or to its statutory distribution allocations. |

## Comparison with Other States

There are no casinos in Georgia and Tennessee. There are only Native American (or "Tribal") casinos in Texas and North Carolina.

| State | Casinos | Tax |
|---|---|---|
| Indiana | Riverboats[1] and racetrack casinos; 13 total operating | For riverboat and land-based casinos, a graduated tax ranges from 15% to 40% and applies to gross gaming revenue. For racetrack casinos, a graduated slot tax ranges from 25% to 35% and applies to gross gaming revenue. A $3 admissions tax also applies. |
| Michigan | Land-based Casinos; 3 total operating (non-tribal) | A 24% tax applies to gross gaming revenue. |
| Pennsylvania | Land-based and racetrack casinos with slots and table games; 11 total operating (non-tribal) | A 55% tax[2] applies to gross gaming revenue from slot machines, and a 16% tax[3] applies to winnings from on table games. |
| West Virginia | Racetrack casinos with VLTs and table games, and a land-based casino; 5 total operating | A 35% tax applies to adjusted gross receipts |

[1] Indiana law defines "riverboat" to be a self-propelled excursion boat, a casino located in a historic hotel district, and a permanently moored craft operating from a county.

[2] The rate is comprised of a 34% state tax, a 4% local share assessment, a 5% economic development and tourism fund, and a 12% Race Horse Development Fund (see 4 Pa.C.S. § 1405).

[3] This rate includes a 2% local share assessment.

**Table 2**

| Gross Casino Tax Distributions FY 2014 | | |
|---|---|---|
| **Fund** | **Distributions** | **% Share** |
| Host City Fund | $13,792,461 | 5.0 |
| Student Fund | 93,788,734 | 34.0 |
| County Fund | 140,683,100 | 51.0 |
| Casino Control Commission Fund | 8,275,476 | 3.0 |
| Ohio State Racing Commission Fund | 8,275,476 | 3.0 |
| Law Enforcement Training Fund | 5,516,984 | 2.0 |
| Problem Gambling & Addictions Fund | 5,516,984 | 2.0 |
| Total Deposits | $275,849,217 | 100.0 |

Source: Ohio Dept. of Taxation records

| Table 3 | | | | | |
|---|---|---|---|---|---|
| **Ohio's Gross Casino Tax Revenues FY 2014 Distributions to Counties** | | | | | |
| **County** | **Distributions** | **County** | **Distributions** | **County** | **Distributions** |
| Adams | $344,579 | Hamilton[3] | $9,775,850 | Muskingum | $1,044,747 |
| Allen | $1,281,047 | Hancock | $921,950 | Noble | $177,711 |
| Ashland | $645,299 | Hardin | $385,249 | Ottawa | $502,954 |
| Ashtabula | $1,221,022 | Harrison | $191,123 | Paulding | $234,888 |
| Athens | $784,306 | Henry | $341,718 | Perry | $438,600 |
| Auglaize | $558,469 | Highland | $524,583 | Pickaway | $686,647 |
| Belmont | $848,281 | Hocking | $354,761 | Pike | $346,548 |
| Brown | $540,207 | Holmes | $525,692 | Portage | $1,973,471 |
| Butler | $4,515,666 | Huron | $720,872 | Preble | $509,710 |
| Carroll | $347,270 | Jackson | $400,871 | Putnam | $416,201 |
| Champaign | $481,569 | Jefferson | $831,718 | Richland | $1,491,494 |
| Clark | $1,668,096 | Knox | $739,677 | Ross | $944,469 |
| Clermont | $2,428,109 | Lake | $2,797,048 | Sandusky | $735,792 |
| Clinton | $510,332 | Lawrence | $755,910 | Scioto | $954,882 |
| Columbiana | $1,295,432 | Licking | $2,043,002 | Seneca | $681,980 |
| Coshocton | $447,903 | Logan | $553,881 | Shelby | $598,913 |
| Crawford | $521,769 | Lorain | $3,675,859 | Stark[7] | $4,567,436 |
| Cuyahoga[1] | $15,402,984 | Lucas[4] | $5,330,006 | Summit[8] | $6,589,887 |
| Darke | $639,138 | Madison | $525,028 | Trumbull | $2,523,332 |
| Defiance | $470,652 | Mahoning[5] | $2,860,274 | Tuscarawas | $1,126,127 |
| Delaware | $2,216,717 | Marion | $805,788 | Union | $643,780 |
| Erie | $929,484 | Medina | $2,119,018 | Van Wert | $349,262 |
| Fairfield | $1,800,261 | Meigs | $287,073 | Vinton | $161,355 |
| Fayette | $351,517 | Mercer | $497,580 | Warren | $2,651,567 |
| Franklin[2] | $14,610,164 | Miami | $1,256,349 | Washington | $748,266 |
| Fulton | $517,724 | Monroe | $177,308 | Wayne | $1,399,468 |
| Gallia | $373,761 | Montgomery[6] | $6,512,372 | Williams | $456,860 |
| Geauga | $1,141,849 | Morgan | $181,591 | Wood | $1,564,548 |
| Greene | $1,991,326 | Morrow | $425,813 | Wyandot | $274,880 |
| Guernsey | $484,431 | | | **Total Distributions** | **$140,683,100** |
| [1] Includes $7,701,492 in distributions for the most populated city: Cleveland. | | | | | |
| [2] Includes $7,305,082 in distributions for the most populated city: Columbus. | | | | | |
| [3] Includes $4,887,925 in distributions for the most populated city: Cincinnati. | | | | | |
| [4] Includes $2,665,003 in distributions for the most populated city: Toledo. | | | | | |
| [5] Includes $1,430,137 in distributions for the most populated city: Youngstown. | | | | | |
| [6] Includes $3,256,186 in distributions for the most populated city: Dayton. | | | | | |
| [7] Includes $2,283,718 in distributions for the most populated city: Canton. | | | | | |
| [8] Includes $3,294,943 in distributions for the most populated city: Akron. | | | | | |
| Source: Ohio Department of Taxation records. | | | | | |

# Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2014, the tax generated about $5.5 million in revenue (on slightly over $177 million in wagers) for horse racing development, home health care and other services for senior citizens and 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 – meaning all bets made on placements other than win, place or show. 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 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, a special tax of 3.5 percent applies to daily wagering on results other than win, place and show. Such "exotic wagering" includes the daily double, perfecta, quinella and trifecta.

**Additional pari-mutuel wagering tax** (R.C. 3769.28)

The tax is levied as follows:

| Total wagering per 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

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 percentages of money wagered described above in Rates, reduced by any capital improvement deduction.

The Nursing Home Franchise Permit Fee fund (formerly 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 wagering and 66.7 percent of revenue from 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 percentage tax on exotic wagering and 16.7 percent of the base 3 percentage point tax on exotic wagering. Other distributions are made by the Tax Commissioner as shown in table 2.

The revenue that remains from each racing day after distribution to the nursing home franchise permit fee 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. Additionally, some permit holders are considered video lottery sales agents and the activity from video lottery terminals is regulated by the Ohio Lottery Commission.

## Ohio Revised Code Citations

Sections 3769.08 and 3769.087.

## Recent Legislation

**Amended Substitute House Bill 508; 129th General Assembly (effective September 6, 2012).**

Required the department to distribute tax revenues directly to municipalities. Previously, the department collected the tax from taxpayers and, after verification of the reports, sent the payment back to the taxpayers who then remitted to the municipalities.

## History of Major Changes

| | |
|---|---|
| 1933 | Tax is enacted with rates ranging from 10 percent on the first $1,000 of daily wagers to 30 percent on wagers in excess of $20,000. |
| 1953 | Rates are reduced. New schedule ranges from 2 percent to 6 percent on wagering in excess of $400,000. |
| 1955 | For thoroughbred racing, an additional 0.75 percent is added to each bracket. Rates are unchanged for harness racing. |
| 1959 | Rates increased. New rates range from 4.25 percent and 3 percent on the first $10,000 wagered daily on thoroughbred and harness races, respectively, to 8.25 and 7 percent, respectively, on amounts in excess of $400,000. |
| 1975 | Flat tax rates are adopted for thoroughbred racing: 7 percent through the end of 1976, 6.75 percent for 1977 and 6.5 percent starting in 1978. Rates on harness racing are reduced: new schedule ranges from 3 percent to 6.5 percent on the excess over $550,000. Also, a 0.5-percent credit for qualifying capital improvements is established. |
| 1981 | A 2.5 percent tax on exotic wagering is established and the value of the capital improvement credit is increased to 0.75 percent. Lawmakers enact a gradual reduction of the thoroughbred tax rate to 5.25 percent by mid-1983. Harness rates are phased downward. By mid-1983, rates range from 1.5 percent to 4.5 percent. |
| 1984 | House Bill 639 consolidates all rates into a single schedule for live racing. New rates range from 1 percent to 4 percent. Also, a 1.5 percent major capital improvements credit is enacted. |
| 1989 | Effective July 1, exotic wagering rate is increased from 2.5 percent to 3 percent. |
| 1994 | Legislature permits wagering on simulcast events. Revenues not going to horse racing funds go to the PASSPORT program, reduced the major capital improvements tax credit to 1 percent of wagering. |

**History of Major Changes- continued**

| | |
|---|---|
| 1996 | PASSPORT receives 25 percent of gross revenues, rather than all funds not going to horse racing |
| 2001 | Legislature increases exotic wagering tax to 3.25 percent. |
| 2003 | Legislature imposes temporary additional tax of 0.25 percent on exotic wagering, from July 1, 2003 until July 1, 2005. |
| 2006 | Legislature reinstates 0.25 percent additional tax on exotic wagering for 2007 fiscal year. |
| 2007 | Legislature makes the additional 0.25 percent tax on exotic wagering permanent. |

**Table 1**

**Revenue from Horse Racing Tax (dollars in millions), Fiscal Years 2010 - 2014**

| Fiscal Year | Nursing Home Fund | Thoroughbred Fund | Standardbred Fund | Other Funds | Total |
|---|---|---|---|---|---|
| 2010 | $2.3 | $1.6 | $1.2 | $3.3 | $8.4 |
| 2011 | 2.0 | 1.5 | 1.0 | 3.1 | 7.6 |
| 2012 | 1.8 | 1.4 | 1.0 | 2.9 | 7.1 |
| 2013 | 1.6 | 1.1 | 1.0 | 2.5 | 6.2 |
| 2014 | 1.2 | 0.8 | 0.9 | 2.6 | 5.5 |

Source: Office of Budget and Management financial reports.

## Comparisons with Other States

(as of July 1, 2014)

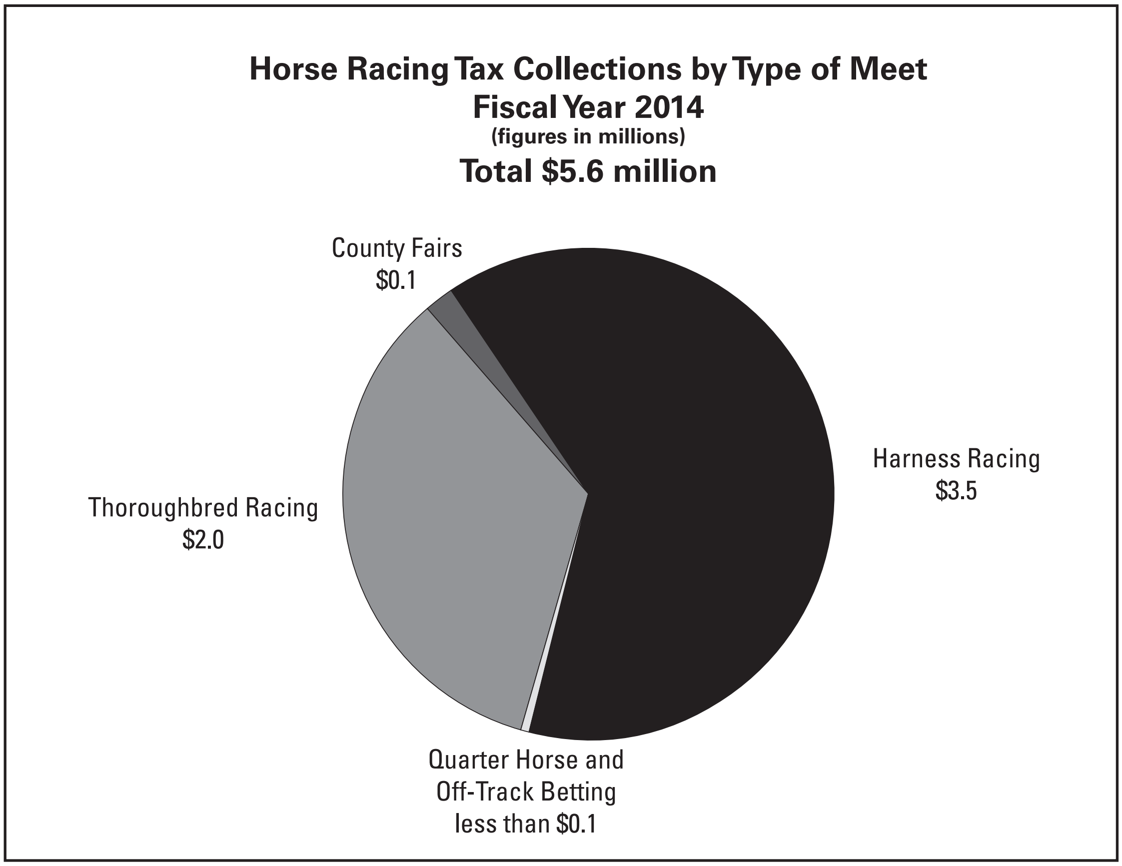
| | |
|---|---|
| **Georgia** and **North Carolina** | No tax |
| **Indiana** | |
| All horse and harness | 2.0% - 2.5% |
| **Kentucky** | |
| All horse and harness | 1.5% - 3.5% |
| **Michigan** | |
| Simulcast horse and harness | 3.5% |
| (Live wagering is not taxed) | |
| **Ohio** | |
| All horse and harness | 1.0% - 4.0% |
| **Pennsylvania** | |
| All horse and harness | 1.5% |
| **Tennessee** | |
| All horse and harness | 1.0%-2.0% |
| **Texas** | |
| Live Events | 1.0% - 5.0% |
| Simulcast Events | 1.0% |
| **West Virginia** | |
| Thoroughbred | 0.4% - 1.4% |
| Harness | 3.0% - 5.75% |

**Table 2**

| Recipient | Source of Receipts | Share of Receipts |
|---|---|---|
| County Agricultural Societies | Permit holders for racing at an agricultural exposition or fair | 25% of pari-mutuel wagering |
| Ohio Fairs Fund | All permit holders (except county and independent fairs and agricultural societies) | 0.50 % of total pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering |
| Ohio Quarter Horse Development Fund | Quarter horse racing permit holders | 1.125% of pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering |
| Ohio Standardbred Development Fund | Harness racing permit holders | 1.125% of pari-mutuel wagering |
| Ohio Standardbred Development Fund | Harness racing permit holders (except county and independent fairs and agricultural societies) | 0.5% of pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering |
| Ohio Thoroughbred Race Fund | Harness racing permit holders (except county and independent fairs and agricultural societies) | 0.33% of pari-mutuel wagering[1] |
| Ohio Thoroughbred Race Fund | Thoroughbred racing permit holders | 1.125% of total pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering |
| State Racing Commission Operating Fund | All permit holders (except county and independent fairs and agricultural societies) | 0.25% of total pari-mutuel wagering |

[1] Corrections to prior year dispositions: 2012 - 0.44%, 2011 - 0.48%, 2010 - 0.47% and 2009 - 0.46%.

**Chart 1**




Source: Ohio Department of Taxation Records

**Table 3**

**Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2010- 2014**

| Fiscal Year | Thoroughbred Racing | Commercial Harness Racing | Agricultural Societies Racing | Quarter Horse Racing | Off-Track Parlors | Total |
|---|---|---|---|---|---|---|
| **PARI-MUTUEL WAGERING** | | | | | | |
| 2010 | $132,406,059 | $133,543,929 | $3,639,715 | $111,778 | $3,554,640 | $273,256,121 |
| 2011 | $113,639,204 | $123,954,399 | $3,444,824 | $87,919 | $3,366,717 | $244,493,063 |
| 2012 | $111,796,689 | $115,116,583 | $3,052,714 | $132,109 | $3,027,697 | $233,125,792 |
| 2013 | $76,737,694 | $117,954,086 | $2,859,262 | $69,063 | $2,739,481 | $200,359,586 |
| 2014 | $61,814,690 | $110,075,850 | $2,580,458 | $38,711 | $2,856,797 | $177,366,506 |
| **PARI-MUTUEL WAGERING NET TAX RECEIPTS TAX PAID** | | | | | | |
| 2010 | $3,837,232 | $4,125,176 | $151,346 | $2,766 | $81,361 | $8,197,881 |
| 2011 | $3,611,134 | $3,818,220 | $147,082 | $2,331 | $79,052 | $7,657,819 |
| 2012 | $3,484,102 | $3,569,107 | $131,476 | $3,204 | $68,997 | $7,256,886 |
| 2013 | $2,377,918 | $3,686,637 | $126,384 | $1,694 | $63,696 | $6,256,329 |
| 2014 | $1,957,325 | $3,461,191 | $109,826 | $949 | $65,368 | $5,594,658 |

Source: Ohio Department of Taxation Records

| Table 4 | | | | | | |
|---|---|---|---|---|---|---|
| **Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts, Fiscal Year 2014** | | | | | | |
| | **Thoroughbred Race Meets** | **Commercial Harness Race Meets** | **County Agricultural Societies** | **Quarter Horse Race Meets** | **Off-Track Parlors** | **Total** |
| **Number of Meets** | 848 | 1,375 | 110 | 7 | | 2,340 |
| Total Pari-Mutual Wagering | $61,814,690 | $110,075,850 | $2,580,458 | $38,711 | $2,856,797 | $177,366,506 |
| Exotic Wagering[1] | $40,799,718 | $77,518,888 | $1,572,882 | $24,113 | $2,203,379 | $122,118,980 |
| Total Tax Levied | $2,192,594 | $3,982,840 | $109,826 | $949 | $65,368 | $6,351,577 |
| Less Tax Abatements: | | | | | | |
| Capital Improvement | | $98,334 | | | | $98,334 |
| Major Capital | $235,269 | $423,315 | | | | $658,584 |
| Net Tax Collected | $1,957,325 | $3,461,191 | $109,826 | $949 | $65,368 | $5,594,659 |
| **Distribution of Receipts** | | | | | | |
| Agricultural | $0 | $0 | $57,145 | $0 | | $57,145 |
| Standardbred Devel. Fund | $0 | $960,609 | $19,935 | $0 | | $980,544 |
| Quarter Horse Special Acct. | $0 | $0 | $42 | $212 | | $254 |
| Ohio Fairs Fund | $330,311 | $498,869 | $16,835 | $178 | | $846,193 |
| Thoroughbred Special Acct. | $640,099 | $281,382 | $141 | $0 | | $921,622 |
| Operating Fund | $497,141 | $833,622 | $15,729 | $276 | | $1,346,768 |
| Passport Fund | $489,774 | $886,709 | $0 | $284 | $65,368 | $1,442,135 |
| **Total Amount** | **$1,957,325** | **$3,461,191** | **$109,826** | **$949** | **$65,368** | **$5,594,659** |
| [1] Included in total pari-mutuel wagering but subject to an additional 3% tax. | | | | | | |
| Source: Ohio Department of Taxation Records | | | | | | |

# Individual Income Tax – Ohio

Ohio's individual income tax traces 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. It became 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 the state government's second largest source of revenue. During fiscal year 2014, total net collections were slightly more than $8.4 billion. Of that amount, more than $8 billion was directed to the General Revenue Fund, where it represented about 39.0 percent of General Revenue Fund tax revenue.

Table 1

Income Tax Revenue (in millions), Fiscal Years 2010 - 2014

| Fiscal year | General Revenue Fund | Local Government Fund | Other* | Total |
|---|---|---|---|---|
| 2010 | $7,247.2 | $629.2 | $10.4 | $7,886.8 |
| 2011 | 8,120.3 | 686.7 | 13.0 | 8,820.0 |
| 2012 | 8,432.9 | 584.3 | 12.5 | 9,029.7 |
| 2013 | 9,507.8 | 348.7 | 13.3 | 9,869.8 |
| 2014 | 8,064.9 | 347.3 | 12.9 | 8,425.1 |

Source: Office of Budget and Management OAKS financial report

* This column is comprised of distributions to the Political Party Fund and the Attorney General Claims Fund

Ohio's income tax rates have been gradually falling since 2005, when the 126th General Assembly enacted House Bill 66, scheduling five annual across-the-board income tax rate reductions of 4.2 percent each. Accordingly, for the 2008 taxable year, income tax rates were 16.8 percent lower than they had been for 2004, the year before H.B. 66 was enacted. In 2009, state law was revised to temporarily postpone the fifth and final income tax rate reduction. As a result, the income tax rates used for 2008 also applied to the 2009 and 2010 taxable years. The fifth and final rate reduction was instituted for taxable year 2011. As such, tax rates in 2011 and 2012 were 21 percent lower across the board than they were for 2004.

In July of 2013, the 130th General Assembly enacted House Bill 59, which included several changes to income tax. Notably, the act provided for an across-the-board income tax rate reduction, from tax year 2012 levels, of 8.5 percent for tax year 2013, 9 percent for tax year 2014 and 10 percent for tax year 2015 and beyond. In June of 2014, the 130th General Assembly enacted House Bill 483 as part of the Mid-Biennium Budget Review. The enactment accelerated the final incremental income tax reduction by one year, so that the full 10 percent reduction would be realized by taxpayers in tax year 2014.

During the 2014 taxable year, Ohio's income tax was the product of taxable income multiplied by one of nine graduated rates, ranging from 0.528 percent on the first $5,200 of taxable income to 5.333 percent on taxable income in excess of $208,500 (see chart on next page). Individual taxpayers whose Ohio taxable income was less than or equal to $10,000 were 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 Ohio individual income tax returns for taxable year 2012 (filed in 2013). Taxable year 2012 data is the latest data available. The data shows that more than 5.3 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately $403.2 billion. Almost 1.4 million returns indicated $0 tax liability.

## Taxpayer

(Ohio Revised Code 5747.01(N) and 5747.02)

The state individual income tax is levied on every individual, trust and estate residing in Ohio, earning or receiving income in Ohio, or otherwise having nexus with Ohio. The tax also applies to winners of Ohio lottery prizes and casino gaming winnings. Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

## Tax Base

(R.C. 5747.01 et seq.)

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 taxable year 2014, each taxpayer receives personal and dependency exemptions equal to the product of the number of exemptions claimed on his or her federal income tax return times the personal exemption amount for the taxpayer, as listed below:

| Table 2 | |
|---|---|
| Ohio Adjusted Gross Income | Personal Exemption Amount |
| $40,000 or less | $2,200 |
| $40,001 to $80,000 | $1,950 |
| $80,001 or more | $1,700 |

3. Apply Ohio's graduated 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)

Individual income tax rates for the 2014 taxable year are as follows:

| Ohio Taxable Income | |
|---|---|
| Ohio Taxable Income | Tax Calculation |
| 0 – $5,200 | 0.528% |
| $5,200– $10,400 | $27.46+ 1.057% of excess over $5,200 |
| $10,400 – $15,650 | $82.42+ 2.113% of excess over $10,400 |
| $15,650 – $20,900 | $193.35 + 2.642% of excess over $15,650 |
| $20,900 – $41,700 | $332.06 + 3.169% of excess over $20,900 |
| $41,700 – $83,350 | $991.21 + 3.698% of excess over $41,700 |
| $83,350 – $104,250 | $2,531.43 + 4.226% of excess over $83,350 |
| $104,250 – $208,500 | $3,414.66 + 4.906% of excess over $104,250 |
| More than $208,500 | $8,529.17 + 5.333% of excess over $208,500 |

In 2010, the Tax Commissioner began to annually adjust the size of each bracket for inflation each July under R.C. 5747.02(A). The tax rates do not change as part of this adjustment. However, House Bill 59 of the 130th General Assembly froze brackets at the tax year 2012 level from tax year 2013 to tax year 2015. The adjustment is scheduled to resume beginning with tax year 2016.

Division (B) of this same code section requires tax rates to be temporarily adjusted downward in any year in which the director of the Ohio Office of Budget and Management determines that the budget stabilization fund (or "Rainy Day" fund) is equal to five percent of the general revenue fund revenues of the preceding fiscal year and that the percentage of the balance in the income tax reduction fund exceeds thirty-five one hundredths of one per cent of the amount of revenue that the director estimates will be received from the income tax in the current fiscal year without regard to any reduction under division (B) and certifies that percentage to the Tax Commissioner.

## 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 to calculate Ohio adjusted gross income (OAGI). (R.C. 5747.01(A))

**Personal and dependent exemptions** (R.C. 5747.025)

For tax year 2014 (returns filed in 2015), individuals may claim an amount for personal and dependency exemptions equal to the product of the number of exemptions claimed on their federal income tax return multiplied by the amount per exemption for the taxpayer. The amount per exemption, the total of which is subtracted from Ohio adjusted gross income before tax rates are applied, is determined based on the Ohio adjusted gross income shown on the annual Ohio income tax return.

The personal exemption amount is typically adjusted for inflation each year. However, by law the Tax Commissioner does not make such adjustments for taxable years 2013, 2014 or 2015, while the tax rates are being reduced. For taxable years beginning in 2016 and thereafter, adjustments resume in accordance with R.C. 5747.025(C).

**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.
- a 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 expenditures from a college savings account.
- add back of five-sixths of the depreciation adjustment for Internal Revenue Code 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.

- certain small business investor income deductions.
- qualified 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.
- certain unsubsidized health insurance, long-term care insurance, and excess medical expenses.
- funds deposited into, and earnings on, an Ohio Medical Savings Account.
- losses from a grantor trust or an electing small business trust.
- wage and salary expenses 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.
- amounts received as reimbursements for life insurance premiums.
- amount received as a death benefit paid by the adjutant general.
- military pay received while the resident service member is stationed outside Ohio.
- qualified organ donation expenses.
- retired military personnel pay.
- amount received from the military injury relief fund.
- amount received as a veterans bonus.
- certain income derived from providing public services.
- Ohio college opportunity or federal Pell grant amounts received and used to pay room or board.

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

**Adjustments to federal taxable income for estates and trusts**

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

## Credits

**Individual credits (R.C. 5747.022)**

For taxable years beginning on or after Jan. 1, 2013, the $20 personal and dependent exemption credit is only allowed for taxpayers with Ohio taxable income of less than $30,000.

**Adoption credit (R.C. 5747.37) –** Individual taxpayers may claim a credit for adoption expenses 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 a position or shift. The maximum credit is 50 percent of the training expenses or $500, whichever is lower.

**Earned Income Credit (R.C. 5747.71) –** Taxpayers who qualify for the federal earned income tax credit (EITC) may take an Ohio earned income credit equal to five percent of the taxpayers federal EITC subject to limitations.

**Financial Institutions Tax (FIT) Refundable Credit (R.C.5747.65) –** A refundable credit is allowed equal to the taxpayer's proportionate share of the lesser of either FIT tax due or paid by a pass-through entity for the entity's taxable year ending in the taxpayer's taxable year.

**Invest Ohio Credit (5747.81) –** This provides a nonrefundable personal income tax credit to investors that infuse new equity (cash) into Ohio small businesses to acquire an ownership interest in the company. The credit equals the amount on the investor's small business investment certificate multiplied by ten percent.

**Joint filing credit (R.C. 5747.05(G)(1)) –** A husband and wife who file 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 $10,000 or less 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 who receive a lump sum distribution from a pension, retirement or profit sharing plan may elect this credit. The credit is based upon the expected remaining years of life multiplied by the value of the senior citizen credit. Taxpayers who elect this credit are not entitled to claim senior citizen tax credits in subsequent taxable years.

**Lump sum retirement credit (R.C. 5747.055(C), (D), (E)) –** Individual taxpayers who receive a lump sum distribution from a qualified pension, retirement or profit sharing plan are allowed to elect this credit within one taxable year. Taxpayers who elect this credit may not claim a retirement income credit in subsequent taxable years unless the credit exceeds tax due for the taxable year. When the credit exceeds tax due for the taxable year, taxpayers receive a reduced credit in subsequent tax years.

**Nonresident credit (R.C. 5747.05(A)) –** Nonresident individuals and estates receive a credit when a portion 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 nonrefundable credit for contributions made to the campaign committees of candidates for the Ohio General Assembly, the Ohio Supreme Court and for statewide executive 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 estates may calculate a tax credit when part or all of their income is taxed in another state or the District of Columbia. Trusts may claim a credit equal to the lesser of (i) the tax paid to another state or the District of Columbia on modified nonbusiness income or (ii) the average effective tax rate multiplied by the portion of the trust's modified nonbusiness income subject to income tax in another state or in the District of Columbia.

**Retirement income credit (R.C. 5747.055) –** Individual and estates 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 who are 65 years of age or older on or before Dec. 31 of the taxable year may claim a $50 credit per return. Estates may claim the credit when the decedent was 65 years of age or older at the date of death.

**Business Credits (R.C. 5747.059) –** Investors in pass-through entities are eligible for a refundable credit equal to the amount of tax paid on their behalf by the pass-through entity. A number of other business credits also apply. For more information, please see the Business Tax Credits chapter of this annual report.

## Special Provisions

**IT-S**

This schedule is a supplement to Form IT 1040 for same-gender taxpayers filing a joint federal tax return to singly report federal adjusted gross income on the Ohio form IT-1040.

**Military pay and income of military spouses**

For taxable years on and after Jan. 1, 2007, under R.C. 5747.01(A) an Ohio resident service member can deduct active duty military pay and allowances that are included in federal adjusted gross income if those amounts were received for active duty service while the service member is stationed outside Ohio. The taxpayer still must file an Ohio personal income tax return. When the taxpayer is not an Ohio resident, Ohio does not tax military pay. Ohio nonresident military and nonresident spouses are strongly encouraged to file Ohio form IT 10 each year to avoid possible billing notices. Ohio does tax nonmilitary pay earned in Ohio that is included in federal adjusted gross income.

In November 2009, federal law exempted military spouses who are not residents of a state where they are living with their spouse from the income taxes of the state, provided they are a resident of the same state as their spouse.

**Reciprocity**

Reciprocal agreements with other states (R.C. 5747.05(A)(3)) may affect filing of an Ohio return. Because of 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 when:

- 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.

These reciprocal agreements do not apply to nonresidents who directly or indirectly own at least 20 percent of the stock or other equity of Ohio pass-through entities (such as S corporations or partnerships; see R.C. 5733.40(A)(7) for details). 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 (R.C. 5747.24)**

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 when they expect their tax to be under-withheld 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, through Dec. 31, 2012, 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 file electronically. Effective Jan. 1, 2013, tax return preparers who file more than 11 original income tax returns, reports or other tax payment documents, must file electronically.

**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, these 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 2014, about 95.7 percent of revenue from the state income tax – or about $8,065 million – was distributed to the General Revenue Fund. The rest (about 4.3 percent or $360.2 million) was distributed to the Local Government Fund and to two much smaller funds.

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 non-business tax credit, owner-occupied tax credit and the homestead exemption for senior citizen 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

**Amended Substitute House Bill Number 483, 130th General Assembly (effective September 15, 2014)**

The act accelerated the phase-in of a 10 percent income tax rate reduction to taxable year 2014 from taxable year 2015. Personal exemption amounts were increased to $2,200 for taxpayers with OAGI of $40,000 or less and to $1,950 for taxpayers with OAGI of $40,001 to $80,000. The EITC was increased to 10 percent from 5 percent of the federal EITC beginning in 2014.

**Amended Substitute House Bill Number 59, 130th General Assembly (effective July 1, 2013)**

The law cut taxes, including:

- A 10 percent personal income tax cut phased in over three years. In 2013, rates were reduced 8.5 percent; in 2014, the rate cut was 9 percent; in 2015, the full 10 percent reduction was to be reached.
- Ohio small businesses received a 50% tax deduction on the first $250,000 of business income. This deduction became available to owners/investors of all companies structured as pass-through entities.
- A new Earned Income Tax Credit provided assistance for lower income households.
- Inflation indexing of income tax brackets and personal/dependent exemptions suspended for three years beginning in 2013; the $20 personal exemption credit available only to households with Ohio taxable income under $30,000.

**Substitute House Bill 365, 129th General Assembly (effective March 13, 2013)**

The act allowed business owners who claim an enhanced federal income tax depreciation deduction to claim more of the deduction that the business owner otherwise must add back for Ohio income tax purposes, if the business owner sufficiently increases payroll.

**Amended House Bill 167, 129th General Assembly (effective December 9, 2011)**

This act authorized an income tax deduction for the otherwise taxable portion of a federal Pell grant or Ohio College Opportunity grant used to pay room and board for a post-secondary student.

**Amended Substitute House Bill 153, 129th General Assembly (effective June 30, 2011)**

This act allowed taxpayers to contribute a portion of their income tax refunds to the Ohio Historical Society Income Tax Contribution Fund created by the bill.

**Amended Substitute House Bill 519, 128th General Assembly (effective September 10, 2010)**

This act specifically subjected Ohio casino winnings to Ohio income tax. It also authorized an Ohio income tax deduction, beginning in tax year 2013, for certain losses from certain wagering transactions.

## History of Major Changes

| | |
|---|---|
| 1912 | Ohio voters approve a constitutional amendment that permits the taxation of income on a uniform or graduated basis. |
| 1971 | General Assembly enacts the individual income tax, effective for 1972. |
| 1972 | Ohio voters reject a constitutional amendment that would have repealed the new income tax and prohibited future graduated income taxes. |
| 1973 | Voters approve a constitutional amendment that eliminates a $3,000 cap on personal exemptions. Also, the legislature enacts a joint filer credit. |
| 1982 | The General Assembly imposes a temporary 25 percent across-the-board tax hike for 1982 and a temporary, 12.5 percent tax hike for 1983. Additional rate hikes are imposed on high-income individuals for 1982 and 1983 through the creation of new brackets for income in excess of $80,000 and $100,000. |
| 1983 | The new brackets are made permanent. The legislature also increases the temporary, across-the-board rate hikes to 83.3 percent for 1983 and to 90 percent for 1984, when the increases become permanent. The legislature also increases the value of the senior citizen credit, the joint filer credit and the personal exemption. In November, Ohio voters sustain these changes by rejecting a constitutional amendment that would have repealed all tax changes enacted since 1982. |
| 1984 | The legislature enacts a one-time special tax refund. For most taxpayers, the refund is 2.03 percent of 1983 tax liability or $7, whichever is greater. Taxpayers who had less than $7 tax due in 1983 receive a full refund. Lawmakers also exempt certain Social Security and railroad retirement benefits from taxation. |
| 1985 | General Assembly enacts a three-year, 15 percent across-the-board rate cut. Rates are scheduled to fall (from 1984 levels) by 5 percent in 1985, 5 percent in 1986 and 5 percent in 1987. |
| 1986 | The legislature lowers the top marginal rate (on income in excess of $100,000) from 8.55 percent to 6.9 percent, effective 1987. Legislators also lower other rates by an additional 7 percent in 1987 and an additional 1 percent in 1988 and thereafter. |
| 1992 | General Assembly creates a new bracket for income in excess of $200,000, effective starting in 1993. The tax rate associated with this new bracket is 7.5 percent. |
| 1996 | General Assembly enacts a new mechanism to temporarily lower statutory rates in any year where a budget surplus exists. As a result, tax rates are temporarily reduced for 1996 by 6.609 percent. This provision later leads to temporary rate reductions in 1997, 1998, 1999 and 2000. |
| 1997 | The legislature enacts the pass-through entity withholding tax and indexes personal exemptions to inflation starting in 2000. |
| 2002 | Senate Bill 261 broadens individual income tax to include trusts between June 4, 2002 and Dec. 31, 2004. S.B. 261 also indexes tax brackets to inflation starting in 2005 (later delayed until 2010) and decouples Ohio from federal accelerated depreciation law, requiring a bonus depreciation adjustment. |
| 2005 | House Bill 66 launches a five-year, 21 percent across-the-board reduction in income tax rates. Rates are scheduled to fall by 4.2 percent for 2005, 2006, 2007, 2008 and 2009. H.B. 66 also includes a credit that effectively shields all taxpayers whose taxable income is $10,000 or less from all state income tax liability. The bill also makes permanent the extension of the tax to trusts and postpones the annual adjustment of tax brackets for inflation until 2010. |
| 2006 | Legislature permits resident service members to deduct military pay and allowances received while stationed out of state, effective Jan. 1, 2007. |
| 2007 | Legislature exempts military retirement pay from Ohio income and school district income taxes effective Jan. 1, 2008. |

**History of Major Changes - continued**

| | |
|---|---|
| 2008 | Tax preparers who filed more than 75 original income tax returns in 2008 required by law to file electronically as of Jan. 1, 2010. |
| 2009 | House Bill 318 postpones fifth income tax rate reduction for two years, until 2011. House Bill 1 creates a motion picture production credit. |
| 2010 | Tax Commissioner adjusts tax brackets for inflation for the first time, effective for the 2010 taxable year. |
| 2011 | Enactment of fifth and final year of income tax rate reductions. H.B.153 creates new donation for the Ohio Historical Society. H.B. 167 creates a new income tax deduction for Pell Grant recipients. |
| 2013 | House Bill 59 launches a 10 percent reduction in income tax rates over three years. Rates are scheduled to fall 8.5 percent for the 2013 tax year filing, another 0.5 percent for the 2014 tax year and the final 1 percent with the 2015 tax year filing. HB 59 also freezes the indexing of income brackets and the personal/dependent exemption during the three-year period of time. The bill also makes the $20 personal/dependent credit income-based. H.B. 59 introduces two new credits: the nonrefundable Earned Income Credit and the 50 percent Small Business Investor Income Credit.<br><br>H.B. 365 allows business owners who claim an enhanced federal income tax depreciation deduction and who increase payroll to claim more of the deduction that the business owner otherwise must add back for Ohio income tax purposes. |
| 2014 | House Bill 483 accelerated the phase-in of a 10 percent income tax rate reduction to taxable year 2014 from taxable year 2015. Personal exemption amounts were increased to $2,200 for taxpayers with OAGI of $40,000 or less and to $1,950 for taxpayers with OAGI of $40,001 to $80,000. The state EITC was increased to 10 percent from 5 percent of the federal EITC beginning in 2014. |

## Comparisons with Other States

(As of July 1, 2014)

The tax rates listed in this section are for taxable year 2014 and for individuals. In some states, rate schedules vary according to filing status.

| | |
|---|---|
| Georgia | Rates range from 1 percent on net taxable income not over $750.00 to 6 percent on net taxable income over $7,000. |
| Indiana | Indiana imposes a flat tax at a 3.4 percent rate. Some Indiana counties also levy income taxes. |
| Kentucky | Rates range from 2 percent on the first $3,000 of taxable net income to 6 percent of the amount of taxable net income over $75,000. |
| Michigan | Michigan imposes a flat tax at a 4.25 percent rate. |
| North Carolina | North Carolina imposes a flat tax a 5.8 percent rate. |
| Ohio | See the income tax table under the “Rates” section, above. |
| Pennsylvania | Pennsylvania imposes a flat tax at a 3.07 percent rate. |
| Tennessee | Tennessee taxes only dividend and interest income at the rate of 6 percent. |
| Texas | None. |
| West Virginia | Rates range from 3% on taxable income not over $10,000 to 6.5% on taxable income in excess of $60,000. |

## Tables and Charts

The following tables provide a wide variety of statistical information from Ohio individual income tax returns. Please note the following cautions about this data.

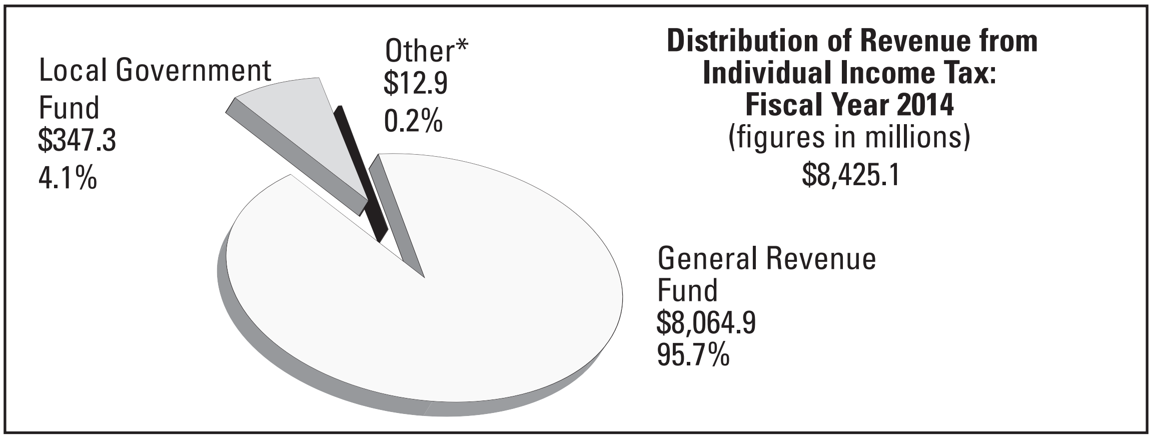
The tables reflect all tax returns filed to date by taxpayers for the taxable year noted. The tables include tax returns that indicate tax liability as well as returns with no tax liability. For example, taxpayers with Ohio taxable income below $10,000 receive a tax credit that results in no tax liability.

The income of Ohio residents, part-year residents and nonresidents who filed an Ohio individual income tax return has not been reduced to exclude income earned or received outside of Ohio. This is because Ohio law uses tax credits – rather than income exclusions – to prevent income earned or received outside this state from being taxed by Ohio. As a result, income figures in these tables (such as federal adjusted gross income, Ohio adjusted gross income and Ohio taxable income) include non-Ohio income.

Also, amounts labeled as “Ohio income tax” are after subtraction of the resident credit, part-year resident credit, nonresident credit and all other tax credits applicable under Ohio law.

Also, note that the income of residents of states adjacent to Ohio is reported in a somewhat different manner from that income described above. Under a reciprocity agreement with those states, the wage and salary income earned in Ohio by residents of one of those states is not taxed by Ohio. For those residents, such income is excluded from Ohio adjusted gross income and Ohio taxable income.

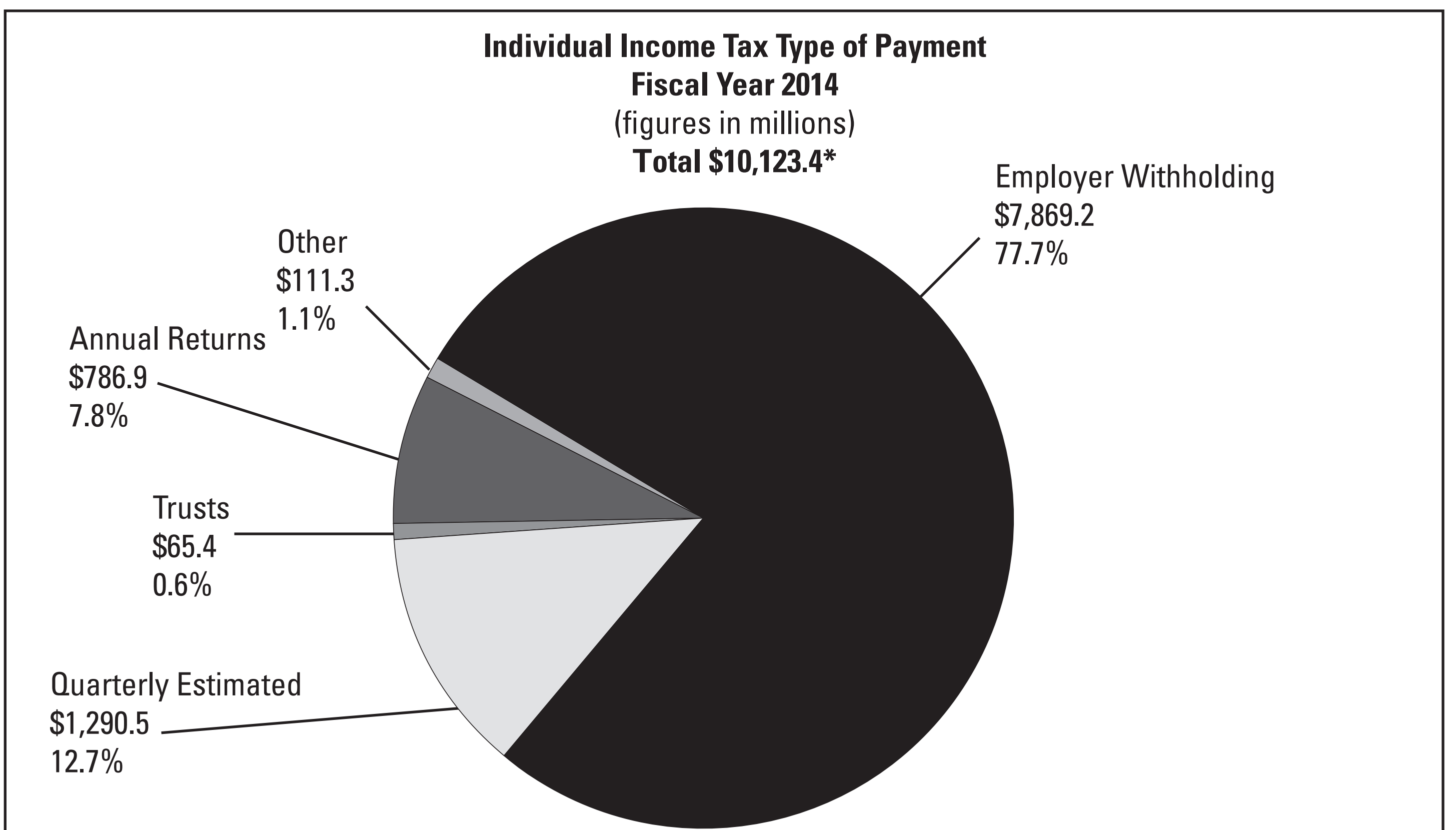
**Chart 1**




Source: Office of Budget & Management OAKS financial report.

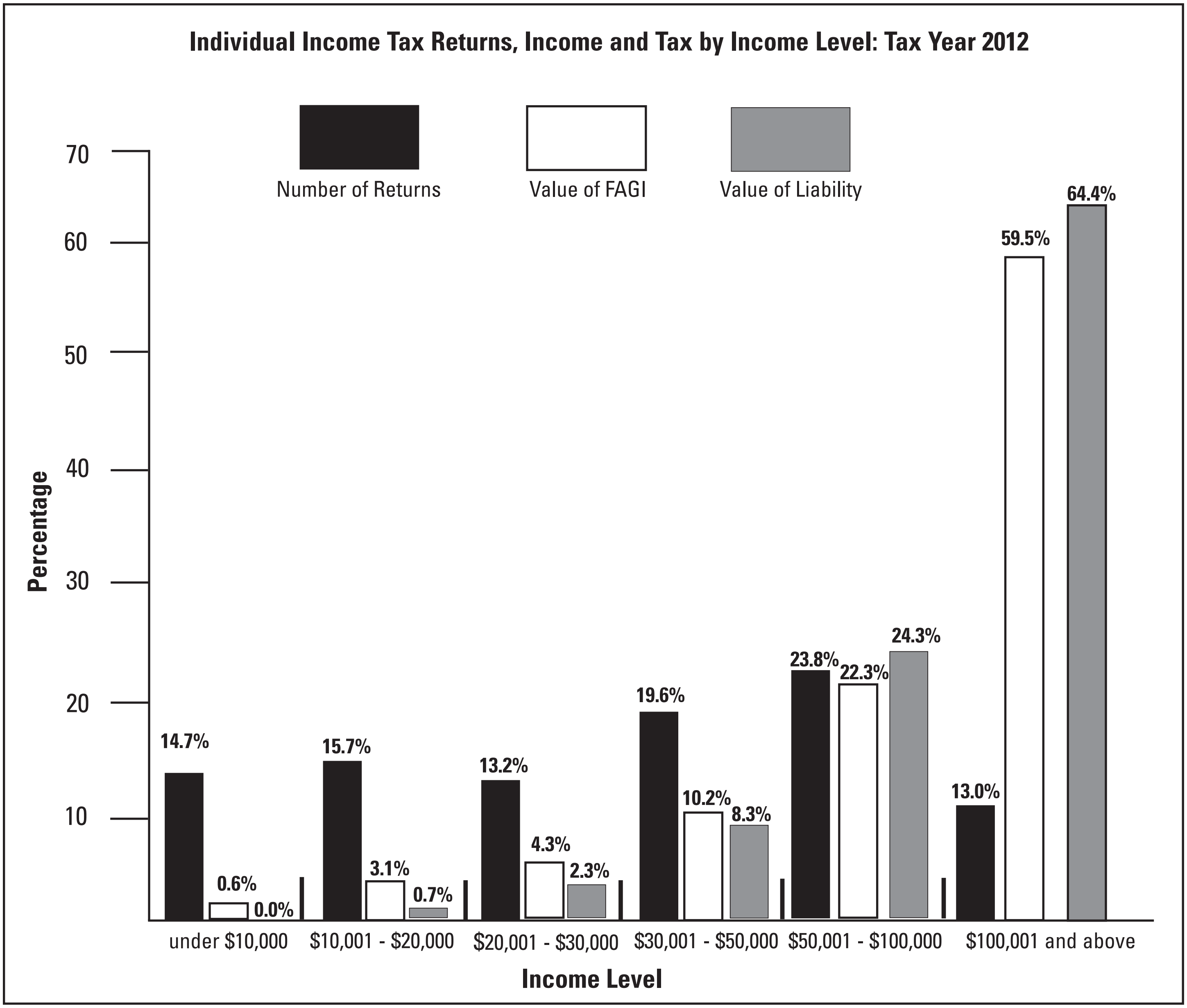
* Includes Attorney General collections and political party contributions which amount to $12.9 million.

**Chart 2**




*Includes $1,691.6 million refunded back to taxpayers
Source: Ohio Department of Taxation

**Chart 3**




Source: Ohio Department of Taxation.

| Table 3 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **2012 Ohio Individual Income Tax Returns, by Income Level[1]** | | | | | | | | |
| **Income Level** | **Number of Returns** | **FAGI** | **OAGI** | **Reported Value of Personal Exemptions** | **Ohio Taxable Income** | **Tax Before Credits** | **Value of Joint Filer Credit** | **Total Income Tax Liability[2]** |
| Under $5,000 | 365,655 | $(620,462,728) | $(635,626,770) | $743,772,100 | $420,511,617 | $4,887,582 | $10,827 | $1,845,048 |
| $5,000-$10,000 | 414,649 | 3,129,724,929 | 2,913,006,247 | 975,718,400 | 2,039,565,976 | 13,834,567 | 3,644 | 268,323 |
| $10,000-$15,000 | 433,910 | 5,427,027,425 | 5,083,664,555 | 1,185,945,500 | 3,985,016,148 | 36,677,874 | 15,683 | 14,293,506 |
| $15,000-$20,000 | 403,748 | 7,044,317,290 | 6,615,718,927 | 1,178,149,300 | 5,514,815,288 | 71,614,506 | 186,778 | 47,362,467 |
| $20,000-$25,000 | 366,842 | 8,236,455,691 | 7,675,249,729 | 1,093,302,300 | 6,656,851,434 | 110,088,904 | 640,825 | 82,772,358 |
| $25,000-$30,000 | 334,776 | 9,195,665,371 | 8,570,788,095 | 1,015,246,800 | 7,609,916,642 | 149,892,100 | 1,460,340 | 121,338,818 |
| $30,000-$35,000 | 305,056 | 9,900,583,726 | 9,235,287,886 | 938,053,200 | 8,346,963,187 | 185,055,760 | 2,314,187 | 156,427,069 |
| $35,000-$40,000 | 272,848 | 10,220,692,376 | 9,541,166,192 | 854,887,500 | 8,722,856,527 | 209,256,595 | 3,501,607 | 180,525,438 |
| $40,000-$45,000 | 246,180 | 10,450,281,278 | 9,728,379,856 | 784,618,000 | 8,985,502,680 | 227,908,157 | 4,967,381 | 199,250,822 |
| $45,000-$50,000 | 219,007 | 10,391,100,658 | 9,662,151,632 | 721,185,900 | 8,971,024,395 | 239,576,960 | 6,683,225 | 210,149,957 |
| $50,000-$55,000 | 194,317 | 10,193,898,162 | 9,460,490,635 | 672,305,800 | 8,809,615,596 | 246,445,589 | 8,356,064 | 215,994,279 |
| $55,000-$60,000 | 172,444 | 9,905,505,137 | 9,174,283,688 | 617,924,500 | 8,575,639,257 | 249,246,192 | 8,189,034 | 219,698,398 |
| $60,000-$65,000 | 153,756 | 9,604,070,684 | 8,889,791,455 | 571,494,100 | 8,337,017,596 | 250,234,607 | 8,851,592 | 220,710,476 |
| $65,000-$70,000 | 140,997 | 9,511,939,452 | 8,831,407,707 | 546,048,500 | 8,299,846,771 | 256,118,844 | 10,327,830 | 225,499,513 |
| $70,000-$75,000 | 127,739 | 9,256,094,669 | 8,608,820,207 | 510,804,100 | 8,108,853,397 | 256,116,169 | 11,488,876 | 225,104,529 |
| $75,000-$80,000 | 116,404 | 9,017,087,116 | 8,400,624,608 | 478,539,800 | 7,931,568,754 | 255,605,135 | 12,024,890 | 224,649,777 |
| $80,000-$85,000 | 105,298 | 8,682,748,076 | 8,107,925,693 | 444,369,800 | 7,670,643,513 | 251,504,989 | 8,953,142 | 224,286,559 |
| $85,000-$90,000 | 95,477 | 8,350,990,424 | 7,819,656,418 | 414,092,800 | 7,412,216,594 | 247,116,748 | 7,965,329 | 221,357,625 |
| $90,000-$95,000 | 86,337 | 7,982,352,442 | 7,497,414,824 | 382,131,100 | 7,121,317,926 | 242,060,571 | 8,001,584 | 216,751,627 |
| $95,000-$100,000 | 75,868 | 7,393,315,686 | 6,973,014,164 | 343,318,400 | 6,634,503,257 | 229,907,849 | 7,630,568 | 206,091,996 |
| $100,000-$125,000 | 262,459 | 29,155,055,050 | 27,708,280,384 | 1,236,960,800 | 26,485,817,527 | 965,100,392 | 32,469,234 | 864,481,735 |
| $125,000-$150,000 | 131,831 | 17,956,992,511 | 17,170,166,140 | 641,228,100 | 16,535,197,886 | 655,132,731 | 22,252,173 | 580,421,794 |
| $150,000-$175,000 | 76,744 | 12,390,722,435 | 11,914,542,314 | 377,775,700 | 11,539,831,938 | 485,118,052 | 16,432,010 | 423,683,959 |
| $175,000-$200,000 | 47,688 | 8,899,684,166 | 8,589,372,948 | 233,916,600 | 8,357,438,624 | 366,046,154 | 12,110,314 | 316,331,233 |
| $200,000-$250,000 | 54,326 | 12,071,235,779 | 11,722,115,376 | 266,915,300 | 11,459,240,210 | 524,946,293 | 16,635,036 | 447,071,782 |
| $250,000-$300,000 | 28,256 | 7,702,839,121 | 7,526,170,481 | 139,082,100 | 7,387,857,591 | 356,778,577 | 10,347,848 | 296,332,148 |
| $300,000-$350,000 | 17,401 | 5,622,027,702 | 5,533,283,353 | 87,024,700 | 5,446,624,840 | 272,755,138 | 6,481,724 | 222,792,396 |
| $350,000-$400,000 | 11,699 | 4,371,257,307 | 4,308,132,322 | 58,548,000 | 4,250,329,585 | 218,273,080 | 4,203,902 | 175,366,887 |
| $400,000-$450,000 | 8,528 | 3,613,717,875 | 3,582,387,469 | 43,443,500 | 3,539,108,029 | 185,200,850 | 2,935,647 | 145,917,138 |
| $450,000-$500,000 | 6,527 | 3,096,591,806 | 3,073,122,536 | 32,998,700 | 3,040,301,924 | 161,402,080 | 2,205,529 | 124,530,973 |
| $500,000-$750,000 | 18,288 | 11,046,065,861 | 11,001,227,320 | 92,670,400 | 10,912,442,268 | 594,009,111 | 6,281,062 | 444,422,045 |
| $750,000-$1,000,000 | 7,804 | 6,720,905,515 | 6,732,434,498 | 39,638,900 | 6,692,822,576 | 374,125,167 | 2,539,288 | 261,603,870 |
| $1,000,000-$1,500,000 | 6,845 | 8,306,715,610 | 8,327,528,521 | 33,809,600 | 8,293,792,949 | 471,739,216 | 2,137,016 | 294,035,902 |
| $1,500,000-$2,000,000 | 3,159 | 5,440,040,036 | 5,466,359,253 | 15,252,400 | 5,451,106,853 | 313,891,094 | 930,150 | 167,448,308 |
| $2,000,000-$3,000,000 | 3,115 | 7,586,350,475 | 7,615,948,089 | 14,803,600 | 7,601,155,795 | 441,412,289 | 833,300 | 208,711,759 |
| $3,000,000-$4,000,000 | 1,591 | 5,505,745,165 | 5,515,430,977 | 7,673,800 | 5,507,790,082 | 321,764,503 | 408,200 | 134,410,511 |
| $4,000,000-$5,000,000 | 955 | 4,256,722,167 | 4,277,024,451 | 4,709,000 | 4,272,501,278 | 250,401,350 | 225,550 | 92,147,814 |
| $5,000,000-$10,000,000 | 1,981 | 13,720,857,470 | 13,721,397,700 | 9,441,800 | 13,711,955,900 | 806,734,005 | 456,300 | 235,844,937 |
| Over $10,000,000 | 1,853 | 72,452,042,746 | 72,304,430,457 | 9,066,100 | 72,295,391,668 | 4,278,182,337 | 373,750 | 389,365,766 |
| **Totals** | **5,322,358** | **$403,188,956,660** | **$388,242,570,336** | **$17,816,867,000** | **$372,934,954,076** | **$15,776,162,119** | **$251,831,440** | **$9,039,299,539** |

Source: Ohio Department of Taxation

[1]As reported on returns due April 15, 2013.

[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, non-refundable business tax credits account for the largest amount of credit value, totalling $6.1 billion.

Table 4

**Comparison of 2011 and 2012 Individual Income Tax Returns**

| Income Level | Number of Returns | | Federal Adjusted Gross Income | | Ohio Taxable Income | | Joint Filer Credit | | Ohio Income Tax Liability | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| | | | | | | | | | | |
| Under $5,000 | 374,688 | 365,655 | $862,588,102 | ($620,462,728) | $542,813,044 | $420,511,617 | $34,185 | $10,827 | $4,803,884 | $1,845,048 |
| $5,001-$10,000 | 425,278 | 414,649 | 3,210,616,716 | 3,129,724,929 | 2,107,440,130 | 2,039,565,976 | 4,160 | 3,644 | 440,881 | 268,323 |
| $10,001-$15,000 | 444,761 | 433,910 | 5,562,808,448 | 5,427,027,425 | 4,099,549,906 | 3,985,016,148 | 22,307 | 15,683 | 15,318,244 | 14,293,506 |
| $15,001-$20,000 | 411,698 | 403,748 | 7,185,645,627 | 7,044,317,290 | 5,658,824,983 | 5,514,815,288 | 223,501 | 186,778 | 49,943,901 | 47,362,467 |
| $20,001-$40,000 | 1,281,115 | 1,279,522 | 37,614,388,301 | 37,553,397,164 | 31,534,874,752 | 31,336,587,790 | 8,886,765 | 7,916,959 | 552,677,824 | 541,063,682 |
| $40,001-$80,000 | 1,358,021 | 1,370,844 | 77,527,772,148 | 78,329,977,156 | 67,649,542,174 | 68,019,068,445 | 75,153,716 | 70,888,891 | 1,747,389,266 | 1,741,057,750 |
| $80,001-$100,000 | 352,256 | 362,980 | 31,428,548,976 | 32,409,406,628 | 28,129,679,275 | 28,838,681,291 | 32,512,223 | 32,550,624 | 856,316,695 | 868,487,806 |
| $100,001-$200,000 | 487,106 | 518,722 | 64,080,924,887 | 68,402,454,162 | 59,233,782,375 | 62,918,285,975 | 79,337,891 | 83,263,732 | 2,078,971,505 | 2,184,918,721 |
| $200,000 & above | 149,972 | 172,328 | 125,262,864,230 | 171,513,114,635 | 125,061,544,801 | 169,862,421,548 | 49,209,523 | 56,994,302 | 2,933,274,735 | 3,640,002,235 |
| | | | | | | | | | | |
| **Totals** | **5,284,895** | **5,322,358** | **$352,736,157,435** | **$403,188,956,660** | **$324,018,051,441** | **$372,934,954,076** | **$245,384,271** | **$251,831,440** | **$8,239,136,937** | **$9,039,299,539** |

Source: Ohio Department of Taxation

Table 5

**Comparison of 2011 and 2012 Individual Income Tax Returns with Tax Liability**

| Income Level | Number of Returns with Tax Liability | | Ohio Income Tax | |
|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 |
| Under $5,000 | 686 | 391 | $4,803,884 | $1,845,048 |
| $5,001-$10,000 | 540 | 461 | 440,881 | 268,323 |
| $10,001-$15,000 | 158,866 | 154,007 | 15,318,244 | 14,293,506 |
| $15,001-$20,000 | 308,195 | 300,203 | 49,943,901 | 47,362,467 |
| $20,001-$40,000 | 1,182,925 | 1,176,184 | $552,677,824 | $541,063,682 |
| $40,001-$80,000 | 1,323,184 | 1,333,761 | 1,747,389,266 | 1,741,057,750 |
| $80,001-$100,000 | 345,397 | 355,568 | 856,316,695 | 868,487,806 |
| $100,001-$200,000 | 476,894 | 507,284 | 2,078,971,505 | 2,184,918,721 |
| $200,000 & above | 143,202 | 164,627 | 2,933,274,735 | 3,640,002,235 |
| | | | | |
| **Totals** | **3,939,889** | **3,992,486** | **$8,239,136,937** | **$9,039,299,539** |

Source: Ohio Department of Taxation

| Table 6 | | | | | | |
|---|---|---|---|---|---|---|
| **2012 All Ohio Individual Income Tax Returns** | | | | | | |
| **Income Level** | **Number of Returns** | **FAGI** | **Ohio Taxable Income** | **Joint Filer Credit** | **Ohio Income Tax** | **Effective Tax Rate[1]** |
| Under $5,000 | 365,655 | ($620,462,728) | $420,511,617 | $10,827 | $1,845,048 | (0.30%) |
| $5,001-$10,000 | 414,649 | 3,129,724,929 | 2,039,565,976 | 3,644 | 268,323 | 0.01% |
| $10,001-$15,000 | 433,910 | 5,427,027,425 | 3,985,016,148 | 15,683 | 14,293,506 | 0.26% |
| $15,001-$20,000 | 403,748 | 7,044,317,290 | 5,514,815,288 | 186,778 | 47,362,467 | 0.67% |
| $20,001-$40,000 | 1,279,522 | 37,553,397,164 | 31,336,587,790 | 7,916,959 | 541,063,682 | 1.44% |
| $40,001-$80,000 | 1,370,844 | 78,329,977,156 | 68,019,068,445 | 70,888,891 | 1,741,057,750 | 2.22% |
| $80,001-$100,000 | 362,980 | 32,409,406,628 | 28,838,681,291 | 32,550,624 | 868,487,806 | 2.68% |
| $100,001-$200,000 | 518,722 | 68,402,454,162 | 62,918,285,975 | 83,263,732 | 2,184,918,721 | 3.19% |
| $200,000 & above | 172,328 | 171,513,114,635 | 169,862,421,548 | 56,994,302 | 3,640,002,235 | 2.12% |
| | | | | | | |
| **Totals** | **5,322,358** | **$403,188,956,660** | **$372,934,954,076** | **$251,831,440** | **$9,039,299,539** | **2.24%** |

Source: Ohio Department of Taxation

| Table 7 | | | | | |
|---|---|---|---|---|---|
| **2012 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status** | | | | | |
| **Income Level** | **Number of Returns** | **FAGI** | **Ohio Taxable Income** | **Ohio Income Tax Liability** | **Effective Tax Rate[1]** |
| Under $5,000 | 19,795 | ($1,541,543,259) | $44,273,981 | $1,470,786 | (0.10%) |
| $5,001-$10,000 | 33,621 | 260,500,114 | 87,751,596 | 120,256 | 0.05% |
| $10,001-$15,000 | 54,815 | 695,003,012 | 369,716,478 | 273,409 | 0.04% |
| $15,001-$20,000 | 68,112 | 1,194,171,301 | 760,195,899 | 2,496,397 | 0.21% |
| $20,001-$40,000 | 297,843 | 8,969,632,241 | 6,474,561,107 | 81,208,520 | 0.91% |
| $40,001-$80,000 | 628,515 | 37,733,752,858 | 31,225,044,985 | 750,053,912 | 1.99% |
| $80,001-$100,000 | 269,010 | 24,084,306,250 | 21,124,287,064 | 625,491,756 | 2.60% |
| $100,001-$200,000 | 427,927 | 56,665,701,062 | 51,882,776,254 | 1,793,768,961 | 3.17% |
| $200,000 & above | 145,540 | 139,860,524,351 | 138,457,082,114 | 3,092,405,267 | 2.21% |
| | | | | | |
| **Totals** | **1,945,178** | **$267,922,047,930** | **$250,425,689,479** | **$6,347,289,264** | **2.37%** |

Source: Ohio Department of Taxation

| Table 8 | | | | | |
|---|---|---|---|---|---|
| **2012 Ohio Individual Income Tax Returns Claiming Single Filing Status** | | | | | |
| **Income Level** | **Number of Returns** | **FAGI** | **Ohio Taxable Income** | **Ohio Income Tax Liability** | **Effective Tax Rate[1]** |
| Under $5,000 | 341,892 | $911,189,993 | $371,438,974 | $354,145 | 0.04% |
| $5,001-$10,000 | 374,642 | 2,820,268,784 | 1,920,969,270 | 133,161 | 0.00% |
| $10,001-$15,000 | 370,083 | 4,618,270,539 | 3,529,807,043 | 13,574,091 | 0.29% |
| $15,001-$20,000 | 320,185 | 5,575,827,009 | 4,528,313,286 | 42,291,739 | 0.76% |
| $20,001-$40,000 | 868,394 | 25,097,888,723 | 21,786,602,089 | 398,323,140 | 1.59% |
| $40,001-$80,000 | 581,774 | 31,731,964,518 | 28,625,861,380 | 764,591,984 | 2.41% |
| $80,001-$100,000 | 68,644 | 6,076,945,344 | 5,573,964,268 | 172,455,666 | 2.84% |
| $100,001-$200,000 | 67,159 | 8,737,257,958 | 8,146,515,040 | 282,439,416 | 3.23% |
| $200,000 & above | 22,018 | 23,114,827,070 | 22,920,529,164 | 453,926,398 | 1.96% |
| | | | | | |
| **Totals** | **3,014,791** | **$108,684,439,937** | **$97,404,000,513** | **$2,128,089,738** | **1.96%** |

Source: Ohio Department of Taxation

[1] Ohio income tax divided by FAGI. Resident and non-resident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and non-resident income.

| Table 9 | | | | | |
|---|---|---|---|---|---|
| **2012 Ohio Individual Income Tax Returns Claiming Married Filing Separate Status** | | | | | |
| **Income Level** | **Number of Returns** | **FAGI** | **Ohio Taxable Income** | **Ohio Income Tax Liability** | **Effective Tax Rate[1]** |
| Under $5,000 | 3,968 | $9,890,538 | $4,798,662 | $20,117 | 0.20% |
| $5,001-$10,000 | 6,386 | 48,956,031 | 30,845,110 | 14,906 | 0.03% |
| $10,001-$15,000 | 9,012 | 113,753,874 | 85,492,627 | 446,006 | 0.39% |
| $15,001-$20,000 | 15,451 | 274,318,980 | 226,306,103 | 2,574,332 | 0.94% |
| $20,001-$40,000 | 113,285 | 3,485,876,200 | 3,075,424,593 | 61,532,023 | 1.77% |
| $40,001-$80,000 | 160,555 | 8,864,259,780 | 8,168,162,080 | 226,411,855 | 2.55% |
| $80,001-$100,000 | 25,326 | 2,248,155,034 | 2,140,429,958 | 70,540,385 | 3.14% |
| $100,001-$200,000 | 23,636 | 2,999,495,142 | 2,888,994,681 | 108,710,344 | 3.62% |
| $200,000 & above | 4,770 | 8,537,763,214 | 8,484,810,270 | 93,670,570 | 1.10% |
| | | | | | |
| **Totals** | **362,389** | **$26,582,468,793** | **$25,105,264,085** | **$563,920,537** | **2.12%** |

Source: Ohio Department of Taxation
[1] Ohio income tax divided by FAGI. Resident and non-resident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and non-resident income.

| Table 10 | | | | |
|---|---|---|---|---|
| **2012 Ohio Individual Income Tax Returns by Ohio Taxable Income Level** | | | | |
| **Income Level** | **Number of Returns** | **$20 Exemption Credit** | **Joint Filer Credit** | **Ohio Income Tax** |
| Under $5,000 | 365,655 | $8,750,260 | $10,827 | $1,845,048 |
| $5,001-$10,000 | 414,649 | 11,479,040 | 3,644 | 268,323 |
| $10,001-$15,000 | 433,910 | 13,952,300 | 15,683 | 14,293,506 |
| $15,001-$20,000 | 403,748 | 13,860,580 | 186,778 | 47,362,467 |
| $20,001-$40,000 | 1,279,522 | 45,899,880 | 7,916,959 | 541,063,682 |
| $40,001-$80,000 | 1,370,844 | 57,681,420 | 70,888,891 | 1,741,057,750 |
| $80,001-$100,000 | 362,980 | 18,634,260 | 32,550,624 | 868,487,806 |
| $100,001-$200,000 | 518,722 | 29,292,720 | 83,263,732 | 2,184,918,721 |
| $200,000 & above | 172,328 | 10,059,740 | 56,994,302 | 3,640,002,235 |
| | | | | |
| **Totals** | **5,322,358** | **$209,610,200** | **$251,831,440** | **$9,039,299,539** |

Source: Ohio Department of Taxation

| Table 11 | | | | | |
|---|---|---|---|---|---|
| 2012 Ohio Individual Income Tax Returns Claiming the Joint Filer Credit, by Income Level | | | | | |
| Income Level | Number of Returns | FAGI | Ohio Taxable Income | Ohio Income Tax Liability | Effective Tax Rate |
| Under $5,000 | 44 | ($7,609,202) | $14,794,486 | $550,729 | (7.24%) |
| $5,001-$10,000 | 36 | 293,585 | 1,456,400 | 38,397 | 13.08% |
| $10,001-$15,000 | 1,040 | 14,753,629 | 12,470,305 | 79,220 | 0.54% |
| $15,001-$20,000 | 9,493 | 170,002,706 | 128,280,725 | 768,233 | 0.45% |
| $20,001-$40,000 | 122,899 | 3,879,854,044 | 3,062,810,003 | 39,403,520 | 1.02% |
| $40,001-$80,000 | 437,836 | 26,725,800,760 | 22,869,313,088 | 544,231,820 | 2.04% |
| $80,001-$100,000 | 217,481 | 19,490,174,935 | 17,446,818,799 | 517,241,667 | 2.65% |
| $100,001-$200,000 | 351,421 | 46,377,155,587 | 42,998,321,844 | 1,489,848,897 | 3.21% |
| $200,000 & above | 97,973 | 72,509,377,556 | 71,683,292,537 | 1,923,026,843 | 2.65% |
| | | | | | |
| **Totals** | **1,238,223** | **$169,159,803,600** | **$158,217,558,186** | **$4,515,189,325** | **2.67%** |

Source: Ohio Department of Taxation

| Table 12 | | | | | | |
|---|---|---|---|---|---|---|
| 2012 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 | Ohio Income Tax Liability |
| Under $5,000 | 31,750 | ($1,235,138,266) | $36,222,857 | $1,587,480 | $1,158,084 | $510,776 |
| $5,001-$10,000 | 53,360 | 411,579,707 | 215,006,742 | 2,667,945 | 5,018,832 | 50,280 |
| $10,001-$15,000 | 79,475 | 999,797,651 | 657,373,485 | 3,973,738 | 10,900,838 | 262,552 |
| $15,001-$20,000 | 71,776 | 1,248,402,337 | 874,519,872 | 3,588,725 | 10,688,550 | 1,213,367 |
| $20,001-$40,000 | 201,129 | 5,865,044,334 | 4,011,609,610 | 10,056,312 | 31,207,300 | 31,863,326 |
| $40,001-$80,000 | 226,794 | 13,038,419,659 | 8,991,643,558 | 11,339,584 | 35,340,288 | 177,458,503 |
| $80,001-$100,000 | 60,947 | 5,434,415,928 | 3,950,875,612 | 3,047,350 | 9,463,645 | 103,312,356 |
| $100,001-$200,000 | 81,189 | 10,782,872,388 | 8,659,533,219 | 4,059,361 | 11,907,911 | 280,874,272 |
| $200,000 & above | 32,641 | 46,781,526,777 | 45,998,847,928 | 1,632,020 | 3,882,929 | 750,179,601 |
| | | | | | | |
| **Totals** | **839,061** | **$83,326,920,515** | **$73,395,632,882** | **$41,952,515** | **$119,568,377** | **$1,345,725,033** |

Source: Ohio Department of Taxation

Table 13

2012 Ohio Individual Income Tax Returns, by County

| County | Number of Returns | FAGI | Ohio Income Tax Liability | County | Number of Returns | FAGI | Ohio Income Tax Liability |
|---|---|---|---|---|---|---|---|
| Adams | 10,698 | $445,139,746 | $10,668,506 | Lorain | 137,919 | $7,485,009,659 | $208,933,109 |
| Allen | 46,195 | $2,301,132,572 | $63,281,459 | Lucas | 185,255 | $9,863,879,347 | $284,072,607 |
| Ashland | 23,405 | $1,079,238,816 | $27,507,289 | Madison | 18,011 | $1,034,510,713 | $31,247,371 |
| Ashtabula | 42,126 | $1,797,868,776 | $42,958,800 | Mahoning | 104,536 | $5,332,456,719 | $149,372,172 |
| Athens | 21,140 | $976,597,584 | $25,134,167 | Marion | 26,401 | $1,200,084,634 | $30,785,648 |
| Auglaize | 21,820 | $1,146,484,949 | $31,925,763 | Medina | 84,909 | $5,506,540,039 | $169,200,316 |
| Belmont | 29,628 | $1,534,855,314 | $42,676,029 | Meigs | 8,461 | $348,580,670 | $7,741,128 |
| Brown | 17,911 | $760,357,918 | $17,475,862 | Mercer | 20,021 | $1,041,558,062 | $30,098,299 |
| Butler | 161,715 | $9,455,845,305 | $274,517,206 | Miami | 48,088 | $2,573,388,728 | $71,504,566 |
| Carroll | 12,320 | $622,192,847 | $17,075,359 | Monroe | 6,438 | $417,125,508 | $14,113,485 |
| Champaign | 16,948 | $790,236,332 | $19,867,376 | Montgomery | 233,906 | $12,569,176,974 | $353,828,301 |
| Clark | 59,751 | $2,738,684,086 | $67,648,070 | Morgan | 5,422 | $212,121,129 | $4,629,332 |
| Clermont | 89,336 | $5,365,508,955 | $157,681,778 | Morrow | 14,381 | $650,771,085 | $15,954,490 |
| Clinton | 18,670 | $989,121,950 | $24,167,017 | Muskingum | 36,748 | $1,703,902,756 | $45,141,405 |
| Columbiana | 45,658 | $2,024,890,014 | $57,420,251 | Noble | 5,245 | $321,129,961 | $10,287,001 |
| Coshocton | 15,354 | $634,571,234 | $14,686,376 | Ottawa | 20,476 | $1,083,725,627 | $28,823,198 |
| Crawford | 19,851 | $810,577,546 | $18,954,748 | Paulding | 8,634 | $400,978,598 | $10,134,228 |
| Cuyahoga | 570,450 | $34,942,004,805 | $1,096,618,107 | Perry | 14,064 | $586,794,471 | $13,653,031 |
| Darke | 24,152 | $1,109,341,984 | $28,837,202 | Pickaway | 22,657 | $1,179,144,340 | $31,958,417 |
| Defiance | 18,092 | $858,625,803 | $21,825,060 | Pike | 10,994 | $471,733,580 | $11,219,054 |
| Delaware | 81,645 | $8,093,301,845 | $293,507,769 | Portage | 71,656 | $3,907,443,215 | $110,560,468 |
| Erie | 36,855 | $1,883,457,781 | $52,246,368 | Preble | 17,955 | $811,459,501 | $19,579,243 |
| Fairfield | 64,193 | $3,729,557,635 | $106,452,465 | Putnam | 16,799 | $930,668,169 | $26,868,654 |
| Fayette | 12,473 | $532,619,349 | $13,252,885 | Richland | 53,529 | $2,396,238,258 | $60,621,676 |
| Franklin | 551,934 | $33,732,101,065 | $1,039,529,982 | Ross | 31,183 | $1,405,893,073 | $35,048,246 |
| Fulton | 19,968 | $983,147,759 | $25,758,222 | Sandusky | 28,965 | $1,301,938,119 | $32,665,205 |
| Gallia | 11,534 | $549,429,477 | $14,580,392 | Scioto | 26,623 | $1,201,674,114 | $29,300,439 |
| Geauga | 44,452 | $3,828,633,637 | $137,359,129 | Seneca | 25,377 | $1,090,403,131 | $26,406,807 |
| Greene | 70,094 | $4,489,952,533 | $127,836,123 | Shelby | 23,056 | $1,171,252,464 | $32,872,182 |
| Guernsey | 16,805 | $874,780,726 | $25,683,081 | Stark | 172,019 | $8,966,288,594 | $252,659,945 |
| Hamilton | 364,948 | $25,521,286,234 | $853,019,691 | Summit | 249,317 | $14,966,873,860 | $460,449,758 |
| Hancock | 34,785 | $1,985,677,110 | $58,578,115 | Trumbull | 95,119 | $4,527,746,730 | $118,261,290 |
| Hardin | 12,756 | $563,039,270 | $13,707,223 | Tuscarawas | 42,896 | $2,019,979,549 | $52,806,893 |
| Harrison | 6,302 | $315,167,661 | $8,647,939 | Union | 22,694 | $1,476,104,226 | $45,329,170 |
| Henry | 13,313 | $661,341,164 | $17,241,229 | Van Wert | 13,459 | $626,707,355 | $15,936,220 |
| Highland | 16,960 | $680,005,306 | $15,671,434 | Vinton | 4,409 | $172,484,095 | $3,792,298 |
| Hocking | 11,705 | $496,570,900 | $11,819,645 | Warren | 97,158 | $7,539,701,929 | $248,513,421 |
| Holmes | 15,331 | $715,451,474 | $19,875,118 | Washington | 26,853 | $1,358,589,837 | $35,633,462 |
| Huron | 27,847 | $1,228,848,974 | $30,283,919 | Wayne | 51,597 | $2,545,059,526 | $68,385,650 |
| Jackson | 12,712 | $566,281,662 | $14,171,491 | Williams | 17,693 | $778,634,638 | $19,416,012 |
| Jefferson | 28,948 | $1,409,317,373 | $36,923,118 | Wood | 57,973 | $3,398,141,042 | $99,527,959 |
| Knox | 25,611 | $1,305,477,116 | $36,339,495 | Wyandot | 10,820 | $508,038,820 | $13,574,333 |
| Lake | 115,529 | $6,604,227,029 | $191,284,173 | County total | 5,152,341 | $294,421,051,730 | $8,702,479,994 |
| Lawrence | 24,218 | $1,083,143,628 | $25,609,844 | | | | |
| Licking | 74,940 | $4,058,935,271 | $112,512,802 | Other* | 170,017 | $108,767,904,930 | $336,819,545 |
| Logan | 21,547 | $1,062,090,371 | $28,755,425 | **State total** | **5,322,358** | **$403,188,956,660** | **$9,039,299,539** |

Source: Ohio Department of Taxation

*Includes non-resident returns.

**Table 14**

**Rank of Counties by Average Income as Reported on 2012 Ohio Individual Income Tax Returns**

| County | FAGI | Percentage of State Average | Rank | | County | FAGI | Percentage of State Average | Rank |
|---|---|---|---|---|---|---|---|---|
| Adams | $41,610 | 72.8% | 82 | | Logan | $49,292 | 86.3% | 45 |
| Allen | $49,813 | 87.2% | 42 | | Lorain | $54,271 | 95.0% | 22 |
| Ashland | $46,111 | 80.7% | 59 | | Lucas | $53,245 | 93.2% | 26 |
| Ashtabula | $42,678 | 74.7% | 78 | | Madison | $57,438 | 100.5% | 17 |
| Athens | $46,197 | 80.8% | 58 | | Mahoning | $51,011 | 89.3% | 36 |
| Auglaize | $52,543 | 91.9% | 29 | | Marion | $45,456 | 79.5% | 62 |
| Belmont | $51,804 | 90.7% | 34 | | Medina | $64,852 | 113.5% | 6 |
| Brown | $42,452 | 74.3% | 79 | | Meigs | $41,199 | 72.1% | 84 |
| Butler | $58,472 | 102.3% | 15 | | Mercer | $52,023 | 91.0% | 33 |
| Carroll | $50,503 | 88.4% | 40 | | Miami | $53,514 | 93.6% | 25 |
| Champaign | $46,627 | 81.6% | 54 | | Monroe | $64,791 | 113.4% | 7 |
| Clark | $45,835 | 80.2% | 61 | | Montgomery | $53,736 | 94.0% | 24 |
| Clermont | $60,060 | 105.1% | 12 | | Morgan | $39,122 | 68.5% | 87 |
| Clinton | $52,979 | 92.7% | 27 | | Morrow | $45,252 | 79.2% | 63 |
| Columbiana | $44,349 | 77.6% | 71 | | Muskingum | $46,367 | 81.1% | 57 |
| Coshocton | $41,329 | 72.3% | 83 | | Noble | $61,226 | 107.1% | 10 |
| Crawford | $40,833 | 71.5% | 85 | | Ottawa | $52,927 | 92.6% | 28 |
| Cuyahoga | $61,253 | 107.2% | 9 | | Paulding | $46,442 | 81.3% | 56 |
| Darke | $45,932 | 80.4% | 60 | | Perry | $41,723 | 73.0% | 81 |
| Defiance | $47,459 | 83.1% | 50 | | Pickaway | $52,043 | 91.1% | 32 |
| Delaware | $99,128 | 173.5% | 1 | | Pike | $42,908 | 75.1% | 76 |
| Erie | $51,105 | 89.4% | 35 | | Portage | $54,531 | 95.4% | 21 |
| Fairfield | $58,099 | 101.7% | 16 | | Preble | $45,194 | 79.1% | 64 |
| Fayette | $42,702 | 74.7% | 77 | | Putnam | $55,400 | 96.9% | 20 |
| Franklin | $61,116 | 107.0% | 11 | | Richland | $44,765 | 78.3% | 68 |
| Fulton | $49,236 | 86.2% | 46 | | Ross | $45,085 | 78.9% | 66 |
| Gallia | $47,636 | 83.4% | 48 | | Sandusky | $44,949 | 78.7% | 67 |
| Geauga | $86,130 | 150.7% | 2 | | Scioto | $45,137 | 79.0% | 65 |
| Greene | $64,056 | 112.1% | 8 | | Seneca | $42,968 | 75.2% | 75 |
| Guernsey | $52,055 | 91.1% | 31 | | Shelby | $50,800 | 88.9% | 38 |
| Hamilton | $69,931 | 122.4% | 4 | | Stark | $52,124 | 91.2% | 30 |
| Hancock | $57,084 | 99.9% | 19 | | Summit | $60,032 | 105.1% | 13 |
| Hardin | $44,139 | 77.2% | 72 | | Trumbull | $47,601 | 83.3% | 49 |
| Harrison | $50,011 | 87.5% | 41 | | Tuscarawas | $47,090 | 82.4% | 51 |
| Henry | $49,676 | 86.9% | 43 | | Union | $65,044 | 113.8% | 5 |
| Highland | $40,095 | 70.2% | 86 | | Van Wert | $46,564 | 81.5% | 55 |
| Hocking | $42,424 | 74.2% | 80 | | Vinton | $39,121 | 68.5% | 88 |
| Holmes | $46,667 | 81.7% | 53 | | Warren | $77,602 | 135.8% | 3 |
| Huron | $44,129 | 77.2% | 73 | | Washington | $50,594 | 88.5% | 39 |
| Jackson | $44,547 | 78.0% | 70 | | Wayne | $49,326 | 86.3% | 44 |
| Jefferson | $48,684 | 85.2% | 47 | | Williams | $44,008 | 77.0% | 74 |
| Knox | $50,973 | 89.2% | 37 | | Wood | $58,616 | 102.6% | 14 |
| Lake | $57,165 | 100.0% | 18 | | Wyandot | $46,954 | 82.2% | 52 |
| Lawrence | $44,725 | 78.3% | 69 | | | | | |
| Licking | $54,162 | 94.8% | 23 | | **State total** | **$57,143** | **100.0%** | |

Source: Ohio Department of Taxation

# 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, a self-assessor option exists 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 2014, the tax generated approximately $544.6 million in total revenue.

## Taxpayer

(R.C. 5727.80, 5727.81)

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

((R.C. 5727.81)

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

## 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 following schedule:

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

End users above 45 million kWh in annual consumption may register to self-assess the tax.

The self-assessment calculation was changed effective Jan. 1, 2011. The price-based portion of the tax was eliminated. Instead, self-assessors pay 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million (see recent legislation).

## Exemptions

R.C.5727.80, 5727.81)

The kWh tax does not apply to:

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

## Credits

None.

## Special Provisions

In cases where self-assessing purchasers are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality rather than the state.

## 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. To register as a sell-assessing purchaser, end users must submit an application and pay a $500 fee before May 1. The registration year begins on May 1 and ends on the following April 30.

## Disposition of Revenue

(R.C. 5727.84)

House Bill 153, enacted by the 129th General Assembly, changed the fund distribution beginning in fiscal year 2012.

**For fiscal years 2012 and thereafter:**

| | |
|---|---|
| General Revenue Fund | 88.0% |
| School District Property Tax Replacement Fund | 9.0% |
| Local Government Property Tax Replacement Fund | 3.0% |
| **Total Distribution** | **100%** |

When obligations to school districts have been met, excess revenues in the School District Property Tax Replacement Fund are to be transferred by the Office of Budget and Management to the half-mill equalization fund. Amounts in excess of that required to make the payments described in R.C. 3318.18 are then to be transferred to the General Revenue Fund.

## Administration

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

## Ohio Revised Code Citations

R.C. 5727.80 through R.C. 5727.99.

## Recent Legislation

**House Bill 492, 130th General Assembly.**

**Interest on refund claims** – H.B. 492, effective on September 17, 2014, amended R.C. 5727.91 to require the payment of interest on all KwH refund claims. Under prior law, interest was only authorized on refunds of taxes paid on an illegal or erroneous assessment.

## Comparisons with Other States

(As of July 1, 2014)

Georgia, Indiana, Kentucky, Michigan, North Carolina, Pennsylvania,, Tennessee, Texas and West Virginia do not have specific taxes on the volume of electricity consumed or distributed. In these states, electric companies may be subject to public utilities gross receipts taxes or general business taxes.

## History of Major Changes

| | |
|---|---|
| **1999** | Kilowatt-hour tax is enacted effective May 1, 2001. |
| **2000** | The General Assembly enacts the following changes:<br>• Lowers the self-assessor tax threshold from 120 million kWh of annual consumption to 45 million kWh.<br>• Caps the consumption portion of the self-assessor tax formula to 504 million kWh of annual consumption.<br>• Establishes an exemption for "qualified regeneration facilities."<br>• Allows businesses to declare that they will have enough electricity consumption in the upcoming year to self-assess and provides for a "recapture" tax if the taxpayer fails to meet the self-assessor threshold.<br>• Requires self-assessors served by a municipal electric company and located within the municipal boundary to remit the self-assessor tax to the municipality. |
| **2002** | Effective June 2, 2002, the School District Property Tax Replacement Fund's share is reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund's share is increased from 11.1 percent to 11.6 percent. |
| **2007** | After several Local Government Fund freezes, the General Revenue Fund's share of the kilowatt-hour tax is permanently changed to 63 percent. Also, the General Assembly reduces the price component for the tax paid by self-assessing purchasers from 4.0 percent to 3.5 percent effective July 1, 2008. |
| **2009** | H.B. 1 amends R.C. 5727.81 to eliminate the price-based component of the self-assessment calculation effective January 1, 2011 in favor of a flat rate of 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million. |
| **2011** | H.B. 153 changed the percentage of distribution to 88% (from 63%) to the General Revenue Fund, 9.0% (from 25.4%) to the School District Property Tax Replacement Fund, and 3% (from 11.6%) to the Local Government Property Tax Replacement Fund. |
| **2012** | House Bill 508, 129th General Assembly made technical changes to the formula used to reimburse taxing units for public utility tangible personal property tax fixed-rate levy losses and makes other minor adjustments to the formula. |

| Table 1 | | | | | |
|---|---|---|---|---|---|
| **Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2010-2014** | | | | | |
| **Fiscal Year** | **Total Collections** | **State General Revenue Fund** | **Public Library Fund[1]** | **School District Property Tax Replacement Fund** | **Local Government Property Tax Replacement Fund** |
| 2010 | $518,409,440 | $156,289,002 | $170,308,945 | $131,675,998 | $60,135,495 |
| 2011 | 535,988,378 | 153,874,661 | 183,798,018 | 136,141,048 | 62,174,652 |
| 2012 | 537,948,994 | 294,828,747 | 178,565,617 | 48,415,333 | 16,139,298 |
| 2013 | 547,544,113 | 307,230,703 | 174,608,117 | 49,278,970 | 16,426,323 |
| 2014 | 544,630,705 | 306,293,706 | 172,981,314 | 49,016,763 | 16,338,921 |
| Source: Office of Budget and Management monthly accounting report (GL070). | | | | | |

# Motor Vehicle Fuel and Use Tax

An 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 has been 28 cents per gallon since July 1, 2005. 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 only for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2014, the reported net motor fuel tax collections totaled approximately $1,825.5 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 2014 was 28 cents per gallon with collections after refunds of approximately $34.0 million.

## 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 for inflation by the Tax Commissioner.

All five levies are as follows:

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

## Deductions, Refunds, and Credits

**Deductions** (R.C. 5735.05 and 5735.06)

Dealers may deduct the following from their total gallons sold:

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

**Shrinkage allowance** (R.C. 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 by the 127th General Assembly, set this "shrinkage allowance" at the following levels for fiscal years 2008-09, which has been extended through fiscal year 2015 by House Bill 51 of the 130th General Assembly:

• 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.

**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 gasoline engines, tractors used for off-highway purposes or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was used by watercraft devoted entirely to commercial purposes such as trade or fishing; by vessels used in Boy Scout training; by vessels used or owned by railroad car ferry companies; or by vessels used or owned by federal, state or local governments;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems;[1]
- 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, exempted village, 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 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 has been 28 cents since 2005. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided the other state imposes a tax on such fuel and allows a similar credit or refund. During fiscal year 2014, $34.0 million was collected from the fuel use tax and dedicated to the Highway Operating Fund.

**Liquid Natural Gas** (R.C. 5735.013)

Unlike other forms of motor fuel that are taxed on a per-gallon basis, the tax on liquid natural gas is measured in pounds. A conversion method of finding a gallon-equivalent standard is set to either (a) the diesel gallon-equivalent standard for liquid natural gas adopted by the National Conference on Weights and Measurers or (b) if no such standard has been adopted, 6.06 pounds of liquid natural gas.

## Filing and Payment Dates

(R.C. 5735.06)

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

## 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 the first 2 percent of the motor fuel tax received for the preceding calendar month to the state Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles.[2] 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 is distributed as follows:

- $100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes 2/17 of the monthly $100,000. The remaining revenue is distributed as follows:
- 30 percent to municipal corporations in proportion to their motor vehicle registrations;[3]
- 25 percent to all counties in equal amounts;[3]
- 45 percent to the state.

[1] Revenue from the one-cent per gallon levy used in part to retire highway bonds is not refunded to transit systems.
[2] This practice began at the start of the 2010 fiscal year as a result of House Bill 1, enacted by the 128th General Assembly. It replaced a monthly distribution of up to $1.6 million during fiscal years 2008 and 2009, spelled out in uncodified law (section 209.10 of House bills 67 and 119 of the 127th General Assembly).
[3] Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to counties, townships, and municipalities.

**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;[3]
- 17.5 percent to all townships in equal amounts;[3]
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.[3]

**8 cents per gallon** (R.C. 5735.29, 5735.291) – Some 81.25 percent of this levy is to the State Highway Operating Fund. The remaining 18.75 percent is distributed to the Gasoline Excise Tax Fund. From this fund:

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

**1 cent per gallon** (R.C. 5735.30) – 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 15/17 of $100,000. The balance is distributed as follows:

- 75.0 percent to the state;
- 10.7 percent to municipalities in proportion to their motor vehicle registrations;[1]
- 9.3 percent to all counties in equal amounts;[1]
- 5.0 percent to all townships in equal amounts.[1]

## Administration

The Tax Commissioner administers the motor vehicle fuel excise tax and the motor fuel use tax.

## Ohio Revised Code Citations

Chapters 5728 and 5735.

## Recent Legislation

**House Bill 51, 130th General Assembly**

**Shrinkage Allowance** – Extends through the FY 2014–15 biennium the existing reductions in motor fuel dealers prompt payment and shrinkage allowances that applied during FY 2008-FY 2013. (Temp law sec 757.10)

**House Bill 59, 130th General Assembly**

**Motor Fuel Excise Tax on Liquid Natural Gas** – Previously, the tax on liquid natural gas was measured in gallons (like all other motor fuel). The law requires, effective from Jan. 1, 2014, the tax on liquid natural gas be measured in pounds. The law provides for a conversion process.

**Township Use of Motor Fuel Tax Revenue** – Allowed townships receiving motor fuel distributions to use the revenue to pay debt service on bonds issued to finance the purchase of road machinery and equipment, the planning, construction and maintenance of buildings that house such machinery and equipment and any highway improvement project for which the township is authorized to issue bonds.

**Electronic Filing** - Required electronic payments and provided for penalties for failure to do so.

**Exporter License** - Consolidated the two different types of exporters' licenses.

## History of Major Changes

| | | |
|---|---|---|
| 1925 | 2 cents per gallon tax enacted. | 2 cents |
| 1927 | 1 cent increase | 3 cents |
| 1929 | 1 cent increase | 4 cents |
| 1933 | 1 cent decrease | 3 cents |
| 1947 | 1 cent increase | 4 cents |
| 1953 | 1 cent increase | 5 cents |
| 1959 | 2 cent increase | 7 cents |
| 1981 | 3.3 cent increase, Ohio Motor Vehicle Use Tax becomes effective July 1, 1980. | 10.3 cents |
| 1982 | 1.4 cent increase | 11.7 cents |
| 1983 | 0.3 cent increase | 12 cents |
| 1987 | 2.7 cent increase | 14.7 cents |
| 1988 | 0.1 cent increase | 14.8 cents |
| 1989 | 3.2 cent increase | 18 cents |
| 1990 | 2 cent increase | 20 cents |
| 1991 | 1 cent increase | 21 cents |
| 1993 | 1 cent increase | 22 cents |
| 1995 | Ohio joins the International Fuel Tax Agreement (IFTA)[1] | |
| 2003 | 2 cent increase | 24 cents |
| 2004 | 2 cent increase | 26 cents |
| 2005 | 2 cent increase | 28 cents |

[1] IFTA is between the lower 48 states and Canadian provinces, and it simplifies the reporting of fuel taxes from carriers operating in more than one of these jurisdictions. IFTA is administered by the International Fuel Tax Association, an Arizona non-profit corporation. IFTA audits are conducted for Ohio by the Ohio Department of Taxation.

## Comparisons with Other States

(As of July 1, 2014)

Unless noted, the motor vehicle fuel tax rates listed in this table do not reflect the application of a state sales tax or local permissive motor vehicle fuel taxes. The rates include all other applicable state taxes, fees and levies.

| Tax Rates (cents per gallon) | | | |
|---|---|---|---|
| State | Gasoline | Diesel | Sales Tax Applicable? |
| Georgia[1] | 19.3 | 21.3 | Yes |
| Indiana[2] | 18.0 | 16.0 | Yes |
| Kentucky[3] | 32.5 | 29.5 | No |
| Michigan | 19.0 | 15.0 | Yes |
| North Carolina[4] | 37.5 | 37.5 | No |
| Ohio | 28.0 | 28.0 | No |
| Pennsylvania | 40.7 | 51.0 | No |
| Tennessee[5] | 21.4 | 18.4 | No |
| Texas | 20.0 | 20.0 | No |
| West Virginia[6] | 35.7 | 35.7 | No |

[1] Georgia levies a 7 ½ cent state excise tax and a 4% tax on sales of motor fuel, 3% of which represents fuel tax and 1 percent represents general sales tax, imposed as a cents-per-gallon rate set using a weighted average indexed retail sales price for each type of fuel, which is included in Georgia's rates, above. The full rate applies for motor fuel used off highways.

[2] Indiana sales tax and an 11 cents per gallon surcharge tax on motor carriers are not included in Indiana's rates, above.

[3] Kentucky's actual rate is 9% of the average wholesale price of gasoline received in Kentucky, rounded to the nearest one-tenth of 1% paid on a per gallon basis, and adjusted quarterly. Kentucky levies a 1.4 cents petroleum storage tank environmental assurance fee that is included in Kentucky's rates, above. Kentucky also levies a surtax at the rate of 2% of the average wholesale price that is not included in Kentucky's rates, above.

[4] North Carolina's actual rate is 17 ½ cents per gallon plus the greater of 3½ cents or 7% of the average wholesale price of motor fuel adjusted semiannually. North Carolina levies a ¼ cent inspection tax per gallon that is not included in North Carolina's rates, above.

[5] Tennessee's rates include a 1 cent per gallon petroleum tax and a ¼ cent per gallon environmental assurance fee.

[6] West Virginia's actual rate is 35.7 cents per gallon plus 5 percent of the average wholesale price of the fuel for the year, both of which are included in West Virginia's rates.

**Table 1**

**Motor Vehicle Fuel Tax Gross Collections, Refunds and Net Tax After Refunds Fiscal Years 2010-2014**

| Fiscal Year | Gross Collections | Refunds | Net Tax After Refunds |
|---|---|---|---|
| 2010 | $1,744,625,722 | $17,383,455 | $1,727,242,267 |
| 2011 | 1,775,802,181 | 18,578,258 | 1,757,223,923 |
| 2012 | 1,702,234,619 | 18,026,315 | 1,684,208,304 |
| 2013 | 1,742,705,818 | 17,705,547 | 1,725,000,271 |
| 2014 | 1,844,815,403 | 19,287,361 | 1,825,528,042 |

Source: Ohio Office of Budget and Management OAKS financial reports.

**Table 2**

**Motor Vehicle Fuel Use Tax Gross Collections, Refunds and Net Tax After Refunds Fiscal Years 2010-2014**

| Fiscal Year | Gross Collections | Refunds | Net Tax After Refunds |
|---|---|---|---|
| 2010 | $38,482,227 | $387,208 | $38,095,019 |
| 2011 | 36,167,631 | 500,392 | 35,667,239 |
| 2012 | 31,715,980 | 473,187 | 31,242,793 |
| 2013 | 32,686,515 | 552,928 | 32,133,587 |
| 2014 | 34,523,106 | 509,167 | 34,013,939 |

Source: Ohio Department of Taxation records.

**Table 3**

**Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2010-2014[1]**

| | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|---|---|
| Gasoline | $4,970,761,774 | $4,988,781,906 | $4,969,895,959 | $4,949,476,989 | $4,947,722,865 |
| Diesel | | | | 1,526,316,825 | 1,564,749,514[3] |
| Special Fuels[2] | 1,441,256,585 | 1,491,098,136 | 1,533,844,630 | 4,386,730 | 6,648,367 |
| **Total** | **$6,412,018,359** | **$6,479,880,042** | **$6,503,740,589** | **$6,480,180,544** | **$6,519,120,746** |

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

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

[2] Includes kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

[3] Diesel reported as special fuels prior to FY 2013.

Table 4

**Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County**
**Calendar Year 2013**

| Calendar Year 2013 | County | Township | Municipalities | Total | County Name | County | Township | Municipalities | Total |
|---|---|---|---|---|---|---|---|---|---|
| ADAMS | $2,299,886 | $1,281,505 | $278,337 | $3,859,728 | LOGAN | $2,299,886 | $1,453,581 | $776,037 | $4,529,505 |
| ALLEN | $2,299,886 | $1,127,432 | $1,737,054 | $5,164,372 | LORAIN | $2,299,886 | $1,560,498 | $7,466,492 | $11,326,876 |
| ASHLAND | $2,299,886 | $1,281,505 | $913,287 | $4,494,678 | LUCAS | $2,299,886 | $1,194,706 | $10,410,102 | $13,904,693 |
| ASHTABULA | $2,299,886 | $2,314,050 | $1,662,156 | $6,276,092 | MADISON | $2,299,886 | $1,196,071 | $687,837 | $4,183,795 |
| ATHENS | $2,299,886 | $1,206,449 | $605,470 | $4,111,804 | MAHONING | $2,299,886 | $1,603,891 | $3,147,344 | $7,051,121 |
| AUGLAIZE | $2,299,886 | $1,196,071 | $1,068,859 | $4,564,816 | MARION | $2,299,886 | $1,285,156 | $1,207,610 | $4,792,652 |
| BELMONT | $2,299,886 | $1,400,980 | $1,134,571 | $4,835,436 | MEDINA | $2,299,886 | $1,533,961 | $3,009,375 | $6,843,222 |
| BROWN | $2,299,886 | $1,366,938 | $464,008 | $4,130,833 | MEIGS | $2,299,886 | $1,025,291 | $200,498 | $3,525,675 |
| BUTLER | $2,299,886 | $1,686,574 | $6,053,639 | $10,040,099 | MERCER | $2,299,886 | $1,198,560 | $835,968 | $4,334,414 |
| CARROLL | $2,299,886 | $1,203,297 | $196,490 | $3,699,673 | MIAMI | $2,299,886 | $1,032,310 | $2,355,655 | $5,687,852 |
| CHAMPAIGN | $2,299,886 | $1,025,204 | $590,445 | $3,915,535 | MONROE | $2,299,886 | $1,537,806 | $146,102 | $3,983,794 |
| CLARK | $2,299,886 | $1,007,921 | $2,087,856 | $5,395,664 | MONTGOMERY | $2,299,886 | $1,125,929 | $13,503,807 | $16,929,622 |
| CLERMONT | $2,299,886 | $1,733,650 | $780,096 | $4,813,631 | MORGAN | $2,299,886 | $1,196,071 | $102,530 | $3,598,487 |
| CLINTON | $2,299,886 | $1,110,637 | $685,790 | $4,096,313 | MORROW | $2,299,886 | $1,366,938 | $243,303 | $3,910,128 |
| COLUMBIANA | $2,299,886 | $1,594,692 | $1,577,113 | $5,471,691 | MUSKINGUM | $2,299,886 | $2,170,422 | $1,084,322 | $5,554,630 |
| COSHOCTON | $2,299,886 | $1,879,540 | $527,966 | $4,707,393 | NOBLE | $2,299,886 | $1,281,505 | $100,733 | $3,682,124 |
| CRAWFORD | $2,299,886 | $1,366,938 | $964,454 | $4,631,278 | OTTAWA | $2,299,886 | $1,025,204 | $576,447 | $3,901,537 |
| CUYAHOGA | $2,299,886 | $188,031 | $35,794,332 | $38,282,250 | PAULDING | $2,299,886 | $1,025,204 | $300,224 | $3,625,314 |
| DARKE | $2,299,886 | $1,716,288 | $935,301 | $4,951,476 | PERRY | $2,299,886 | $1,196,071 | $395,013 | $3,890,970 |
| DEFIANCE | $2,299,886 | $1,025,204 | $728,438 | $4,053,528 | PICKAWAY | $2,299,886 | $1,281,505 | $784,328 | $4,365,719 |
| DELAWARE | $2,299,886 | $1,788,714 | $1,741,329 | $5,829,930 | PIKE | $2,299,886 | $1,196,071 | $217,630 | $3,713,587 |
| ERIE | $2,299,886 | $801,537 | $1,716,979 | $4,818,403 | PORTAGE | $2,299,886 | $1,585,248 | $2,287,970 | $6,173,105 |
| FAIRFIELD | $2,299,886 | $1,265,153 | $2,205,644 | $5,770,684 | PREBLE | $2,299,886 | $1,025,204 | $658,164 | $3,983,254 |
| FAYETTE | $2,299,886 | $854,337 | $521,048 | $3,675,271 | PUTNAM | $2,299,886 | $1,281,505 | $639,681 | $4,221,072 |
| FRANKLIN | $2,299,886 | $1,565,827 | $35,055,765 | $38,921,478 | RICHLAND | $2,299,886 | $1,592,107 | $2,553,113 | $6,445,106 |
| FULTON | $2,299,886 | $1,036,229 | $776,603 | $4,112,717 | ROSS | $2,299,886 | $1,398,511 | $929,668 | $4,628,065 |
| GALLIA | $2,299,886 | $1,282,714 | $178,997 | $3,761,597 | SANDUSKY | $2,299,886 | $1,037,003 | $1,014,660 | $4,351,549 |
| GEAUGA | $2,299,886 | $1,497,740 | $770,632 | $4,568,257 | SCIOTO | $2,299,886 | $1,397,049 | $693,181 | $4,390,116 |
| GREENE | $2,299,886 | $1,055,663 | $4,010,608 | $7,366,158 | SENECA | $2,299,886 | $1,281,505 | $1,191,808 | $4,773,199 |
| GUERNSEY | $2,299,886 | $1,623,941 | $514,864 | $4,438,692 | SHELBY | $2,299,886 | $1,196,071 | $1,018,543 | $4,514,500 |
| HAMILTON | $2,299,886 | $1,968,401 | $16,000,854 | $20,269,141 | STARK | $2,299,886 | $2,302,723 | $5,596,605 | $10,199,215 |
| HANCOCK | $2,299,886 | $1,465,560 | $1,756,289 | $5,521,735 | SUMMIT | $2,299,886 | $943,877 | $14,538,913 | $17,782,676 |
| HARDIN | $2,299,886 | $1,281,505 | $547,240 | $4,128,631 | TRUMBULL | $2,299,886 | $2,229,088 | $3,282,418 | $7,811,392 |
| HARRISON | $2,299,886 | $1,281,505 | $262,021 | $3,843,412 | TUSCARAWAS | $2,299,886 | $1,887,914 | $2,005,823 | $6,193,623 |
| HENRY | $2,299,886 | $1,110,637 | $540,364 | $3,950,887 | UNION | $2,299,886 | $1,196,071 | $797,097 | $4,293,055 |
| HIGHLAND | $2,299,886 | $1,456,058 | $458,188 | $4,214,133 | VAN WERT | $2,299,886 | $1,025,204 | $499,077 | $3,824,167 |
| HOCKING | $2,299,886 | $948,412 | $282,877 | $3,531,175 | VINTON | $2,299,886 | $1,025,204 | $104,908 | $3,429,998 |
| HOLMES | $2,299,886 | $1,196,071 | $171,962 | $3,667,920 | WARREN | $2,299,886 | $1,291,569 | $3,254,246 | $6,845,702 |
| HURON | $2,299,886 | $1,623,239 | $1,337,586 | $5,260,711 | WASHINGTON | $2,299,886 | $1,892,136 | $831,958 | $5,023,981 |
| JACKSON | $2,299,886 | $1,025,204 | $469,543 | $3,794,633 | WAYNE | $2,299,886 | $1,388,242 | $1,922,361 | $5,610,488 |
| JEFFERSON | $2,299,886 | $1,212,373 | $1,238,873 | $4,751,132 | WILLIAMS | $2,299,886 | $1,025,204 | $727,500 | $4,052,590 |
| KNOX | $2,299,886 | $1,890,536 | $702,034 | $4,892,456 | WOOD | $2,299,886 | $1,702,799 | $2,573,704 | $6,576,390 |
| LAKE | $2,299,886 | $572,108 | $5,963,197 | $8,835,191 | WYANDOT | $2,299,886 | $1,110,637 | $495,556 | $3,906,080 |
| LAWRENCE | $2,299,886 | $1,240,072 | $696,153 | $4,236,111 | | | | | |
| LICKING | $2,299,886 | $2,181,160 | $3,133,117 | $7,614,164 | **Total** | **$202,389,985** | **$118,239,224** | **$235,006,740** | **$555,635,948** |

Source: Ohio Department of Taxation Records

# 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 lost by school districts and local governments when the assessment rate on the personal property of natural gas distribution companies was reduced from 88 percent to 25 percent. Effective July 1, 2011, H.B. 153 (129th General Assembly) established that all revenue from the natural gas distribution tax is to be credited to the General Revenue Fund. During fiscal year 2014, the tax generated approximately $76.1 million in total revenue.

## Taxpayer

The tax is paid by companies that distribute natural gas in Ohio.

## Tax Base

(Ohio Revised Code 5727.811)

The base of the tax is 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 70,000 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. This results in a lower tax rate for the distribution company.

**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 – R.C. 5727.85)

For fiscal years 2012 and thereafter, the General Revenue Fund receives 100 percent of revenue.

## Administration

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

## Ohio Revised Code Citations

Chapter 5727.

## Recent Legislation

**House Bill 492, 130th General Assembly Interest on refund claims –** H.B. 492, effective on Sept. 17, 2014, amended R.C. 5727.91 to require the payment of interest on all Mcf refund claims. Under prior law, interest was only authorized on refunds of taxes paid on an illegal or erroneous assessment.

**House Bill 508, 129th General Assembly (effective June 6, 2012) Revenue Disposition –** Makes technical changes to the formula used to reimburse taxing units for public utility tangible personal property tax fixed-rate levy losses and makes other minor adjustments to the formula.

## History of Major Changes

| | |
|---|---|
| 2000 | Legislature enacts House Bill 287, creating the tax effective July 1, 2001. The tax is designed to replace local tax revenue that will be lost from a reduction in natural gas utility personal property tax assessment percentages. |
| 2002 | The distribution formula is changed. The share to the School District Property Tax Replacment Fund falls from 70 percent to 68.7 percent; the share to the Local Government Property Tax Replacement Fund is increased from 30 percent to 31.3 percent. |
| 2011 | The 129th General Assembly enacted H.B. 153 which allocated 100 percent of the revenue to the state's General Revenue Fund (effective July 1, 2011). |

## Comparisions with Other States

(As of July 1, 2014)

Georgia, Kentucky, Indiana, Michigan, North Carolina, Pennsylvania, Tennessee, Texas and West Virginia do not have comparable natural gas distribution based taxes.

**Table 1**

| Natural Gas Distribution Tax Collections & Distributions<br>Fiscal Years 2010 - 2014 | | | | |
|---|---|---|---|---|
| **Fiscal Year** | **Total Collections** | **School District Property Tax Replacement Fund** | **Local Government Property Tax Replacement Fund** | **General Revenue Fund** |
| 2010 | $66,372,536 | $45,597,932 | $20,774,604 | - |
| 2011 | 67,141,739 | 46,126,375 | 21,015,364 | - |
| 2012 | 60,190,655 | - | - | $60,190,655 |
| 2013 | 57,804,017 | - | - | 57,804,017 |
| 2014 | 76,109,967 | - | - | 76,109,967 |

Source: Office of Budget & Management OAKS financial report

# Pass-Through Entity and Trust Withholding Tax

The pass-through entity and trust withholding tax, enacted in 1998, is not so much a separate tax as it is a mechanism designed to collect individual income tax 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 withholding tax. See Special Provisions for details.

Many pass-through entities are not "qualifying pass-through entities" and therefore are not subject to this withholding tax. Pass-through entities not subject to the withholding tax include entities whose investors are limited to full-year Ohio resident individuals or Ohio resident estates, for example. A more complete listing of exempt pass-through entities is available in Exemptions and Exclusions.

The withholding 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 with the Department of Taxation. 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, was 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 credit based on the investors' proportionate shares 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 tax collections from qualifying pass-through entities is from taxable year 2013 and fiscal year 2014. During taxable year 2013, 13,636 pass-through entity taxpayers filed returns on form IT 1140. The total taxable year 2013 pass-through entity tax liability was about $185.3 million. In addition, 39,407 IT 4708 returns were filed for the composite income tax paid on behalf of nonresident investors in pass-through entities in taxable year 2013. Revenue from these returns amounted to about $168.2 million during fiscal year 2014.

**Entity Tax Phase-Out for Qualifying Investors**

(R.C. 5733.41)

The entity tax that a qualifying pass-through entity must withhold was phased out for qualifying investors that were also subject to the phase-out of the corporation franchise tax.

Certain investors were not subject to the phase-out rates. For these qualifying 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 investors that are 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 adjusted qualifying amounts for those qualifying equity investors who are individuals.

Before 2005, an 8.5 percent entity tax rate was uniformly applied to 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 was 5.333 percent for the 2014 taxable year and 5.421 percent for the 2013 taxable year.

## 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:

- disregarded entities and qualifying subchapter S subsidiaries if the owner is filing, or is exempt from filing, with the Ohio Department of Taxation the appropriate income or franchise tax returns
- 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; and
- qualified subchapter S subsidiary corporations (if the parent S corporation has qualifying investors, the parent S corporation is a pass-through entity which must compute the tax on a consolidated basis with all its qualifying subchapter S subsidiaries).

The following investors are not qualifying equity investors:

- pension plans or charities;
- publicly-traded partnerships;
- colleges or universities;
- investors that are public utilities in Ohio and are required to pay the Ohio public utility excise tax.
- investors that are 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.
- investors that are dealers in intangibles as defined in R.C.5725.01(B);
- real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
- non-resident individuals on whose behalf, and non-resident estates on whose behalf, the qualifying pass-through entity files Ohio form IT 4708, "Composite Income Tax Return for Certain Investors in a Pass-through Entity" for the taxable year.
- financial institutions required to pay the Ohio corporation franchise tax;
- investors that are themselves qualifying pass-through entities if the qualifying pass-through entities' investors during the three year period beginning 12 months before the first day of the investee entity's taxable year are limited to those investors set forth in any of the items, above (or any combination thereof).
- all subchapter C corporations, except for the relatively small number described in R.C. 5733.01(G)(1)(b);
- investors that are themselves pass-through entities, but only if the owners of those other pass-through entities are limited to (i) individuals who are full-year residents of Ohio, (ii) estates domiciled in Ohio, (iii) nonresident individuals on whose behalf those other pass-through entities file Ohio form IT 4708, "Composite Income Tax Return for Certain Investors in a Pass-through Entity," and/or (iv) nonresident estates on whose behalf those other pass-through entities file Ohio form IT 4708, "Composite Income Tax Return for Certain Investors in a Pass-through Entity" for the taxable year.
- investors that satisfy all the following:
  - 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;

– the investor makes a good faith and reasonable effort to comply with the corporation franchise tax reporting and payment requirements; and

– 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.

Investors that are either trusts or funds whose beneficiaries are limited to the following during the taxable year of the qualifying pass-through entity:

- beneficiaries of a pension plan trust, profit-sharing trust, a stock bonus plan trust or similar retirement trust;
- 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
- 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.

Investors that are "investment pass-through entities" (defined below.), but only if the investment pass-through entity provides to the qualifying pass-through entity the name, address and Social Security number or federal employer identification number (FEIN) 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:

- The trust will file the IRS form 1041, U.S. Income Tax Return for Estates and Trusts;
- The trust has at least one beneficiary who is neither a full-year Ohio resident individual nor an Ohio resident estate;
- The trust makes a distribution to a nonresident beneficiary; and
- The trust makes a distribution to a nonresident beneficiary, and the distribution directly or indirectly 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 entity 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:

- the investing entity is not an "investment pass-through entity" (see below);
- the investing entity acknowledges that it has nexus with Ohio during the taxable year;
- the investing entity makes a good faith effort to comply with the 8.5 percent entity tax or the 5 percent withholding tax, as applicable; and
- the investing entity 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:

- Transaction fees earned in connection with the acquisition, ownership or disposition of intangible property.
- Loan fees
- Financing fees
- Consent fees
- Waiver fees
- Application fees
- Net management fees (management fees that the pass through entity earns or receives from all sources reduced by the management fees that the pass-through entity incurs or pays to any person), but only if such net management fees do not exceed 5 percent of the pass-through entity's profit.
- Dividend income

- Interest income
- Net capital gains from the sale or exchange of intangible property,
- 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 equity investor in an investment pass-through entity is deemed to be an equity 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 is the product of the adjusted qualifying amount that would otherwise pass-through to the investment pass-through entity, multiplied by 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 entity 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 1120S), 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 by 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 IT 1140 withholding tax and the form IT 4708 tax is treated as individual income tax revenue.

## Administration

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

## Ohio Revised Code Citations

Chapters 5733 and 5747.

## Recent Legislation

**House Bill 58, 129th General Assembly, (Internal Revenue Code (I.R.C.) conformity –** The bill amended the definition of "Internal Revenue Code as amended" found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from December 15, 2010 (the effective date of H.B. 495's amendment to R.C. 11) through March 7, 2011 (the effective date of H.B. 58's amendment of R.C. 5701.11).

**Senate Bill 28, 130th General Assembly, (Internal Revenue Code (I.R.C.) conformity) –** The bill amended the definition of "Internal Revenue Code as amended" found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from Dec. 20, 2012 (the effective date of H.B. 472's amendment to R.C. 5701.11) through March 22, 2013 (the effective date of S.B. 28's amendment of R.C. 5701.11).

**Federal tax law changes –** The bill incorporated into Ohio's tax laws all Internal Revenue Code changes made between Dec. 20, 2012 and March 22, 2013.

## History of Major Changes

| | |
|---|---|
| 1998 | General Assembly enacts tax at a rate of 5 percent on individual qualifying investors and 8.5 percent on non-individual qualifying investors. |
| 2002 | Ohio decouples from federal accelerated depreciation laws, requiring a 5⁄6 add back for bonus depreciation. |
| 2003 | House Bill 127 revises Ohio's method of situsing sales in Ohio as part of the sales factor for apportioning corporation and trust income. In determining the situs of sales in Ohio for sales factor apportionment, the "cost of performance" standard is replaced with a "market-theory" approach based on where the taxpayer's customer enjoys the benefit of the taxpayer's sale. |

**History of Major Changes - continued**

| | |
|---|---|
| 2005 | House Bill 66 launches a gradual phase-out of the 8.5 percent entity withholding tax rate for that portion of adjusted qualifying amounts pertaining to investors subject to the phase-out of the corporation franchise tax. The phase-out is complete in 2009. |

## Comparisons with Other States

(as of July, 2013)

The Ohio pass-through entity tax is a withholding tax on the distributive shares of income of qualifying investors.

The states with a tax most closely approximating the Ohio pass-through entity tax are those requiring withholding tax on the pass-through entity income of nonresident investors.

These states include **California, Illinois, Indiana, Kentucky, Massachusetts, Michigan, New Jersey, New York, Pennsylvania,** and **West Virginia.** This listing does not reflect taxes imposed by many states on certain types of income, such as the capital gains, built-in gains, and excess net passive income of "S" corporations, or any other type of entity-level tax.

**Table 1**

**Pass-Through Entity Tax Liability (Form IT-1140), Tax Years 2010-2013 (in millions)**

| Tax Year | Total Pass-Through Entity Tax Liability |
|---|---|
| 2010 | $126.2 |
| 2011 | 139.6 |
| 2012 | 190.5 |
| 2013 | 185.3 |
| Source: Ohio Department of Taxation records | |

**Table 2**

**Collections from Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708) Fiscal Years 2010-2014 (figures in millions)**

| Fiscal Year | Revenue Collected |
|---|---|
| 2010 | $114.5 |
| 2011 | 156.9 |
| 2012 | 155.6 |
| 2013 | 205.6 |
| 2014 | 168.2 |
| Source: Ohio Department of Taxation records | |

# Public Utility Excise Tax

Ohio's public utility excise tax is a tax on the privilege of doing business in Ohio, measured by gross receipts, which dates back to 1894.

Classes of utilities liable for the tax include natural gas, heating, pipeline, telegraph, water transportation and water works companies. Companies liable for this excise tax do not pay 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 $98.8 million in public utility excise tax liabilities were reported during the 2013 tax year. Of this, natural gas companies accounted for about 94 percent of total tax reported.

Total revenue collected from the public utility tax amounted to almost $106.0 million in fiscal year 2014. All of this revenue 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 Ohio no longer has telegraph companies, such companies would also be subject to the tax.

Public utilities owned by municipal corporations are exempt from the tax. So are all telephone companies, inter-exchange telecommunications companies, electric companies, rural electric companies, nonprofit water companies and railroads.

## Tax Base

(Ohio Revised Code 5727.01)

The tax is measured by taxable gross receipts.

## Rates

(R.C. 5727.25 and 5727.38)

The tax rate is 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers. A minimum tax of $50 applies each tax year.

## Exemptions and Deductions

(R.C. 5727.05, 5727.33)

All companies receive a standard annual deduction of $25,000. Since May 1, 2000, natural gas companies that pay quarterly have instead received 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 due 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

**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)

Traditionally, by statute, the bulk of public utility excise tax revenue was distributed to the General Revenue Fund, and the remainder was divided among the local government funds. However, House Bill 119, the fiscal year 2008-09 operating budget bill enacted in 2007, revised the structure, formula and the revenue accounting associated with the local government funds.

Beginning in January 2008, all revenues from the public utility excise tax were directed to the General Revenue Fund. 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.

## History of Major Changes

| | |
|---|---|
| 1894 | Legislature enacts public utility excise tax. |
| 1911 | Current tax structure is established. |
| 1935 | A 1 percent rate increase is applied to certain utilities. |
| 1938 | Rates increased for certain utilities. |
| 1963 | Advance payment systems begins. |
| 1966 | Starting July 1, 1966, all revenue is allocated to the state's general revenue fund. Previously, close to half of the revenue was distributed to counties and cities for poor relief and other welfare programs. |
| 1971 | Rates are increased from 3 percent to 4 percent for most utilities. |
| 1980 | For 1981, rates are temporarily increased from 4 percent to 5 percent for most utilities. |
| 1981 | For 1982, rates are temporarily increased from 4 percent to 4.5 percent fro most utilities. In addition, a 5.55 percent surtax is imposed on utilities' 1982 liability. |
| 1982 | For 1983, rates are temporarily increased from 4.25 percent to 4.5 percent for most utilities. In addition, a 5.55 percent surtax is imposed on utilities 1983 liability. |
| 1983 | For 1983, rates are temporarily increased from 4.5 percent to 5 percent for most utilities. For 1984 and thereafter, rates are permanently increased from 4.25 percent to 4.75 percent for most utilities. |
| 1987 | Long-distance telephone companies are exempted from the public utility excise tax. |
| 1991 | In response to a 1987 federal district court decision (General American Transportation Corp. v. Limbach), the legislature enacts Senate Bill 156, repealing the tax for freightline and equipment companies as well as interstate toll bridge, artificial gas, union depot, cooling, express and messenger companies, starting with the 1990 tax year. |
| 1999 | Legislature enacts Senate Bill 3, which shifts electric and rural electric companies to the kilowatt-hour tax, effective May 1, 2001. Final public utility excise tax payments for such companies are due June 2011. |
| 2003 | Legislature enacts House Bill 95, shifting telephone companies from the public utilities excise tax to the corporation franchise tax, effective after the 2004 tax year. |

## Comparisons with Other States

| | |
|---|---|
| **Indiana** | A 1.4% excise tax is imposed on the gross receipts from the sale of electricity, natural gas, water, steam, sewage, or telecommunications services within the state. A 1.4% use tax is imposed on the consumption of utility services purchased from out-of-state providers. |
| **Georgia** | All electric, railroad, water, steam, and natural gas companies are subjected to the state's corporate income tax and franchise tax in the same manner as other non-utility corporations. The state charges specific assessments on telecommunication companies to ensure basic services as well as a surcharge on natural gas customers to help pay for services to low-income customers. |
| **Kentucky** | Public utilities pay a utility gross receipts license tax for schools of up to 3%. In addition, telecommunications providers pay a 3% telecommunications tax on multichannel video programming (MVP) services, a 2.4% gross revenue tax on MVP services, and a 1.3% gross revenue tax on communications services.[1] |
| **Michigan** | The state does not levy a specific public utility excise tax. Utilities organized as C corporations are subject to Michigan corporate income tax. Cities that are organized as corporations with a population over 600,000 may levy a "utility users tax" on utility and intrastate communications service. Detroit levies such a tax at a 5% rate. |
| **North Carolina** | Major changes to the state's utility taxes became effective on July 1, 2014. The state repealed its franchise taxes on electric power, water, and public sewerage companies, as well as piped natural gas. Sales of electricity and piped natural gas in the state are subject to the state sales tax (4.75%) and local sales taxes (in most counties, the combined rates amount to 6.75% or 7%). Telecommunication, railroad, transportation, and water and sewerage companies are subject to the state's corporate income tax and general business franchise tax. |
| **Pennsylvania** | Electric companies pay a rate of 4.4% on gross receipts, plus a "revenue-neutral reconciliation" rate of 1.5%, for a total rate of 5.9%. Transportation, telecommunications, and telegraph companies pay a rate of 5% on gross receipts comprised of a base rate of 4.5% and a surtax of 0.5%. |
| **Tennessee** | Gas, water, and electric utilities pay a utility gross receipts tax rate of 3% on gross receipts from intrastate commerce. Telecommunication companies and oil companies are exempt from that tax. A separate gross receipts tax is imposed at a 3% rate on the gross receipts of other "public utilities." Companies that manufacture or distribute manufactured or natural gas pay a rate of 1.5% on gross receipts. A credit is allowed against liability for franchise and excise taxes paid by the utility. |
| **Texas** | Three utility classes (gas, electric, and water) pay utility gross receipts tax rates ranging from 0.581% to 1.997% of gross receipts from business done in incorporated cities or towns, depending upon the population of the incorporated city or town in which the utility operates. |
| **West Virginia** | West Virginia levies business and occupation taxes measured by gross receipts on public utilities. Water companies pay tax at a rate of 4.4%. Natural gas companies and toll bridges pay tax at a rate of 4.29%. Other public service/utility businesses pay tax a rate of 2.86%. Street, inter-urban and electric railways pay at a rate of 1.4%. Electric power companies (producers) pay a rate based on the generating capacity of their electric generating facilities. |

[1] The telecommunications tax is being challenged in Kentucky's court system on state constitutional grounds.

**Table 1**

| Public Utility Excise Tax Revenue Fiscal Years 2010-2014. | | | |
|---|---|---|---|
| **Fiscal Year** | **General Revenue Fund** | **Refunds** | **Total** |
| 2010 | $136.7 | < $0.1 | $136.7 |
| 2011 | 124.8 | 0.3 | 125.1 |
| 2012 | 113.9 | 2.6 | 116.5 |
| 2013 | 96.7 | 0.2 | 96.9 |
| 2014 | 106.0 | < 0.1 | 106.0 |

Source: Treasurer of State

**Table 2**

| Public Utility Excise Tax Levied by Class of Utility Tax Years 2009 - 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Class of Utility** | **Number of Taxpayers** | **Tax Rate** | **2009** | **2010** | **2011** | **2012** | **2013** |
| Natural Gas | 31 | 4.75% | $158,960,642 | $127,582,454 | $117,578,649 | $92,037,145 | $93,148,668 |
| Waterworks | 9 | 4.75% | 3,663,672 | 2,076,123 | 1,312,944 | 3,944,237 | 4,048,664 |
| Pipeline | 11 | 6.75% | 1,108,047 | 1,000,979 | 123,570 | 380,200 | 246,087 |
| Other[1] | 3 | 4.75% | 2,592,214 | 959,161 | 537,328 | 1,537,402 | 1,305,216 |
| **Total** | **54** | | **$166,324,574** | **$131,618,718** | **$119,552,491** | **$97,898,984** | **$98,748,636** |

Source: Treasurer of State

[1] Includes water transportation and heating.

# Replacement Tire Fee

The replacement tire fee generates revenue intended to defray the cost of regulating scrap tire facilities and to abate accumulations of scrap tires. Revenue from the fee also funds grants to promote research regarding alternative methods of recycling scrap tires and 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 2014, approximately $7.6 million was collected for the state's Scrap Tire Management and the Soil and Water Conservation District Assistance funds.

## 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 time, then the taxpayer is entitled to a discount of four 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. 3734.901, 3734.9010)

The Tire Fee Administration Fund receives two 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 evenly between the Scrap Tire Management Fund and the Soil and Water Conservation District Assistance Fund.

## Administration

The fee and its distribution are administered by the Tax Commissioner.

## Ohio Revised Code Citations

R.C. 3734.90 – 3734.99.

**Table 1**

**Replacement Tire Fee Revenue: Fiscal Years 2010 – 2014**

| Fiscal Year | Scrap Tire Management Fund | Soil & Water Conservation Fund | Administrative Fund | Total |
|---|---|---|---|---|
| 2010 | $6,949,819 | | $141,833 | $7,091,652 |
| 2011 | 3,300,576 | $3,300,576 | 134,717 | 6,735,870 |
| 2012 | 3,562,850 | 3,562,850 | 145,422 | 7,271,123 |
| 2013 | 3,453,222 | 3,453,378 | 140,954 | 7,047,554 |
| 2014 | 3,748,210 | 3,748,210 | 152,988 | 7,649,409 |

Source: Office of Budget and Management monthly accounting report (OH GL070).

## History of Major Changes

| | |
|---|---|
| 1993 | Senate Bill 165 created the fee effective Dec. 1, 1993 with a sunset date of June 30, 2002. |
| 1999 | House Bill 283 extended the fee through June 30, 2006. |
| 2001 | House Bill 94 increased the fee from 50 cents to $1 per tire. |
| 2005 | House Bill 66 extended the tire fee through June 30, 2011. The percentage of revenue distributed to the Tire Fee Administration Fund is reduced from 4 percent to 2 percent. The percentage to the Scrap Tire Management Fund rises to 98 percent. |
| 2011 | House Bill 153 extended the tire fee through June 30, 2013 and stipulated that a portion of the revenue be distributed to the Soil & Water Conservation District Conservation Fund. |
| 2013 | House Bill 59 extended the tire fee through June 30, 2016 |

## Comparisons with Other States

| State | Fee |
|---|---|
| **Georgia** | $1 per tire |
| **Indiana** | 25 cents per tire on new tires |
| **Kentucky** | $1 per tire on new tires |
| **Michigan** | $1.50 tire disposal surcharge assessed on vehicle title transfers |
| **North Carolina** | 2 percent privilege tax on all tires sold that are 20 inches in diameter or less; 1 percent for tires with diameter greater than 20 inches. |
| **Ohio** | **$1 per tire on new replacement tires.** |
| **Pennsylvania** | $1 per tire on new replacement tires. |
| **Tennessee** | $1.35 per tire on new replacement tires. |
| **Texas[1]** | No state fee. |
| **West Virginia** | $5.00 imposed on each car registration. |

[1]Texas: Generators (tire dealers, junkyards and others that scrap tires) may charge customers a fee for transportation and storage of scrap tires.

# Sales and Use Tax

The sales and use tax is state government's primary source of revenue. It is also an important revenue source for county governments and regional transit authorities, which are authorized to levy "piggyback" taxes. The department also administers both state and local taxes.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted a three percent sales tax effective January 1935. The use tax followed a year later. In 1967, the legislature adopted a four percent state rate and, for the first time, authorized county governments to levy piggyback taxes, 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, 5.75 percent, was established on Sept. 1, 2013. During fiscal year 2014, the tax generated more than $9.3 billion in revenue. Of that amount approximately 98.1 percent or about $9.2 billion was distributed to the General Revenue Fund. The balance was distributed to the Public Library Fund and Attorney General Claims Fund.

The department collects the combined state and local tax, then distributes the local share of revenue 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. See **Sales and Use Tax – Counties and Transit Authorities** for a discussion of permissive sales and use taxes.

Ohio is a full member of the Streamlined Sales Tax Project ("SSTP"). SSTP member states are in compliance with all provisions of the Streamlined Sales Tax Agreement. The Agreement simplifies and modernizes sales tax administration to substantially reduce the burden of tax compliance. Membership makes it easier for persons making sales in multiple states to voluntarily collect and remit sales tax to member states.

## Taxpayer

(Ohio Revised Code 5739.01, 5739.03, 5739.031, 5739.17, 5741.01)

Any person who makes retail sales or taxable purchases on which sales tax has not been paid is required to file a return and remit the sales or use tax due. When an out-of-state seller does not collect sales tax for the consumer on the consumer's purchase of a taxable good or service, the consumer must remit to the department the use tax due. See Exhibit 1 for a description of taxpayers and applicable vendor's licenses.

## Tax Base

(R.C. 5739.01, 5741.01)

State, county and transit authority sales and use taxes apply to all retail sales of tangible personal property that are not specifically exempt. The tax also applies to 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 services;
- private investigation and security services;
- 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;
- snow removal services; and
- electronic publishing services.

The tax also applies to 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 use tax base is identical to that of the sales tax. Use tax applies to purchases made outside of Ohio and to purchases made from Ohio vendors if the vendor did not charge sales tax. For additional

**Exhibit 1**

**Sales and Use Taxpayers and License, Permit or Account Types**

| Taxpayer | Cost of License | Description |
|---|---|---|
| **Vendor** | **$25** | Each person or business establishment located in Ohio making retail sales. |
| **Transient vendor** | **$25** | Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide. |
| **Seller** | **No fee** | Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio. |
| **Direct pay permit holder** | **No fee** | Consumers authorized by the Tax Commissioner to remit tax directly to the state instead of to the vendor. This authority can only be issued upon application if the Commissioner determines that granting the authority would improve compliance and increase the efficiency of the administration of the tax. |
| **Clerks of court** | **No fee** | Dealers remit taxes collected on sales of motor vehicles, watercraft, and outboard motors to county clerks of court when a title is issued. Clerks of court also collect the tax on casual sales of motor vehicles, and sales of watercraft and outboard motors required to be titled. Clerks of court remit these receipts to the state. |
| **JobsOhio Beverage System** | **No fee** | Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies. |
| **Consumers' use tax account** | **No fee** | Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state. |
| **Streamlined sales and streamlined use tax accounts** | **No fee** | Remote sellers in any other state that has passed laws conforming to the Strealined Sales Tax Agreement and that sell their products to customers in Ohio, using the Internet, mail order or telephone, without having a physical presence in Oho, collect and remit tax on such sales. |

information on use tax, see the discussion in Rates, below, under Sourcing.

In *Quill v. North Dakota*, 504 U.S. 298 (1992), the Supreme Court of the United States held that a state may not compel a seller without physical presence in the state ("remote seller") to collect tax due from Ohio consumers. The Court acknowledged that Congress has the power to authorize states to impose a collection requirement on remote sellers; however, to date, Congress has not passed any law giving states such authority. The fact that a remote seller might not have a collection obligation to Ohio does not relieve an Ohio consumer from the legal obligation to remit use tax on taxable goods and services purchased from out-of-state sellers (e.g., internet or catolog sellers) who did not collect sales tax from the Ohio consumer.

## Rates

(R.C. 5739.02, 5739.021, 5739.023, 5739.025, 5739.026, 5741.02, 5741.021 -- 5741.023)

### State rate

The state sales and use tax rate has been 5.75 percent since September 1, 2013.

### Local rates

Please see the section of this report entitled **Sales and Use Tax – Counties and Transit Authorities** for a discussion of permissive sales and use taxes.

### Rate schedule

A combined sales tax schedule that includes local levies is codified at R.C. 5739.025.

### Sourcing

For taxable sales made by Ohio vendors and delivered to an Ohio consumer, the sales tax rate is based on the location where the vendor receives the order. Sales made by out-of-state vendors are generally sourced to the location where the consumer receives the tangible personal property.

Exceptions include services where the rate is based on the location where the service is received.

Special sourcing rules are in place for certain sales of electronic information services, electronic publishing services and 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 sales tax was paid to the vendor is based on the location of the purchaser.

Effective Jan. 1, 2010, a consumer has no additional use tax liability on the purchase of tangible personal property if the consumer paid sales tax to a vendor, regardless of whether the amount of sales tax invoiced is calculated at the rate where the consumer receives the property or the rate where the vendor received the order. Consumers do, however, have a liability on purchases made out-of-state, by catalog or via the Internet on which no sales tax has been paid. Taxpayers with an annual consumer's use tax liability exceeding $1,000 must register for a consumer's use tax account and file returns. Other taxpayers can remit consumer use tax either on state income tax returns or by filing a use tax voluntary payment form.

## 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 (exemption for magazine subscriptions repealed as of Jan. 1, 2014);
- 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 (except for the sale of 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 the repair, alteration, or propelling of such vessels;
- material, machinery, equipment, and other items used in packaging property to be sold at retail;
- all drugs for a human dispensed by 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 by prescription for use by a human;
- 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 most other states and Canada, provided that the other state or province does not collect sales tax from Ohio residents for motor vehicles purchased there or provided that the state offers a credit to their residents for vehicles purchased in Ohio;
- 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 by holders of exempt facility certificates issued by the Tax Commissioner in air, noise, or water pollution control facili-

ties or in energy conversion, solid waste energy conversion, or thermal efficiency improvement facilities;
- 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 used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing;
- items used in the repair and maintenance of aircraft and avionics systems for aircraft;
- repair, remodeling, replacement, or maintenance services performed on aircraft or on an aircraft's engine, avionics, or component materials or parts;
- sales of full flight simulators that are used for pilot or flight-crew training and repair and replacement parts or components for such full flight simulators; and
- repair and maintenance services for full flight simulators.

Also, Ohio law:
- permits a 25 percent sales tax refund for qualified computer purchases for providers of electronic information services;
- caps at $800 the sales or use tax on any aircraft sold as a fractional share aircraft; and
- exempts from the use tax items that are 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.

Ohio law also 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 being produced;
- 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.

**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 three percent. In most cases, total combined local levies may not exceed six percent. In certain cases, a portion of the receipts is earmarked for convention centers and visitors bureaus. County convention facility authorities were permitted between June 29, 1988 and Dec. 31, 1988 to enact an additional four percent lodging tax for convention facility or sports center construction. This tax is in addition to the combined maximum six 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)

Vendors are required to remit payment by electronic funds transfer (EFT) in cases where annual liability exceeds $75,000 per calendar year. Taxpayers required to use this payment method will be notified by the department. Vendors that do not meet the $75,000 threshold may request authorization by the Treasurer of State to remit tax payments by EFT.

**Accelerated tax payment** (R.C. 5739.032, 5739.122, 5741.121)

Vendors required to remit tax by EFT are required to make advance payment of 75 percent of each month's anticipated tax by the 23rd day 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)

Payments made on or before the due date entitle the vendor to a discount of 0.75 percent of the amount due. (Example: $5,000 tax due – $37.50 discount = $4,962.50 net tax due.)

## Disposition of Revenue

**State sales and use tax** (R.C. 5739.21, 5741.03)

During fiscal year 2014, the General Revenue Fund (GRF) received approximately 98.1 percent of sales and

**Exhibit 2**

**Type of Sales Tax Returns and Filing Payment Dates**

Note: All monthly and semi-annual returns must be filed and paid electronically.

| Type of Return | Taxpayer | Payment Date |
|---|---|---|
| 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 | JobsOhio Beverage System | 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, transient vendors, direct pay permit holders, consumer use tax accounts, streamlined sales tax accounts, streamlined use tax accounts, delivery vendors | By the 23rd day of the month following the close of the reporting period, which is the previous month. 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. |
| Quarterly | Direct pay permit holders, consumer 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, 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. |

use tax revenues, and the Public Library Fund (PLF) received approximately 1.9 percent. The amount of state sales tax revenue credited to the PLF varies from year to year based on a fixed percentage of all tax collections into the GRF. One half of each monthly transfer from the GRF to the PLF is credited against the state sales tax portion of GRF revenues.

## Administration

The Tax Commissioner administers the sales and use tax for the state.

## Ohio Revised Code Citations

Chapters 306, 307, 351, 5709, 5739, 5741 and 6111.

## Recent Court Decisions

**Brown v. Levin, 2012-Ohio-5768**

This was a class action suit seeking a refund of sales tax paid on the amount received on motor vehicles traded in as part of the federal "Cash for Clunkers" program. The amount of consideration received from a third party, such as "Cash for Clunkers," is part of the tax base under Ohio law. The taxpayer asserted that the amount received was not part of the taxable price and he was due a refund of sales tax paid on that amount. The Tax Commissioner challenged the complaint on jurisdictional grounds, asserting that the taxpayer must first seek a refund of illegally or erroneously paid sales tax from the Department of Taxation using the statutory procedure provided in R.C. 5739.07. The Tenth District Court of Appeals agreed with the tax commissioner and remanded the case to the Common Pleas Court with instructions to dismiss Brown's complaint.

**Bay Mechanical & Electrical Corp. v. Testa, 2012-Ohio-4312**

Bay Mechanical, a construction contractor, provided plumbing, piping, HVAC, electrical wiring and other services. In addition to its core employees, it relied on labor provided by employees of Tradesmen International, Inc. and Construction Labor Contractors. The Tax Commissioner assessed use tax on these purchases finding that the services were taxable employment services. Both the Tax Commissioner and BTA rejected Bay Mechanical's claim that the services were not employment services under R.C. 5739.01(JJ)(3).

On appeal to the Supreme Court, Bay Mechanical claimed that the contract language alone was sufficient to establish the exception. In essence, Bay Mechanical's view was that the mere presence of the words "permanent" and "indefinite" in the contracts established qualification for the exception. Bay Mechanical did not provide any documentation regarding the actual performance of the contract during the audit process. The Court found that the presence of "magic" words does not establish exception. Rather, the Court reiterated the rules it set forth in H.R. Options and Moore Personnel Services, and found that the Tax Commissioner must review the facts and circumstances to determine if the laborers were in fact permanently assigned. The Court affirmed the BTA's finding that the summary evidence provided by Bay Mechanical did not support permanent assignment stating, at ¶38:

Given that H.R. Options calls for the consideration of facts-and-circumstances evidence, that the documentation was completely withheld on audit, and that it was not offered as an exhibit at the BTA hearing, we conclude that the BTA did not act unreasonably, arbitrarily, or unconscionably when it disregarded the summary exhibits in spite of the controller's foundational testimony.

**Gallenstein v. Testa, 2014-Ohio-98**

This case involved the tax commissioner's assessment of use tax on a 44–foot Sea Ray Sundancer Gallenstein purchased from a private owner in Indiana. The Board of Tax Appeals affirmed the assessment and Gallenstein appealed to the Supreme Court of Ohio asserting that her registration of the boat in Ohio was not sufficient to create a taxable nexus and she met all the requirements of the transient use exception in R.C. 5741.02(C)(4).

The Court agreed with Gallenstein and reversed the assessment holding that:

Registering a boat in Ohio is not the same as being required to register a boat in Ohio because R.C. 1547.531(B)(3) exempts from registration watercraft that have been documented by the United States Coast Guard or its successor as "temporarily transitting." Id. at ¶ 21. (emphasis in original).

In so holding, the Court noted that from 2002 through 2004, Gallenstein, a Kentucky resident, operated her boat in Ohio waters fewer than a dozen times, her principal use was not on Ohio waters and the boat was docked in Indiana.

**Hoffman Properties Limited Partnership v. Testa, BTA Case No. 2011-1372 (April 29, 2014) 2014 WL 2708161**

In this case, the tax commissioner assessed use tax on an irrigation system installed in a golf course. Hoffman asserted that the irrigation system was real property and not subject to use tax. The Board of Tax Appeals ("BTA") found that "such specialized irrigation system was designed and installed to address the unique needs associated with the operation of a golf course and to primarily benefit the ongoing business conducted on the land, i.e., the golf course." Therefore, the BTA affirmed the assessment holding "that the irrigation system purchased by Hoffman does not constitute real property, but is personal property, i.e., a business fixture, and, as such, is subject to tax, pursuant to R.C. 5701.03(B)."

**Refuse Transfer Systems, Inc. v. Levin, BTA Case No. 2009-1710 (Oct. 2, 2013), 2013 WL 6833199**

The tax commissioner assessed use tax on 'tippers' used in Refuse Transfer's business of hauling solid waste. Refuse Transfer appealed to the BTA contending that "[a] tipper is an integral component of the semi-tractor vehicles in this case. Refuse trailers either have a built-in hydraulic lift, or otherwise must be assisted by a tipper machine. Without the tipper, the trailer does not serve the purpose of hauling and delivery [of] the waste." The BTA rejected Refuse Transfer's claim holding that "the tipper is used to unload the waste being transported, a function that occurs after the transportation takes place, and as such, remains subject to use tax."

## History of Major Changes

| | |
|---|---|
| 1934 | General Assembly enacts a 3 percent sales tax effective Jan. 1, 1935. |
| 1935 | Legislature enacts a companion use tax effective Jan. 1, 1936. |
| 1936 | Ohio voters approve a constitutional amendment exempting food for human consumption off the premises where sold. |
| 1962 | The use of sales tax stamps is discontinued. |
| 1967 | Legislature increases rate to 4 percent and broadens the tax base to include cigarettes and beer. |
| 1971 | Cigarettes again become exempt. |
| 1980 | Senate Bill 448, signed Dec. 19, temporarily increases the state sales tax rate to 5 percent from Jan. 1 through June 30, 1981. |
| 1981 | House Bill 694, signed on Nov. 15, immediately increases the state sales tax rate from 4 percent to 5.1 percent. Some vendors indicate the new rate is incompatible with their registers. House Bill 552, signed on Nov. 24, immediately lowers the state rate to 5 percent. Other provisions of H.B. 694 stand, including a broadening of the base to again include cigarettes, as well as repairs and other selected services. Other legislation establishes a credit for trade-ins on new motor vehicles. |
| 1983 | Base is broadened to include business data processing services. |
| 1987 | Purchases made with food stamps become exempt from the tax; long distance telecommunications service becomes taxable. |
| 1990 | The legislature exempts tangible personal property primarily used in manufacturing operations from the tax, replacing a direct use exemption for manufacturers. Also, a credit is established for trade-ins on new or used watercraft. |
| 1991 | The tax base is broadened to include lawn care, landscaping, private investigation and security services. |

**History of Major Changes - continued**

| | |
|---|---|
| 1993 | Legislature broadens tax base to include building cleaning and maintenance, exterminating, employment agency and personnel supply services as well as memberships in physical fitness facilities and recreation and sports clubs. Exemptions are established for qualified property used in research and development and for nonprofit scientific organizations. The vendor discount is lowered from 1.5 percent to 0.75 percent of tax collections. |
| 1994 | General Assembly exempts purchases made by organizations defined under Internal Revenue Code 501(c)(3). |
| 1997 | Legislature exempts the sale of personal computers and qualified equipment to licensed and certified teachers. |
| 1999 | The sale of used manufactured and mobile homes becomes exempt effective Jan. 1, 2000. |
| 2000 | Also, for the purposes of the sales and use tax, the sales of new manufactured or mobile homes are no longer considered motor vehicle sales. |
| 2000 | Legislature reduces transient vendor's license fee from $100 to $25. Also, the definition of an exempt casual sale is changed to include items that had been subject to the taxing jurisdiction of another state. |
| 2001 | The application of the sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses is changed so that the tax is paid upon consummation of the lease. |
| 2002 | Senate Bill 200 permits refunds to be issued directly to consumers in cases where the consumer illegally or erroneously paid tax to the vendor. |
| 2003 | House Bill 95 temporarily increases the state sales tax rate from 5 percent to 6 percent from July 1, 2003 to June 30, 2005. The vendor discount is temporarily increased from 0.75 percent to 0.9 percent during the same period. Also:<br>• The tax base is expanded to include laundry and dry cleaning, satellite broadcasting service, personal care services, the intrastate transportation of persons by motor vehicle or aircraft, towing service, snow removal, and the storage of tangible personal property, effective Aug. 1, 2003.<br>• The threshold is raised for mandatory payment by electronic funds transfer from $60,000 annual tax liability to $75,000, and such taxpayers begin paying on an accelerated schedule.<br>• Some definitions of food, beverages, and medical supplies are changed to conform to the provisions of the multistate Streamlined Sales Tax Project. |
| 2005 | House Bill 1 resets the sales tax rate to 5.5 percent effective July 1, 2005, and extends the temporary vendor discount rate of 0.9 percent through June 30, 2007. |
| 2006 | General Assembly exempts property withdrawn from inventory and donated to a charitable organization from the use tax. |
| 2008 | General Assembly enacts House Bill 429, which allows Ohio to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers effective Jan. 1, 2010. |
| 2009 | Electronic filing of sales tax returns becomes mandatory. General Assembly, in House Bill 1, applies sales tax to monthly Medicaid premiums received by health insuring corporations in lieu of a former 5.5 percent franchise fee. |
| 2013 | House Bill 59 increases the state sales and use tax rate to 5.75%, effective Sept. 1, 2013. |
| 2014 | Ohio became a full member of the Streamlined Sales Tax Project. |

## Comparisons with Other States

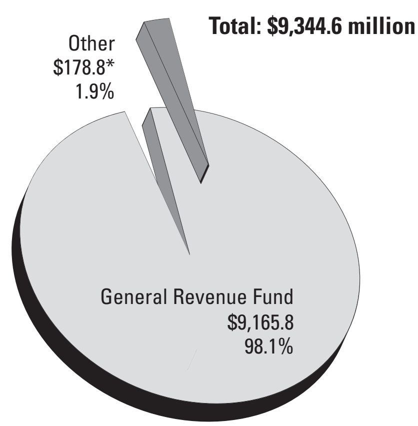
(As of September, 2014)

This table shows state sales tax rates, the maximum combination of local sales tax rates currently in effect for each state, and the highest combined state and local sales tax rate currently in effect for each state.

| State | State Rate | Max. Local Rate | Max. Total Rate |
|---|---|---|---|
| **Georgia** | 4.00% | 4.00% | 8.00% |
| **Indiana** | 7.00 | ---- | 7.00 |
| **Kentucky** | 6.00 | ---- | 6.00 |
| **Michigan** | 6.00 | ---- | 6.00 |
| **North Carolina** | 4.75 | 2.75 | 7.50 |
| **Ohio** | 5.75 | 2.25 | 8.00 |
| **Pennsylvania** | 6.00 | 2.00 | 8.00 |
| **Tennessee** | 7.00 | 2.75 | 9.75 |
| **Texas** | 6.25 | 2.00 | 8.25 |
| **West Virginia** | 6.00 | 1.00 | 7.00 |

**Distribution of Revenue from Sales & Use Tax**
**Fiscal Year 2014**
(figures in millions)

### Chart




* Includes Public Library Fund and Attorney General Claims Fund.
Source: OAKS State Financial Accounting

**Table 1**

**State and Permissive (Local) Sales and Use Tax Collections, by Industrial Classification: July 2013 through June 2014 period[1]**

| Industrial Classification | | NAICs codes | Number of Business Entities, Jan.-June 2014[2] | July-December 2013 collections | Jan.-June 2014 collections | Total FY 2014 collections |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, and Fishing | | 111100-115310 | 866 | $3,823,699 | $5,676,031 | $9,499,730 |
| Mining | | 211110-213110 | 181 | 7,806,223 | 13,032,209 | 20,838,432 |
| Utilities (excluding telecommunications) | | 221100-221300 | 125 | 27,748,899 | 119,048,206 | 146,797,105 |
| Construction | | 236110-238900 | 2,434 | 35,206,230 | 30,140,797 | 65,347,027 |
| Manufacturing | | 311110-339900 | 10,880 | 192,200,036 | 218,302,793 | 410,502,829 |
| Wholesale Trade | | 423100-425120 | 4,852 | 165,862,126 | 172,322,205 | 338,184,331 |
| Retail Trade: | | | | | | |
| | Motor Vehicle and Parts Dealers[3] | 441110-441300 | 5,236 | 195,149,256 | 218,942,059 | 414,091,315 |
| | Furniture and Home Furnishings Stores | 442110-442299 | 3,363 | 97,659,000 | 98,831,960 | 196,490,960 |
| | Electronic and Appliance Stores | 443111-443130 | 2,436 | 163,914,897 | 180,591,686 | 344,506,583 |
| | Building Material and Garden Equipment & Supplies | 444110-444200 | 6,819 | 401,619,129 | 395,681,406 | 797,300,535 |
| | Food and Beverage Stores | 445110-445310 | 6,842 | 250,011,268 | 262,461,035 | 512,472,303 |
| | Health and Personal Care Stores | 446110-446190 | 7,028 | 114,975,347 | 124,402,909 | 239,378,256 |
| | Gasoline Stations | 447100 | 1,402 | 83,505,253 | 85,190,502 | 168,695,755 |
| | Clothing and Clothing Accessories Stores | 448110-448320 | 4,614 | 192,396,507 | 186,071,228 | 378,467,735 |
| | Sporting Goods, Hobby, Book, and Music Stores | 451110-451220 | 5,867 | 111,166,632 | 106,349,082 | 217,515,714 |
| | General Merchandise Stores | 452110-452900 | 4,169 | 617,227,328 | 555,213,958 | 1,172,441,286 |
| | Miscellaneous Store Retailers | 453110-453990 | 24,020 | 374,764,382 | 407,883,413 | 782,647,795 |
| | Nonstore Retailers | 454110-454390 | 5,184 | 88,115,850 | 111,989,254 | 200,105,104 |
| Transportation and Warehousing | | 481000-493100 | 1,759 | 17,186,307 | 18,041,518 | 35,227,825 |
| Information (including telecommunications) | | 511110-519100 | 3,300 | 382,220,765 | 420,166,275 | 802,387,040 |
| Finance and Insurance | | 522110-525990 | 540 | 302,314,643 | 323,630,683 | 625,945,326 |
| Real Estate, and Rental & Leasing of Property | | 531110-533110 | 3,823 | 113,514,795 | 132,768,837 | 246,283,632 |
| Professional, Scientific and Technical Services | | 541110-541990 | 7,743 | 91,457,443 | 72,617,304 | 164,074,748 |
| Management of Companies (Holding Companies) | | 551111-551112 | 73 | 6,445,204 | 11,953,760 | 18,398,964 |
| Administrative & Support Services, and Waste Management & Remediation Services | | 561110-562000 | 10,783 | 198,056,900 | 200,801,395 | 398,858,295 |
| Education, Health Care and Social Assistance | | 611000-624410 | 3,391 | 11,564,208 | 13,461,105 | 25,025,313 |
| Arts, Entertainment, and Recreation | | 711100-713900 | 3,451 | 29,308,204 | 30,939,004 | 60,247,208 |
| Accommodation and Food Services | | 721110-722410 | 19,371 | 432,115,892 | 432,018,836 | 864,134,728 |
| Other Services | | 811110-812990 | 18,206 | 129,683,471 | 141,826,663 | 271,510,134 |
| Unclassified | | n/a | 8,432 | 26,506,888 | 26,490,991 | 52,997,879 |
| | | | | | | |
| **TOTAL[4]** | | | **177,190** | **$4,863,526,782** | **$5,116,847,103** | **$9,980,373,885** |

Source: Ohio Department of Taxation

[1]Industrial classification data reflects the principal business activity of each business entity, generally based on the industrial (NAICs) code indicated on the entity's sales or use tax registration form. In addition, the tax collection data reflected in this table primarily emanates from businesses that operate as vendors or sellers, who collect sales or use taxes from customers and remit such collections to the state. However, some businesses (such as manufacturers) remit the sales or use tax on their taxable purchases directly to the state instead of to their vendors and sellers, usually by means of a direct payment or consumer use tax account. Amounts remitted by entities that have these types of accounts are also included in this table.

[2]Indicates the number of separate legal entities (not the number of separate locations) that filed and remitted sales or use tax at any time during the January through June 2014 period.

[3]Tax collections from automobile and watercraft sales are not included in this table. Such taxes are collected by the county clerks of courts and then remitted to the state.

[4]The data in this table is extracted from sales and use tax returns. The totals in this table do not match actual collections because this table does not include clerk of courts tax collections and because the table does not reflect subsequent adjustments made to tax returns, as well as revenue generated from audit activity.

| Table 2 | |
|---|---|
| **Total Sales and Use Tax Collections attributed to membership in Streamlined Sales Tax (a) (Includes State and Permissive Sales and Use Tax Collections) Fiscal Years 2011 - 2014** | |
| **Fiscal Year** | **Total collections attributed to membership in Streamlined Sales Tax (b)** |
| 2011 | $33,978,942 |
| 2012 | 37,198,356 |
| 2013 | 43,811,607 |
| Source: Ohio Department of Taxation | |
| (a) The state of Ohio became an associate member of Streamlined Sales Tax on October 1, 2005, and became a full member on January 1, 2014. | |
| (b) Total collections attributed to Ohio's membership in Streamlined Sales Tax are remitted under a variety of account types. Collections from all known accounts associated with Streamlined Sales Tax are summarized here. However, taxpayers may remit sales and use tax due to Ohio's membership with Streamlined Sales Tax without notifying the Department of Taxation of this distinction. | |

| Table 3 | | | | |
|---|---|---|---|---|
| **Sales & Use Tax Number of Accounts by Type and Payment Schedule (As of July 1, 2014)** | | | | |
| | **Payment Schedule** | | | |
| **Accounts** | **Semi-Annual** | **Monthly** | **Quarterly** | **Total** |
| Vendor's | 79,559 | 70,148 | 0 | 149,707 |
| Master (accounts issued by the state) | 1,302 | 5,086 | 0 | 6,388 |
| Transient | 28,498 | 3,830 | 0 | 32,328 |
| Service | 7,772 | 7,785 | 0 | 15,557 |
| Delivery | 5,426 | 1,347 | 0 | 6,773 |
| Consumers' | 0 | 1,404 | 18,989 | 20,393 |
| Direct Pay | 0 | 317 | 144 | 461 |
| Out-of-State | 7,858 | 8,551 | 0 | 16,409 |
| Streamlined Sales (a) | 0 | 418 | 0 | 418 |
| Streamlined Use (a) | 0 | 0 | 0 | 0 |
| | | | | |
| **Totals** | **130,415** | **98,886** | **19,133** | **248,434** |
| Source: Ohio Department of Taxation | | | | |
| (a) A subset of total collections attributed to Ohio's membership in Streamlined Sales Tax are remitted under Streamline Sales and Streamline Use accounts. The remainder of total collections attributed to Ohio's membership in Streamlined Sales Tax are remitted under other account types. | | | | |

# 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 $15.0 million during fiscal year 2014. 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)

The tax rates on the severance of most natural resources are as follows:

| Resource | Tax Rate |
|---|---|
| Clay, sandstone, shale, conglomerate, gypsum and quartzite | 1 cent per ton |
| Dolomite, gravel, sand and limestone | 2 cents per ton |
| Natural gas | 2.5 cents per Mcf [1] |
| Oil | 10 cents per barrel |
| Salt | 4 cents per ton |

The base tax rate on coal is 10 cents per ton. This does not include two additional levies that have applied since April 1, 2007:

- An additional 1.2 cents per ton on surface mining operations.
- An additional 12, 14 or 16 cents per ton reclamation tax on operations without a full cost bond, depending on the amount. This rate varies based on the amount remaining in the state Reclamation Forfeiture Fund at the end of each state budget 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.

## 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 Chief of the Division of Mineral Resources Management certified on June 30, 2009 that the balance of the Reclamation Forfeiture Fund was less than $5 million. As a result, the reclamation tax rate on coal mining operations without a full cost bond is 14 cents effective Jan. 1, 2012. The previous rate was 16 cents.

Although not a part of the severance tax, oil and gas well owners are subject to an oil and gas regulatory cost recovery assessment effective July 1, 2010. The assessment is based on a formula that takes into consideration the number of wells owned, the production of those wells, and the amount of severance tax paid. This assessment is reported on the severance tax return by either the owner or severer.

## 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. Electronic filing and payment are required.

## Disposition of Revenue

(R.C. 5749.02)

The Geological Mapping Fund receives:

- 4.76 percent of the 10 cent per ton base tax on coal;
- 15 percent of salt severance tax collections through Oct. 15, 2009 and all salt severance revenue thereafter;

[1] Mcf means 1,000 cubic feet.

- 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-cent tax on coal;
- 42.5 percent of limestone, dolomite, sand and gravel severance tax collections;
- 85 percent of salt severance tax collections through Oct. 15, 2009; and
- all 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-cent 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;
- all clay, sandstone, conglomerate, shale, gypsum and quartzite severance tax collections.

| Table 1 | |
|---|---|
| Severance Tax Revenues (rounded in millions) | |
| Fiscal Year | Total |
| 2010 | $11.0 |
| 2011 | 11.6 |
| 2012 | 10.2 |
| 2013 | 12.3 |
| 2014 | 15.0 |

## Administration

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

## Ohio Revised Code Citations

Chapter 5749.

## Recent Legislation

**Amended Substitute House Bill 59 (effective for the calendar quarter that includes January 1, 2014) Electronic filing and payment** - This bill requires the electronic filing and payment of all severance tax returns and payments.

## History of Major Changes

| | |
|---|---|
| 1971 | Legislature enacts House Bill 475, creating the tax effective Jan. 1, 1972. |
| 1981 | House Bill 1051 enacts a temporary 1 cent per ton additional tax on coal, to be collected depending on the balance in he Defaulted Areas Fund. |
| 1983 | Effective July 1, 1983, House Bill 291 increases rates from 3 cents to 10 cents per barrel of oil and from 1 cent to 2.5 cents per Mcf of natural gas. |
| 1985 | House Bill 238 increases the permanent rate on coal from 4 cents to 7 cents per ton, and includes a second 1 cent per ton temporary tax on coal, also conditioned on the balance in the Defaulted Areas Fund. On July 1, 1985, collection begins on both temporary levies. |
| 1989 | Effective July 1, 1989, House Bill 111 increases the rate on limestone, dolomite, sand and gravel by 1 cent per ton. The bill also levies a 1 cent per ton tax on clay, sandstone, shale, conglomerate, gypsum and quartzite. |
| 1998 | The 122nd General Assembly enacts Senate Bill 187, making one of the temporary 1 cent per ton of coal levies permanent effective the following year. |
| 2006 | Effective April 1, 2007, House Bill 443 changes the base rate on coal to 10 cents per ton, eliminating the old temporary levy. The bill also adds an additional levy of 1.2 cents per ton for surface mining operations and an additional levy of up to 16 cents per ton on operations without a full cost bond. |
| 2009 | House Bill 1 directs all revenue from the salt component of the tax to the Geological Mapping Fund; previously the fund received only 15 percent of this revenue. |
| 2010 | Senate Bill 165 creates an oil and gas "regulatory cost recovery assessment" effective July 1, 2010. While not part of the severance tax, the assessment is reported on severance tax returns. |
| 2013 | House Bill 59 required electronic filing and payment of the tax. |

## Comparisons with Other States

(As of July 1, 2014)

Georgia, North Carolina[1], and Pennsylvania do not levy severance taxes. Pennsylvania levies impact fees on unconventional gas wells ("horizontal wells") ranging from $60,000 in the first year of production to $5,000 in the fifteenth year of production, varying with the price of natural gas. The fee is not on stripper or marginal wells. Rates in other states are listed below.

| State | Commodity | Tax |
|---|---|---|
| Indiana | Oil and Gas | Either 1 percent of value or 24 cents per barrel of oil and 3 cents per Mcf of natural gas. |
| Kentucky[2] | Oil | 4.5 percent of market value. |
| | Gas, coal & other natural resources | 4.5 percent of gross value; the minimum tax on coal for a reporting period is 50 cents per ton severed. |
| Michigan[3] | Oil | 6.6 percent of gross cash market value. |
| | Gas | 5 percent of gross cash market value. |
| | Nonferrous metallic minerals | 2.75 percent of taxable mineral value. |
| Ohio | See Rates section of this chapter. | |
| Tennessee[4] | Oil and Gas | 3 percent of the sale price. |
| | Coal | $1 per ton. |
| | Minerals | Only county levies apply. |
| Texas[5] | Oil and gas concentrate | The greater of 4.6 percent of market value or 4.6 cents per barrel. |
| | Recovered oil | 2.3 percent of market value. |
| | Crude Petroleum Tax | 0.001875 cents per barrel in addition to oil production tax. |
| | Gas | 7.5 percent of market value. |
| | Sulphur | $1.03 per long ton. |
| West Virginia[6] | Oil | 5 percent of gross value. |
| | Gas | 5 percent of gross market value plus a temporary 4.7 cents per Mcf tax. |
| | Coal | 5, 2, or 1 percent of gross market value, depending upon thickness of the seam. |
| | Coal refuse (or gob piles) | 2.5 percent of gross market value if extracted and processed. |
| | Coal bed methane | 5 percent of gross market value. |
| | Timber | 1.22% (suspended by statute). |

[1] The North Carolina Department of Environment and Natural Resource can assess against each barrel of gas produced and saved up to ½ a mill per McF. North Carolina levies a primary forest product assessment.

[2] The Kentucky tax on limestone for specified purposes is limited to 14 cents per ton; the tax on clay used for specified purposes is 12 cents per ton. Taxpayers who sell and process clay within the state to landfill owners for the purpose of landfill construction are eligible for a credit equal to the tax paid.

[3] In Michigan, a lesser rate of 4 percent of gross cash market value for crude oil from stripper wells, marginal producing properties, and carbon dioxide secondary or enhanced recovery projects. The rate does not include a fee imposed at the rate of up to 1% of the gross cash market value of all oil and gas produced in Michigan. The current fee is 0.92% for 2014.

[4] For Tennessee, only counties levies apply to minerals such as sand, gravel, sandstone, chert or limestone. Rates are sent by the counties, but may not exceed 15 cents per ton.

[5] Rates shown for Texas do not include an additional regulatory fee for oil and gas field clean-up at 5/8 of 1 cent per barrel.

[6] Rate shown on West Virginia coal includes a 0.35 percent additional local tax on coal. However, the rate does not include the following: 27.9 cents per ton of clean coal mined through a surface mine operation and 56 cents per ton on all coal mined in the state. Rate shown for timber in West Virginia includes 1.22 percent basic rate and 2.78 percent temporary additional levy. The temporary 4.7 cent McF tax on gas will expire when the state's workers' compensation debt reduction revenue bonds are retired or the debt service is paid.

| Table 2: Severance Tax Collections[1]<br>Fiscal Years 2010 - 2014 | | | | | | |
|---|---|---|---|---|---|---|
| **Natural Resource** | **Tax Rate** | **2010** | **2011** | **2012** | **2013** | **2014** |
| Coal | 10 cents per ton | $2,668,161 | $2,734,665 | $2,283,374 | $3,213,461 | $1,919,112 |
| Coal - Reclamation Tax | 14 cents per ton | 3,488,169 | 3,964,177 | 3,240,272 | 4,116,101 | 2,472,986 |
| Coal - Surface Mining | 1.2 cents per ton | 112,845 | 105,995 | 103,206 | 97,934 | 69,055 |
| Natural Gas | 2.5 per 1,000 cubic feet | 2,067,986 | 2,108,546 | 2,049,023 | 2,270,199 | 3,320,113 |
| Limestone | 2 cents per ton | 883,334 | 1,004,210 | 1,186,194 | 1,119,296 | 1,023,849 |
| Oil | 10 cents per barrel | 487,165 | 474,886 | 467,111 | 567,887 | 652,574 |
| Gravel | 2 cents per ton | 256,826 | 255,360 | 260,370 | 298,933 | 252,366 |
| Sand | 2 cents per ton | 293,012 | 330,431 | 329,857 | 368,858 | 302,094 |
| Dolomite | 2 cents per ton | 9,006 | 18,714 | 21,173 | 46,933 | 10,586 |
| Salt | 4 cents per ton | 233,521 | 224,192 | 195,626 | 152,771 | 139,478 |
| Clay | 1 cents per ton | 11,501 | 8,830 | 12,247 | 13,912 | 7,974 |
| Sandstone | 1 cents per ton | 8,928 | 9,244 | 9,642 | 19,019 | 15,128 |
| Shale | 1 cents per ton | 27,752 | 20,451 | 20,631 | 19,574 | 8,306 |
| Gypsum | 1 cents per ton | - | - | - | 229 | - |
| Quartzite | 1 cents per ton | 2,155 | 2,012 | 3,464 | 2,487 | 943 |
| Severance Tax Receipts Fund[2] | | | | | | 4,843,386 |
| **Total** | | **$10,550,359** | **$11,261,713** | **$10,182,190** | **$12,307,593** | **$15,037,950** |

Source: Office of Budget and Management accounting report (OH GL070 and Department of Taxation data

1Excludes revenue from Oil and Natural Gas Regulatory Cost Recovery assessments. FY14 cost recovery assessments were $1.9 million.

2 Severance taxes are initially paid into a hold account and then subsequently allocated by using tax returns. This figure represents amounts remaining in the hold fund that will be subsequently transferred into the proper accounts/funds.

# Wireless 9-1-1 Charge

Wireless 9-1-1 charge provides state level funding for local wireless 9-1-1 service. Recently enacted legislation made substantive changes to the state's 9-1-1 service law. Responsibility for collection of wireless 9-1-1 charges was transferred to the Department of Taxation (ODT) from the Public Utilities Commission of Ohio effective Jan. 1, 2014. The administration of state 9-1-1 service law was transferred to the newly created Statewide Emergency Services Internet Protocol Network Steering Committee (Steering Committee) from the Department of Public Safety.

Current law imposes a wireless 9-1-1 charge on each wireless phone number at the rate of 25 cents per month and on the purchase of prepaid wireless services at the rate of 0.005% of the purchase price. Revenue from the wireless 9-1-1 charges are distributed as follows:

- Ninety-seven percent to the wireless 9-1-1 government assistance fund. ODT disburses moneys from this fund to the counties.
- Two percent to the wireless 9-1-1 program fund to defray the Steering Committee's cost of administering the 9-1-1 system.
- One percent to the wireless administration fund to defray ODT's cost of collecting and administering the 9-1-1 charge.

Any excess remaining after distributions to the counties or the administrative funds is transferred to the next generation 9-1-1 fund. ODT disburses money from the next generation 9-1-1 fund in accordance with guidelines established by the Steering Committee.

In fiscal year 2014, a total of almost $15.8 million was deposited into the three funds associated with this charge: $15.3 million to the wireless 9-1-1 government assistance fund; $0.3 million to the 9-1-1 program fund and $0.2 million for the wireless 9-1-1 administrative fund. For fiscal year 2014, counties received the same amount as received in the corresponding month during calendar year (CY) 2013 from the 9-1-1 government assistance fund.

## Taxpayer
(Ohio Revised Code 128.42)

The charge is imposed on the consumer of the wireless calling service. Wireless service providers and resellers add the charge to post-paid wireless calling service in Ohio. The charge is collected by the retailer at the point of sale for prepaid wireless service.

## Tax Base
(R.C. 128.42)

For prepaid wireless service, it is the sale price. For post-paid wireless service, it is each wireless phone number with an Ohio billing address.

## Rates
(R.C. 128.42)

For prepaid wireless service, the charge is 0.005% of the retail price. For post-paid wireless service, the charge is $0.25 per each wireless phone number.

## Special Provisions
(R.C. 128.44; 128.46)

The taxpayer may retain three percent of the wireless 9-1-1 charges collected as a collection fee. Taxpayers must remit returns and payments electronically, except upon a showing of good cause to ODT. ODT must provide 30 days advance notice to known wireless service providers, resellers, and sellers of prepaid wireless calling services of any increase or decrease in wireless 9-1-1 charges imposed under R.C. 128.46.

## Filing and Payment Dates
(R.C. 128.46)

Returns and payments are due on the 23rd day of each month.

## Disposition of Revenue
(R.C. 128.54, 128.55, 128.57)

The revenue from the charge is allocated as follows:

- 97 percent to the Wireless 9-1-1 Government Assistance Fund.
- 2 percent to the 9-1-1 Program Fund (Steering Committee's administration fund).
- 1 percent to the Wireless 9-1-1 Administration Fund (Department of Taxation's administration fund).

Counties receive a monthly distribution from the Wireless 9-1-1 Government Assistance Fund. The distribution is to occur by the end of each month. The counties receive the same amount as they did in the corresponding month during CY 2013. In the event of insufficient moneys to make the month's distributions, each county would receive a distribution in proportion to the county's share during the corresponding month in CY 2013. The Next Generation 9-1-1 Fund is to receive from the Wireless 9-1-1 Government Assistance Fund any moneys in excess of amounts necessary to make monthly distributions to counties. Additionally, at the end of each fiscal year, any remainder in either administration fund is transferred to the Next Generation 9-1-1 Fund.

## Administration

(R.C. 128.02; 128.42 et seq.)

The Statewide Steering Committee administers the 9-1-1 service law. ODT administers the collection of wireless 9-1-1 charges.

## Ohio Revised Code Citations

Chapter 128

## Recent Legislation

**Am. Sub. HB 483, 130th General Assembly (September 15, 2014).**

The bill permitted refunds of erroneously or illegally paid 9-1-1 wireless charges under RC 5703.052.

**Am. Sub. HB 59, 130th General Assembly (Effective June 30, 2013).**

The bill vested collection and disbursement responsibilities for the wireless 9-1-1 charge in ODT effective January 1, 2014. The act codified 9-1-1 service law in Chapter 128 of the Ohio Revised Code.

**Am. Sub. HB 472, 129th General Assembly.**

This bill delayed the implementation of the collection of the prepaid wireless 9-1-1 charge at the point of sale until January 1, 2014. Until January 1, 2014, wireless service providers and resellers continued to remit the 9-1-1 charge on prepaid wireless.

**Sub. HB 360, 129th General Assembly.**

The bill decreased the post-paid monthly wireless 9-1-1 charge from 28 cents to 25 cents and imposed a 9-1-1 charge of 0.005% on prepaid wireless collected at the point of sale.

## History of Major Changes

| | |
|---|---|
| 2004 | Am. Sub. H.B. 361 (125th General Assembly) established a service charge of 32 cents per month to be billed to each wireless number in the state. |
| 2008 | Am. Sub. S.B. 129 (127th General Assembly) reduced the wireless 9-1-1 charge from 32 cents per month to 28 cents. |
| 2012 | Sub. HB 360 (129th General Assembly) decreased the post-paid monthly wireless 9-1-1 charge from 28 cents to 25 cents. The bill required the prepaid wireless charge to be 0.005% of the retail price imposed at the point of sale. |
| 2012 | Sub. H.B. 472 (129th General Assembly) required the monthly wireless 9-1-1 charge to be continuously imposed on prepaid subscribers until the new prepaid charge imposed at the point of sale took effect on January 1, 2014. |
| 2013 | Am. Sub. HB 59 (130th General Assembly) codified 9-1-1 service law into Chapter 128 of the Ohio Revised Code. |
| 2014 | Am. Sub. H.B. 483 (130th General Assembly) added the wireless 9-1-1 charge to the list of taxes and fees that can be refunded from the refund fund. |

## Comparisons with Other States

(As of July 1, 2014)

| State | Charge |
|---|---|
| Georgia | Prepaid $0.75; Post-paid $1.00-$1.50. |
| Indiana | Prepaid $0.50; Post-paid $0.80. |
| Kentucky | $0.70 Pre- and Post-paid. |
| Michigan | Prepaid 1.92 percent of sale price; Post-paid $0.19 state fee and county fee ranges from $0.00-$3.00. |
| North Carolina | $0.60 for Pre- and Post-paid. |
| Ohio | Prepaid 0.005 percent of the sale price; Post-paid $0.25. |
| Pennsylvania | $1.00 Pre- and Post-paid. |
| Tennessee | Prepaid $0.53; Post-paid $1.00. |
| Texas | Prepaid 2 percent of sale price; Post-paid $0.50. |
| West Virginia | Prepaid 6 percent of sale price; Post-paid $3.00 |

| Table 1 | | | | | |
|---|---|---|---|---|---|
| **Wireless 9-1-1 Government Assistance Fund distributions for FY 2014[1]** | | | | | |
| County | Amount | County | Amount | County | Amount |
| Adams | $45,000.00 | Guernsey | $47,429.04 | Muskingum | $93,202.72 |
| Allen | $120,471.26 | Hamilton | $1,181,862.87 | Noble | $45,000.00 |
| Ashland | $56,544.54 | Hancock | $87,113.70 | Ottawa | $48,564.26 |
| Ashtabula | $113,974.16 | Hardin | $45,000.00 | Paulding | $45,000.00 |
| Athens | $57,868.75 | Harrison | $45,000.00 | Perry | $45,000.00 |
| Auglaize | $53,825.06 | Henry | $45,000.00 | Pickaway | $58,520.03 |
| Belmont | $70,186.47 | Highland | $47,137.71 | Pike | $45,000.00 |
| Brown | $45,767.74 | Hocking | $45,000.00 | Portage | $161,454.06 |
| Butler | $377,159.39 | Holmes | $45,000.00 | Preble | $45,797.84 |
| Carroll | $45,000.00 | Huron | $68,793.62 | Putnam | $44,999.99 |
| Champaign | $44,999.99 | Jackson | $45,000.00 | Richland | $130,064.20 |
| Clark | $146,393.38 | Jefferson | $70,265.92 | Ross | $78,826.45 |
| Clermont | $201,555.71 | Knox | $64,658.42 | Sandusky | $66,030.80 |
| Clinton | $52,376.83 | Lake | $252,729.32 | Scioto | $74,371.02 |
| Columbiana | $110,763.95 | Lawrence | $62,493.92 | Seneca | $62,530.04 |
| Coshocton | $45,000.00 | Licking | $175,423.04 | Shelby | $54,012.85 |
| Crawford | $49,586.32 | Logan | $53,374.82 | Stark | $421,021.00 |
| Cuyahoga | $1,495,800.62 | Lorain | $324,020.68 | Summit | $621,375.79 |
| Darke | $55,752.40 | Lucas | $499,121.38 | Trumbull | $219,926.68 |
| Defiance | $45,631.71 | Madison | $45,000.00 | Tuscarawas | $96,551.82 |
| Delaware | $317,138.87 | Mahoning | $270,167.12 | Union | $66,330.56 |
| Erie | $85,967.65 | Marion | $74,620.22 | Van Wert | $45,000.00 |
| Fairfield | $154,057.59 | Medina | $184,024.31 | Vinton | $45,000.00 |
| Fayette | $45,000.00 | Meigs | $45,000.00 | Warren | $229,128.41 |
| Franklin | $1,312,019.35 | Mercer | $45,287.41 | Washington | $69,003.09 |
| Fulton | $48,583.54 | Miami | $106,901.30 | Wayne | $113,793.50 |
| Gallia | $45,000.00 | Monroe | $45,000.00 | Williams | $44,999.99 |
| Geauga | $93,621.67 | Montgomery | $630,224.00 | Wood | $131,829.17 |
| Greene | $162,927.91 | Morgan | $45,000.00 | Wyandot | $45,000.00 |
| | | Morrow | $45,000.00 | Total | **$13,485,957.93** |
| Source: Ohio Department of Taxation | | | | | |
| [1] Represents distributions from January-June 2014. | | | | | |

# Part III: Other State Taxes

# Domestic Insurance Premium Tax

The state has imposed a tax on insurance companies since the 1830s. A domestic insurance company is a company organized under Ohio law. The tax is administered by the Ohio Department of Insurance. Currently, the tax rate is 1.4 percent of gross premiums, with health insurance companies paying 1.0 percent. A $250 minimum tax applies. FY 2014, total domestic insurance premium taxes were approximately $202.3 million, with $196.9 million to the state's General Revenue Fund and the remaining $5.4 million to the state's Fire Marshal Fund.

**Table 1: Domestic Insurance Premium Tax Revenues (dollars in millions)**

| Fiscal Year | General Revenue Fund | Fire Marshal Fund | Total |
|---|---|---|---|
| 2010 | $161.7 | $4.9 | $166.6 |
| 2011 | 189.4 | 4.9 | 194.3 |
| 2012 | 189.1 | 5.0 | 194.1 |
| 2013 | 206.4 | 5.0 | 211.6 |
| 2014 | 196.8 | 5.4 | 202.3 |

Source: Ohio Office of Budget and Management financial reports.

## Taxpayer
(Ohio Revised Code 5725.01, 5725.18)

The tax is paid by insurance companies organized under Ohio law.

## Tax Base
(R.C.5725.18)

The tax applies to the gross amount of premiums from policies for Ohio risks by insurance companies organized under Ohio law.

## Rates
(R.C. 5725.18, 3737.71)

The tax rate is 1.4 percent of gross premiums for insurance companies that are not health insuring corporations. The rate for insurance companies that are health insuring companies is 1 percent. Premiums derived from fire insurance are also subject to an additional 0.75 percent tax on the gross premiums derived from fire insurance. The minimum tax is $250.

## Exemptions
(R.C.5725.03)

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before Oct. 1, 2009, Medicare payments, small employer health care alliance premiums or federal crop insurance premiums.

## Credits

**Credit for Smaller Insurance Groups** (R.C. 5725.031): Insurer groups with less than $75 million in total U.S. premiums are eligible for a credit of up to $200,000 against their annual tax liability. The closer groups get to the $75 million mark, the lower the value of this credit.

**Ohio Life and Health Guaranty Association Credit** (R.C. 3956.20): Insurance Companies receive a tax credit for the full amount of assessments paid into the Ohio Life and Health Guaranty Association. By law, insurance companies are required to be members of the association, a not-for-profit association created by Ohio law, as a condition of transacting business in Ohio. Should a member become impaired or insolvent, the other members are assessed by the association at a rate of up to 2 percent of gross premiums to protect policy holders of the impaired or insolvent insurer.

The following credits are also applicable to the domestic insurance premium tax and are described in detail in the Business Tax Credits chapter: Job Retention, Job Creation, Venture Capital Loan Loss, Job Training and the Historic Building Rehabilitation credits.

## Special Provisions

**Health Insuring Corporations** (R.C. 5725.18): Domestic insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments received for Medicaid prior to Oct. 1, 2009.

**Fire Insurance tax** (R.C. 3737.71): An additional 0.75 percent tax is levied on the gross premiums from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other insurance coverages.

## Filing and Payment Dates

(R.C. 5725.18, 5725.20, 5725.22)

The Director of the Ohio Department of Insurance certifies the tax liability of each insurance company to the Ohio Treasurer of State by the first Monday of May. Within 20 days, the Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill was mailed.

The tax year is defined as the year in which the tax returns are due. Tax liabilities are based upon the previous year's business activity.

## Disposition of Revenue

(R.C. 5725.24, 3737.71)

Revenue is distributed to the state's General Revenue Fund, except for revenue from the additional tax on fire insurance (see Special Provisions), which is distributed to the Fire Marshal Fund.

## Administration

Director, Ohio Department of Insurance

## Ohio Revised Code Citations

R.C.5725, 5729, 1731.07, 3737.71, 3956.20.

## History of Major Changes

| | |
|---|---|
| 1830 | Legislature enacts a 4 percent tax on dividends paid by insurance companies with a $50 minimum tax. |
| 1831 | The 4 percent tax is repealed; legislature enacts a 5 percent tax on the dividends of "bank, insurance and bridge companies. |
| 1852 | New Ohio constitution requires the taxation of all real and personal property according to uniform rule and that corporation property be subject to taxation, same as for individuals. Legislature requires all insurance companies to list real property, tangible property, money and credits for taxation as property. |
| 1900 | Legislature enacts a 0.5 percent tax on the gross premiums of all insurance companies to support the state fire marshal office. Two years later, lawmakers limit this tax to fire insurance companies. |
| 1933 | Legislature replaces tax on the personal property of insurance companies with a franchise tax on either 0.2 percent of capital and surplus or 1.67 percent on gross premiums, whichever is less. |
| 1971 | Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less. |
| 1979 | Legislature increases the 0.5 percent tax on fire insurance gross premiums to 0.75 percent. |
| 1981 | Legislature increases the tax rate on capital and surplus to 0.6 percent. |
| 1989 | The Ohio Life and Health Guaranty Association is established, along with a 100 percent tax credit for assessments paid by participating members. |
| 1997 | Legislature enacts H.B. 215, which phased in several major changes between 1999 and 2003. These include:<br>• A gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent.<br>• A gradual elimination of the capital and surplus tax.<br>• A minimum tax of $250 (instead of $200).<br>• An expansion of the tax credit for smaller insurer groups to include those with less than $75 million in U.S. premiums (previously, the limit was $50 million). |

## Comparisons with Other States

(as of July 1, 2014)

| State | Fee |
|---|---|
| **Georgia** | In general, the tax rate is 2.25 percent of gross direct premiums. Rate is reduced if based upon percentage of total assets invested in qualified Georgia property. |
| **Indiana** | 1.3 percent on gross premiums. Fire insurance tax is 0.5 percent of gross premiums received from Indiana-based policies. |
| **Kentucky** | In general, the rate is 2 percent of gross premiums. Additionally, a 1.8 percent surcharge applies on premiums for Kentucky risks. Fire insurers pay an additional 0.75 percent on premiums. Life Insurance companies may elect to pay a tax on intangible property instead of the gross premiums tax of 1.5 percent. |
| **Michigan** | The rate is equal to 1.25 percent of gross direct premiums. |
| **North Carolina** | 1.9 percent of gross premiums. Fire insurers pay an additional 0.74 percent. |
| **Ohio** | 1.4 percent of gross premiums. Fire insurers pay an additional 0.75 percent on premiums derived from fire insurance. |
| **Pennsylvania** | 2 percent on gross premiums. |
| **Tennessee** | 2.5 percent of gross premiums. Fire insurers pay an additional 0.4 percent on the first $20 million of gross premiums and 0.3 percent on each additional dollar thereafter. |
| **Texas** | 1.6 percent of taxable gross premiums. Fire insurers pay an additional 0.5 percent of taxable premium receipts. |
| **West Virginia** | 3 percent of gross premiums. An additional 1 percent on taxable premiums for fire insurance and casualty insurance policies. |

# Foreign Insurance Premium Tax

The state has imposed a tax on insurance companies since the 1830s. A foreign insurance company is a company not organized under Ohio law. The tax is administered by the Ohio Department of Insurance. Currently, the tax rate is 1.4 percent of gross premiums, with health insurance companies paying 1.0 percent. A $250 minimum tax applies. In FY 2014, total domestic insurance premium taxes were approximately $308.0 million, with $286.5 million to the state's General Revenue Fund and the remaining $21.5 million to the state's Fire Marshal Fund.

**Table 1: Foreign Insurance Premium Tax Revenues**
(dollars in millions)

| Fiscal Year | General Revenue Fund | Fire Marshal Fund | Total |
|---|---|---|---|
| 2010 | $250.8 | $15.6 | $266.4 |
| 2011 | 256.3 | 16.7 | 273.0 |
| 2012 | 266.5 | 17.4 | 283.9 |
| 2013 | 274.6 | 17.9 | 292.5 |
| 2014 | 286.5 | 21.5 | 308.0 |

Source: Ohio Office of Budget and Management financial reports.

## Taxpayer

(Ohio Revised Code 5725.01, 5729.03)

The tax is paid by insurance companies not organized under Ohio law (those based out of state).

## Tax Base

(R.C.5725.03)

The tax applies to the gross amount of premiums from policies for Ohio risks by insurance companies not organized under Ohio law.

## Rates

(R.C. 5729.03, 5729.06, 3737.71)

The tax rate is 1.4 percent of gross premiums for insurance companies that are not health insuring corporations. The rate for insurance companies that are health insuring companies is 1 percent. Premiums derived from fire insurance are also subject to an additional 0.75 percent tax on the gross premiums derived from fire insurance. The minimum tax is $250.

## Exemptions

(R.C.5725.03)

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before October 1, 2009, Medicare payments, small employer health care alliance premiums or federal crop insurance premiums.

## Credits

**Credit for Smaller Insurance Groups** (R.C. 5729.031): Insurer groups with less than $75 million in total U.S. premiums are eligible for a credit of up to $200,000 against their annual tax liability. The closer groups get to the $75 million mark, the lower the value of this credit.

## Special Provisions

**Retaliatory provisions** (R.C. 5729.06): Foreign insurers are subject to retaliatory provisions. This means that the taxes imposed by one state or nation on an insurance company of any state doing business in that location are also imposed on that state or nation's insurance companies doing business in Ohio.

**Health Insuring Corporations** (R.C. 5729.03): Domestic insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments received for Medicaid prior to October 1, 2009.

**Fire Insurance tax** (R.C. 3737.71): An additional 0.75 percent tax is levied on the gross premiums from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other insurance coverages.

## Filing and Payment Dates

(R.C. 5725.29.05)

The tax year is the year in which the tax returns are due to filed. Tax liabilities are based upon the previous year's business activity. Payment dates are as follows:

- October 15: Advance payment of an amount equal to half of the previous year's tax liability before credits.
- May 15: Payment of balance of taxes for the current year.
- June 15: Final payment or refund.

## Disposition of Revenue
(R.C. 5729.03, 3737.71)

Revenue is distributed to the state's General Revenue Fund, except for revenue from the additional tax on fire insurance (see Special Provisions), which is distributed to the Fire Marshal Fund.

## Administration
Director, Ohio Department of Insurance

## Ohio Revised Code Citations
R.C.5725, 5729, 3737.71.

## History of Major Changes

| | |
|---|---|
| 1830 | Legislature enacts a 4 percent tax on dividends paid by insurance companies with a $50 minimum tax. |
| 1831 | The 4 percent tax is repealed; legislature enacts a 6 percent tax on the profit from premiums received in Ohio by foreign insurance companies. |
| 1852 | The value of gross premiums collected by foreign insurance companies becomes subject to the property tax. |
| 1888 | Legislature enacts a supplemental tax on gross premiums that, when added to the property tax, would equal 2.5 percent of gross premiums. The law includes a retaliatory tax on companies from states that charge higher tax rates on insurance companies organized in Ohio. |
| 1902 | Legislature converts the existing taxes on foreign insurance companies to a direct 2.5 percent tax on gross premiums. |
| 1971 | Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less. |
| 1997 | Legislature enacts H.B. 215, which phased in several major changes between 1999 and 2003. These include:<br>• A gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent.<br>• A gradual elimination of the capital and surplus tax.<br>• A minimum tax of $250 (instead of $200).<br>• An expansion of the tax credit for smaller insurer groups to include those with less than $75 million in U.S. premiums (previously, the limit was $50 million). |

## Comparisons with Other States
(as of July 1, 2014)

In Georgia, Indiana, Kentucky, Michigan, North Carolina, Ohio, Pennsylvania, Tennessee, Texas and West Virginia, retaliatory taxes apply to foreign insurance companies.

# Part IV: Revenue Sharing

# Local Government Fund

This chapter chapter deals with a revenue-sharing fund called the Local Government Fund (LGF).

The LGF dates back to the Jan. 1, 1935 establishment 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 Local Government Revenue Assistance Fund (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 with the 2008 calendar year, the newly consolidated LGF received a 3.68 percent share of all general revenue tax collections.

There were many additional changes to the LGF in 2013. Amounts distributed in July 2013 were equal to the amounts distributed in July 2012. Beginning in August 2013, the fund began to receive 1.66 percent of all GRF tax revenue collections of the previous month and a guaranteed minimum distribution amount for counties was codified in H.B. 59 (130th General Assembly).

During the 2013 calendar year, approximately $329.1 million was distributed to counties and approximately $28.4 million was distributed directly to municipalities from the Local Government Fund.

## 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: 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.

For 2012, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% of the July 2010-June 2011 distributions. Items to note:

- An additional $49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles revenues were credited to the state GRF only and no longer distributed to the counties.
- Beginning with the August 2013 distribution, the fund is to receive 1.66 percent of all GRF tax revenue collections of the previous month.

## 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.

Beginning in August 2011 through June 2013, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011. There is a guarantee that any county that received less than $750,000 in LGF in FY 2011 will have no reduction in monthly distributions for FY 2012 and FY 2013. Additionally, any county that received over $750,000 in FY 2011 that would be below $750,000 after the "freeze/cut" would receive no less than $750,000.

HB 59 (130th General Assembly) codified this guaranteed amount. Counties are guaranteed an amount not less than $750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the $750,000 amount in proportion to their FY 2013 distributions.

## Monthly Distribution Procedure

(R.C. 5747.50)

HB 59 (130th General Assembly) codified the aforementioned guaranteed amount. Counties are guaranteed an amount not less than $750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the $750,000 amount in proportion to their FY 2013 distributions.

## 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.

## Recent Legislation

**House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)**

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF during FY 2012 based on 75 percent of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50 percent of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011. An additional $49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will be credited to the state GRF and no longer be distributed to the counties.
- Beginning in August 2011 through June 2013, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011.
- There is a guarantee that any county that received less than $750,000 in LGF in FY 2011 will have no reduction in monthly distributions during FY 2012 and FY 2013. Additionally, any county that received over $750,000 in FY 2011 that would be below $750,000 after the "freeze/cut" would receive no less than $750,000.
- Percentage of revenue method to return beginning in FY 2014. Calculated by taking the FY 2013 LGF distribution amounts and dividing by the FY 2013 total GRF tax revenue collections.

**House Bill 59, 130th General Assembly (FY 2013-2014 biennial budget bill; budget bill provisions effective July 1, 2013)**

- Set the July 2013 distribution equal to the July 2012 distribution.
- Beginning with the August 2013 distribution, percentage of revenue method returns to fund the LGF. The LGF receives 1.66 percent of state GRF tax revenues.
- Codifies that counties are guaranteed an amount not less than $750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the $750,000 amount in proportion to their FY 2013 distributions.

**Table 1**

**Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 2009-2013**

| Calender Year | Local Government Fund | | Dealers in Intangibles Tax | | LGF and Intangibles Tax Combined | |
|---|---|---|---|---|---|---|
| | Amount | Percent Change | Amount | Percent Change | Amount | Percent Change |
| 2009 | $641,403,389 | | $13,210,244 | | $654,613,633 | |
| 2010 | 649,981,842 | 1.3% | 13,534,972 | 2.5% | 663,516,814 | 1.4% |
| 2011[1] | 648,162,293 | -0.3 | 13,751,305 | 1.6 | 661,913,598 | -0.2 |
| 2012[2] | 464,967,126 | -28.3 | 6,619 | -100.0 | 464,973,745 | -29.8 |
| 2013 | 357,452,112 | -23.1 | 0 | -100.0 | 357,452,112 | -23.1 |

1 2011 displays the beginning effects of H.B. 153.

2 2012 displays the effects of H.B. 153 and H.B. 59. The last Dealers in Intangibles Tax distribution was in January 2012 for December 2011 receipts.

Source: Ohio Department of Taxation

**Table 2**

**State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2013**

| County | To Counties | To Municipalities | Total | County | To Counties | To Municipalities | Total |
|---|---|---|---|---|---|---|---|
| ADAMS | $750,000 | $412 | $750,412 | LOGAN | $982,210 | $57,613 | $1,039,823 |
| ALLEN | $2,466,213 | $154,308 | $2,620,521 | LORAIN | $8,747,663 | $546,192 | $9,293,855 |
| ASHLAND | $1,150,222 | $80,466 | $1,230,688 | LUCAS | $13,287,511 | $1,719,658 | $15,007,168 |
| ASHTABULA | $2,179,554 | $114,003 | $2,293,557 | MADISON | $781,319 | $37,838 | $819,157 |
| ATHENS | $1,109,867 | $69,043 | $1,178,910 | MAHONING | $5,429,747 | $362,517 | $5,792,264 |
| AUGLAIZE | $1,244,811 | $85,683 | $1,330,493 | MARION | $1,437,101 | $97,103 | $1,534,205 |
| BELMONT | $1,538,506 | $11,467 | $1,549,973 | MEDINA | $3,697,583 | $155,772 | $3,853,355 |
| BROWN | $750,000 | $8,046 | $758,046 | MEIGS | $686,137 | $4,890 | $691,027 |
| BUTLER | $7,837,161 | $545,567 | $8,382,729 | MERCER | $1,008,564 | $34,326 | $1,042,890 |
| CARROLL | $750,000 | $7,490 | $757,490 | MIAMI | $2,778,910 | $206,711 | $2,985,621 |
| CHAMPAIGN | $781,827 | $42,217 | $824,045 | MONROE | $440,232 | $2,827 | $443,059 |
| CLARK | $3,085,755 | $253,365 | $3,339,121 | MONTGOMERY | $16,887,881 | $1,941,064 | $18,828,945 |
| CLERMONT | $2,362,979 | $25,998 | $2,388,977 | MORGAN | $442,257 | $4,572 | $446,829 |
| CLINTON | $875,389 | $30,219 | $905,608 | MORROW | $750,000 | $10,197 | $760,197 |
| COLUMBIANA[1] | $2,230,054 | $94,347 | $2,324,401 | MUSKINGUM | $1,654,578 | $105,860 | $1,760,437 |
| COSHOCTON | $778,064 | $28,351 | $806,415 | NOBLE | $401,561 | $0 | $401,561 |
| CRAWFORD | $1,139,564 | $66,795 | $1,206,359 | OTTAWA | $904,687 | $30,855 | $935,542 |
| CUYAHOGA | $58,202,512 | $6,364,300 | $64,566,812 | PAULDING | $713,525 | $950 | $714,475 |
| DARKE | $1,288,521 | $50,244 | $1,338,766 | PERRY | $750,000 | $9,260 | $759,260 |
| DEFIANCE | $969,214 | $55,005 | $1,024,220 | PICKAWAY | $994,202 | $41,318 | $1,035,521 |
| DELAWARE | $2,624,468 | $104,285 | $2,728,754 | PIKE | $750,000 | $8,445 | $758,445 |
| ERIE | $2,021,393 | $85,634 | $2,107,027 | PORTAGE | $3,384,069 | $228,170 | $3,612,239 |
| FAIRFIELD | $2,704,578 | $126,653 | $2,831,231 | PREBLE | $820,295 | $34,884 | $855,179 |
| FAYETTE | $750,000 | $31,228 | $781,228 | PUTNAM | $788,077 | $29,138 | $817,215 |
| FRANKLIN | $40,052,263 | $5,027,304 | $45,079,567 | RICHLAND | $3,303,090 | $270,282 | $3,573,371 |
| FULTON | $1,071,931 | $77,120 | $1,149,051 | ROSS | $1,543,090 | $80,548 | $1,623,638 |
| GALLIA | $750,000 | $14,048 | $764,048 | SANDUSKY | $1,551,736 | $86,446 | $1,638,181 |
| GEAUGA | $1,482,003 | $53,293 | $1,535,296 | SCIOTO | $1,378,127 | $56,449 | $1,434,576 |
| GREENE | $4,397,193 | $133,388 | $4,530,582 | SENECA | $1,479,773 | $105,859 | $1,585,632 |
| GUERNSEY | $806,892 | $29,800 | $836,692 | SHELBY | $1,298,309 | $110,803 | $1,409,111 |
| HAMILTON | $27,691,450 | $3,300,642 | $30,992,092 | STARK | $8,454,155 | $638,491 | $9,092,646 |
| HANCOCK | $2,117,828 | $119,415 | $2,237,244 | SUMMIT | $18,451,567 | $1,701,209 | $20,152,775 |
| HARDIN | $750,000 | $30,424 | $780,424 | TRUMBULL | $4,924,986 | $260,267 | $5,185,253 |
| HARRISON | $593,998 | $7,110 | $601,108 | TUSCARAWAS | $2,333,331 | $101,001 | $2,434,332 |
| HENRY | $750,000 | $28,770 | $778,770 | UNION | $832,698 | $38,926 | $871,624 |
| HIGHLAND | $750,000 | $34,159 | $784,159 | VAN WERT | $750,000 | $43,465 | $793,465 |
| HOCKING | $750,000 | $19,480 | $769,480 | VINTON | $356,348 | $0 | $356,348 |
| HOLMES | $750,000 | $6,962 | $756,962 | WARREN | $3,685,535 | $209,068 | $3,894,603 |
| HURON | $1,465,287 | $123,693 | $1,588,979 | WASHINGTON | $1,270,533 | $66,455 | $1,336,988 |
| JACKSON | $750,000 | $0 | $750,000 | WAYNE | $2,671,654 | $131,625 | $2,803,279 |
| JEFFERSON | $2,102,517 | $102,830 | $2,205,347 | WILLIAMS | $1,046,897 | $73,235 | $1,120,131 |
| KNOX | $1,078,790 | $61,035 | $1,139,825 | WOOD | $3,051,112 | $236,385 | $3,287,497 |
| LAKE | $9,163,748 | $642,758 | $9,806,507 | WYANDOT | $750,000 | $28,586 | $778,586 |
| LAWRENCE | $1,020,581 | $19,310 | $1,039,891 | | | | |
| LICKING | $3,564,768 | $175,234 | $3,740,002 | **TOTAL** | **$329,100,954** | **$28,351,158** | **$357,452,112** |

Source: Ohio Department of Taxation
[1] Includes $1.1 million redirected from Columbiana County to its fiscal agent.

# Public Library Fund

The Public Library Fund (PLF), 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.

Previous permanent law had called for PLF 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, the PLF revenue was distributed to counties based largely on the amount received during the previous year.

The PLF was reorganized as part of House Bill 119, enacted in June 2007 by the 127th General Assembly. Starting in January 2008, the PLF began receiving a fixed 2.22 percent of all General Revenue Fund (GRF) tax collections. Distributions from the PLF to counties returned to the old formula outlined in R.C. 5747.46.

In 2009, the 128th General Assembly enacted House Bill 1, temporarily reducing the fixed percentage of GRF tax collections that are to be deposited into the PLF. From Aug. 1, 2009 through June 30, 2011, this percentage was 1.97 percent.

From August 2011 through June 2013, the 129th General Assembly enacted House Bill 153 reducing the amount credited to the PLF to 95% of the amount received during the respective months in July 2010 through June 2011.

Beginning in July 2013, the PLF began to receive 1.66 percent of all GRF tax revenue collections of the previous month.

During the 2013 calendar year, counties received approximately $351.9 million from the PLF.

## Revenue Sources

(Ohio Revised Code 131.44, 5747.03)

In January 2008, following a series of fund "freezes," the PLF 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.

House Bill 1 of the 128th General Assembly temporarily reduced the fixed percentage of GRF tax collections that are to be deposited into the PLF. The formula for calculating the 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 PLF is known. Accordingly, each December, the department certifies the actual amount to which each county was entitled 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.

In 2012, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the PLF based on 95 percent of the July 2010-June 2011 distributions. Items to note:

- Must account for $3,689,401 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2012, and $3,689,788 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2013.
- House Bill 153 also set the mechanism for funding going forward. Beginning with the July 2013 distribution, the fund is to receive 1.66 percent of all GRF tax revenue collections of the previous month. However, for the January 2012-June 2013 distribution months, each county is to receive in distribution the same percentage that it received during CY 2011 distributions.

House Bill 59 (the main operating budget for FY 2014-2015) provided for OPLIN and Library for the Blind transfers for the same amount during FY 2014-2015.

## 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 PLF 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 PLF provided to libraries, with the remainder provided to other local governments in a few counties.

## Recent Legislation

**House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)**

In 2011, H.B. 153 (the main operating budget bill for fiscal years 2012 and 2013) funded the PLF based on 95 percent of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011.
- Must account for $3,689,401 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2012, and $3,689,788 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2013.
- For the July 2011-December 2011 distribution months, each county is to receive in distribution the same percentage that it received during CY 2010 distributions.
- For the January 2012-June 2013 distribution months, each county is to receive in distribution the same percentage that it received during CY 2011 distributions.
- Percentage of revenue method to return beginning in FY 2014. Calculated by taking the FY 2013 PLF distribution amounts and dividing by the FY 2013 total GRF tax revenue collections.

**House Bill 59, 130th General Assembly (FY 2014-FY 2015 biennial budget bill; budget provisions effective July 1, 2013)**

- Moved the July 20th certification date of the upcoming calendar estimates of the county auditors to July 25th to match the Local Government Fund certification date.
- Beginning with the July 2013 distribution, the percentage of revenue method returns for funding the PLF. The PLF receives 1.66 percent of state GRF tax revenues.

**Table 1**

| Library & Local Government Support Fund/Public Library Fund<br>Total Amounts Distributed to Counties:<br>Calendar Years 2009 - 2013 | | | | |
|---|---|---|---|---|
| **Calendar Year** | **Guaranteed Share** | **Equalization Share** | **Total Distribution** | **Percent Change in Total Distribution** |
| 2009[1] | $370,367,615 | – | $370,367,615 | – |
| 2010[1] | 347,952,236 | – | 347,952,236 | -6.1% |
| 2011[2] | 349,963,756 | $14,707,352 | 364,671,108 | 4.8% |
| 2012[3] | 344,026,827 | – | 344,026,827 | -5.7% |
| 2013 [4] | 351,913,895 | – | 351,913,895 | 2.3% |

[1] Amount of GRF tax revenue deposited into fund is reduced from 2.22 percent to 1.97 percent from Aug. 1, 2009 - June 30, 2011.

[2] The 2011 share of excess was applicable for January - June 2011period only due to H.B. 153.

[3] Reflects the effects of H.B. 153. Figure shown is after transfers to OPLIN and Library for the Blind.

[4] Reflects the effects of H.B. 59. Figure shown is after the transfers to OPLIN and Library for the Blind.

Source: Ohio Department of Taxation

**Table 2**

**Public Library Fund**
**Amounts Distributed to Counties, Calendar Year 2013**

| County | Amount | County | Amount | County | Amount |
|---|---|---|---|---|---|
| ADAMS | $772,421.66 | HAMILTON | $36,324,163.16 | NOBLE | $359,976.36 |
| ALLEN | $3,220,822.51 | HANCOCK | $2,293,586.68 | OTTAWA | $1,205,156.93 |
| ASHLAND | $1,497,627.92 | HARDIN | $896,447.25 | PAULDING | $577,321.85 |
| ASHTABULA | $2,912,461.72 | HARRISON | $522,432.02 | PERRY | $945,336.91 |
| ATHENS | $1,713,055.36 | HENRY | $836,534.00 | PICKAWAY | $1,443,250.97 |
| AUGLAIZE | $1,365,828.59 | HIGHLAND | $1,100,879.68 | PIKE | $751,417.75 |
| BELMONT | $2,073,640.17 | HOCKING | $778,676.95 | PORTAGE | $4,257,693.37 |
| BROWN | $1,096,462.25 | HOLMES | $1,016,842.23 | PREBLE | $1,181,222.58 |
| BUTLER | $9,061,308.89 | HURON | $1,700,267.99 | PUTNAM | $985,298.95 |
| CARROLL | $801,186.79 | JACKSON | $925,425.82 | RICHLAND | $3,851,295.15 |
| CHAMPAIGN | $1,053,681.05 | JEFFERSON | $2,253,182.02 | ROSS | $2,076,083.41 |
| CLARK | $4,223,744.85 | KNOX | $1,484,439.18 | SANDUSKY | $1,803,996.15 |
| CLERMONT | $4,719,203.97 | LAKE | $6,756,580.50 | SCIOTO | $2,303,165.39 |
| CLINTON | $1,131,855.41 | LAWRENCE | $1,802,644.92 | SENECA | $1,767,313.08 |
| COLUMBIANA | $3,174,192.24 | LICKING | $3,936,855.68 | SHELBY | $1,376,518.66 |
| COSHOCTON | $1,062,784.08 | LOGAN | $1,267,847.36 | STARK | $11,459,893.64 |
| CRAWFORD | $1,396,100.00 | LORAIN | $8,037,296.34 | SUMMIT | $16,469,095.02 |
| CUYAHOGA | $49,266,820.25 | LUCAS | $14,296,783.30 | TRUMBULL | $6,634,406.05 |
| DARKE | $1,558,462.97 | MADISON | $1,126,489.88 | TUSCARAWAS | $2,522,122.83 |
| DEFIANCE | $1,144,687.62 | MAHONING | $7,749,044.49 | UNION | $1,074,670.32 |
| DELAWARE | $2,654,182.21 | MARION | $1,886,314.61 | VAN WERT | $875,737.93 |
| ERIE | $2,427,377.95 | MEDINA | $3,953,220.63 | VINTON | $338,892.12 |
| FAIRFIELD | $3,378,433.49 | MEIGS | $672,412.22 | WARREN | $3,964,169.40 |
| FAYETTE | $809,457.43 | MERCER | $1,176,436.72 | WASHINGTON | $1,820,868.10 |
| FRANKLIN | $32,072,183.45 | MIAMI | $2,891,674.59 | WAYNE | $3,251,216.42 |
| FULTON | $1,192,846.99 | MONROE | $435,272.70 | WILLIAMS | $1,127,152.30 |
| GALLIA | $911,846.86 | MONTGOMERY | $18,215,832.58 | WOOD | $3,805,375.06 |
| GEAUGA | $2,976,161.49 | MORGAN | $408,475.58 | WYANDOT | $656,796.72 |
| GREENE | $4,185,636.25 | MORROW | $853,515.31 | | |
| GUERNSEY | $1,146,017.55 | MUSKINGUM | $2,428,385.11 | **TOTAL** | **$351,913,895** |

Source: Ohio Department of Taxation

# Public Utility Property Tax Replacement Fund

This chapter deals with two revenue-sharing funds, the School District Property Tax Replacement Fund and the Local Government Property Tax Replacement Fund. These public utility property tax replacement funds were created by the 123rd General Assembly in 1999 as part of Senate Bill 3, which was amended by Senate Bill 287. Senate Bill 3 restructured the regulation of energy prices in Ohio by permitting supplier competition. Senate Bills 3 and 287 reduced public utility personal property taxes for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. Senate Bill 3 reduced to 25% from 88% the percentage of true value used to determine the assessed value of all tangible personal property of an electric company or a rural electric company, except transmission and distribution property, beginning in tax year 2001. Also for tax year 2001, Senate Bill 287 reduced the assessment percentage for all natural gas company personal property from 88% of true value to 25%.

State consumption taxes were enacted to replace reduced personal property tax revenue, a kilowatt-hour tax (kwh tax) on electricity and a thousand cubic foot tax on natural gas (mcf tax). With the enactment of H.B. 66, effective June 30, 2005, the listing percentages were changed to those currently in use. Beginning with tax year 2006, the percentage of true value used to determine assessed value of taxable personal property of electric companies was reduced to 85% for transmission and distribution property and to 24% for all other property. For rural electric companies, the percentage of true value was reduced to 25% for all non-transmission and distribution property.

Public utility personal property tax was a source of local government revenue. Reimbursement to schools and local governments were established to replace local revenue loss attributed to the reduced assessment rate on certain property. Local revenue reductions were calculated as the product of the applicable tax rate and value. For electric utilities, the loss was determined by calculating the difference between the actual valuations for 1998 and what the valuations would have been in 1998 had the 2001 property tax structure been in effect. For gas utilities, the same calculation was done but for 1999. The tax rates used are generally from the same years as the valuation losses, but with some adjustments. For electric property the tax rates in effect for 1998 are used, except that the 1999 rates are used if they are higher than the 1998 rates (not including levies passed after June 30, 1999). For gas property, the higher of the 1999 and 2000 tax rates are used, regardless of the dates of elections.

The fiscal year 2012-2013 biennial budget bill, H.B. 153 of the 129th General Assembly, made significant changes to the phase-out of reimbursement payments in August 2011 and thereafter. The changes implemented a measure of relative need in determining the level of reimbursement for school districts and local governments.

During fiscal year 2014, approximately $27.95 million was distributed to schools and joint vocational districts from the School District Property Tax Replacement Fund. Approximately $9.56 million was distributed to counties, municipalities, townships, and special districts from the Local Government Property Tax Replacement Fund in calendar year 2014.

## Revenue Sources

(Ohio Revised Code 5727.84 (B) & 5727.01 et seq.)

Nine percent of kilowatt-hour receipts are to be deposited in the School District Property Tax Replacement Fund and three percent in the Local Government Property Tax Replacement Fund. A transfer from the General Revenue Fund will be made if the replacement funds are insufficient to make the calculated reimbursement payments. Any balance in the replacement funds, after reimbursements are distributed, is allocated to the General Revenue Fund.

## Distributions to Schools & Local Governments

(R.C 5727.85 & 5727.86)

Local government replacement payments are calculated on a calendar year basis and school district replacement payments are calculated on a fiscal year basis.

In calendar year 2013, replacement payments for the fixed-rate levies of counties, townships and special districts as well as municipal operating levies were equal to the sum of 2011 reimbursement less six percent of the local government's calculated 2011 total resources. Reimbursement for municipal non-operating levies, including pension and capital improvement levies, for calendar year 2013 was equal to 25 percent of the levy's 2011 reimbursement.

In fiscal year 2013, replacement payments to schools and joint vocational districts for fixed-rate operating levies were equal to fiscal year 2011 reimbursement less four percent of the district's total resources. Reimbursement for non-operating fixed-rate levies, including permanent improvement and classroom facilities levies, was equal to 50 percent of the fiscal year 2011 reimbursement. Reimbursement for fixed- sum levies (including emergency and voted bond levies) is not subject to phase out; final reimbursement for emergency levies is to be made in 2017.

## Distribution Procedure

(R.C. 5727.85 C (3))

Distributions are made from the state to counties on or before the 28th day of February and 31st day of August. The county treasurer/auditor then distributes payments to the appropriate local government within 30 days.

Direct payments from the Ohio Department of Education are made to school and joint vocational districts on or before the 28th day of February and 31st day of August.

## Use of Funds

Reimbursements to schools and local governments are to be utilized for the purpose of the originally qualifying levy.

**Table 1**

**Public Utility Personal Property Tax Replacement Payments by County, Fiscal Year 2014**

| County | Tax Replacement Payments [1,2] | County | Tax Replacement Payments [1,2] |
|---|---|---|---|
| Adams | $4,113,942 | Licking | $1,155 |
| Allen | $34,189 | Logan | $10,277 |
| Ashland | $9,707 | Lorain | $591,752 |
| Ashtabula | $28,627 | Lucas | $59,664 |
| Athens | $8,658 | Madison | $2,256 |
| Auglaize | $126 | Mahoning | $90,243 |
| Belmont | $117,540 | Marion | $2,952 |
| Brown | $5,301 | Medina | $17,250 |
| Butler | $278,672 | Meigs | $84,425 |
| Carroll | $240 | Mercer | $194 |
| Champaign | $232 | Miami | $16,036 |
| Clark | $7,859 | Monroe | $12 |
| Clermont | $8,775,005 | Montgomery | $217,188 |
| Clinton | $1,357 | Morgan | $95,808 |
| Columbiana | $15,002 | Morrow | $51 |
| Coshocton | $313,498 | Muskingum | $3,077 |
| Crawford | $1,128 | Noble | $189 |
| Cuyahoga | $1,125,917 | Ottawa | $5,325,990 |
| Darke | $731 | Paulding | $152 |
| Defiance | $383 | Perry | $307 |
| Delaware | $7,136 | Pickaway | $2,503 |
| Erie | $22,478 | Pike | $2,636 |
| Fairfield | $7,135 | Portage | $3,921 |
| Fayette | $3,718 | Preble | $305 |
| Franklin | $46,469 | Putnam | $327 |
| Fulton | $11,461 | Richland | $1,329 |
| Gallia | $299,196 | Ross | $686 |
| Geauga | $3,922 | Sandusky | $484 |
| Greene | $49,750 | Scioto | $4,807 |
| Guernsey | $23,581 | Seneca | $2,620 |
| Hamilton | $1,011,859 | Shelby | $14,404 |
| Hancock | $12,253 | Stark | $19,069 |
| Hardin | $124 | Summit | $69,479 |
| Harrison | $24,494 | Trumbull | $54,272 |
| Henry | $4,564 | Tuscarawas | $56,372 |
| Highland | $593 | Union | $569 |
| Hocking | $201 | Van Wert | $3,584 |
| Holmes | $120 | Vinton | $249 |
| Huron | $397 | Warren | $15,632 |
| Jackson | $244 | Washington | $136,313 |
| Jefferson | $1,704,514 | Wayne | $523 |
| Knox | $276 | Williams | $2,204 |
| Lake | $11,663,594 | Wood | $11,751 |
| Lawrence | $9,338 | Wyandot | $251 |
| | | Total | $36,668,797 |

[1] Consists of payments made to school districts and local governments.

[2] Schools are on a fiscal year basis and represent approximatley $27.95 million of the $36.67 million shown.

Local governments and special districts operate on a calendar year basis and reprsent about $8.72 million for FY 2014.

Source: Ohio Department of Taxation Records.

# Tangible Property Tax Replacement Fund

This chapter deals with two revenue-sharing funds, the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund. The tangible property tax replacement funds were created by the 126th General Assembly in 2005 as part of Am. House Bill 66, the fiscal year 2006-07 biennial budget bill. House Bill 66 phased out the tangible personal property taxes, and made a number of other tax code changes including the enactment of the commercial activity tax.

The tangible personal property (TPP) tax, which applied to property used in business in Ohio, was a noteworthy source of local property tax revenue. Reimbursements to schools and local governments were established to replace local revenue losses attributed to the phase-out of the tax on TPP. Reimbursements were based on the product of millage, levied as of September 1, 2005 and 2004 tangible personal property tax values. Reimbursement payments increased as local revenues decreased due to the phase-out, with full reimbursement provided in 2010. The fiscal year 2012-2013 biennial budget bill, H.B. 153 of the 129th General Assembly, made significant changes to the phase-out of reimbursement payments in November 2011 and thereafter. The changes implemented a measure of relative need in determining the level of reimbursement for school districts and local governments.

During fiscal year 2014, approximately $481.7 million was distributed to schools and joint vocational districts from the school district tangible property tax replacement fund. Approximately $122.7 million was distributed to counties, municipalities, townships, and special districts from the Local Government Tangible Property Tax Replacement Fund in calendar year 2014.

## Revenue Sources

(Ohio Revised Code 5751.20)

Thirty-five percent of commercial activity tax receipts are to be deposited in the School District Tangible Property Tax Replacement Fund and fifteen percent in the Local Government Tangible Property Tax Replacement Fund. A transfer from the General Revenue Fund will be made if the replacement funds are insufficient to make the calculated reimbursement payments. Any balance in the replacement funds, after reimbursements are distributed, will be allocated to the General Revenue Fund.

## Distributions to Schools & Local Governments

(R.C. 5751.21 & 5751.22)

Local government replacement payments are calculated on a calendar year basis and school district replacement payments are calculated on a fiscal year basis.

In calendar year 2013, replacement payments for the fixed-rate levies of counties, townships and special districts as well as municipal operating levies were equal to the sum of 2011 reimbursement less six percent of the local government's calculated 2011 total resources. Reimbursement for municipal non-operating levies, including pension and capital improvement levies, for calendar year 2013 was equal to 25 percent of the levy's 2011 reimbursement.

In fiscal year 2013, replacement payments to schools and joint vocational districts for fixed-rate operating levies were equal to fiscal year 2011 reimbursement less four percent of the district's total resources. Reimbursement for non-operating fixed-rate levies, including permanent improvement and classroom facilities levies, was equal to 50 percent of the fiscal year 2011 reimbursement. Reimbursement for fixed- sum levies (including emergency and voted bond levies) is not subject to phase out; final reimbursement for emergency levies is to be made in 2017.

## Distribution Procedure

(R.C 5751.21 & 5751.22)

Distributions are made from the state to counties on or before the 30th day of November and 31st day of May. The county treasurer/auditor then distributes payments to the appropriate local government within 30 days.

Direct payments from the Ohio Department of Education are made to school and joint vocational districts on or before the 20th day of November and the last day of May.

## Use of funds

Reimbursements to schools and local governments are to be utilized for the purpose of the originally qualifying levy.

**Table 1**

**Tangible Personal Property Tax Replacement Payments by County, Fiscal Year 2014**

| County | Tax Replacement Payments[1] | County | Tax Replacement Payments[1] |
|---|---|---|---|
| ADAMS | $44,317 | LICKING | $3,820,558 |
| ALLEN | 11,345,551 | LOGAN | 4,685,991 |
| ASHLAND | 2,500,144 | LORAIN | 8,588,606 |
| ASHTABULA | 7,105,477 | LUCAS | 27,554,361 |
| ATHENS | 257,097 | MADISON | 1,771,598 |
| AUGLAIZE | 3,214,561 | MAHONING | 7,290,784 |
| BELMONT | 1,389,670 | MARION | 2,867,006 |
| BROWN | 27,721 | MEDINA | 8,089,611 |
| BUTLER | 12,876,266 | MEIGS | 5,010 |
| CARROLL | 69,054 | MERCER | 395,795 |
| CHAMPAIGN | 2,145,959 | MIAMI | 6,817,110 |
| CLARK | 3,054,682 | MONROE | 873,180 |
| CLERMONT | 3,338,353 | MONTGOMERY | 31,366,663 |
| CLINTON | 1,902,345 | MORGAN | 25,546 |
| COLUMBIANA | 2,110,137 | MORROW | 152,173 |
| COSHOCTON | 1,074,770 | MUSKINGUM | 1,724,978 |
| CRAWFORD | 2,860,203 | NOBLE | 53,565 |
| CUYAHOGA | 86,925,274 | OTTAWA | 1,473,253 |
| DARKE | 886,426 | PAULDING | 230,581 |
| DEFIANCE | 2,266,353 | PERRY | 172,334 |
| DELAWARE | 1,816,151 | PICKAWAY | 1,607,313 |
| ERIE | 10,975,454 | PIKE | 3,104,704 |
| FAIRFIELD | 1,851,018 | PORTAGE | 9,831,182 |
| FAYETTE | 616,851 | PREBLE | 871,669 |
| FRANKLIN | 80,846,861 | PUTNAM | 674,968 |
| FULTON | 4,301,977 | RICHLAND | 10,008,336 |
| GALLIA | 62,915 | ROSS | 4,641,204 |
| GEAUGA | 6,271,543 | SANDUSKY | 3,850,674 |
| GREENE | 1,363,558 | SCIOTO | 793,812 |
| GUERNSEY | 1,504,115 | SENECA | 2,439,439 |
| HAMILTON | 76,135,207 | SHELBY | 5,567,154 |
| HANCOCK | 8,265,777 | STARK | 19,278,212 |
| HARDIN | 1,044,773 | SUMMIT | 31,367,703 |
| HARRISON | 159,819 | TRUMBULL | 13,564,274 |
| HENRY | 3,517,327 | TUSCARAWAS | 4,456,372 |
| HIGHLAND | 159,092 | UNION | 11,624,435 |
| HOCKING | 55,057 | VAN WERT | 574,732 |
| HOLMES | 1,521,401 | VINTON | 58,396 |
| HURON | 1,999,704 | WARREN | 16,780,056 |
| JACKSON | 325,595 | WASHINGTON | 5,480,215 |
| JEFFERSON | 1,701,618 | WAYNE | 9,477,118 |
| KNOX | 1,198,989 | WILLIAMS | 3,145,884 |
| LAKE | 16,901,399 | WOOD | 12,710,763 |
| LAWRENCE | 61,062 | WYANDOT | 519,204 |
| | | **TOTAL** | **$648,438,140** |

Source: Ohio Department of Taxation, Ohio Department of Education

[1] Consists of payments made to school districts and local governments. Figures reflect payments made in November 2013 and May 2014.

# Part V: Local Taxes

# Admissions Tax

MMunicipal corporations are permitted to levy a tax on admissions to places of amusement or entertainment such as movies, theme parks, and professional sporting events. The tax is generally charged as a percent of the cost of entrance, though one municipality charges a nominal flat rate per ticket. The tax cannot be imposed on admissions charged to events sponsored by public institutions such as college or high school sporting events.

According to surveys completed by local governments, in calendar year 2012, the latest year for which survey responses are available, admissions tax revenues totaled $22.9 million.

## Taxpayer

(Ohio Revised Code 715.013)

The tax applies to operators of movie theaters, theme parks, professional sporting events, and other activities for which there is an admissions charge.

## Tax Base

(R.C. 715.013)

The base of the tax varies from community to community, but may include admissions to theaters, sporting events, and other places of amusement, as well as country club dues. State and local sales taxes generally do not apply to admissions.

## Rates

Admissions tax rates vary among municipalities. In 2012, the most recent year for which data is available, a total of 63 municipalities levied an admissions tax. The majority of municipalities had rates of either 3.0% (43) or 5.0% (12). Seven municipalities had rates that ranged from 1.5% to 8.0%, and the remaining municipality charged a flat rate per ticket.

## Disposition of Revenue

All revenue is kept by the municipality. Cleveland, with the highest tax rate of 8.0%, collected revenues of about $11.2 million, or 49% of statewide collections from admissions taxes. Collections from three municipalities – Cleveland, Cincinnati, and Sandusky – accounted for 81% of statewide collections. (See Table 2 in this section.)

## Payment Dates, Special Provisions/ Credits

For information on filing and payment of admissions taxes, as well as information on any special provisions or credits that may apply, contact the city or village in which an activity subject to the taxes is located.

## Responsibility for Administration

Responsibility for administrating admissions taxes is determined by the legislative authority of the municipality imposing the tax.

## Ohio Revised Code Citations

R.C. 715.013.

## History of Major Changes

| | |
|---|---|
| 1998 | General Assembly enacts Ohio Revised Code section 715.013, which explicitly permits municipalities to levy taxes on admissions. Some municipalities had already been taxing admissions for decades. |

**Table 1**

**Revenue to Municipal Corporations from Admissions Tax, CY 2008-2012 (dollars in millions)**

| Calendar Year | Total |
|---|---:|
| 2008 | $24.3 |
| 2009 | $22.2 |
| 2010 | $22.7 |
| 2011 | $24.2 |
| 2012 | $22.9 |

Source: Surveys received from local governments; data compiled by Department of Taxation (Table S-5).

| Table 2 | | | |
|---|---|---|---|
| **Ten Municipalities with Highest Revenues from Admissions Tax, Calendar Year 2012** | | | |
| **Municipality (County)** | **Tax Rate** | **Collections** | **Percentage of Total** |
| Cleveland (Cuyahoga) | 8.0% | $11,236,241 | 49.1% |
| Cincinnati (Hamilton) | 3.0% | $4,616,869 | 20.2% |
| Sandusky (Erie) | 3.0% | $2,576,829 | 11.3% |
| Valley View (Cuyahoga) | 5.0% | $424,873 | 1.9% |
| Beachwood (Cuyahoga) | 3.0% | $399,565 | 1.7% |
| Aurora (Portage) | 5.0% | $351,277 | 1.5% |
| Pepper Pike (Cuyahoga) | 3.0% | $268,511 | 1.4% |
| Willoughby (Lake) | 3.0% | $244,344 | 1.2% |
| Cuyahoga Falls (Summit) | 3.0% | $238,483 | 1.1% |
| Youngstown (Mahoning) | 5.5% | $215,951 | 0.9% |
| Remaining 63 all with collections of under $210,000* | Various rates | $2,208,231 | 9.7% |
| **Total Collections** | | **$22,867,006** | |

Source: Surveys received from local governments; data compiled by Department of Taxation (Table S-5).
*Eighteen jurisdictions with an admissions tax reported no revenue for 2012. Twelve jurisdictions did not report data for 2011, so the most current data available was used as a proxy.

# Alcoholic Beverage Taxes – County

Cuyahoga County is the only county in the state that levies a separate local tax on alcoholic beverages – in 2008, the General Assembly prohibited localities from levying any new taxes on alcoholic beverages. However, in 2013, the General Assembly authorized Cuyahoga County to extend its current levy. Cuyahoga County levies the maximum rates specified in state law on gallons of beer, wine, mixed drinks, cider, and liquor. Revenues from these taxes (along with a portion of the county's revenues from cigarette taxes) are used for construction and renovation costs for professional sports facilities in the county along with related economic development projects.

Alcoholic beverage taxes must be levied pursuant to a resolution adopted by the Board of County Commissioners and approved by a majority of voters in the county. Template ballot language is specified in state law. Cuyahoga County voters last approved an extension of their alcoholic beverage taxes (along with cigarette taxes) in May 2014, for a twenty-year period. In fiscal year 2014, a total of $11.2 million was collected in the permissive alcohol taxes, with $0.1 million deposited into the Department of Taxation's administration fund and the remainder to be distributed to Cuyahoga County.

## Taxpayer

(Ohio Revised Code 4301.422)

The tax is paid by manufacturers, importers, and wholesale distributors of beer, wine, cider, and mixed beverages (up to 21% alcohol by volume). The tax is also paid by the Ohio Department of Commerce's Division of Liquor Control, the state's sole purchaser and distributor of liquor containing more than 21% alcohol by volume.

## Tax Base

(R.C. 4301.421 and 4301.01)

The tax applies to beer, wine, mixed beverages, cider, and liquor, defined as follows:

- Beer is brewed or fermented from malt products and contains at least 0.5% but not more than 12% alcohol by volume.
- Wine, including sparkling wine and vermouth but excluding cider, consists of fermented juices of grapes, fruits or other agricultural products. It contains at least 0.5% and not more than 21% alcohol by volume. By law, wine with less than 4% alcohol is not subject to the alcoholic beverage excise tax.
- Mixed beverages are mixtures of wine or distilled spirits with carbonated or noncarbonated flavoring materials. They contain at least 0.5% and not more than 21% alcohol by volume.
- Cider consists of fermented juices of apples, including flavored, sparkling, or carbonated cider. It contains at least 0.5% and not more than 6% alcohol by weight.
- Liquor or "spirituous liquor" includes all intoxicating liquors that contain more than 21% alcohol by volume.

## Rates

(R.C. 4301.421)

Cuyahoga County levies the maximum tax rates permitted under state law, as shown in the table below.

| Table 1 | |
|---|---|
| Maximum rates established in state law for county alcoholic beverage taxes | |
| **Beverage** | **Rate per gallon** |
| Beer | $0.16 |
| Wine and mixed drinks | $0.32 |
| Cider | $0.24 |
| Liquor | $3.00 |

## Exemptions

(R.C. 4301.421)

The tax does not apply to sacramental wine or to sales made to the federal government.

## Disposition of Revenue

(R.C. 4301.423)

The county receives 98% of revenues the month after the revenues are collected by the Department of Taxation. Two percent of beer, wine, and mixed beverage tax revenues are allocated to the Department of Taxation to administer the tax.

## Payment Dates

(R.C. 4301.422)

Returns and payments must be received by the last day of the month following the reporting period.

## Special Provisions/Credits

(R.C. 4301.422)

Taxpayers receive a 2.5% discount for timely payment of taxes.

## Administration

(R.C. 4307.04)

The Tax Commissioner administers the taxes for beer, wine, and mixed beverages. The Division of Liquor Control in the Department of Commerce administers the taxes for liquor.

## Ohio Revised Code Citations

Sections 307.696, 307.697, 351.26, 4301.102, 4301.421, 4301.422, 4301.423, 4301.424, and 4307.04

**Table 2**

**Cuyahoga County Beer & Wine Liabilities Reported on Returns, Fiscal Years 2012-2014**

| Type of Beverage | 2012 | 2013 | 2014 |
|---|---|---|---|
| Beer | $4,293,194 | $4,147,193 | $3,974,425 |
| Wine | $1,322,898 | $1,307,209 | $1,262,308 |
| Total | $5,616,092 | $5,454,402 | $5,236,734 |

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

## History of Major Changes

| | |
|---|---|
| 1986 | General Assembly authorizes county sports facility liquor taxes. |
| 1990 | General Assembly authorizes county sports facility taxes on beer, wine, and mixed beverages and amends law on county sports facility liquor taxes. Later, Cuyahoga County voters enact taxes on beer, wine, and liquor at the maximum rate through July 31, 2004. |
| 1995 | General Assembly permits counties to enact alcoholic beverage taxes that do not take effect until a current levy expires. Cuyahoga County voters approve a ten-year extension of beer, wine and liquor taxes, now due to expire July 31, 2014. |
| 2008 | General Assembly enacts House Bill 562, which includes a provision that prohibits future local taxes on alcoholic beverages. |
| 2013 | General Assembly enacts House Bill 59, the general budget bill, which includes a provision that specifically authorizes Cuyahoga County to renew the county alcoholic beverage (and cigarette) taxes for up to 20 years, by adopting a resolution to do so by September 15, 2015, subject to voter approval. |
| 2014 | Cuyahoga County voters approve (on May 6), to extend the alcoholic beverages (and cigarette) taxes at current rates for 20 years. |

**Table 3**

**Collections from Alcoholic Beverages Taxes in Cuyahoga County**

| Fiscal Year | Beer | Wine and Mixed Beverages | Liquor | State Admin Fee | Total |
|---|---|---|---|---|---|
| 2010 | $4,087,377 | $1,183,347 | $5,091,900 | $107,566 | $10,470,190 |
| 2011 | $4,308,590 | $1,269,080 | $5,131,429 | $113,830 | $10,822,929 |
| 2012 | $4,207,330 | $1,296,440 | $5,299,406 | $112,322 | $10,915,498 |
| 2013 | $3,999,744 | $1,264,346 | $5,533,727 | $107,430 | $10,905,247 |
| 2014 | $4,020,209 | $1,305,882 | $5,738,612 | $108,696 | $11,173,399 |

Source: Ohio Office of Budget and Management fiscal reports.

# Cigarette Tax – County

Cuyahoga County is the only county in the state that levies a separate local tax on cigarettes – in 2008, the General Assembly prohibited localities from levying any new taxes on cigarettes. However, in 2013, the General Assembly authorized Cuyahoga County to extend its current levy. Cuyahoga County levies the maximum rates specified in state law. Revenues from these taxes are mainly used for funding a regional arts and cultural district; some revenues are used for the construction and renovation costs for professional sports facilities in the county along with related economic development projects.

The taxes must be levied pursuant to a resolution adopted by the Board of County Commissioners and approved by a majority of voters in the county. Ballot language is specified in state law. Cuyahoga County voters last approved cigarette taxes (along with alcohol taxes) in May 2014, for a twenty-year period.

## Taxpayer

(Ohio Revised Code 5743.025)

The tax is paid by cigarette dealers (primarily wholesalers), who must be licensed and who pay the tax by purchasing tax indicia (stamps or impressions). The indicia must be affixed to all packs of cigarettes before sale at retail in a county that levies such taxes.

## Tax Base

(R.C. 5743.026)

The tax is assessed per each cigarette sold.

## Rates

(R.C. 5743.021 and 5743.026)

Cuyahoga County levies two separate cigarette taxes at the maximum rates permitted under state law:

- Up to 1.5 cents per cigarette (30 cents per pack of 20 cigarettes) for the purpose of funding a regional arts and cultural district.
- Up to 0.225 cents per cigarette (4.5 cents per pack of 20 cigarettes) for construction of a sports facility.

For one pack of 20 cigarettes purchased, a total of 34.5 cents is assessed.

## Exemptions

No exemptions.

## Disposition of Revenue

(R.C. 3381.04, 5743.021)

The county receives 98% of revenues from each tax to use for the specified purposes listed above. The remaining 2% of revenue is allocated to the Department of Taxation to administer the tax.

## Payment Dates

See the Cigarette and Other Tobacco Products Tax chapter in the State Taxes section.

## Special Provisions/Credits

See the Cigarette and Other Tobacco Products Tax chapter in the State Taxes section.

## Responsibility for Administration

The Tax Commissioner.

## Ohio Revised Code Citations

Sections 307.696, 307.697, 351.26, 3381.04, 5743.021, 5743.024, 5743.025, and 5743.026.

## History of Major Changes

| | |
|---|---|
| 1986 | General Assembly authorizes county sports facility cigarette taxes. |
| 1990 | Cuyahoga County voters approve a 4.5 cents-per-pack cigarette tax through July 31, 2005, with revenue designated to finance sports facilities for the Cleveland Indians and Cavaliers. |
| 1995 | General Assembly permits counties to extend cigarette taxes that have not yet expired (July). Later, Cuyahoga County voters approve to extend the cigarette tax for ten years, through July 31, 2015, in order to support facility improvements for the Cleveland Browns. |

**History of Major Changes - continued**

| | |
|---|---|
| 2006 | General Assembly permits counties with a population of 1.2 million or more (effectively, Cuyahoga County) to levy a cigarette tax to fund a regional arts and cultural district. Cuyahoga County voters approve the tax at a rate of $0.30 per pack (effective February 2007). |
| 2008 | General Assembly enacts House Bill 562, which includes a provision that prohibits future local taxes on cigarettes (and alcoholic beverages). |
| 2013 | General Assembly enacts House Bill 59, the general budget bill, which includes a provision that specifically authorizes Cuyahoga County to renew the county cigarette tax (and alcoholic beverage taxes) for up to 20 years, by adopting a resolution to do so by September 15, 2015, subject to voter approval. |
| 2014 | Cuyahoga County voters approve (on May 6) to extend the cigarette (and alcoholic beverages) taxes at current rates for 20 years. |

**Table 1**

**Revenue from Cigarette Taxes in Cuyahoga County, Fiscal Years 2010 - 2014**

| Fiscal Year | Cuyahoga County Revenue | Arts District Allocation* | Sports Facilities Allocation* | State Admin Fee | Total Revenue |
|---|---|---|---|---|---|
| 2010 | $20,540,141 | $17,861,707 | $2,678,434 | $420,722 | $20,960,863 |
| 2011 | $19,882,266 | $17,289,619 | $2,592,647 | $406,078 | $20,288,344 |
| 2012 | $19,687,486 | $17,120,238 | $2,567,248 | $402,357 | $20,089,843 |
| 2013 | $19,411,367 | $16,880,125 | $2,531,242 | $396,666 | $19,808,033 |
| 2014 | $18,482,584 | $16,072,454 | $2,410,129 | $377,194 | $18,859,778 |

Source: Ohio Office of Budget and Management fiscal reports for total revenue;

*Arts and sports facilities allocations calculated by Dept. of Taxation based on proportion of their respective tax rates (about 87% for arts and 13% for sports facilities).

**Table 2**

**Cuyahoga County Cigarette Tax Receipts, Fiscal Years 2010 - 2014**

| Fiscal Year | Gross Stamp Tax | Discount | Net Tax Collected |
|---|---|---|---|
| 2010 | $20,916,639 | $376,499 | $20,540,140 |
| 2011 | $20,246,705 | $364,440 | $19,882,265 |
| 2012 | $19,763,236 | $355,738 | $19,407,498 |
| 2013 | $20,187,170 | $363,369 | $19,823,801 |
| 2014 | $18,449,161 | $332,085 | $18,117,076 |

Source: Treasurer of State

# Individual Income Tax – School District

The ability of school districts 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. Unlike state or municipal income taxes, school district income taxes may be levied only on the income of residents of the school district.

Effective calendar year 2014, 188 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 2014, total net distributions to all districts were approximately $380.9 million. These distributions are based on collections of about $409.7 million for the April 2013 through March 2014 period. During fiscal year 2014, school district income tax revenue collections totaled about $386.6 million.

| Table 1 | |
|---|---|
| **School District Income Tax Collections Fiscal Year 2014** | |
| School District Income Tax | $380,834,595 |
| School Dist. Tax Admin. Fund | 5,831,617 |
| **Total** | $386,666,212 |

## Taxpayer
(R.C. 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 $1,700 for each personal and dependent exemption claimed on the Ohio individual income tax return for tax year 2013. The value of these exemptions is indexed to inflation.

**"Earned income only" school districts**

As of the end of 2014 fiscal year, voters in 41 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 are proposed by the school district board of education and must be approved by voters in the school district. Rates are set in increments of 0.25 percent. During fiscal year 2014, rates ranged from 0.25 percent to 2 percent.

## Special Provisions

**Senior citizen credit** (R.C.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 (typically) April 15.
- Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
- Taxpayers must make quarterly estimated payments if they expect to be underwithheld by more than $500 on the combined school district and state individual income taxes. For calendar year taxpayers, quarterly payments of the tax must typically 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 the state and school district income 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.

## History of Major Changes

| | |
|---|---|
| 1979 | General Assembly grants school districts authority to levy an income tax solely for repaying a state loan. |
| 1981 | General Assembly repeals 1979 law and enacts Chapter 5748 of the Ohio Revised Code, authorizing school districts to enact a school district income tax based on Ohio taxable income (meaning Ohio adjusted gross income, less personal and dependent exemptions claimed on the Ohio individual income tax return). |
| 1983 | General Assembly blocks additional school districts from enacting the tax by repealing most of Chapter 5748, but permits the six districts that had enacted the tax before Aug. 3, 1983 to continue doing so. |
| 1989 | The General Assembly reinstates portions of Chapter 5748, allowing additional school districts to levy the tax. Lawmakers also enact a $50 senior citizen credit. |
| 1991 | For the first time, school districts are permitted to seek voter approval for income taxes for finite periods of time. Previously, all levies had to be continuing levies. |
| 1992 | General Assembly permits districts to submit to voters an income tax levy and a property tax reduction with a single ballot issue. |
| 2000 | Personal exemptions indexed to inflation. |
| 2005 | General Assembly gives districts the option of levying the tax on earned income – meaning, only wages and self- employment income – instead of on the traditional base of Ohio taxable income. |
| 2009 | The Congressional "Military Spouses Residency Relief Act of 2009" extended the principle of domicile that applies to service members to their spouses. |

| Table 2 | | | |
|---|---|---|---|
| **School District Income Tax Revenue Fiscal Years 2009 - 2014 (dollars in millions)** | | | |
| **Fiscal Year** | **School District Income Tax Fund** | **School District Income Tax Administration Fund_** | **Total Revenue** |
| 2009 | $305.7 | $5.0 | $310.7 |
| 2010 | 297.0 | 4.9 | 301.9 |
| 2011 | 320.3 | 5.2 | 325.5 |
| 2012 | 342.2 | 5.5 | 347.7 |
| 2013 | 362.7 | 5.9 | 368.6 |
| 2014 | 380.8 | 5.8 | 386.6 |
| Source: Office of Budget and Management fiscal reports | | | |

| Table 3 | | | | | | |
|---|---|---|---|---|---|---|
| **School District Income Tax Distributions, Fiscal Years 2009-2014** | | | | | | |
| | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** |
| "Traditional base" districts | 153 | 153 | 151 | 149 | 147 | 147 |
| "Earned income only" districts | 19 | 25 | 30 | 33 | 37 | 41 |
| **Total districts levying the tax** | **172** | **178** | **181** | **182** | **184** | **188** |
| | | | | | | |
| Individual returns | $109,252,212 | $110,540,423 | $120,507,956 | $126,365,263 | $125,973,187 | $130,689,250 |
| Employer withholding | 223,927,682 | 214,902,468 | 227,107,845 | 240,897,206 | 249,855,690 | 264,454,245 |
| Individual Assessment Collections | | | | | | 14,437,750 |
| Withholding Assessment Collections | | | | | | 142,705 |
| **Total collections*** | **$333,179,895** | **$325,442,891** | **$347,615,801** | **$367,262,470** | **$375,828,877** | **$409,723,950** |
| | | | | | | |
| Interest earned | 1,206,431 | 438,513 | 178,906 | 143,483 | 149,503 | 198,134 |
| Expired net levy adjustment | | | | | | 18,635 |
| | | | | | | |
| Less Refunds and administration | $27,588,832 | $28,638,291 | $27,112,439 | $25,067,822 | $25,502,190 | $29,086,850 |
| | | | | | | |
| **Net to school districts** | **$306,797,494** | **$297,243,112** | **$320,682,268** | **$342,338,131** | **$350,476,190** | **$ 380,853,869** |
| Source: Ohio Department of Taxation records; data is reported in a different manner beginning in FY 2014 due to changes in the accounting method. | | | | | | |
| * The table shows distributions by fiscal year. However, collections of the tax are made in the quarter prior to the quarter of distribution; therefore, the collections shown in the table are from April through March of each year. During fiscal year 2014, school district income tax collections totaled about $386.6 million. | | | | | | |

# Lodging Tax

Local governments may levy a tax on lodging furnished to transient guests by hotels and motels. Municipalities or townships may levy a lodging tax of up to 3.0 percent, plus an additional tax of up to 3.0 percent if they are located (wholly or partly) in a county that has not levied a lodging tax. Counties may levy a lodging tax of up to 3.0 percent, but may not levy such a tax in any municipality or township that has already levied the additional lodging tax. State law also permits local governments to levy special lodging taxes for designated purposes or specified projects (such as for convention centers). In 2012 (latest year available), approximately $150.4 million was collected by local governments for the lodging tax.

| Table 1 | |
|---|---|
| **Lodging Tax Collections by Local Governments, 2008-2012 dollars in millions** | |
| **Calendar Year** | **Total Local Collections** |
| 2008 | $134.1 |
| 2009 | $118.5 |
| 2010 | $124.4 |
| 2011 | $134.3 |
| 2012 | $150.4 |
| Source: Amounts reported by counties, townships, and municipalities in surveys sent out by the Department of Taxation. | |

## Taxpayer

(Ohio Revised Code 505.56 and 5739.08)

This tax is paid by operators of hotels, motels, rooming houses and other facilities providing lodging accommodations for transient guests.

## Tax Base

(R.C. 307.672, 505.56, and 5739.08)

The tax applies to all transactions by which lodging in a hotel, motel, rooming house, and other lodging accommodations are furnished to transient guests. These transactions are also subject to sales tax.

## Rates

(R.C. 307.672, 5739.08, and 5739.09)

The maximum combined tax rate permitted in most locations is 6 percent. However, due to the enactment of special lodging taxes in some jurisdictions, the maximum combined tax rate might exceed 6 percent. Table 1 shows the highest combined tax rates, as of Dec. 31, 2012, of counties where jurisdictions have enacted a special lodging tax.

| Table 2 | | | |
|---|---|---|---|
| **Highest Combined Lodging Tax Rates, 2012** | | | |
| **Rate** | **Counties** | **Rate** | **Counties** |
| 13.0% | Lucas | 8.5% | Summit |
| 10.5% | Cuyahoga and Hamilton | 8.0% | Ashtabula and Trumbull |
| 10.0% | Franklin and Muskingum | 7.5% | Fairfield |
| 9.0% | Guernsey | 7.25% | Ross |
| Source: Amounts reported by counties, townships, and municipalities in surveys sent out by the Department of Taxation. | | | |

In 2012, 67 counties (including convention facility authorities), 136 townships, and 194 municipalities – a total of 397 local jurisdictions – levied a lodging tax. Excluding the 11 counties with special lodging taxes, as listed in Table 1, rates ranged from 1.0 percent to 6.0 percent. About 80 percent of the localities with a lodging tax were levied at a 3.0 percent rate.

**Municipalities and Townships**

Under Am. Sub. H.B. 519 enacted in 1967, municipalities and townships are permitted to enact a lodging tax of up to 3 percent. Under Am. Sub. H.B. 355 enacted in 1980, municipalities and townships may levy an additional lodging tax of up to 3 percent – but only if the county in which the municipality or township is located has not already imposed a tax under this same law. Therefore, with one exception, noted below, municipal and township lodging taxes have a maximum 6 percent rate.

In 2002, the legislature enacted House Bill 518, which permitted a municipality to levy an additional 1% tax for funding a convention center, contingent on the county in which the municipality is located also enacting a special lodging tax for funding a convention center. Cincinnati enacted a 1.0 percent tax under this law, bringing its total rate to 4.0 percent.

**Counties**

Under Am. Sub. H.B. 355 enacted in1980, counties may levy a lodging tax of up to 3.0 percent except in those townships and municipalities that already enacted their own lodging tax under the same law.

In addition, various special county lodging taxes have been authorized under state law. Most of these special taxes could only be adopted by a board of county commissioners during a limited time period. Furthermore, revenue produced from these special taxes may only be used for specified purposes. Most of the special county lodging taxes have been restricted to a narrow class of counties, such as counties meeting certain population levels and counties that already had an existing lodging tax imposed for specific purposes.

**County Convention Facility Authorities**

In Am. Sub. H.B. 772 enacted in 1988, the General Assembly permitted convention facility authorities to enact an additional lodging tax of up to 4.0 percent only during a designated six-month period of that calendar year. The legislature also permitted an additional 0.9 percent rate during this time period as long as this tax and the municipal or township tax authorized by the 1967 law did not exceed 3.0 percent.

Also, in 2005, Am. Sub. H.B. 66 allowed convention facility authorities located in certain Appalachian counties with populations of less than 80,000 and which did not already levy a lodging tax were authorized, for a limited time, to enact a tax of up to 3.0 percent to pay the cost of constructing, equipping or operating a convention, entertainment, or sports facility.

## Major Exemptions

None.

## Disposition of Revenue

(R.C. 5739.09)

Under the lodging tax authorized in 1967, all tax collections are deposited in the general revenue fund of the municipality or township.

Under the lodging tax authorized in 1980, counties are required to return to municipalities and townships that do not levy any hotel/motel tax a uniform percentage (not to exceed one-third) of revenue generated within the municipality and township. The remainder of the revenue is to be deposited in a separate fund to be used for county convention and visitor bureau expenses.

Municipalities and townships are required to allocate at least one-half of the revenues from the lodging tax authorized in 1980 for convention and visitors bureaus located within the county. Remaining revenues are retained by the municipality or township and deposited into the local general revenue fund.

All revenue from a convention facility authority lodging tax levy is for constructing, equipping, and operating a convention or sports center. Revenue from a special county or municipal lodging tax is to be used for the purpose designated for that tax levy in state law.

## Special Provisions/Credits

(R.C. 505.56 and 5739.09)

The General Assembly has permitted certain special lodging taxes for various projects and durations. Usually, the General Assembly specifies a time-period of weeks or months within which a local jurisdiction may authorize a special levy. Some of these special levies are listed below.

- Allen County – in 2014, the General Assembly permitted the county to levy a lodging tax of up to 3 percent for the purpose of expanding, maintaining, or operating a soldiers' memorial (the Veterans Memorial, Civic and Convention Center in Lima).
- Ashtabula County – beginning in 2002, an additional 3 percent tax for constructing or operating a convention facility.
- Cuyahoga County – beginning in 1993, an additional 1.5 percent tax for the Rock and Roll Hall of Fame.
- Fairfield County – beginning in 1993, an additional 1.5 percent tax for the acquisition, construction, and equipping of a municipal educational and cultural facility.
- Franklin County – beginning in 1998, a 4.0 percent tax for the county's convention facilities authority, along with an additional 0.9 percent tax, which was offset by a reduction in the city of Columbus's lodging tax.
- Guernsey County – beginning in 1988, a 3.0 percent tax for the county's convention facilities authority.
- Hamilton County – beginning in 2002, an additional 3.5 percent tax for constructing or operating a convention facility (the city of Cincinnati also levied an additional 1.0% tax for the same purpose, as was permitted by the same legislation that allowed Hamilton County to levy the tax.)
- Lucas County – beginning in 1985, an additional 3 percent levy for convention center construction; beginning in 1997, an additional 2 percent levy for the county convention and visitors' bureau in promoting the region; beginning in 2006, an additional 2.0 percent levy for various purposes including construction of a new arena, though the tax is not charged in the city of Maumee or in Jerusalem, Springfield, or Swanton townships, as those communities were already imposing a tax when the levy was enacted; and, in 2007, Monclova Township levied an additional tax, making the combined rate in that township 13.0 percent.
- Muskingum County – beginning in 1988, an additional 4.0 percent levy for the county's convention facilities authority; and, beginning in 2013, the General Assembly permitted the county's convention facility authority (CFA) to allocate up to 15.0 percent of lodging tax revenue to other uses such as tourism facilities and programs as well as maintenance for the county fairground.

• Ross County – beginning in 2005, an additional 1.25 percent levy for the county's convention facilities authority.

• Stark County – beginning in 2014, the General Assembly permitted the county convention and visitors' bureau to use up to $500,000 from an existing lodging tax to finance projects to improve and maintain a stadium located in the county, in cooperation with other parties.

• Summit County – beginning in 1993, an additional 1.5 percent levy for the acquisition, construction, and equipping of a municipal educational and cultural facility; and, beginning in 2007, an additional 1.0 percent levy for a ten-year period for the county convention and visitor's bureau.

• Trumbull County – beginning in 2004, an additional 1.5 percent to support a "port authority military-use facility."

## Sections of the Revised Code

Sections 307.672, 307.695, 351.021, 353.06, 505.56, 505.57, 5739.08, and 5739.09.

## Responsibility for Administration

County commissioners, township trustees, legislative authority of a municipality, and/or convention facilities authorities.

## Recent Legislation

**Am. Sub. H.B. 59, of the 130th General Assembly**

Lake Facilities Authority –The bill establishes a Lake Facilities Authority (LFA) to rehabilitate, improve, or promote an impacted lake district in the state. Such a district includes municipalities and townships with territory within watersheds of an impacted lake (effectively, Grand Lake St. Marys). The LFA is permitted to levy a lodging tax with voter approval, as long as the rate would not cause the aggregate rate of lodging taxes applicable in the impacted district to exceed 5.0 percent.

**County Allocation** –The bill permits convention facilities authorities in counties with a population between 80,000 and 90,000, according to the 2010 Census (Muskingum County) to allocate a portion of lodging tax revenue (up to 15 percent of the preceding year's tax revenue) to county and municipal tourism facilities and programs, the improvement and maintenance of county fairgrounds, and other purposes associated with use of a county fairground.

**Convention and Visitors' Bureaus** –The bill requires that lodging tax revenues distributed by a county to a convention and visitors' bureau be used solely for tourism sales, marketing and promotion, and their associated costs. Such costs include operational and administrative costs of the bureau, sales and marketing, and maintenance of the physical bureau structure.

**Am. Sub. H.B. 483, of the 130th General Assembly**

**Stadium in Stark County** –The bill permits a county with a population of between 375,000 and 400,000 in the most recent federal decennial census (Stark County), and a convention and visitors' bureau located in that county, to use up to $500,000 per year from an existing lodging tax to finance projects to improve and maintain a stadium located in the county, in cooperation with other parties.

**Soldiers' Memorial in Allen County** –The bill permits the county commissioners of a county with a population between 103,000 and 107,000 (Allen County), within six months after the effective date of H.B. 483, to levy a tax on hotel lodging transactions of up to 3.0 percent for the purpose of expanding, maintaining, or operating a soldiers' memorial (the Veterans Memorial Civic and Convention Center in Lima).

## History of Major Changes

| | |
|---|---|
| 1967 | General Assembly authorizes municipalities and townships to levy a lodging tax of up to 3 percent. |
| 1980 | General Assembly permits counties to levy a lodging tax of up to 3.0 percent, but only if no municipality or township located wholly or partly within the county already enacted a tax under the same law. Also, municipalities and townships are authorized to enact an additional tax of up to 3.0 percent if a county lodging tax is not in effect. |
| 1994 | General Assembly revises 1980 law so that counties may enact a lodging tax of up to 3.0 percent in those areas of the county where a municipal or township tax had not been levied under the 1980 law. |
| 2001 | General Assembly permits counties, cities, villages and townships to broaden their lodging taxes to include establishments with fewer than five rooms, and also permits the assessment of penalties and interest for late payments. |
| 2013 | General Assembly establishes a Lake Facilities Authority for the area around Grand Lake St. Marys and permits the authority to levy a lodging tax with voter approval. General Assembly requires that lodging tax revenues distributed by a county to a convention and visitors' bureau be used solely for tourism sales, marketing and promotion, and their associated costs. |
| 2014 | General Assembly permits Stark County to use up to $500,000 from existing lodging tax to finance projects to improve and maintain a stadium located in the county. General Assembly permits Allen County, within six months after the effective date of H.B. 483, to levy a tax on hotel lodging transactions of up to 3.0 percent to expand, maintain or operate a soldiers' memorial (the Veterans Memorial Civic and Convention Center in Lima). |

# Manufactured Home Tax

State law establishes a tax on manufactured homes (mobile homes or house trailers). The tax is computed and assessed by the county auditor where the manufactured home is located and is paid to and collected by the treasurer of the same county. The manufactured home tax is applied when the home is used as a residence. Manufactured homes used in a business other than for lease or rental as a residence are not subject to the manufactured home tax.

In calendar year 2013, about $30.5 million of taxes were levied on 199,226 manufactured homes in the state. Clermont County had the most manufactured homes (5,529), while Fayette County had the fewest (503). The average number of manufactured homes per county was about 2,264.

## Taxpayer

(Ohio Revised Code 4503.06 & 4503.061)

The tax is paid by all owners of manufactured or mobile homes that are sitused in Ohio and are not otherwise exempt. Homes acquire situs when they are located in Ohio through their placement on real property in the state, except when part of the inventory of a dealer in manufactured or mobile homes.

## Tax Base

(R.C. 4503.06)

The tax is calculated based on one of two methods depending on when the manufactured home was first sitused in Ohio.

For manufactured homes sitused in Ohio before Jan. 1, 2000, the assessed value is 40% 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 (from one of two alternative schedules).

For manufactured homes first sitused in Ohio or had ownership transferred on or after Jan. 1, 2000, the assessed value is 35% of true value, which is like the base for real property. Also, owners of manufactured homes sitused in Ohio before Jan. 1, 2000, may elect to have the home taxed in this manner and not under the depreciation method.

In cases where the owner converts a manufactured home to real property status (which requires the home to be affixed to real property owned by the homeowner on a permanent foundation), then the home is subject to the real property tax.

## Rates

(R.C. 4503.06)

Rates vary according to the property tax levies in effect where the manufactured home is located. The effective rate also varies according to how the property is assessed for tax purposes:

- For homes assessed at 35% of true value (like real property), the manufactured home tax is based on the same credits and effective tax rates that apply to real property.
- For homes assessed at 40% of depreciated cost or market value, the tax is based on the full (or gross) local tax rate. A minimum tax of $36 per year applies to homes assessed with the depreciation schedules, unless the home owner qualifies for the homestead exemption, in which case no minimum exists.

## Exemptions, Deductions, Credits

(R.C. 4503.06)

The tax does not apply when a manufactured or mobile home is:

- Part of the inventory of a new motor vehicle dealer or the inventory of a manufacturer, remanufacturer, or distributor of manufactured or mobile homes.
- A travel trailer (not exceeding 35 feet in length) or a park trailer meeting certain conditions.
- Licensed in another state, unless it is located in Ohio for more than 30 days in any calendar year.
- Taxed as real property.
- Exempt from taxation under Chapter 5709 of the Ohio Revised Code.

## Filing and Payment Dates

(R.C. 4503.06)

If the manufactured or mobile home is located in the state on January 1 of a given year, one-half of the tax is due by March 1 of that year with the balance due by July 31. If the home is not located in Ohio on January 1, then no tax is due for that year. The Tax Commissioner may grant extensions of these due dates upon application by a county treasurer or by a county auditor and a county treasurer together.

## Disposition of Revenue

(R.C. 4503.06)

Revenue is distributed to the taxing subdivisions of each county in the same manner as other real estate and public utility taxes are distributed. However, 4% goes to the county auditor and 2% goes to the county treasurer as reimbursement for administrative costs.

## Special Provisions

The homestead exemption for qualified senior citizens and disabled home owners is also available to owners of manufactured homes. See the Property Tax – Real Property chapter for details on the homestead exemption.

## Administration

County auditors, county treasurers, and the Tax Commissioner.

## Ohio Revised Code Citations

Sections 4501.01 and 4503.06 – 4503.0611

## Recent Legislation

**Am. Sub. H.B. 85 of the 130th General Assembly (effective September 11, 2014)**

The bill increases the amount of the Homestead Exemption, from $25,000 to $50,000, to homesteads that are owned and occupied by veterans of the U.S. armed services (including the National Guard) who received a permanent total disability rating or a total disability rating for service-connected disability. The exemption, in addition, to homesteads, applies to manufactured or mobile homes taxed under the manufactured home tax.

## History of Major Changes

| | |
|---|---|
| 1920 | The 83rd General Assembly enacts separate license taxes for motorcycles, passenger cars, and commercial vehicles. Trailers are taxed as commercial vehicles, at 20 cents per 100 lbs. of gross weight or fractional part thereof. |
| 1949 | General Assembly distinguishes "house trailers" from other trailers and levies an $18 annual license tax on them effective March 1, 1951. Revenue is distributed to local political subdivisions. |
| 1961 | House trailer tax enacted as an ad valorem tax. Starting in 1962, house trailers will be valued at 40 percent of its cost or market value at the time of purchase, whichever is greater, less a depreciation percentage. A minimum tax of $18 applies. |
| 1963 | Legislature enacts a second depreciation schedule for house trailers that are purchased unfurnished. |
| 1969 | Depreciation schedule allowances increase. |
| 1980 | Legislature requires that the taxes owed are collected before a certificate of title is transferred. |
| 1984 | "House trailers" are renamed "manufactured homes" in the Revised Code. |
| 1986 | Legislature extends homestead exemption to certain owners of manufactured homes, effective tax year 1988. |
| 1999 | General Assembly requires that manufactured homes be taxed like (but not as) real property when first located in Ohio on or after Jan. 1, 2000 or when ownership is transferred on or after that date. Such homes remain on the manufactured home tax list, but the same tax rates and credits apply as apply to residential real property.<br><br>Manufactured or mobile homes sitused in Ohio prior to Jan. 1, 2000 remain subject to depreciation method of taxation, unless the owner elects to have the home taxed like real property. The legislature also:<br>• Subjects used manufactured and mobile homes to transfer fees and taxes beginning Jan. 1, 2000.<br>• Requires owners who wish to move a manufactured or mobile home to first obtain a relocation notice from the county auditor and pay the outstanding taxes charged against the home. |
| 2003 | Manufactured home park operators are permitted to remove an abandoned home from the park for sale or destruction. |
| 2004 | The Ohio Manufactured Homes Commission is established to regulate the installation of manufactured housing in Ohio. The commission is charged with setting a statewide standard for a permanent foundation, to which a manufactured or mobile home must be affixed before it can be converted to real property. |
| 2007 | House Bill 119 extends the expansion of the homestead exemption (see Property Tax – Real Property chapter) to qualified manufactured home owners, regardless of how the manufactured home is taxed. |
| 2013 | House Bill 59 restricts the homestead exemption for homeowners who do not receive the exemption for tax year 2014 to owners with an Ohio adjusted gross income of $30,000 or less. |
| 2014 | House Bill 85 creates an enhanced homestead exemption for qualifying veterans. |

| Table 1 | | | | | |
|---|---|---|---|---|---|
| Manufactured Home Valuation and Taxes, 2008-2013* | | | | | |
| **Calendar Year** | **Number of Manufactured Homes** | **Taxable Value** | **Current Taxes Levied** | | |
| | | | **Depreciation Basis** | **Like Real Property** | **Total Tax** |
| 2008 | 217,799 | $743,773,353 | $10,270,107 | $24,753,503 | $35,023,610 |
| 2009 | 215,187 | $741,410,761 | $9,424,732 | $24,295,134 | $33,719,866 |
| 2010 | 207,442 | $731,457,508 | $8,241,063 | $24,495,409 | $32,736,472 |
| 2011 | 205,028 | $721,099,212 | $7,726,520 | $23,333,502 | $31,060,022 |
| 2012 | 201,650 | $701,130,275 | $7,699,112 | $23,004,564 | $30,703,676 |
| 2013 | 199,226 | $687,531,892 | $6,687,740 | $23,774,879 | $30,462,619 |
| Source: Surveys received from local governments; data compiled by Department of Taxation (Table MH-1). | | | | | |
| * This table includes data on manufactured homes that are subject to the depreciated cost-based manufactured home tax as well as manufactured homes that are subject to the manufactured home tax that is like the real property tax. Manufactured homes that are taxed as real property (as well as manufactured homes not used for residential purposes) are not included in this table. | | | | | |

| Table 2 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Manufactured Home Valuation and Taxes, Calendar Year 2013** | | | | | | | | | |
| | | | **Current Taxes Levied** | | | **Delinquencies** | | | |
| **County** | **Number of Manufac-tured Homes** | **Taxable Value** | **Depreciation Schedule Tax** | **Taxed like Real Property** | **Total Taxes** | **Depreciation Schedule Tax** | **Taxed like Real Property** | **Total Delinquen-cies** | **Total Current Taxes & Delinquencies** |
| **Totals** | **199,226** | **$687,531,892** | **$6,687,740** | **$23,774,879** | **$30,462,619** | **$25,075,000** | **$24,581,262** | **$49,656,263** | **$80,118,882** |
| Adams | 4,439 | $6,586,140 | $91,649 | $140,854 | $232,503 | $671,437 | $198,182 | $869,619 | $1,102,122 |
| Allen | 2,010 | $6,769,950 | $43,181 | $183,286 | $226,468 | $66,959 | $116,037 | $182,996 | $409,464 |
| Ashland | 1,239 | $3,472,110 | $40,831 | $95,473 | $136,304 | $64,500 | $75,871 | $140,371 | $276,675 |
| Ashtabula | 3,712 | $12,052,401 | $96,228 | $379,671 | $475,899 | $81,031 | $183,366 | $264,397 | $740,296 |
| Athens | 5,008 | $15,552,866 | $203,475 | $536,023 | $739,498 | $1,109,416 | $906,823 | $2,016,238 | $2,755,736 |
| Auglaize | 802 | $1,508,465 | $8,840 | $38,332 | $47,172 | $1,612 | $8,501 | $10,113 | $57,285 |
| Belmont | 2,177 | $7,694,790 | $58,844 | $221,748 | $280,592 | $48,506 | $90,719 | $139,225 | $419,817 |
| Brown | 3,549 | $11,263,560 | $145,235 | $271,834 | $417,069 | $688,071 | $471,791 | $1,159,861 | $1,576,930 |
| Butler | 5,103 | $16,712,282 | $104,849 | $609,687 | $714,537 | $382,356 | $892,755 | $1,275,110 | $1,989,647 |
| Carroll | 1,946 | $6,942,460 | $82,396 | $183,891 | $266,288 | $229,585 | $202,255 | $431,840 | $698,128 |
| Champaign | 1,223 | $4,792,650 | $38,222 | $150,451 | $188,673 | $190,654 | $260,221 | $450,875 | $639,547 |
| Clark | 2,607 | $9,720,026 | $84,635 | $291,350 | $375,984 | $217,524 | $209,464 | $426,989 | $802,973 |
| Clermont | 5,529 | $17,191,180 | $297,765 | $1,007,117 | $1,304,882 | $561,700 | $568,843 | $1,130,543 | $2,435,425 |
| Clinton | 1,244 | $5,142,860 | $81,453 | $123,290 | $204,743 | $331,443 | $137,046 | $468,490 | $673,233 |
| Columbiana | 4,571 | $17,765,652 | $160,821 | $511,657 | $672,478 | $1,361,369 | $876,016 | $2,237,384 | $2,909,862 |
| Coshocton | 2,376 | $6,529,643 | $95,049 | $303,386 | $398,435 | $339,725 | $152,626 | $492,351 | $890,786 |
| Crawford | 812 | $1,764,740 | $16,966 | $62,960 | $79,926 | $38,314 | $33,561 | $71,875 | $151,801 |
| Cuyahoga | 2,497 | $11,603,484 | $273,506 | $772,432 | $1,045,938 | $133,811 | $242,296 | $376,107 | $1,422,045 |
| Darke | 892 | $2,885,430 | $18,233 | $69,840 | $88,074 | $13,416 | $34,967 | $48,383 | $136,456 |
| Defiance | 1,168 | $3,646,900 | $27,824 | $99,577 | $127,402 | $37,490 | $92,362 | $129,851 | $257,253 |
| Delaware | 1,303 | $5,197,080 | $49,735 | $200,329 | $250,064 | $293,259 | $206,203 | $499,462 | $749,526 |
| Erie | 1,209 | $3,395,720 | $33,014 | $154,857 | $187,871 | $20,393 | $89,980 | $110,373 | $298,244 |
| Fairfield | 1,060 | $3,634,806 | $38,328 | $535,712 | $574,040 | $33,114 | $196,790 | $229,904 | $803,944 |
| Fayette * | 503 | $2,191,497 | $35,154 | $57,033 | $92,187 | $35,090 | $71,078 | $106,168 | $198,355 |
| Franklin | 3,709 | $14,347,363 | $169,057 | $697,998 | $867,055 | $1,237,419 | $896,560 | $2,133,978 | $3,001,034 |
| Fulton | 1,357 | $5,218,210 | $51,469 | $181,582 | $233,051 | $89,685 | $170,089 | $259,773 | $492,824 |
| Gallia | 4,754 | $10,943,722 | $96,892 | $278,509 | $375,401 | $339,566 | $283,361 | $622,927 | $998,329 |
| Geauga | 1,389 | $9,507,270 | $62,867 | $286,121 | $348,988 | $83,903 | $133,970 | $217,873 | $566,861 |
| Greene | 748 | $4,793,217 | $32,464 | $347,604 | $380,068 | $97,991 | $107,462 | $205,453 | $585,521 |
| Guernsey | 2,460 | $7,521,700 | $86,649 | $228,411 | $315,061 | $601,137 | $327,745 | $928,882 | $1,243,943 |
| Hamilton | 2,624 | $10,108,240 | $92,085 | $326,459 | $418,544 | $325,830 | $360,635 | $686,465 | $1,105,009 |
| Hancock | 2,047 | $7,781,920 | $55,319 | $257,411 | $312,730 | $18,852 | $111,935 | $130,786 | $443,516 |
| Hardin | 982 | $1,586,160 | $22,477 | $43,500 | $65,977 | $6,630 | $16,158 | $22,788 | $88,765 |
| Harrison | 1,095 | $5,578,010 | $40,632 | $305,286 | $345,918 | $111,465 | $140,437 | $251,902 | $597,820 |
| Henry | 918 | $2,950,390 | $37,860 | $93,897 | $131,757 | $43,202 | $71,988 | $115,190 | $246,947 |
| Highland | 2,632 | $8,739,400 | $122,403 | $215,117 | $337,521 | $262,616 | $243,581 | $506,196 | $843,717 |
| Hocking | 2,216 | $7,321,750 | $77,820 | $218,216 | $296,036 | $155,188 | $174,096 | $329,284 | $625,320 |
| Holmes | 1,423 | $3,881,500 | $62,092 | $114,025 | $176,117 | $22,405 | $36,496 | $58,901 | $235,018 |
| Huron | 1,873 | $6,779,690 | $52,881 | $178,896 | $231,777 | $209,467 | $368,888 | $578,355 | $810,131 |
| Jackson | 2,704 | $8,612,378 | $84,041 | $271,980 | $356,021 | $1,046,238 | $607,484 | $1,653,722 | $2,009,743 |
| Jefferson | 2,624 | $7,313,635 | $55,198 | $94,081 | $149,279 | $1,014,381 | $307,940 | $1,322,321 | $1,471,600 |
| Knox | 1,030 | $4,717,200 | $33,941 | $146,165 | $180,106 | $93,229 | $121,842 | $215,071 | $395,177 |
| Lake | 2,157 | $10,521,700 | $98,119 | $363,127 | $461,245 | $461,475 | $335,397 | $796,872 | $1,258,118 |
| Lawrence | 4,913 | $20,984,250 | $144,965 | $468,139 | $613,103 | $733,669 | $834,891 | $1,568,560 | $2,181,663 |
| Licking | 2,894 | $12,236,170 | $97,905 | $443,955 | $541,860 | $188,101 | $449,559 | $637,660 | $1,179,520 |
| Logan | 2,139 | $8,269,800 | $49,832 | $280,684 | $330,516 | $158,924 | $200,166 | $359,090 | $689,606 |

| Manufactured Home Valuation and Taxes, Calendar Year 2013 (continued) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Current Taxes Levied | | | Delinquencies | | | |
| County | Number of Manufac-tured Homes | Taxable Value | Depreciation Schedule Tax | Taxed like Real Property | Total Taxes | Depreciation Schedule Tax | Taxed like Real Property | Total Delinquen-cies | Total Current Taxes & Delinquencies |
| Lorain | 2,569 | $13,720,180 | $44,252 | $486,401 | $530,653 | $92,622 | $346,029 | $438,650 | $969,304 |
| Lucas | 4,404 | $12,169,964 | $126,107 | $568,216 | $694,323 | $619,796 | $544,450 | $1,164,246 | $1,858,569 |
| Madison | 956 | $2,820,990 | $27,601 | $88,022 | $115,623 | $37,546 | $83,433 | $120,979 | $236,602 |
| Mahoning | 1,540 | $4,274,390 | $40,533 | $131,495 | $172,028 | $218,588 | $169,256 | $387,844 | $559,872 |
| Marion | 1,175 | $4,602,910 | $24,722 | $120,035 | $144,757 | $23,998 | $89,601 | $113,599 | $258,356 |
| Medina | 641 | $2,432,860 | $14,789 | $80,755 | $95,544 | $74,000 | $78,255 | $152,255 | $247,799 |
| Meigs | 2,661 | $8,118,330 | $59,991 | $260,081 | $320,071 | $341,362 | $399,065 | $740,427 | $1,060,499 |
| Mercer | 1,407 | $3,191,430 | $26,972 | $117,446 | $144,418 | $29,575 | $56,918 | $86,493 | $230,911 |
| Miami | 708 | $1,421,450 | $17,242 | $33,622 | $50,864 | $51,202 | $25,430 | $76,632 | $127,496 |
| Monroe | 1,179 | $3,597,860 | $33,382 | $99,045 | $132,427 | $49,617 | $27,009 | $76,627 | $209,054 |
| Montgomery | 2,697 | $5,830,538 | $57,102 | $547,523 | $604,625 | $136,479 | $445,312 | $581,791 | $1,186,416 |
| Morgan | 1,447 | $3,504,314 | $37,815 | $86,954 | $124,769 | $261,771 | $195,167 | $456,938 | $581,707 |
| Morrow | 1,797 | $7,540,610 | $71,635 | $213,983 | $285,618 | $236,083 | $275,257 | $511,341 | $796,959 |
| Muskingum | 3,708 | $14,238,540 | $113,661 | $429,602 | $543,263 | $387,084 | $523,427 | $910,511 | $1,453,774 |
| Noble | 835 | $2,962,220 | $20,969 | $73,603 | $94,573 | $27,869 | $27,092 | $54,961 | $149,533 |
| Ottawa | 3,906 | $18,244,155 | $77,857 | $534,761 | $612,618 | $175,578 | $246,223 | $421,801 | $1,034,419 |
| Paulding | 836 | $1,926,290 | $25,147 | $59,696 | $84,843 | $19,309 | $37,996 | $57,305 | $142,147 |
| Perry | 2,699 | $7,948,110 | $102,188 | $216,498 | $318,685 | $1,251,625 | $795,849 | $2,047,474 | $2,366,159 |
| Pickaway | 2,030 | $6,825,353 | $66,935 | $351,443 | $418,378 | $393,527 | $712,998 | $1,106,525 | $1,524,904 |
| Pike * | 3,366 | $10,134,390 | $101,783 | $270,750 | $372,533 | $1,048,056 | $591,094 | $1,639,150 | $2,011,682 |
| Portage | 5,311 | $28,103,480 | $165,422 | $972,792 | $1,138,215 | $573,553 | $952,636 | $1,526,188 | $2,664,403 |
| Preble | 709 | $2,478,007 | $9,093 | $47,328 | $56,421 | $60,850 | $46,539 | $107,389 | $163,810 |
| Putnam | 695 | $2,225,040 | $20,204 | $55,163 | $75,367 | $14,343 | $24,008 | $38,351 | $113,718 |
| Richland | 2,176 | $5,872,490 | $71,590 | $412,287 | $483,877 | $567,951 | $370,274 | $938,225 | $1,422,102 |
| Ross | 4,399 | $15,556,510 | $175,648 | $410,374 | $586,023 | $349,857 | $338,497 | $688,354 | $1,274,376 |
| Sandusky | 1,680 | $5,660,850 | $61,043 | $284,579 | $345,623 | $232,087 | $173,428 | $405,515 | $751,138 |
| Scioto | 5,039 | $18,191,010 | $158,906 | $551,767 | $710,673 | $687,644 | $1,193,450 | $1,881,094 | $2,591,767 |
| Seneca | 1,354 | $3,945,633 | $46,075 | $198,212 | $244,287 | $340,187 | $192,897 | $533,084 | $777,371 |
| Shelby | 894 | $3,074,440 | $32,737 | $83,719 | $116,456 | $31,664 | $71,276 | $102,940 | $219,396 |
| Stark | 3,117 | $9,456,680 | $76,646 | $273,428 | $350,074 | $249,526 | $265,760 | $515,286 | $865,361 |
| Summit | 1,998 | $5,783,902 | $57,463 | $278,462 | $335,926 | $259,936 | $246,792 | $506,728 | $842,654 |
| Trumbull | 3,899 | $7,873,510 | $234,916 | $94,886 | $329,802 | $259,373 | $246,161 | $505,535 | $835,337 |
| Tuscarawas | 3,727 | $16,398,240 | $119,255 | $492,756 | $612,011 | $249,945 | $406,816 | $656,760 | $1,268,771 |
| Union | 867 | $3,234,700 | $34,788 | $138,771 | $173,560 | $38,257 | $139,750 | $178,007 | $351,566 |
| Van Wert | 674 | $2,017,670 | $14,665 | $52,057 | $66,723 | $8,103 | $44,374 | $52,477 | $119,199 |
| Vinton | 1,911 | $6,214,520 | $69,028 | $151,480 | $220,508 | $464,900 | $327,707 | $792,607 | $1,013,115 |
| Warren | 983 | $2,827,769 | $24,216 | $120,674 | $144,890 | $158,637 | $267,418 | $426,054 | $570,944 |
| Washington | 4,459 | $15,078,370 | $143,844 | $432,099 | $575,943 | $384,440 | $422,557 | $806,997 | $1,382,940 |
| Wayne | 3,547 | $13,539,380 | $143,931 | $395,456 | $539,387 | $113,568 | $199,724 | $313,293 | $852,680 |
| Williams | 1,050 | $3,224,440 | $26,948 | $97,448 | $124,396 | $64,965 | $60,784 | $125,749 | $250,145 |
| Wood | 3,957 | $16,511,710 | $149,230 | $595,834 | $745,064 | $227,655 | $282,028 | $509,683 | $1,254,747 |
| Wyandot | 552 | $1,028,290 | $8,207 | $23,418 | $31,626 | $9,729 | $20,096 | $29,825 | $61,451 |
| * Did not submit 2013 data; previous year's data shown | | | | | | | | | |
| Source: Surveys completed by county auditors and conducted by the Ohio Department of Taxation. | | | | | | | | | |

# Municipal Income Tax

The Ohio Constitution gives municipalities (cities and villages) the authority to exercise all powers of local self-government and to adopt and enforce within their limits such local police, sanitary and other similar regulations, as are not in conflict with general laws. The Ohio Constitution requires the General Assembly to restrict their power of taxation, so as to prevent the abuse of such power. The Ohio Constitution allows laws to be passed to limit their power to levy taxes.

State law permits municipalities to levy income taxes. Municipal income taxes are generally flat "wage" or "earned income" taxes imposed on wages, salaries, and other compensation earned by residents and nonresidents who work in the municipality. Most municipalities allow a partial or full credit to resident individuals for municipal income taxes paid to another municipality where they are employed. The taxes are also generally applied to businesses' net profits attributable to activities in the municipality, including the net profits of businesses not organized as C corporations.

In 2012, the latest year for which data are available, municipal income tax revenue totaled $4.5 billion statewide. Revenues to Ohio's three largest cities (Columbus, Cleveland, and Cincinnati) accounted for almost a third of statewide municipal income tax revenue in that year.

## Taxpayer

(Ohio Revised Code 718.01, 718.03, and municipal ordinances)

The tax is paid by residents of a city or village that has imposed a municipal income tax as well as nonresidents who work in such a municipality. The tax also applies to businesses that have net profits within the municipality. Withholding responsibilities generally apply to employers located within municipalities that have enacted a tax.

## Tax Base

(R.C. 718.01, 718.02, 718.14, and municipal ordinances)

The tax generally applies to:

- Wages, salaries, and other compensation earned by residents of the municipality and by nonresidents working in the municipality.
- Net profits of business (both incorporated and unincorporated) attributable to activities in the municipality. Net profits are apportioned using equal weighting of property, payroll, and sales inside the municipal corporation relative to those factors for the business everywhere.
- Net profits from rental activities.

Subject to the Revised Code, municipalities may specify other types of income that are subject to the tax in their local ordinances.

## Rates

(R.C. 718.01 and municipal ordinances)

State law requires a flat rate within a municipality. The rate is determined locally. The maximum rate permitted to be levied without voter approval is 1.0%.

In 2012, the most recent year for which data are available, 601 municipalities (240 cities and 361 villages) levied an income tax. Rates ranged from 0.5% to 3.0%. The following rates were the most common:

- 250 municipalities (41.6%) levied a tax of 1.0%;
- 123 municipalities (20.5%) levied a tax of 1.5%;
- 113 municipalities (18.8%) levied a tax of 2.0%.

These municipalities accounted for about 81% of all taxing municipalities. Of the remaining, 76 municipalities (12.6%) levied taxes at various rates from 0.5% to 2.0%, and 39 municipalities (6.5%) levied taxes at various rates from 2.0% to 3.0%. Ohio's largest municipalities levied income taxes at rates at or above 2.0%.

## Exemptions, Deductions, Credits

(R.C. 718.01, 718.15, and municipal ordinances)

State law requires the exemption of:

- Military pay or allowances.
- Income of religious, charitable, or educational institutions to the extent derived from tax-exempt property or activities.
- Interest and dividends.
- Pensions and disability benefits.
- Capital gains and losses.
- Compensation paid to certain employees of transit authorities.
- Public utilities that are subject to the public utilities excise tax. This does not include telephone companies and electric light companies, which are subject to the municipal tax under Ohio Revised Code Chapter 5745; see the Municipal Income Tax for Electric Light Companies and Telephone Companies chapter for details.

Personal exemptions are not granted.

Municipalities differ in other exemptions and deductions that are provided. For example, some municipalities tax lottery and gambling winnings, while others do not, and still others tax winnings above a specified minimum threshold. Also, some municipalities exempt income earned by individuals under 18 years old, while other municipalities do not specify a minimum age. Municipalities also differ on the number of years they allow businesses to carry forward a net operating loss, generally up to no more than five years. Municipalities' exemptions, deductions, and credits are typically detailed in their municipal ordinances and administrative rules.

Municipalities may grant a refundable or nonrefundable credit to foster job creation or job retention in that particular municipality. Before passing such an ordinance, the municipality and taxpayer must enter into an agreement specifying the conditions of the credit. Credits cannot last for more than 15 years.

## Filing and Payment Dates

(R.C. 718.03, 718.05, and municipal ordinances)

Annual returns are due from taxpayers on the same date as federal and state returns, normally April 15. The annual municipal return reconciles tax liability with the amount remitted through withholding and quarterly estimated payments.

## Revenue

In 2012, the latest year for which data is available, municipal income tax revenue totaled $4.53 billion statewide. Revenues were highest in Ohio's three largest cities, accounting for almost a third of total statewide municipal income tax revenue:

- Columbus, $734.6 million (16.2%)
- Cleveland, $338.0 million (7.5%)
- Cincinnati, $334.9 million (7.4%)

After these, three other cities had revenues over $100 million:

- Toledo, $158.5 million 3.5%)
- Akron, $132.4 million 2.9%)
- Dayton, $101.5 million 2.2%)

Revenue to these six cities accounted for about 40% of total statewide municipal income tax revenue in 2012.

All remaining 595 municipalities had revenues of less than $100 million. According to survey responses from municipalities,

- 96 municipalities had revenues ranging from $10 million to $100 million,
- 216 municipalities had revenues from $1 million to $10 million, and
- The remaining 283 municipalities had revenues of less than $1 million.

## Disposition of Revenue

(Municipal ordinances)

Collections are usually placed into the general fund of the municipality imposing the tax. Some municipalities earmark portions of revenue for capital improvements, bond retirement, and administration of the tax.

## Special State Law Provisions

(R.C. 715.691, 715.70, 715.71, 715.74, 718.04, 718.09)

Municipalities may offer partial or full credit to residents who pay municipal income taxes to a different municipality where they are employed.

Members and employees of the Ohio General Assembly and the lieutenant governor pay municipal income tax to the municipality of residence, not to the municipalities where their services are rendered.

Before 2001, if a school district was at least 95 percent coterminous with one or more municipalities, a municipal income tax could be enacted for which revenue is shared with the school district. Although the Ohio legislature revoked this authority for all other communities beginning in 2001, it has since re-enacted this authority under the condition that only residents would be subject to the municipal income tax.

State law allows Joint Economic Development Districts (JEDDs) and Municipal Utility Districts (MUDs) to levy income taxes for economic development purposes, subject to voter approval.

## Responsibility for Administration

Municipal income taxes are administered either directly by the city or village that imposed the tax or a central collection agency representing various municipalities. About 240 municipalities, mainly smaller municipalities, contract with the Regional Income Tax Agency (RITA). In the northeast, the Central Collection Agency (CCA) administers collections for Cleveland and 38 surrounding municipalities as well as six JEDDs. The City of Columbus administers Columbus income taxes as well as the income taxes of six other municipalities and three JEDDs. Smaller municipalities also administer multiple communities. For example, the City of St. Marys in northwest Ohio is the administrative agent for income taxes from ten surrounding villages.

## Ohio Revised Code Citations

Chapter 718.

## Recent Legislation

**H.B. 50, 129th General Assembly**

Established a specific municipal income tax exemption on compensation earned by persons providing personal services to political subdivisions on its property when the property is annexed to a municipal corporation under an expedited Type II annexation procedure.

**H.B. 289, 130th General Assembly**

Terminated the authority to create new alternative joint economic development zones (JEDZ), created review councils to approve of economic development plans for alternative JEDZs created or substantially amended before 12/31/2014, eliminated municipal-only JEDZs, authorized municipal corporations to create municipal utility districts (MUDs) that levy income taxes for economic development purposes, subject to voter approval, and allowed existing municipal-only JEDZ to operate as MUDs.

**H.B. 492, 130th General Assembly**

Specified that a municipal corporation may award a job creation or retention credit against its income tax even when a state job creation or retention tax credit is not awarded to the employer.

## History of Major Changes

| | |
|---|---|
| 1946 | Toledo enacts first municipal income tax. |
| 1957 | General Assembly enacts Uniform Municipal Income Tax Law establishing broad regulations. |
| 1987 | General Assembly prohibits municipalities from taxing income from intangibles, unless voters in municipalities that already tax such income approve continuing to do beyond the 1988 tax year. Residents in two municipalities – Wyoming and Indian Hill – vote to continue to tax intangible income. |
| 1992 | Municipalities authorized to grant job creation credits. |
| 1993 | Legislature allows municipal income tax revenue to be shared with a school district. |
| 1997 | Municipalities are permitted to exempt stock options from taxation. |
| 1999 | Beginning in 2001, a nonresident working 12 or fewer days in a municipality is not subject to its municipal income tax, except for professional athletes, entertainers, or their promoters. Also, beginning in 2003, a municipality that taxes pass-through entities is required to grant resident taxpayers a credit for taxes paid by a pass-through entity to another municipality if the pass-through entity does not conduct business in the municipality where the taxpayer resides |
| 2000 | General Assembly prohibits new joint municipal/school district taxes |
| 2004 | Certain single member limited liability companies are permitted to elect to be separate taxpayers from their single members. Also, businesses are required to add-back tax exempt stock options in the apportionment of their net profits. |
| 2007 | General Assembly (H.B. 24) permits municipalities to allow an income tax deduction to self-employed taxpayers for amounts paid for medical care insurance for themselves, their spouses, and dependents. |

## Comparisons with Other States

Local governments can not impose income taxes in Texas and West Virginia. Similar taxes in other states are described below. No local governments levy income taxes in Georgia, North Carolina or Tennessee.

| | |
|---|---|
| Indiana | A county may levy either a "county adjusted gross income tax" or a "county option income tax." Counties are also permitted to levy a "county economic development income tax." Overall, the total of a county's economic development tax and the adjusted gross income tax cannot exceed 3.75%. The economic development tax combined with the county option income tax cannot exceed 3.5%. The economic development tax levied alone cannot exceed 0.75%. |
| Kentucky | Cities, counties, transit districts, and school districts may levy a license tax on the net profits of businesses located in the district and the salaries and wages of employees earned in the jurisdiction. Rates can vary between the two types of occupational license taxes. |
| Michigan | Cities may impose a tax up to the rate of 2% on residents and 1% on nonresidents. Detroit may impose rates of up to 2.4% for residents and 1.2% for nonresidents. The rate for nonresidents cannot exceed one-half of the rate for residents. |
| Pennsylvania | Municipalities may impose an earned income tax on wages and net profits. The tax may be imposed on either residents only or both residents and nonresidents.<br>Most municipalities have a 1% cap. Home rule municipalities (such as Philadelphia, Pittsburgh, and Scranton) are not subject to the cap. If the local school district also imposes an earned income tax, the tax revenue must be shared between the school district and the municipality.<br>Pittsburgh: The city imposes an earned income and net profits tax at the rate of 1 percent on: (a) salaries, wages, commissions and other compensation earned by residents or by nonresidents for services rendered or work done in Pittsburgh; and (b) the net profits of residents or nonresidents from businesses, professions, or other activities conducted in Pittsburgh. Additionally, the city levies a flat $52 local services tax that is withheld in equal amounts from employee payrolls and a 0.55 percent tax on payroll amounts generated as a result of employers conducting business in the city.<br>Philadelphia: The city imposes an earned income tax on salaries, wages, commissions, and net profits. The resident tax rate is 3.92%. The nonresident tax rate is 3.4915%. |

| Table 1 | | | |
|---|---|---|---|
| **Municipal Income Taxes Collected, 2008 - 2012** | | | |
| **Calendar Year** | **All Municipalities (601)** | **Cities (240)** | **Villages (361)** |
| 2008 | $4,164,530,259 | $3,834,293,562 | $330,236,697 |
| 2009 | 3,937,145,231 | 3,629,743,888 | 307,401,343 |
| 2010 | 4,052,605,606 | 3,749,316,357 | 303,289,248 |
| 2011 | 4,309,421,010 | 3,975,423,750 | 333,997,259 |
| 2012 | 4,528,544,397 | 4,178,641,914 | 349,902,483 |
| Source: Data submitted to the Ohio Department of Taxation. | | | |

| Table 2 | | | | | | |
|---|---|---|---|---|---|---|
| **Municipal Income Taxes<br>Tax Amounts Collected, Aggregated by County, Calendar Year 2012** | | | | | | |
| **County** | **Tax Revenue for Cities** | **Number of Cities** | **Tax Revenue for Villages** | **Number of Villages** | **Total Tax Revenue** | **Total Number of Taxing Municipalities** |
| Adams | $- | 0 | $731,998 | 2 | $731,998 | 2 |
| Allen | $18,523,294 | 2 | $2,721,299 | 6 | $21,244,593 | 8 |
| Ashland | $8,287,703 | 1 | $1,143,104 | 3 | $9,430,807 | 4 |
| Ashtabula | $11,579,661 | 3 | $3,442,527 | 6 | $15,022,188 | 9 |
| Athens | $12,554,828 | 2 | $- | 0 | $12,554,828 | 2 |
| Auglaize | $6,256,384 | 2 | $6,946,850 | 5 | $13,203,234 | 7 |
| Belmont | $2,930,313 | 3 | $906,237 | 2 | $3,836,550 | 5 |
| Brown | $- | 0 | $1,792,321 | 5 | $1,792,321 | 5 |
| Butler | $75,118,403 | 5 | $6,482,751 | 2 | $81,601,155 | 7 |
| Carroll | $- | 0 | $1,136,449 | 3 | $1,136,449 | 3 |
| Champaign | $5,787,653 | 1 | $801,678 | 4 | $6,589,331 | 5 |
| Clark | $31,286,097 | 2 | $547,820 | 3 | $31,833,916 | 5 |
| Clermont | $2,675,867 | 1 | $2,096,722 | 6 | $4,772,589 | 7 |
| Clinton | $4,057,123 | 1 | $255,636 | 1 | $4,312,759 | 2 |
| Columbiana | $8,155,431 | 3 | $4,259,547 | 6 | $12,414,979 | 9 |
| Coshocton | $4,241,293 | 1 | $343,148 | 1 | $4,584,441 | 2 |
| Crawford | $8,724,237 | 2 | $1,447,460 | 2 | $10,171,697 | 4 |
| Cuyahoga | $867,709,973 | 39 | $62,768,583 | 17 | $930,478,557 | 56 |
| Darke | $6,092,651 | 1 | $2,931,210 | 7 | $9,023,861 | 8 |
| Defiance | $6,964,616 | 1 | $1,077,756 | 2 | $8,042,372 | 3 |
| Delaware | $18,074,847 | 1 | $7,014,829 | 4 | $25,089,676 | 5 |
| Erie | $11,334,231 | 3 | $502,531 | 1 | $11,836,763 | 4 |
| Fairfield | $22,177,594 | 2 | $1,644,572 | 6 | $23,822,166 | 8 |
| Fayette | $5,125,433 | 1 | $234,179 | 2 | $5,359,611 | 3 |
| Franklin | $991,318,733 | 13 | $35,671,230 | 10 | $1,026,989,963 | 23 |
| Fulton | $3,399,448 | 1 | $6,242,790 | 5 | $9,642,237 | 6 |
| Gallia | $1,680,028 | 1 | $207,861 | 1 | $1,887,889 | 2 |
| Geauga | $- | 0 | $9,567,386 | 4 | $9,567,386 | 4 |
| Greene | $23,414,762 | 2 | $1,903,508 | 3 | $25,318,270 | 5 |
| Guernsey | $6,355,372 | 1 | $330,574 | 1 | $6,685,946 | 2 |
| Hamilton | $474,370,883 | 19 | $30,726,089 | 13 | $505,096,972 | 32 |
| Hancock | $22,044,345 | 1 | $875,145 | 2 | $22,919,490 | 3 |
| Hardin | $2,897,915 | 1 | $2,079,767 | 6 | $4,977,683 | 7 |
| Harrison | $- | 0 | $1,110,538 | 6 | $1,110,538 | 6 |
| Henry | $3,653,543 | 1 | $862,159 | 7 | $4,515,703 | 8 |
| Highland | $4,407,043 | 2 | $369,188 | 1 | $4,776,231 | 3 |
| Hocking | $2,728,770 | 1 | $- | 0 | $2,728,770 | 1 |
| Holmes | $- | 0 | $1,243,457 | 2 | $1,243,457 | 2 |
| Huron | $12,907,735 | 3 | $1,330,410 | 4 | $14,238,145 | 7 |
| Jackson | $1,064,634 | 1 | $- | 0 | $1,064,634 | 1 |
| Jefferson | $11,755,523 | 2 | $2,319,548 | 4 | $14,075,071 | 6 |
| Knox | $10,128,973 | 1 | $1,624,148 | 4 | $11,753,121 | 5 |
| Lake | $87,536,143 | 9 | $3,525,328 | 7 | $91,061,471 | 16 |
| Lawrence | $2,205,791 | 1 | $255,268 | 1 | $2,461,059 | 2 |

Table 2 (continued)

| Municipal Income Taxes<br>Tax Amounts Collected, Aggregated by County, Calendar Year 2012 (continued) | | | | | | |
|---|---|---|---|---|---|---|
| County | Tax Revenue for Cities | Number of Cities | Tax Revenue for Villages | Number of Villages | Total Tax Revenue | Total Number of Taxing Municipalities |
| Licking | $29,258,440 | 3 | $7,021,191 | 4 | $36,279,631 | 7 |
| Logan | $5,269,335 | 1 | $805,625 | 7 | $6,074,960 | 8 |
| Lorain | $82,442,229 | 8 | $7,303,091 | 5 | $89,745,319 | 13 |
| Lucas | $215,790,254 | 4 | $12,083,354 | 4 | $227,873,608 | 8 |
| Madison | $3,231,497 | 1 | $5,129,193 | 4 | $8,360,690 | 5 |
| Mahoning | $52,564,262 | 4 | $2,045,611 | 2 | $54,609,872 | 6 |
| Marion | $12,675,374 | 1 | $26,352 | 1 | $12,701,726 | 2 |
| Medina | $35,752,088 | 3 | $2,026,584 | 2 | $37,778,672 | 5 |
| Meigs | $- | 0 | $545,405 | 2 | $545,405 | 2 |
| Mercer | $4,803,971 | 1 | $3,373,741 | 4 | $8,177,712 | 5 |
| Miami | $28,996,188 | 3 | $1,986,329 | 4 | $30,982,517 | 7 |
| Monroe | $- | 0 | $530,139 | 1 | $530,139 | 1 |
| Montgomery | $230,757,572 | 13 | $10,994,713 | 6 | $241,752,285 | 19 |
| Morgan | $- | 0 | $489,984 | 2 | $489,984 | 2 |
| Morrow | $- | 0 | $1,500,477 | 3 | $1,500,477 | 3 |
| Muskingum | $15,043,390 | 1 | $1,312,884 | 4 | $16,356,274 | 5 |
| Ottawa | $2,292,646 | 1 | $2,196,984 | 4 | $4,489,630 | 5 |
| Paulding | $- | 0 | $815,798 | 5 | $815,798 | 5 |
| Perry | $830,328 | 1 | $677,105 | 2 | $1,507,433 | 3 |
| Pickaway | $4,719,868 | 1 | $1,602,304 | 3 | $6,322,172 | 4 |
| Pike | $1,315,869 | 1 | $519,982 | 1 | $1,835,851 | 2 |
| Portage | $40,786,367 | 4 | $2,564,163 | 5 | $43,350,530 | 9 |
| Preble | $3,552,343 | 1 | $1,042,970 | 4 | $4,595,313 | 5 |
| Putnam | $- | 0 | $6,466,140 | 10 | $6,466,140 | 10 |
| Richland | $26,479,183 | 2 | $6,722,359 | 5 | $33,201,542 | 7 |
| Ross | $11,010,047 | 1 | $24,704 | 1 | $11,034,751 | 2 |
| Sandusky | $11,588,578 | 2 | $587,162 | 1 | $12,175,741 | 3 |
| Scioto | $328,132 | 1 | $1,529,261 | 1 | $1,857,394 | 2 |
| Seneca | $12,071,907 | 2 | $455,136 | 3 | $12,527,043 | 5 |
| Shelby | $13,379,525 | 1 | $3,181,099 | 6 | $16,560,625 | 7 |
| Stark | $80,001,163 | 5 | $7,513,649 | 8 | $87,514,812 | 13 |
| Summit | $270,135,419 | 13 | $15,694,227 | 9 | $285,829,645 | 22 |
| Trumbull | $28,731,869 | 4 | $9,471,646 | 3 | $38,203,515 | 7 |
| Tuscarawas | $14,538,520 | 3 | $4,538,225 | 13 | $19,076,745 | 16 |
| Union | $13,049,810 | 1 | $564,796 | 2 | $13,614,605 | 3 |
| Van Wert | $6,082,799 | 1 | $322,082 | 4 | $6,404,880 | 5 |
| Warren | $46,598,355 | 4 | $2,911,403 | 6 | $49,509,758 | 10 |
| Washington | $9,745,471 | 2 | $290,489 | 1 | $10,035,960 | 3 |
| Wayne | $16,871,362 | 3 | $2,884,924 | 10 | $19,756,285 | 13 |
| Williams | $6,879,298 | 1 | $3,972,355 | 6 | $10,851,653 | 7 |
| Wood | $39,016,016 | 4 | $3,298,076 | 13 | $42,314,092 | 17 |
| Wyandot | $2,525,166 | 1 | $1,407,170 | 3 | $3,932,335 | 4 |
| Totals | $4,178,641,914 | 240 | $349,902,483 | 361 | $4,528,544,397 | 601 |

Source: Data submitted to the Ohio Department of Taxation.

Twenty-four municipalities did not submit calendar year 2012 data. For these municipalities, revenues from the previous year were used.

# Municipal Income Tax for Electric Light Companies and Local Exchange Telephone Companies

The municipal income tax for electric light companies and local exchange telephone companies, set forth 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 may be levied and administered by various Ohio cities and villages pursuant to 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 included Jan. 1, 2002. The tax began to apply to local exchange telephone companies two years later, starting with the taxable year that included 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 any conventional municipal income tax levied by a municipality to which the entity has taxable nexus (Chapter 718). For details, see Special Provisions.

The municipal income tax for electric light companies and local exchange telephone companies generated $8.8 million in revenue in fiscal year 2014 on returns filed for taxable year 2012, the last year for which such information is available. During calendar year 2013, the Ohio Department of Taxation distributed approximately $8.9 million to municipalities.

## Taxpayer

(Ohio Revised Code 5745.01)

Chapter 5745 taxpayers include:

- Electric companies 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 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 primarily engaged in the business of providing local exchange telephone service, excluding cellular radio service, in Ohio (R.C. 5727.01(D) (2)).

## Tax Base

(R.C. 5745.01 and 5745.02)

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 net 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 to which the company has taxable nexus by multiplying Ohio net 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** (R.C. 5745.02)
The Chapter 5745 Ohio apportionment ratio is calculated in a manner similar to how the Ohio corporation franchise tax apportionment ratio was calculated. However, unlike the franchise tax property, payroll and sales factors, the Chapter 5745 factors are equally weighted.

**Municipal Apportionment Ratio** (R.C. 5745.02)

For purposes of determining the taxpayer's apportionment ratio for each municipality, the taxpayer's property, payroll and sales are generally sitused consistent with the franchise tax situsing provisions. However, for purposes of the municipal payroll factor, compensation is sitused based upon the amount of compensation that 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** (R.C. 5745.01)

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** (R.C. 5745.01)

**Net intangible income** (R.C. 5745.01(G)(1) and (G)(2)) – Taxpayers may deduct intangible income as defined in R.C. 718.01, adding back expenses incurred in the production of such intangible income. Intangible income is generally not part of the municipal income tax base under R.C. 718.01(H)(3).

**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 Ohio Municipal Income Tax Instructions for Electric Light Companies and Local Exchange Telephone Companies on the department's Web site, www.tax.ohio.gov.

## Tax Rates

(R.C. 5745.03)

Tax rates are the rates levied locally by each city or village that imposes a municipal income tax. 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 include Jan. 1, then the rate that applies is the rate that was in effect on Jan. 1 of the preceding taxable year.

## Credits

(R.C. 5745.06)

If the taxpayer has an interest in a pass-through entity that is also subject to and has paid the Chapter 5745 municipal income tax, then the taxpayer may claim a credit against its own Chapter 5745 liability. The credit equals the taxpayer's proportionate share of the tax due from, or paid by, the qualifying pass-through entity, whichever is less.

## Special Provisions

(R.C. 5745.01, 5745.031, and 5745.02)

**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 as enacted by the municipalities with which the entity has taxable nexus (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 so because only a combined company's income from its activity as 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. 5745.03(E), R.C. 718.02)) – A municipality that has enacted a Chapter 718 municipal income tax cannot require a Chapter 5745 municipal income taxpayer to file a Chapter 718 municipal income tax return for that municipality. The Chapter 718 municipal income tax does not apply to taxpayers that are required to file Chapter 5745 municipal income tax. However, to the extent necessary for a municipality to compute a taxpayer's property, payroll, and sales factors for that municipality, the municipality may require the taxpayer to report to the municipality the value of the taxpayer's real and tangible personal property situated in the municipality, the taxpayer's compensation paid to its employees in the municipality, and the taxpayer's sales made in the municipality.

## Filing and Payment Dates

(R.C. 5745.03 and 5745.04)

**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**

(R.C. 5745.03)

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**

(R.C. 5745.041)

If any remittance of estimated Chapter 5745 municipal income tax is for $1,000 or more, or the amount payable with the report exceeds $1,000, the taxpayer must make the remittance by electronic funds transfer (EFT).

## Disposition of Revenue

(R.C. 5745.05)

Revenue from the Municipal Income Tax Fund is distributed to municipal corporations quarterly, by the first day of March, June, September, and December. The Department of Taxation certifies the amount distributed to each municipality and, to defray the costs of administering the tax, receives 1.5% of collections.

## Administration

(R.C. 5745.15)

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 levy a municipal income tax.

## Ohio Revised Code Citations

Chapters 5745, 113, 718, 4928, 5703, 5727, and 5733.

## Recent Legislation

**House Bill 59, 130th General Assembly, Interest on Assessments**

H.B. 59 changed the calculation of interest on assessments in R.C. 5745.12(C).

**House Bill 58, 129th General Assembly, (Internal Revenue Code (I.R.C.) conformity**

The bill amended the definition of "Internal Revenue Code as amended" found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from December 15, 2010 (the effective date of H.B. 495's amendment to R.C. 11) through March 7, 2011 (the effective date of H.B. 58's amendment of R.C. 5701.11).

**Senate Bill 28, 130th General Assembly, (Internal Revenue Code (I.R.C.) conformity)**

The bill amended the definition of "Internal Revenue Code as amended" found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from Dec. 20, 2012 (the effective date of H.B. 472's amendment to R.C. 5701.11) through March 22, 2013 (the effective date of S.B. 28's amendment of R.C. 5701.11). The bill incorporated into Ohio's tax laws all Internal Revenue Code changes made between Dec. 20, 2012 and March 22, 2013.

## History of Major Changes

| | |
|---|---|
| **2000** | House Bill 483 creates a uniform municipal income tax for electric light companies in Chapter 5745 effective Jan. 1, 2002. Later that year, Senate Bill 287 clarifies uniform procedures for computing and apportioning municipal taxable income. |
| **2003** | House Bill 95 places local exchange telephone companies in the Chapter 5745 municipal income tax for taxable years beginning on or after Jan. 1, 2004. |
| **2007** | Ohio Revised Code section 5745.13 is amended to clarify that the Department of Taxation is required to notify a municipality of the department's adjustment to a particular taxpayer's tax for that municipality only if the adjustment increases or decreases the taxpayer's tax for that municipality for the taxable year by more than $500. |

## Comparisons with Other States

(as of July 1, 2014)

No comparison state levies a similar tax.

**Table 1**

| Revenue from Municipal Income Tax for Electric Light & Telephone Companies for Fiscal Years 2010 - 2014 (figures in millions) | | | |
|---|---|---|---|
| Fiscal Year | Municipal Income Tax | Municipal Income Tax Administration Fund | Total |
| 2010 | $19.0 | $0.3 | $19.3 |
| 2011 | 23.9 | 0.3 | 24.2 |
| 2012 | 10.7 | 0.1 | 10.8 |
| 2013 | 9.9 | <0.1 | 9.9 |
| 2014 | 8.7 | 0.1 | 8.8 |

Source: Office of Budget and Management & OAKS Financial Reports

**Table 2**

| Distributions to Local Governments of Municipal Income Tax for Electric Light & Telephone Companies for Calendar Years 2009 - 2013 (figures in millions) | |
|---|---|
| Calendar Year | Total Distributions |
| 2009 | $24.4 |
| 2010 | 19.3 |
| 2011 | 22.0 |
| 2012 | 10.1 |
| 2013 | 8.9 |

Source: Ohio Department of Taxation


# 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 is subject to property taxation now that 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 are located in the **Property Tax – Real Property** chapter.

The assessed value of public utility personal property was approximately $11.68 billion in tax year 2013. Electric utilities accounted for 70.9 percent of total public utility personal property value in 2013 and the natural gas industry accounted for 9.5 percent. Revenue from the public utility property tax amounted to about $934.6 million in calendar year 2014 (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 was 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 was 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 became zero percent of true value.

House Bill 153 extended until Jan. 1, 2014 the deadline by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project", and extended until Jan. 1, 2015 (or Jan. 1, 2019 for nuclear, clean coal, and cogeneration projects) the deadline by when energy must be produced.

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority can be exempt from the tangible personal property tax if certified by the Director of the Development Services Agency as a "qualified energy project." Such a facility will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to be certified as a "qualified energy project," among other requirements, construction must begin before Jan. 1, 2012, energy produced by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and Ohio jobs created. (R.C. 5727.75)

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 December 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 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**, below.

**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[1] | 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, and telephone companies and inter-exchange telecommunications companies, whose rates fell to zero in 2009 and 2011, respectively, 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 used in railroad operations, the unitary method is used to value the company's entire railroad system property as a whole. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. The value of railroad personal property not used in operations is assessed by the Tax Commissioner, while real property not used in operations is assessed by county auditors, both using the normal means of valuing each type of property.

**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.

## 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

1 Including production equipment.

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

## 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.

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.

Also, qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.

## Reporting, Certification, and Payment Dates

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 60 days (R.C. 5727.08 and 5727.48).

The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October (R.C. 5727.10 and 5727.23).

Tax payments are due according to the same first- and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis (R.C. 323.12 and 323.17).

## 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.

**Table 1**

**Public Utility Property Taxes Levied, Tax Years 2009-2013**

| Calendar Year | Total |
|---|---|
| 2009 | $676.6 |
| 2010 | $747.2 |
| 2011 | $784.5 |
| 2012 | $862.1 |
| 2013 | $934.6 |

## Administration

(R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities. 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.

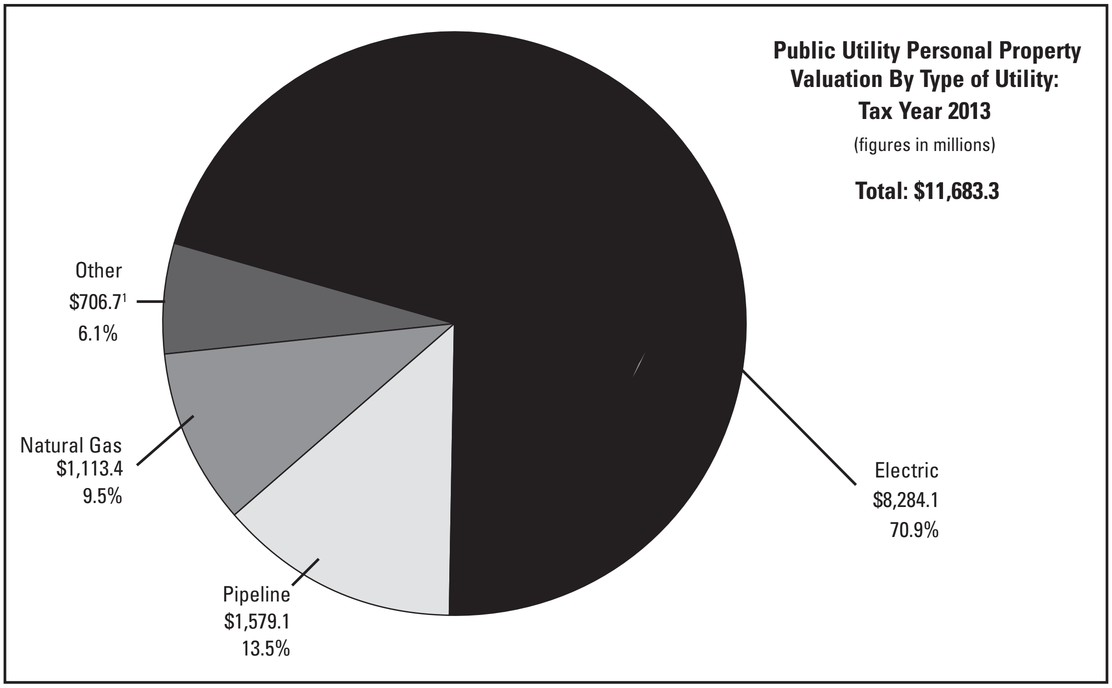
## History of Major Changes

| | |
|---|---|
| **1910** | The newly-created Tax Commission of Ohio is charged with the assessment of public utility property |
| **1939** | Responsibility for assessing public utility property shifts to the Ohio Department of Taxation, which replaces the state Tax Commission |
| **1941** | The assessment level for personal property of rural electric companies is reduced from 100 percent to 50 percent of true value. All other public utility property continues to be assessed at 100 percent. |
| **1963** | Certified air pollution control facilities are exempted. |
| **1965** | Certified water pollution control facilities are exempted. |
| **1973** | Certified noise pollution control facilities are exempted. |
| **1979** | Personal property of railroads begins to be assessed annually at the same percentage of true value as the tangible personal property of general businesses, which at the time was 42 percent of true value. |

**History of Major Changes (continued)**

| | |
|---|---|
| **1985** | General Assembly changes apportionment of electric company production plant equipment so that 70 percent is apportioned to the taxing district in which the property is physically located. The remaining 30 percent is apportioned to each taxing district according to the distribution base, meaning the percentage of the total cost of transmission and distribution property located in each district. Previously, production plant equipment had been apportioned entirely according to the value of overhead and underground lines. |
| **1989** | General Assembly enacts legislation that:<br>• Bases the true value of most public utility personal property on the cost as capitalized on the utility's books less composite annual allowances as prescribed by the Tax Commissioner.<br>• Reduces the taxable value of most public utilities from 100 percent to 88 percent of true value.<br>• Defines the true value of electric company production equipment as 50 percent of original cost, while maintaining the 100 percent assessment rate on such property.<br>• Revises the apportionment of production equipment at an electric utility plant with a cost exceeding $1 billion so that all of the cost in excess of $420 million is apportioned according to the distribution base. Previously, 70 percent of the amount above $420 million would have been apportioned to the taxing district in which the property is physically located. |
| **1995** | All inter-exchange telecommunications company personal property begins to be assessed at 25 percent of true value. Local telephone company personal property is added to the tax rolls during tax year 1995 and is thereafter assessed at 25 percent of true value. |
| **1999** | Beginning Jan. 1, 2001, all electric and rural electric utility personal property – except for transmission and distribution property – is assessed at 25 percent of true value. Also, electric production equipment is sitused 100 percent in the taxing district in which property is located. |
| **2000** | Beginning Jan. 1, 2001, the assessment percentage of natural gas personal property is lowered from 88 percent to 25 percent of true value. |
| **2003** | Beginning Jan. 1, 2005, the assessment rate of telephone personal property acquired before 1994 is phased down from 88 percent to 25 percent of true value over a three-year period. |
| **2005** | House Bill 66 includes the following changes effective Jan. 1, 2006:<br>• The assessment percentage on electric transmission and distribution personal property is lowered from 88 percent to 85 percent and the assessment percentage on electric production personal property is lowered from 25 to 24 percent.<br>• The tax on railroad personal property begins a three-year phase-out according to the same schedule that applies to general business tangible personal property: listing percentages of 18.75 for 2006, 12.5 for 2007, 6.25 for 2008 and zero thereafter.<br>• Railroad real property in a single county and not used in operations is valued and assessed by the county auditor.<br>• The taxable personal property of an electric company includes the cost of patterns, jigs, dies and drawings.<br>Also:<br>• Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with the personal property for these companies to be phased out according to a four-year schedule.<br>• Beginning Jan. 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing this property.<br>• Beginning Jan. 1, 2009, persons that generate electricity and supply some of it to others, but whose primary business is not supplying electricity, will be required to report their electricity-related property as an electric company does. |

**Chart 1**




1 includes railroad, rural electric, waterworks, water transportation and heating.
Source: Ohio Department of Taxation

**Table 2**

**Public Utility Personal Property: Certified Assessed Value by Class of Utility and Total Taxes Levied, Tax Years 2009-2013**

| Class of Utility | Number of Taxpayers 2013 | Assessed Values 2009 | Assessed Values 2010 | Assessed Values 2011 | Assessed Values 2012 | Assessed Values 2013 |
|---|---|---|---|---|---|---|
| Electric | 23 | $6,665,194,420 | $7,020,695,660 | $7,044,584,850 | $7,646,894,200 | 8,284,130,750 |
| Natural Gas | 30 | 763,148,170 | 819,544,930 | 916,554,800 | 1,018,970,920 | 1,113,364,730 |
| Pipeline | 18 | 742,391,230 | 1,461,255,730 | 1,576,986,300 | 1,580,410,660 | 1,579,145,880 |
| Rural Electric | 27 | 379,305,110 | 415,791,840 | 421,504,940 | 452,399,890 | 509,055,830 |
| Waterworks | 13 | 151,025,180 | 159,717,810 | 158,444,090 | 163,938,670 | 162,165,350 |
| Lease/Rental[1] | 12 | 36,472,560 | 36,063,820 | 38,444,700 | 36,087,730 | 32,181,330 |
| Other[2] | 5 | 4,168,520 | - 2,406,410 | - 2,686,560 | 2,653,060 | 3,290,720 |
| **Total[3]** | **128** | **$8,741,705,190** | **$9,915,476,200** | **$10,159,206,240** | **$10,901,355,130** | **$11,683,334,590** |
| | | | | | | |
| **Taxes Levied** | | **$676,598,501** | **$747,249,291** | **$784,469,930** | **$862,109,396** | **$934,646,188** |

Source: Ohio Department of Taxation

[1]This category consists of tangible personal property leased by or rented to a public utility property taxpayer. Such property was included in tangible values for 2008 and prior years. Because of the repeal of the tangible personal property tax in 2009, this type of property has been added to this table.

[2]Includes water transportation and heating.

[3]Only companies with taxable property are included.

**Table 3**

| Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2013 | | | | | | |
|---|---|---|---|---|---|---|
| **Counties** | **Taxable Value** | **Taxes Levied & Charged** | | **Counties** | **Taxable Value** | **Taxes Levied & Charged** |
| Adams | $235,171,090 | $10,511,805 | | Logan | $37,948,940 | $2,400,818 |
| Allen | $111,781,090 | $7,003,527 | | Lorain | $233,194,810 | $21,015,310 |
| Ashland | $67,281,330 | $4,810,439 | | Lucas | $254,952,510 | $25,994,791 |
| Ashtabula | $98,378,680 | $7,469,245 | | Madison | $36,323,730 | $2,462,037 |
| Athens | $93,840,900 | $6,771,014 | | Mahoning | $192,471,840 | $16,241,116 |
| Auglaize | $23,339,650 | $1,468,652 | | Marion | $74,928,260 | $4,909,349 |
| Belmont | $119,087,460 | $7,666,507 | | Medina | $105,701,610 | $10,096,304 |
| Brown | $39,037,050 | $2,029,639 | | Meigs | $45,469,160 | $2,366,459 |
| Butler | $437,026,650 | $33,209,491 | | Mercer | $22,830,310 | $1,341,495 |
| Carroll | $56,848,420 | $3,074,649 | | Miami | $66,911,910 | $4,746,300 |
| Champaign | $28,779,760 | $2,007,969 | | Monroe | $92,824,700 | $4,866,754 |
| Clark | $88,331,710 | $6,748,946 | | Montgomery | $376,231,380 | $40,934,947 |
| Clermont | $338,580,230 | $23,864,061 | | Morgan | $59,724,840 | $3,495,444 |
| Clinton | $67,620,310 | $3,282,127 | | Morrow | $26,259,160 | $1,490,671 |
| Columbiana | $103,053,130 | $6,036,274 | | Muskingum | $200,140,540 | $12,501,956 |
| Coshocton | $146,999,560 | $7,783,634 | | Noble | $71,312,680 | $3,546,847 |
| Crawford | $27,133,560 | $2,110,093 | | Ottawa | $147,876,460 | $8,267,862 |
| Cuyahoga | $840,854,510 | $98,967,652 | | Paulding | $34,045,920 | $1,879,683 |
| Darke | $51,789,130 | $2,864,207 | | Perry | $92,216,280 | $5,731,326 |
| Defiance | $78,796,250 | $5,046,435 | | Pickaway | $155,562,020 | $9,189,075 |
| Delaware | $160,432,270 | $14,751,446 | | Pike | $70,541,920 | $3,542,597 |
| Erie | $65,180,010 | $5,815,691 | | Portage | $97,382,430 | $9,138,795 |
| Fairfield | $191,561,810 | $14,317,079 | | Preble | $36,978,500 | $2,109,664 |
| Fayette | $87,433,550 | $4,532,750 | | Putnam | $30,840,570 | $1,566,875 |
| Franklin | $737,075,990 | $81,386,272 | | Richland | $103,916,590 | $8,801,471 |
| Fulton | $43,354,690 | $3,281,359 | | Ross | $68,700,930 | $4,468,450 |
| Gallia | $238,901,460 | $9,923,435 | | Sandusky | $76,076,520 | $4,553,815 |
| Geauga | $81,511,960 | $8,126,201 | | Scioto | $88,935,600 | $5,301,060 |
| Greene | $111,517,520 | $9,171,736 | | Seneca | $58,554,110 | $3,986,561 |
| Guernsey | $121,815,060 | $6,746,929 | | Shelby | $37,211,710 | $2,277,089 |
| Hamilton | $843,815,710 | $85,742,259 | | Stark | $321,754,420 | $27,533,647 |
| Hancock | $74,802,880 | $4,651,377 | | Summit | $315,993,770 | $30,633,861 |
| Hardin | $26,382,770 | $1,582,565 | | Trumbull | $128,623,020 | $10,298,138 |
| Harrison | $28,952,320 | $1,773,463 | | Tuscarawas | $93,962,470 | $6,034,066 |
| Henry | $20,596,420 | $1,483,658 | | Union | $80,869,150 | $6,312,619 |
| Highland | $34,125,480 | $1,659,851 | | Van Wert | $51,144,710 | $3,118,105 |
| Hocking | $59,782,490 | $3,498,226 | | Vinton | $42,076,480 | $1,847,107 |
| Holmes | $38,076,850 | $2,164,882 | | Warren | $285,162,200 | $24,397,390 |
| Huron | $34,577,290 | $2,128,517 | | Washington | $181,941,210 | $10,606,788 |
| Jackson | $48,793,770 | $2,060,747 | | Wayne | $90,762,630 | $7,013,247 |
| Jefferson | $285,423,218 | $15,830,848 | | Williams | $23,567,890 | $1,725,917 |
| Knox | $51,342,750 | $3,494,365 | | Wood | $86,909,430 | $7,489,366 |
| Lake | $301,273,480 | $26,675,567 | | Wyandot | $15,502,530 | $854,354 |
| Lawrence | $90,621,730 | $3,207,598 | | | | |
| Licking | $159,953,970 | $10,823,471 | | **Total** | **$11,705,371,768** | **$934,646,188** |
| Source: Ohio Department of Taxation | | | | | | |


# Property Tax – Real Property

The real property tax is Ohio's oldest tax. It has been an ad valorem tax – meaning, based on value – since 1825, and the Ohio Constitution has generally required property to be taxed by uniform rule according to value since 1851.

The Department of Taxation ensures uniformity through its oversight of the appraisal work of Ohio's county auditors. According to state law and department rules, auditors conduct a full reappraisal of real property every six years and update values in the third year following each sexennial reappraisal. The department's Division of Tax Equalization compares the assessed values of properties to sale prices, then uses these "sales ratios" to evaluate assessments and, if necessary, seek changes.

In tax year 2013 (bills payable during 2014), the assessed valuation of real property in Ohio was about $226.4 billion ($646.8 billion in appraised true value). Revenue from taxes levied on this assessed value was distributed by county auditors to the local taxing authorities during calendar year 2014. Taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (frequently described as "House Bill 920") were about $15.2 billion for tax year 2013, an increase of 2.66 percent from 2012. This amount does not include deductions for the 10 percent credit on certain residential and agricultural property (known as the non-business credit), the 2.5 percent credit for owner-occupied dwellings, or the homestead exemption for qualifying senior citizens and certain disabled homeowners.

The state reimburses local governments and school districts for the full amounts of the two credits (when they apply) and the homestead exemption. The amount of property tax relief for calendar year 2013 (reimbursed in 2014) is estimated to be almost $1.13 billion for the non-business credit, $213.1 million for the owner-occupied credit, and just under $441.8 million for the homestead exemption. These figures do not include those taxpayers who filed late for the homestead or owner-occupied 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 taxable year 2013, the statewide average "gross" tax rate was 91.71 mills on residential and agricultural property and 95.39 mills on commercial and industrial property. The statewide average "effective" or net tax rate on residential and agricultural real property was 64.68 mills, while the effective rate was 74.87 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 tax liabilities from voted taxes even though the valuation of real property increases or decreases because of reappraisal or triennial update (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.

## Revenue

In the table below, "Taxes Charged Before Credits" represents the amount of real property taxes (including public utility real property) charged after the application of tax reduction factors but before the savings realized through certain state-funded property tax credits. The non-business and owner-occupancy credits, as well as the homestead exemption, are more fully described in the Credits section, below.

| Table 1 | | | | |
|---|---|---|---|---|
| Summary Data for Tax Years 2008 - 2012 | | | | |
| Tax Year | Taxes Charged Before Credits | Non-business & Owner Occupancy Credits | Homestead Exemption | Net Taxes Charged |
| 2008 | $13,819.4 | $1,244.9 | $341.9 | $12,232.6 |
| 2009 | 14,124.4 | 1,268.5 | 361.8 | 12,494.0 |
| 2010 | 14,494.6 | 1,302.1 | 376.4 | 12,816.1 |
| 2011 | 14,595.8 | 1,311.2 | 397.7 | 12,886.9 |
| 2012 | 14,761.4 | 1,327.6 | 424.7 | 13,009.1 |
| 2013 | 15,154.8 | 1,338.6 | 441.8 | 13,374.5 |

## 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.

## Credits

(R.C. 319.301, 319.302, 323.151-.157)

**Property tax credits**

Since 1971, a 10 percent credit, 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 credit 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 credit, now called the non-business credit.

In addition, since the 1979 tax year, a 2.5 percent credit, called the owner occupancy credit, of real property taxes has been available to homesteads – meaning dwelling plus up to one acre occupied by the homeowner. The state reimburses local governments and schools for the cost of this credit.

These two credits do not apply to new local levies or replacement local levies passed after Sept. 29, 2013; they will continue to apply only to existing and renewed levies.

**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. Tax reduction factors are separately calculated for each class of property.

Reduction factors are calculated only on "carryover" property. Carryover property is property that is taxed both in the current year and in the preceding year. For example, the value of new construction does not trigger a change in reduction factors. When new buildings are constructed, the tax generated will be additional moneys received by a taxing authority. Likewise, reduction factors do not change when value is removed as a result of exemption, demolition or reclassification.

Tax reduction factors are not applied to unvoted millage within the 10 mill 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 dates back to 1971. It is available to the homesteads of qualified homeowners who are either:

- at least 65 years old,
- permanently and totally disabled, or
- at least 59 years and the surviving spouse of a deceased taxpayer who previously received the exemption.

Each qualified homeowner receives 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.

Under current law (calendar year 2014), eligibility for new exemptions is limited to qualifying taxpayers by age with Ohio adjusted gross income of $30,500 or less. The income threshold is adjusted annually for inflation and is $31,000 for tax year 2015. Veterans who have received a

100 percent permanent total disability rating or a total disability rating for a service-connected disability or combination of service-connected disabilities are exempt from this income threshold and are eligible to receive a homestead credit value of $50,000.

There were 886,975 taxpayers who qualified for the homestead exemption in 2012 on their tax bills payable in 2013 (see table 9) - an increase of 1.9 percent from the previous year. The total tax savings was approximately $426.9 million or 6.7 percent more than the previous year.

## 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 land valued according to its commercial agricultural use is converted to a different 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. Details on this tax are located in the **Manufactured Home Tax** chapter in the **Local Taxes** section of this report.

## Filing and Payment Dates

(R.C. 323.12, 323.17)

According to statute, at least one-half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines are often extended in the ways described below.

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.

## 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 in the value of any property properly before it.

## Ohio Revised Code Citations

Chapters 319, 321, 323, 4501, 4503, 5705, 5709, 5713, 5715, 5719, 6111.

## Recent Legislation

**Amended Substitute House Bill 483, 130th General Assembly (various effective dates).**

H.B. 483 made several changes to property tax law. Among the changes are:

- Exempts a charitable organization used exclusively for receiving, processing, distributing, researching, or developing human blood, tissues, eyes, or organs.
- Modifies an exemption for real property held or occupied by certain fraternal organizations by allowing the organization's property to qualify for the exemption where the organization has been operating in Ohio with a state governing body for at least 85 years instead of 100 years, as was specified under prior law.
- Expressly authorizes political subdivisions to use revenue collected from tax increment financing to fund the provision of gas or electric service when doing so is necessary for economic development, though in prior law, political subdivisions were authorized to use such revenue for "public infrastructure improvements," which could have included the provision of gas or electric service.

**Amended Substitute House Bill 85, 130th General Assembly, effective September 11, 2014.**

H.B. 85 increases the homestead exemption available to veterans who have received a 100 percent permanent total disability rating or a total disability rating for a service-connected disability or combination of service-connected disabilities from a value of $25,000 to $50,000. The bill also exempts such veterans from the income threshold to be eligible for the homestead exemption.

**Amended Substitute House Bill 59, 130th General Assembly (various effective dates).**

H.B. 59 made several changes to property tax law. Among the changes are:

- Means tests the availability of the homestead exemption for homeowners not receiving the exemption in tax year 2013, adjusted annually for inflation.
- Limits the application of the non-business and owner-occupied real property tax credits to levies approved before September 29, 2013, and to subsequent renewals of these levies.
- Allows a school district that levies an existing combined levy for current expenses and permanent improvements to replace or renew that levy for the purpose of funding general permanent improvements and to replace an existing combined levy for a term of years different from the term for which the original tax was levied.
- Specifies that all new combined levies must be levied for current expenses and not specific permanent improvements. It allows school districts to levy a property tax exclusively for school safety and security purposes.

## Recent Court Decisions

**Akron City School District Board of Education v. Summit County Board of Revision, 139 Ohio St.3d 92, 2014-Ohio-1588.**

In another case dealing with the use of an arm's-length sale price as an indication of value, the Supreme Court clarified when such a sale should be considered "recent" for purposes of setting value. The Court held that when a sale occurs more the 24 months before the lien date, and the auditor does not base a reappraisal on the sale price, that sale should not be presumed to be recent. The effect of this decision is to call into question any challenge to the value of real property based upon a price garnered at a sale that took place more than 24 months prior to the tax lien date.

**Health Care REIT, Inc. v. Cuyahoga County Board of Revision, 140 Ohio St.3d 30, 2014-Ohio-2574.**

Comparison of an assisted living facility to similar apartment buildings is an acceptable way to value the real estate component of an assisted-living structure.

**RNG Properties, Ltd. v. Summit Cty. Board of Revision, 140 Ohio St.3d 455, 2014-Ohio-4036.**

The Board of Tax Appeals is not required to value property in accordance with a contractual allocation. In the case decided by the Ohio Supreme Court, the BTA found that the sale included some properties the value of which were not challenged. The appeal before the BTA also included a challenge to properties that were not a part of the sale. The Court held that the burden was on the owner with wishes to use an allocated bulk-sale price to show the propriety of the allocation. The Court concluded that, to be relied upon, the purchase agreement did not set forth any reasoning as to how the allocation was determined.

**Olentangy Local Schools Board of Education v. Delaware Cty. Board of Revision, Slip Opinion No. 2014-Ohio-4723.**

Under certain circumstances, an auction sale can be considered a valid sale for purposes of ad valorem real property valuation. The Court first found that the language found in R.C. 5713.04, "[t]he price for which such real property would sell at auction or forced sale shall not be taken as a criterion of its value," refers to both forced sales and voluntary auctions, but is not an absolute bar to consideration of value. The Court then held that the proponent of the auction sale price could introduce evidence that a sale was voluntary and at arm's length – thereby creating a situation that the price garnered would be evidence of value. The court noted that the proponent of the auction sale price bears a heavier burden than one arguing for a sale garnered through more conventional channels.

**Equity Dublin Assocs. v. Testa, Slip Opinion No. 2014-Ohio-5243.**

Buildings owned by a private, for-profit corporation and leased to a community college are not exempt from taxation under either R.C. 3354.15 or R.C. 5709.07. In making this determination, the Supreme Court also concluded that an applicant is not required to identify every statute under which the applicant claims exemption. The Supreme Court found that the relevant statute, R.C. 5715.27 merely requires an owner to "file an application with the tax commissioner *** requesting that such property be exempted from taxation." The Court also concluded that R.C. 5709.07 was not the sole avenue for exemption. Finally, the Court concluded that the public college exemption under R.C. 57095.07(A)(4) applies to the public college as a lessee only when the building leased is constructed on land owned by the public college.

## History of Major Changes

| | |
|---|---|
| 1803 | Ohio gains statehood. General Assembly continues territorial practice of taxing land (but not improvements) based on whether the fertility of the land is "first rate," "second rate" or "third rate." |
| 1825 | General Assembly abolishes land classification system, replacing it with an ad valorem tax on land, improvements and select forms of personal property. |
| 1846 | General Assembly enacts "Kelley Law," which requires that "all property, whether real or personal… unless exempted, shall be subject to taxation." Previously, the legislature had exempted from taxation many forms of personal property, such as tools and machinery. |
| 1851 | New state constitution requires that all real and personal property be taxed according to uniform rule, except for exemptions specifically permitted by the constitution, such as for churches and schools. |

**History of Major Changes - continued**

| | |
|---|---|
| 1902 | Legislature repeals state property tax levies for the general fund. State levies persist for other purposes, such as public universities, common schools and highways. |
| 1910 | General Assembly creates the Tax Commission of Ohio to supervise local property tax administration. |
| 1911 | General Assembly enacts "Smith 1 percent law," which sets an overall 10 mill limit on unvoted levies. Further levies are permitted up to a 15 mill limit, as long as they receive approval through a vote of the people. |
| 1925 | General Assembly enacts first statutory requirement for a six-year reappraisal cycle. |
| 1927 | General Assembly repeals Smith Law and replaces it with a 15 mill cap on unvoted levies. Additional millage is permitted above this mark through a vote of the people. |
| 1929 | Ohio voters approve a constitutional amendment that, starting in 1931, generally limits levies enacted without voter approval to 1.5 percent of true value. The amendment also limits the principle of taxation by uniform rule to real property, rather than all property. |
| 1932 | For the first time in more than a century, no state tax is levied on real property. |
| 1933 | Voters approve a constitutional amendment that tightens the cap on non-voted levies to 1 percent of true value. |
| 1934 | Through statute, the General Assembly reduces the aggregate tax limit on nonvoted levies from 15 mills to 10 mills. |
| 1939 | The Tax Commission of Ohio is replaced by the Department of Taxation, the Board of Tax Appeals (which begins supervising real property tax administration), and a Tax Commissioner (who assumes functions with respect to taxation of public utility property). |
| 1965 | For the first time, the General Assembly explicitly permits real property to be uniformly assessed at less than true value. The legislature requires that taxable values be no more than 50 percent of true value, with the actual uniform percentage to be established by rule of the Board of Tax Appeals. |
| 1968 | A state tax applies to real property for the last time – 0.2 mills to retire bonds issued to provide bonus compensation to veterans of the Korean conflict. |
| 1970 | Ohio voters approve constitutional amendment permitting a homestead exemption for low- and middle-income senior citizens. |
| 1971 | General Assembly enacts 10 percent property tax credit. Homestead exemption begins. |
| 1972 | Board of Tax Appeals requires taxable values to be set at 35 percent of true value as counties complete their sexennial reappraisals, with annual adjustments to maintain the 35 percent level. |
| 1973 | Voters approve a constitutional amendment permitting the valuation of agricultural property based upon current use. |
| 1974 | Voters approve a constitutional amendment that permits the extension of the homestead exemption to permanently and totally disabled homeowners. |
| 1976 | General Assembly enacts House Bill 920, which calls for the calculation of effective tax rates based on reduction factors. These factors are intended to eliminate from certain voted levies the changes in revenue that might occur when values grow on existing real property as part of a reappraisal or update. H.B. 920 also creates the Ohio Department of Tax Equalization to supervise real property tax administration and requires real property valuations to be updated every three years, instead of annually. |
| 1977 | Senate Bill 221 establishes a 20 mill floor for school districts, after the application of "House Bill 920" reduction factors. |
| 1979 | Legislature enacts a 2½ percent tax credit for owner-occupied residential property. |
| 1980 | Voters approve a constitutional amendment that calls for separate reduction factors to be applied to two classes of real property: residential and agricultural property (Class I) and all other real property (Class II). |
| 1983 | Department of Tax Equalization is eliminated; all of its functions are transferred to the Department of Taxation. |
| 1990 | Voters approve a constitutional amendment that permits the homestead exemption to be extended to the surviving spouses of homestead exemption recipients. |
| 2005 | As part of a larger series of tax reforms, House Bill 66 narrows the 10 percent credit to real property not intended primarily for use in a business activity. |
| 2007 | House Bill 119 expands the homestead exemption to all senior citizens, qualifying disabled homeowners, and surviving spouses of previously-qualified homeowners, regardless of income. Tiered benefits are scrapped in favor of allowing participants to shield $25,000 of the true value of their homesteads from taxation. |
| 2014 | H.B. 85 increases the homestead exemption available to veterans who are permanently and totally disabled due to a service-related disability from a value of $25,000 to $50,000. The bill also exempts such veterans from the $30,000 income threshold to be eligible for the homestead exemption. |

## Comparisons with Other States

(as of July, 2014)

The complexity of real property tax laws prevents a simple rate comparison among states. However, the following table highlights the property tax liability on the median residential home value in the largest city in each of the nine selected states after applicable exemptions or tax reductions. Data are sorted by ascending effective property tax rates.

**Table 2: Real Property Tax Comparison of Largest Cities in Selected States**

| City / State | Median Home Value[1] | 2012 Property Tax on Median Home less Tax Reduction or Exemption[2] | Effective Tax Rate per $100[2] |
|---|---|---|---|
| Philadelphia | $136,800 | $4,282 | 3.13 |
| Indianapolis | $116,400 | $3,387 | 2.91 |
| Houston | $125,700 | $3,218 | 2.56 |
| Atlanta | $200,900 | $3,194 | 1.59 |
| Columbus | $123,700 | $2,833 | 2.29 |
| Charlotte | $165,900 | $2,124 | 1.28 |
| Louisville[3] | $141,900 | $1,873 | 1.32 |
| Detroit | $36,800 | $1,248 | 3.39 |
| Charleston[4] | $102,600 | $841 | 0.82 |
| Memphis | $89,400 | $760 | 0.85 |

[1] Source: Table B25077, US Census Bureau, American Factfinder 2013 American Community Survey, Housing Characteristics.
[2] Source: calculations by Ohio Department of Taxation based on Table 4 of Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2013).
[3] Median home value for metropolitan statistical area of Louisville/Jefferson county, KY-IN Metro Area.
[4] Median home value for metropolitan statistical area of Charleston, WV Metro Area.

**Table 3**

**Assessed Value Of Taxable Real Estate, Taxes Charged, Average Tax Rates, And Tax Relief for Tax Years 2008 - 2013**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Value Of Taxable Property | $241,120,753,580 | $238,193,861,953 | $238,182,209,591 | $231,287,062,255 | $225,256,753,218 | $226,381,891,791 |
| Residential/Agricultural | $187,687,183,700 | $184,181,188,378 | $184,352,812,609 | $179,385,998,963 | $174,973,816,712 | $176,119,657,612 |
| Other | $53,433,569,880 | $54,012,673,575 | $53,829,396,982 | $51,901,063,292 | $50,282,936,506 | $50,262,234,179 |
| | | | | | | |
| Taxes Charged[1] | $13,819,361,777 | $14,124,390,998 | $14,494,608,093 | $14,595,848,723 | $14,761,417,298 | $15,154,803,677 |
| Residential/Agricultural | $10,398,014,352 | $10,576,227,491 | $10,860,862,198 | $10,961,568,418 | $11,084,164,366 | $11,391,519,184 |
| Other | $3,421,347,425 | $3,548,163,507 | $3,633,745,895 | $3,634,280,305 | $3,677,252,932 | $3,763,284,493 |
| | | | | | | |
| Average Effective Tax Rate[2] | 57.31 | 59.30 | 60.86 | 63.11 | 65.53 | 66.94 |
| Residential/Agricultural | 55.40 | 57.42 | 58.91 | 61.11 | 63.35 | 64.68 |
| Other | 64.03 | 65.69 | 67.50 | 70.02 | 73.13 | 74.87 |
| | | | | | | |
| 10 Percent Reduction In All Real Property Taxes | $1,042,002,658 | $1,061,932,289 | $1,090,774,144 | $1,100,575,320 | $1,114,953,759 | $1,125,513,679[4] |
| | | | | | | |
| 2.5 Percent Reduction In Homeowner's Real Property Taxes[3] | $202,879,613 | $206,623,789 | $211,369,995 | $210,629,313 | $212,690,754 | $213,062,311[4] |
| | | | | | | |
| Homestead Exemption Reduction[3] | $341,874,647 | $361,838,373 | $376,393,082 | $397,689,035 | $424,656,425 | $441,757,926[4] |
| | | | | | | |
| **Net Taxes Collectible (after 10 percent reduction, 2.5 percent reduction, and homestead exemption)** | **$12,232,604,859** | **$12,493,996,547** | **$12,816,070,872** | **$12,886,955,055** | **$13,009,116,360** | **$13,374,469,761** |

Source: Abstracts filed by county auditors with the Ohio Department of Taxation and Ohio Department of Taxation records.
[1] Net taxes charged after application of percentage reduction required by R.C. 319.301.
[2] Taxes charged divided by value of taxable property.
[3] These figures exclude those taxpayers that filed late for the tax reduction and the administrative fees associated with this program.
[4] These data estimated.

**Table 4**

**Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County, Tax Year 2013[3]**

| | Residential/Agricultural | | Other Real | | | Residential/Agricultural | | Other Real | |
|---|---|---|---|---|---|---|---|---|---|
| County | Gross Rate[1] | Net Rate[2] | Gross Rate[1] | Net Rate[2] | County | Gross Rate[1] | Net Rate[2] | Gross Rate[1] | Net Rate[2] |
| Adams | 51.01 | 41.26 | 48.15 | 45.13 | Logan | 63.61 | 43.30 | 65.39 | 50.76 |
| Allen | 61.40 | 51.43 | 63.43 | 55.71 | Lorain | 89.78 | 66.61 | 90.46 | 69.18 |
| Ashland | 75.95 | 49.53 | 80.43 | 58.99 | Lucas | 109.88 | 78.67 | 106.73 | 86.96 |
| Ashtabula | 75.65 | 51.88 | 76.12 | 57.12 | Madison | 67.38 | 49.64 | 67.10 | 59.56 |
| Athens | 78.12 | 53.78 | 84.50 | 56.39 | Mahoning | 86.52 | 63.62 | 89.72 | 69.02 |
| Auglaize | 63.44 | 44.80 | 63.19 | 53.48 | Marion | 64.97 | 43.54 | 64.52 | 51.22 |
| Belmont | 65.01 | 44.48 | 64.03 | 49.93 | Medina | 96.43 | 59.31 | 97.76 | 61.83 |
| Brown | 51.05 | 40.21 | 50.20 | 42.67 | Meigs | 50.86 | 41.27 | 53.75 | 49.33 |
| Butler | 82.30 | 60.00 | 83.10 | 66.36 | Mercer | 58.72 | 47.46 | 58.73 | 53.65 |
| Carroll | 57.46 | 43.18 | 55.66 | 44.34 | Miami | 70.66 | 48.54 | 70.77 | 55.04 |
| Champaign | 65.86 | 45.26 | 76.92 | 60.60 | Monroe | 53.67 | 36.78 | 53.71 | 52.54 |
| Clark | 74.43 | 57.91 | 75.90 | 63.58 | Montgomery | 112.31 | 84.67 | 110.73 | 93.76 |
| Clermont | 90.43 | 60.94 | 89.31 | 68.36 | Morgan | 56.09 | 37.90 | 57.75 | 46.52 |
| Clinton | 50.72 | 41.81 | 50.33 | 48.27 | Morrow | 55.90 | 44.40 | 59.48 | 50.21 |
| Columbiana | 58.73 | 45.06 | 61.52 | 48.38 | Muskingum | 66.74 | 47.83 | 68.37 | 49.19 |
| Coshocton | 61.61 | 44.03 | 64.51 | 48.10 | Noble | 51.48 | 39.47 | 54.63 | 47.26 |
| Crawford | 78.33 | 52.62 | 79.63 | 64.98 | Ottawa | 69.46 | 40.94 | 66.06 | 43.35 |
| Cuyahoga | 126.37 | 87.61 | 117.87 | 91.26 | Paulding | 57.94 | 42.99 | 62.99 | 53.12 |
| Darke | 56.19 | 43.18 | 60.74 | 51.48 | Perry | 63.41 | 44.04 | 64.55 | 52.13 |
| Defiance | 62.24 | 46.80 | 64.32 | 52.79 | Pickaway | 60.94 | 47.17 | 64.58 | 56.20 |
| Delaware | 93.49 | 70.61 | 96.70 | 73.13 | Pike | 57.65 | 41.86 | 62.35 | 56.44 |
| Erie | 87.75 | 51.86 | 89.96 | 63.67 | Portage | 95.77 | 58.85 | 102.17 | 65.17 |
| Fairfield | 86.67 | 52.91 | 91.63 | 51.96 | Preble | 56.75 | 44.18 | 59.70 | 50.23 |
| Fayette | 55.56 | 46.40 | 56.88 | 46.51 | Putnam | 50.52 | 40.34 | 49.61 | 44.75 |
| Franklin | 114.22 | 78.99 | 108.35 | 85.83 | Richland | 83.33 | 58.89 | 85.49 | 74.38 |
| Fulton | 76.41 | 54.03 | 76.22 | 65.50 | Ross | 63.16 | 47.18 | 71.03 | 57.92 |
| Gallia | 47.78 | 40.44 | 47.01 | 40.92 | Sandusky | 63.89 | 47.73 | 60.11 | 50.66 |
| Geauga | 104.00 | 61.68 | 103.11 | 67.20 | Scioto | 59.40 | 45.42 | 64.48 | 53.22 |
| Greene | 86.00 | 66.09 | 87.20 | 70.28 | Seneca | 67.15 | 45.22 | 70.70 | 61.91 |
| Guernsey | 58.91 | 48.42 | 60.88 | 53.84 | Shelby | 61.83 | 45.36 | 62.70 | 50.76 |
| Hamilton | 102.65 | 69.17 | 100.43 | 80.30 | Stark | 86.98 | 61.68 | 85.56 | 67.99 |
| Hancock | 62.58 | 43.87 | 65.84 | 57.37 | Summit | 95.62 | 69.54 | 94.46 | 76.28 |
| Hardin | 60.95 | 44.44 | 61.42 | 49.32 | Trumbull | 78.34 | 61.64 | 76.99 | 65.73 |
| Harrison | 61.34 | 42.05 | 61.32 | 49.93 | Tuscarawas | 67.34 | 46.22 | 68.86 | 52.40 |
| Henry | 75.65 | 52.37 | 78.42 | 70.76 | Union | 81.05 | 58.46 | 80.27 | 73.73 |
| Highland | 48.98 | 42.23 | 48.27 | 44.55 | Van Wert | 66.66 | 42.82 | 69.43 | 63.83 |
| Hocking | 58.21 | 46.13 | 57.82 | 47.24 | Vinton | 45.68 | 42.64 | 48.85 | 47.36 |
| Holmes | 54.92 | 43.61 | 53.87 | 47.60 | Warren | 91.03 | 64.23 | 92.00 | 63.47 |
| Huron | 60.63 | 42.15 | 64.08 | 48.58 | Washington | 58.32 | 41.60 | 60.20 | 47.00 |
| Jackson | 44.61 | 41.03 | 46.75 | 44.68 | Wayne | 79.03 | 53.13 | 87.72 | 68.77 |
| Jefferson | 61.84 | 43.09 | 62.04 | 49.95 | Williams | 75.77 | 51.70 | 77.87 | 58.98 |
| Knox | 68.83 | 51.36 | 66.82 | 56.53 | Wood | 89.70 | 62.88 | 91.56 | 69.83 |
| Lake | 96.87 | 66.07 | 95.13 | 72.62 | Wyandot | 56.06 | 35.44 | 55.43 | 41.05 |
| Lawrence | 36.49 | 33.42 | 39.25 | 36.63 | | | | | |
| Licking | 73.00 | 56.94 | 71.26 | 57.21 | Statewide Avg. | 91.71 | 64.68 | 95.39 | 74.87 |

Source: Abstracts filed by county auditors with the Ohio Department of Taxation.
[1] Rate prior to application of tax reduction factors. Gross rate equals taxes levied divided by taxble value.
[2] Rate in the county after application of tax reduction factors. These rates were computed prior to the deduction of the non-business credit, the owner-occupied credit and homestead exemption.
[3] For the two combined classes of real property, the statewide average gross rate is 92.53 and the statewide average net rate is 66.94 mills.

**Table 5**

**Total Real Property Taxes, Values and Effective Tax Rates, by County, Tax Year 2013**

| County | Taxable Value | Gross Taxes levied | Taxes Charged | Special Assessments | Effective Tax rate | County | Taxable Value | Gross Taxes levied | Taxes Charged | Special Assessments | Effective Tax rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Adams | $424,784,940 | $21,388,329 | $17,905,153 | $46,025 | 42.15 | Logan | $1,105,699,290 | $70,645,404 | $49,194,183 | $450,228 | 44.49 |
| Allen | $1,731,994,020 | $107,230,099 | $90,950,969 | $5,439,646 | 52.51 | Lorain | $5,963,795,600 | $536,192,155 | $400,146,490 | $3,628,448 | 67.10 |
| Ashland | $902,704,850 | $69,189,304 | $46,045,223 | $634,533 | 51.01 | Lucas | $6,754,863,860 | $736,316,201 | $546,883,650 | $35,049,943 | 80.96 |
| Ashtabula | $1,715,966,060 | $129,976,313 | $90,892,647 | $2,661,723 | 52.97 | Madison | $904,532,080 | $60,910,344 | $46,309,331 | $1,126,889 | 51.20 |
| Athens | $856,557,850 | $68,141,152 | $46,570,284 | $1,275,326 | 54.37 | Mahoning | $3,768,597,970 | $328,974,297 | $244,676,699 | $3,694,696 | 64.93 |
| Auglaize | $901,298,520 | $57,142,720 | $41,660,160 | $1,183,457 | 46.22 | Marion | $1,037,780,470 | $67,340,563 | $46,578,669 | $2,141,987 | 44.88 |
| Belmont | $1,071,508,330 | $69,417,258 | $48,999,383 | $346,314 | 45.73 | Medina | $4,321,148,070 | $417,625,593 | $258,099,534 | $3,140,696 | 59.73 |
| Brown | $676,637,340 | $34,484,481 | $27,368,924 | $603,223 | 40.45 | Meigs | $304,074,880 | $15,608,517 | $12,951,976 | $26,786 | 42.59 |
| Butler | $7,000,094,490 | $577,341,537 | $429,735,317 | $52,151,751 | 61.39 | Mercer | $873,762,990 | $51,304,870 | $42,030,022 | $1,651,013 | 48.10 |
| Carroll | $560,117,880 | $32,033,613 | $24,284,140 | $367,311 | 43.36 | Miami | $2,046,774,950 | $144,664,157 | $101,812,538 | $3,638,522 | 49.74 |
| Champaign | $791,341,850 | $53,091,544 | $37,166,924 | $94,536 | 46.97 | Monroe | $230,276,610 | $12,359,530 | $8,934,915 | $45,949 | 38.80 |
| Clark | $2,180,781,750 | $162,977,425 | $128,861,518 | $1,187,856 | 59.09 | Montgomery | $9,006,702,660 | $1,008,296,101 | $781,257,858 | $38,076,564 | 86.74 |
| Clermont | $3,789,303,330 | $341,894,513 | $235,979,732 | $15,334,064 | 62.28 | Morgan | $234,828,120 | $13,216,563 | $9,135,218 | $135,875 | 38.90 |
| Clinton | $763,420,750 | $38,663,779 | $32,857,168 | $375,390 | 43.04 | Morrow | $666,585,630 | $37,444,849 | $29,887,286 | $598,443 | 44.84 |
| Columbiana | $1,548,186,880 | $91,611,807 | $70,571,620 | $754,950 | 45.58 | Muskingum | $1,418,062,210 | $95,191,098 | $68,280,133 | $2,601,471 | 48.15 |
| Coshocton | $594,671,030 | $36,999,281 | $26,688,243 | $424,052 | 44.88 | Noble | $205,427,750 | $10,646,321 | $8,281,275 | $148,738 | 40.31 |
| Crawford | $605,007,550 | $47,509,921 | $32,985,601 | $607,840 | 54.52 | Ottawa | $1,588,735,230 | $109,507,245 | $65,642,944 | $1,852,985 | 41.32 |
| Cuyahoga | $26,802,215,230 | $3,316,193,774 | $2,378,548,600 | $122,509,871 | 88.74 | Paulding | $407,976,690 | $23,813,932 | $17,887,401 | $377,570 | 43.84 |
| Darke | $964,726,270 | $54,773,150 | $42,682,994 | $1,018,999 | 44.24 | Perry | $518,327,660 | $32,927,515 | $23,236,727 | $48,805 | 44.83 |
| Defiance | $685,140,930 | $42,875,970 | $32,733,511 | $817,821 | 47.78 | Pickaway | $1,074,077,170 | $65,977,761 | $51,956,782 | $308,956 | 48.37 |
| Delaware | $6,078,894,940 | $570,586,078 | $431,018,482 | $28,260,957 | 70.90 | Pike | $330,266,850 | $19,226,016 | $14,402,473 | $47,360 | 43.61 |
| Erie | $1,899,897,800 | $167,633,103 | $103,431,827 | $3,836,573 | 54.44 | Portage | $3,154,815,980 | $306,265,014 | $189,720,765 | $4,923,020 | 60.14 |
| Fairfield | $3,161,437,160 | $276,496,922 | $166,780,551 | $4,398,044 | 52.75 | Preble | $758,500,200 | $43,285,053 | $34,000,684 | $2,683,997 | 44.83 |
| Fayette | $593,717,450 | $33,171,383 | $27,564,232 | $1,642,284 | 46.43 | Putnam | $711,559,110 | $35,893,220 | $28,981,595 | $540,322 | 40.73 |
| Franklin | $25,423,717,690 | $2,859,287,739 | $2,060,094,485 | $152,778,126 | 81.03 | Richland | $1,790,231,950 | $149,910,367 | $110,617,272 | $1,028,222 | 61.79 |
| Fulton | $835,479,140 | $63,813,950 | $46,792,899 | $955,556 | 56.01 | Ross | $1,144,663,470 | $73,777,465 | $56,030,169 | $318,667 | 48.95 |
| Gallia | $491,381,210 | $23,383,248 | $19,931,123 | $7,069 | 40.56 | Sandusky | $1,077,518,600 | $68,104,291 | $52,006,630 | $733,551 | 48.27 |
| Geauga | $2,922,077,260 | $303,597,834 | $182,090,971 | $1,815,591 | 62.32 | Scioto | $913,145,180 | $55,061,896 | $42,739,105 | $853,374 | 46.80 |
| Greene | $3,722,033,230 | $320,973,578 | $249,045,500 | $3,109,464 | 66.91 | Seneca | $918,289,350 | $62,119,287 | $43,660,846 | $899,825 | 47.55 |
| Guernsey | $570,677,840 | $33,840,646 | $28,245,880 | $705,641 | 49.50 | Shelby | $966,478,650 | $59,926,490 | $44,892,562 | $750,620 | 46.45 |
| Hamilton | $17,315,866,050 | $1,767,237,180 | $1,249,118,830 | $120,672,846 | 72.14 | Stark | $6,141,262,119 | $532,361,906 | $386,860,223 | $7,441,302 | 62.99 |
| Hancock | $1,646,929,700 | $104,110,247 | $76,573,947 | $883,562 | 46.49 | Summit | $11,114,586,720 | $1,060,021,808 | $789,010,324 | $47,550,931 | 70.99 |
| Hardin | $507,323,150 | $30,950,793 | $22,840,239 | $1,329,897 | 45.02 | Trumbull | $3,108,843,940 | $242,697,328 | $194,168,668 | $1,896,520 | 62.46 |
| Harrison | $283,439,414 | $17,384,615 | $12,521,629 | $102,213 | 44.18 | Tuscarawas | $1,586,704,570 | $107,308,834 | $75,217,871 | $1,189,870 | 47.41 |
| Henry | $587,096,940 | $44,588,069 | $31,906,123 | $562,798 | 54.35 | Union | $1,340,076,930 | $108,453,897 | $81,520,673 | $5,709,451 | 60.83 |
| Highland | $651,504,750 | $31,854,828 | $27,690,351 | $1,075,451 | 42.50 | Van Wert | $518,929,510 | $34,736,062 | $23,323,549 | $869,840 | 44.95 |
| Hocking | $509,715,800 | $29,652,363 | $23,570,552 | $28,679 | 46.24 | Vinton | $161,110,210 | $7,402,237 | $6,932,201 | $26,758 | 43.03 |
| Holmes | $836,614,500 | $45,801,374 | $37,046,448 | $412,740 | 44.28 | Warren | $5,316,136,140 | $484,733,807 | $340,833,864 | $4,688,279 | 64.11 |
| Huron | $1,002,153,170 | $61,311,955 | $43,267,211 | $321,811 | 43.17 | Washington | $1,049,779,240 | $61,661,421 | $44,931,018 | $410,678 | 42.80 |
| Jackson | $427,198,120 | $19,223,927 | $17,813,669 | $6,773 | 41.70 | Wayne | $2,125,879,580 | $171,552,766 | $119,325,536 | $1,825,776 | 56.13 |
| Jefferson | $925,472,628 | $57,271,287 | $41,339,339 | $362,533 | 44.67 | Williams | $657,712,560 | $50,092,905 | $34,901,113 | $898,379 | 53.06 |
| Knox | $1,135,617,100 | $77,901,253 | $58,997,852 | $2,389,645 | 51.95 | Wood | $2,667,369,390 | $240,506,249 | $172,384,269 | $10,744,537 | 64.63 |
| Lake | $5,375,015,030 | $518,671,605 | $362,724,590 | $13,693,561 | 67.48 | Wyandot | $497,569,520 | $27,859,713 | $17,940,027 | $99,141 | 36.06 |
| Lawrence | $822,942,550 | $30,305,215 | $27,821,607 | $885,824 | 33.81 | | | | | | |
| Licking | $3,605,769,660 | $262,089,637 | $205,502,160 | $5,065,290 | 56.99 | **Total** | **$226,381,891,791** | **$20,945,995,847** | **$15,154,803,677** | **$748,012,599** | **66.94** |

Source: Abstracts filed by county auditors with the Ohio Department of Taxation.

Table 6

## Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2013[1]

| County | Taxes Charged | Non-Busness Tax Credit[2] | Homestead Exemption Reduction[2] | Owner-Occupied Credit [2] | Net Taxes Collectible | County | Taxes Charged | Non-Busness Tax Credit[2] | Homestead Exemption Reduction[2] | Owner-Occupied Credit [2] | Net Taxes Collectible |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Adams | $17,905,153 | $1,349,523 | $674,176 | $83,205 | $15,798,249 | Logan | $49,194,183 | $4,007,724 | $1,139,580 | $406,242 | $43,640,637 |
| Allen | $90,950,969 | $6,615,436 | $3,310,453 | $1,154,042 | $79,871,038 | Lorain | $400,146,490 | $31,522,448 | $12,804,368 | $5,981,979 | $349,837,696 |
| Ashland | $46,045,223 | $3,752,073 | $1,825,980 | $639,999 | $39,827,171 | Lucas | $546,883,650 | $36,938,141 | $19,119,832 | $7,601,925 | $483,223,753 |
| Ashtabula | $90,892,647 | $6,926,077 | $3,746,591 | $996,159 | $79,223,821 | Madison | $46,309,331 | $3,775,447 | $1,189,660 | $620,252 | $40,723,973 |
| Athens | $46,570,284 | $3,572,117 | $1,581,644 | $496,180 | $40,920,343 | Mahoning | $244,676,699 | $17,859,183 | $11,875,076 | $3,531,045 | $211,411,394 |
| Auglaize | $41,660,160 | $3,374,721 | $1,234,676 | $548,981 | $36,501,781 | Marion | $46,578,669 | $3,695,626 | $1,850,412 | $550,985 | $40,481,645 |
| Belmont | $48,999,383 | $3,570,411 | $2,213,622 | $607,441 | $42,607,909 | Medina | $258,099,534 | $20,805,445 | $7,087,319 | $4,162,270 | $226,044,500 |
| Brown | $27,368,924 | $2,462,793 | $1,134,396 | $292,502 | $23,479,232 | Meigs | $12,951,976 | $1,028,458 | $746,880 | $123,058 | $11,053,580 |
| Butler | $429,735,317 | $32,925,546 | $11,218,552 | $6,337,532 | $379,253,687 | Mercer | $42,030,022 | $3,745,216 | $1,211,175 | $519,264 | $36,554,367 |
| Carroll | $24,284,140 | $2,062,913 | $878,645 | $255,339 | $21,087,242 | Miami | $101,812,538 | $8,158,357 | $3,428,779 | $1,452,741 | $88,772,660 |
| Champaign | $37,166,924 | $3,142,244 | $1,235,324 | $384,816 | $32,404,540 | Monroe | $8,934,915 | $731,790 | $407,282 | $70,483 | $7,725,360 |
| Clark | $128,861,518 | $10,021,966 | $5,683,289 | $1,701,977 | $111,454,286 | Montgomery | $781,257,858 | $57,042,165 | $30,978,268 | $11,787,983 | $681,449,442 |
| Clermont | $235,979,732 | $19,994,543 | $6,133,458 | $4,131,326 | $205,720,405 | Morgan | $9,135,218 | $785,961 | $419,316 | $73,976 | $7,855,964 |
| Clinton | $32,857,168 | $2,602,158 | $1,034,553 | $357,794 | $28,862,663 | Morrow | $29,887,286 | $2,702,096 | $956,870 | $339,977 | $25,888,343 |
| Columbiana | $70,571,620 | $5,855,496 | $3,480,495 | $901,931 | $60,333,698 | Muskingum | $68,280,133 | $5,127,489 | $2,608,542 | $754,235 | $59,789,868 |
| Coshocton | $26,688,243 | $2,051,977 | $1,080,697 | $275,648 | $23,279,921 | Noble | $8,281,275 | $722,508 | $358,474 | $85,924 | $7,114,369 |
| Crawford | $32,985,601 | $2,710,166 | $1,800,139 | $332,584 | $28,142,713 | Ottawa | $65,642,944 | $5,407,081 | $1,539,479 | $490,690 | $58,205,694 |
| Cuyahoga | $2,378,548,600 | $150,718,873 | $66,716,654 | $30,356,136 | $2,130,756,937 | Paulding | $17,887,401 | $1,604,355 | $655,799 | $160,538 | $15,466,709 |
| Darke | $42,682,994 | $3,604,497 | $1,718,238 | $502,277 | $36,857,983 | Perry | $23,236,727 | $2,057,991 | $968,663 | $352,604 | $19,857,470 |
| Defiance | $32,733,511 | $2,638,710 | $1,336,125 | $435,305 | $28,323,371 | Pickaway | $51,956,782 | $4,352,193 | $1,512,149 | $686,244 | $45,406,196 |
| Delaware | $431,018,482 | $38,172,229 | $5,091,932 | $8,160,365 | $379,593,956 | Pike | $14,402,473 | $1,216,093 | $832,536 | $184,740 | $12,169,104 |
| Erie | $103,431,827 | $7,736,479 | $3,072,009 | $1,308,403 | $91,314,936 | Portage | $189,720,765 | $14,628,273 | $5,263,499 | $2,585,878 | $167,243,115 |
| Fairfield | $166,780,551 | $14,052,189 | $3,990,341 | $2,495,787 | $146,242,234 | Preble | $34,000,684 | $2,968,470 | $1,359,407 | $460,368 | $29,212,440 |
| Fayette | $27,564,232 | $2,111,014 | $838,160 | $262,304 | $24,352,755 | Putnam | $28,981,595 | $2,573,742 | $818,396 | $424,402 | $25,165,054 |
| Franklin | $2,060,094,485 | $142,870,334 | $38,973,523 | $30,297,414 | $1,847,953,214 | Richland | $110,617,272 | $8,508,100 | $5,149,288 | $1,542,822 | $95,417,062 |
| Fulton | $46,792,899 | $3,733,876 | $1,458,708 | $616,778 | $40,983,538 | Ross | $56,030,169 | $4,497,820 | $2,301,543 | $684,024 | $48,546,782 |
| Gallia | $19,931,123 | $1,491,642 | $876,386 | $168,818 | $17,394,278 | Sandusky | $52,006,630 | $4,197,731 | $1,998,743 | $674,837 | $45,135,318 |
| Geauga | $182,090,971 | $15,559,747 | $4,233,654 | $2,895,349 | $159,402,221 | Scioto | $42,739,105 | $3,371,594 | $2,413,495 | $581,441 | $36,372,575 |
| Greene | $249,045,500 | $19,014,280 | $6,415,985 | $2,941,047 | $220,674,188 | Seneca | $43,660,846 | $3,573,466 | $1,606,497 | $527,759 | $37,953,123 |
| Guernsey | $28,245,880 | $2,182,485 | $1,271,308 | $269,069 | $24,523,018 | Shelby | $44,892,562 | $3,500,138 | $1,308,624 | $538,832 | $39,544,967 |
| Hamilton | $1,249,118,830 | $90,860,203 | $26,560,458 | $18,454,262 | $1,113,243,906 | Stark | $386,860,223 | $29,794,351 | $16,595,564 | $5,652,940 | $334,817,368 |
| Hancock | $76,573,947 | $5,810,110 | $1,900,380 | $992,825 | $67,870,632 | Summit | $789,010,324 | $60,322,473 | $23,783,061 | $12,068,828 | $692,835,962 |
| Hardin | $22,840,239 | $1,982,790 | $869,540 | $245,860 | $19,742,049 | Trumbull | $194,168,668 | $15,238,854 | $10,432,671 | $2,503,160 | $165,993,983 |
| Harrison | $12,521,629 | $868,085 | $620,910 | $97,087 | $10,935,547 | Tuscarawas | $75,217,871 | $5,923,571 | $2,726,838 | $963,103 | $65,604,359 |
| Henry | $31,906,123 | $2,671,417 | $1,024,074 | $338,490 | $27,872,142 | Union | $81,520,673 | $6,977,338 | $1,379,667 | $1,100,810 | $72,062,858 |
| Highland | $27,690,351 | $2,426,969 | $1,159,741 | $258,528 | $23,845,113 | Van Wert | $23,323,549 | $2,009,827 | $967,332 | $277,884 | $20,068,506 |
| Hocking | $23,570,552 | $2,107,081 | $892,843 | $305,688 | $20,264,941 | Vinton | $6,932,201 | $601,300 | $453,542 | $75,277 | $5,802,083 |
| Holmes | $37,046,448 | $3,036,027 | $712,304 | $354,584 | $32,943,533 | Warren | $340,833,864 | $28,700,907 | $6,920,584 | $6,029,698 | $299,182,674 |
| Huron | $43,267,211 | $3,546,409 | $1,545,094 | $573,483 | $37,602,225 | Washington | $44,931,018 | $3,356,686 | $1,792,246 | $499,691 | $39,282,395 |
| Jackson | $17,813,669 | $1,425,747 | $896,075 | $149,277 | $15,342,570 | Wayne | $119,325,536 | $9,109,641 | $3,530,502 | $1,531,801 | $105,153,592 |
| Jefferson | $41,339,339 | $2,999,920 | $2,349,054 | $461,773 | $35,528,592 | Williams | $34,901,113 | $2,628,279 | $1,396,697 | $396,437 | $30,479,700 |
| Knox | $58,997,852 | $5,158,434 | $1,935,869 | $750,933 | $51,152,617 | Wood | $172,384,269 | $11,932,254 | $4,367,208 | $1,790,517 | $154,294,290 |
| Lake | $362,724,590 | $27,647,709 | $10,896,534 | $5,423,687 | $318,756,660 | Wyandot | $17,940,027 | $1,525,639 | $553,142 | $162,583 | $15,698,663 |
| Lawrence | $27,821,607 | $2,410,353 | $1,664,552 | $348,658 | $23,398,044 | | | | | | |
| Licking | $205,502,160 | $16,459,690 | $5,661,777 | $3,090,422 | $180,290,271 | **Total** | **$15,154,803,677** | **$1,125,513,679** | **$441,757,926** | **$213,062,311** | **$13,374,469,761** |

Source: Abstracts filed by county auditors with the Ohio Department of Taxation and Ohio Department of Taxation records.

[1]Taxes charged in tax year 2013 and collected or reimbursed in calendar year 2014.

[2]These data estimated.

| Table 7 | | | |
|---|---|---|---|
| **Assessed Valuation of Exempt Real Property, by Ownership Classifications**<br>**Tax Years 2011 - 2013**<br>(figures in millions) | | | |
| **Property Under Public Ownership** | **2011** | **2012** | **2013** |
| Boards of Education | $7,323 | $7,403 | $7,615 |
| Municipalities | $5,313 | $5,372 | $5,423 |
| State | $3,578 | $3,679 | $3,612 |
| Counties | $2,708 | $2,791 | $2,770 |
| United States | $1,536 | $1,572 | $1,573 |
| Park Districts | $696 | $715 | $726 |
| Townships | $383 | $394 | $402 |
| | | | |
| **Total** | **$21,538** | **$21,927** | **$22,121** |
| | | | |
| **Property Under Private Ownership** | | | |
| Tax Abatements | $9,107 | $9,218 | $9,645 |
| Charities | $4,937 | $5,661 | $6,073 |
| Churches | $4,310 | $4,283 | $4,338 |
| School and Colleges | $4,147 | $4,321 | $4,470 |
| Cemeteries | $251 | $258 | $259 |
| | | | |
| **Total** | **$22,752** | **$23,742** | **$24,785** |
| | | | |
| **Grand Total**[1] | **$45,125** | **$46,504** | **$47,732** |
| Source: Exempt Real Property Abstracts filed by county auditors with the Ohio Department of Taxation | | | |
| [1]Includes other tax-exempt organizations (e.g. metropolitan housing authorities, volunteer fire departments, etc.) not included with any of the listed categories. | | | |

| Table 8 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Property Valuation, by County, Tax Year 2013** | | | | | | | |
| **County** | **Assessed Value of Taxable Real Property** | **Assessed Value of Exempt Real Property** | **Percent of Tax Base Exempt From Taxation** | **County** | **Assessed Value of Taxable Real Property** | **Assessed Value of Exempt Real Property** | **Percent of Tax Base Exempt From Taxation** |
| Adams | $424,784,940 | $62,862,080 | 12.89% | Logan | $1,105,699,290 | $102,441,980 | 8.48% |
| Allen | $1,731,994,020 | $409,394,470 | 19.12% | Lorain | $5,963,795,600 | $980,411,900 | 14.12% |
| Ashland | $902,704,850 | $159,206,230 | 14.99% | Lucas | $6,754,863,860 | $1,585,524,780 | 19.01% |
| Ashtabula | $1,715,966,060 | $231,504,200 | 11.89% | Madison | $904,532,080 | $195,386,690 | 17.76% |
| Athens | $856,557,850 | $366,340,630 | 29.96% | Mahoning | $3,768,597,970 | $616,178,741 | 14.05% |
| Auglaize | $901,298,520 | $101,106,160 | 10.09% | Marion | $1,037,780,470 | $185,526,180 | 15.17% |
| Belmont | $1,071,508,330 | $193,158,440 | 15.27% | Medina | $4,321,148,070 | $466,600,550 | 9.75% |
| Brown | $676,637,340 | $69,896,210 | 9.36% | Meigs | $304,074,880 | $29,290,690 | 8.79% |
| Butler | $7,000,094,490 | $1,818,140,930 | 20.62% | Mercer | $873,762,990 | $106,974,080 | 10.91% |
| Carroll | $560,117,880 | $33,404,970 | 5.63% | Miami | $2,046,774,950 | $279,047,400 | 12.00% |
| Champaign | $791,341,850 | $62,785,150 | 7.35% | Monroe | $230,276,610 | $33,991,270 | 12.86% |
| Clark | $2,180,781,750 | $484,553,380 | 18.18% | Montgomery | $9,006,702,660 | $2,040,971,560 | 18.47% |
| Clermont | $3,789,303,330 | $513,470,190 | 11.93% | Morgan | $234,828,120 | $26,135,940 | 10.02% |
| Clinton | $763,420,750 | $107,356,900 | 12.33% | Morrow | $666,585,630 | $63,164,770 | 8.66% |
| Columbiana | $1,548,186,880 | $231,055,580 | 12.99% | Muskingum | $1,418,062,210 | $349,842,450 | 19.79% |
| Coshocton | $594,671,030 | $78,984,580 | 11.72% | Noble | $205,427,750 | $39,243,390 | 16.04% |
| Crawford | $605,007,550 | $81,414,490 | 11.86% | Ottawa | $1,588,735,230 | $131,045,510 | 7.62% |
| Cuyahoga | $26,802,215,230 | $7,018,713,760 | 20.75% | Paulding | $407,976,690 | $39,952,990 | 8.92% |
| Darke | $964,726,270 | $126,467,200 | 11.59% | Perry | $518,327,660 | $71,791,400 | 12.17% |
| Defiance | $685,140,930 | $91,755,230 | 11.81% | Pickaway | $1,074,077,170 | $184,329,960 | 14.65% |
| Delaware | $6,078,894,940 | $1,070,098,790 | 14.97% | Pike | $330,266,850 | $67,632,450 | 17.00% |
| Erie | $1,899,897,800 | $293,080,420 | 13.36% | Portage | $3,154,815,980 | $821,108,630 | 20.65% |
| Fairfield | $3,161,437,160 | $413,146,620 | 11.56% | Preble | $758,500,200 | $77,171,100 | 9.23% |
| Fayette | $593,717,450 | $89,705,160 | 13.13% | Putnam | $711,559,110 | $129,675,660 | 15.41% |
| Franklin | $25,423,717,690 | $8,665,276,140 | 25.42% | Richland | $1,790,231,950 | $284,511,210 | 13.71% |
| Fulton | $835,479,140 | $129,690,230 | 13.44% | Ross | $1,144,663,470 | $236,368,910 | 17.12% |
| Gallia | $491,381,210 | $103,653,640 | 17.42% | Sandusky | $1,077,518,600 | $183,764,660 | 14.57% |
| Geauga | $2,922,077,260 | $248,175,740 | 7.83% | Scioto | $913,145,180 | $315,857,950 | 25.70% |
| Greene | $3,722,033,230 | $880,756,850 | 19.14% | Seneca | $918,289,350 | $132,253,330 | 12.59% |
| Guernsey | $570,677,840 | $113,536,690 | 16.59% | Shelby | $966,478,650 | $110,360,740 | 10.25% |
| Hamilton | $17,315,866,050 | $5,305,713,120 | 23.45% | Stark | $6,141,262,119 | $1,028,567,475 | 14.35% |
| Hancock | $1,646,929,700 | $204,939,230 | 11.07% | Summit | $11,114,586,720 | $1,822,501,140 | 14.09% |
| Hardin | $507,323,150 | $72,345,860 | 12.48% | Trumbull | $3,108,843,940 | $417,520,010 | 11.84% |
| Harrison | $283,439,414 | $31,306,220 | 9.95% | Tuscarawas | $1,586,704,570 | $169,405,960 | 9.65% |
| Henry | $587,096,940 | $76,101,510 | 11.47% | Union | $1,340,076,930 | $187,908,230 | 12.30% |
| Highland | $651,504,750 | $82,572,600 | 11.25% | Van Wert | $518,929,510 | $83,193,460 | 13.82% |
| Hocking | $509,715,800 | $79,748,700 | 13.53% | Vinton | $161,110,210 | $27,331,550 | 14.50% |
| Holmes | $836,614,500 | $53,761,900 | 6.04% | Warren | $5,316,136,140 | $957,245,550 | 15.26% |
| Huron | $1,002,153,170 | $116,918,140 | 10.45% | Washington | $1,049,779,240 | $153,872,210 | 12.78% |
| Jackson | $427,198,120 | $96,989,200 | 18.50% | Wayne | $2,125,879,580 | $332,019,340 | 13.51% |
| Jefferson | $925,472,628 | $144,195,550 | 13.48% | Williams | $657,712,560 | $125,333,410 | 16.01% |
| Knox | $1,135,617,100 | $215,906,370 | 15.98% | Wood | $2,667,369,390 | $604,928,190 | 18.49% |
| Lake | $5,375,015,030 | $463,719,700 | 7.94% | Wyandot | $497,569,520 | $33,820,340 | 6.36% |
| Lawrence | $822,942,550 | $141,678,180 | 14.69% | | | | |
| Licking | $3,605,769,660 | $566,916,000 | 13.59% | **Total** | **$226,381,891,791** | **$47,731,707,076** | **17.41%** |

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 9

Number of Homestead Exemptions Granted, Average Reduction in Taxes and Total Reduction in Taxes, by County, Tax Year 2012

| County | Number of Homestead Exemptions Granted [1] | Average Reduction in Taxes | Total reduction in Real Property Taxes[2] | County | Number of Homestead Exemptions Granted [1] | Average Reduction in Taxes | Total reduction in Real Property Taxes [2] |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Adams | 2,361 | $298 | $702,682 | Logan | 3,343 | $348 | $1,163,880 |
| Allen | 8,361 | $384 | $3,214,407 | Lorain | 24,882 | $480 | $11,943,503 |
| Ashland | 4,678 | $376 | $1,760,758 | Lucas | 33,527 | $553 | $18,525,629 |
| Ashtabula | 9,534 | $384 | $3,661,082 | Madison | 2,947 | $407 | $1,199,763 |
| Athens | 3,674 | $436 | $1,600,782 | Mahoning | 24,942 | $468 | $11,663,298 |
| Auglaize | 3,499 | $355 | $1,242,129 | Marion | 5,475 | $344 | $1,882,297 |
| Belmont | 6,508 | $341 | $2,220,280 | Medina | 14,690 | $432 | $6,340,258 |
| Brown | 3,842 | $300 | $1,153,031 | Meigs | 2,529 | $293 | $742,246 |
| Butler | 23,836 | $456 | $10,872,609 | Mercer | 3,252 | $369 | $1,198,895 |
| Carroll | 2,659 | $312 | $829,828 | Miami | 9,031 | $359 | $3,243,703 |
| Champaign | 3,374 | $360 | $1,215,879 | Monroe | 1,535 | $290 | $445,399 |
| Clark | 12,168 | $467 | $5,686,534 | Montgomery | 48,011 | $626 | $30,045,808 |
| Clermont | 13,771 | $433 | $5,958,318 | Morgan | 1,511 | $287 | $433,023 |
| Clinton | 2,994 | $340 | $1,017,799 | Morrow | 2,774 | $334 | $927,844 |
| Columbiana | 10,038 | $338 | $3,397,311 | Muskingum | 7,321 | $358 | $2,619,880 |
| Coshocton | 3,036 | $347 | $1,052,024 | Noble | 1,210 | $275 | $333,248 |
| Crawford | 4,279 | $431 | $1,843,303 | Ottawa | 4,505 | $336 | $1,512,992 |
| Cuyahoga | 99,537 | $657 | $65,391,998 | Paulding | 1,955 | $370 | $722,748 |
| Darke | 5,036 | $319 | $1,606,333 | Perry | 2,933 | $337 | $988,223 |
| Defiance | 3,810 | $354 | $1,349,412 | Pickaway | 3,839 | $397 | $1,524,556 |
| Delaware | 9,529 | $499 | $4,758,777 | Pike | 2,779 | $304 | $844,883 |
| Erie | 7,392 | $400 | $2,956,350 | Portage | 11,548 | $434 | $5,016,814 |
| Fairfield | 10,300 | $375 | $3,865,125 | Preble | 3,943 | $339 | $1,337,717 |
| Fayette | 2,266 | $364 | $824,629 | Putnam | 2,512 | $312 | $782,843 |
| Franklin (3) | 56,292 | $626 | $35,216,924 | Richland | 10,744 | $433 | $4,652,460 |
| Fulton | 3,474 | $431 | $1,498,435 | Ross | 6,268 | $354 | $2,219,631 |
| Gallia | 2,948 | $294 | $867,363 | Sandusky | 5,493 | $360 | $1,974,777 |
| Geauga | 8,308 | $455 | $3,777,624 | Scioto | 7,083 | $350 | $2,475,825 |
| Greene | 12,428 | $495 | $6,157,526 | Seneca | 4,403 | $365 | $1,608,037 |
| Guernsey | 3,517 | $371 | $1,304,424 | Shelby | 3,722 | $353 | $1,312,890 |
| Hamilton | 47,661 | $554 | $26,427,144 | Stark | 33,969 | $457 | $15,530,409 |
| Hancock | 5,346 | $358 | $1,913,281 | Summit | 43,396 | $537 | $23,287,285 |
| Hardin | 2,695 | $327 | $881,570 | Trumbull | 21,967 | $466 | $10,229,723 |
| Harrison | 1,835 | $332 | $608,315 | Tuscarawas | 7,531 | $363 | $2,731,587 |
| Henry | 2,492 | $396 | $987,156 | Union | 3,072 | $430 | $1,319,934 |
| Highland | 3,759 | $313 | $1,175,571 | Van Wert | 2,897 | $345 | $999,144 |
| Hocking | 2,587 | $343 | $887,016 | Vinton | 1,463 | $293 | $429,312 |
| Holmes | 1,946 | $354 | $689,092 | Warren | 13,354 | $487 | $6,508,570 |
| Huron | 4,670 | $320 | $1,492,760 | Washington | 5,733 | $324 | $1,857,850 |
| Jackson | 2,864 | $316 | $903,609 | Wayne | 8,484 | $415 | $3,525,100 |
| Jefferson | 7,166 | $328 | $2,348,685 | Williams | 3,453 | $374 | $1,292,499 |
| Knox | 4,887 | $370 | $1,808,209 | Wood | 8,581 | $454 | $3,894,919 |
| Lake | 21,474 | $509 | $10,930,018 | Wyandot | 1,907 | $280 | $534,403 |
| Lawrence | 6,629 | $249 | $1,651,128 | | | | |
| Licking | 13,001 | $417 | $5,417,875 | **Total** | **886,975** | **$481** | **$426,948,906** |

[1] Compiled from surveys of county auditors conducted by the Ohio Department of Taxation.
[2] From distribution records of the Revenue Accounting Division of the Ohio 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] Tax year 2012 data not submitted; previous year's information shown.

# Real Property Conveyance Fee

State law establishes a mandatory conveyance fee on the transfer of real property. The fee is calculated based on a percentage of the property value that is transferred. In addition to the mandatory fee, all but one county levies a permissive real property transfer fee. The revenue from both the mandatory fee and the permissive fee is deposited in the general fund of the county in which the property is located – no revenue goes to the state. In 2012, the latest year for which data is available, conveyance fees generated $120.1 million in revenues to counties: $35.9 million from mandatory fees and $84.3 million from permissive fees.

## Taxpayer

(R.C. 319.202 and 322.06)

The real property conveyance fee is paid by persons who make sales of real estate or used manufactured homes.

## Tax Base

(R.C. 319.202)

The tax applies to the value of real estate sold or transferred from one person to another.

## Rates

(R.C. 319.54 and 322.02)

The conveyance fee consists of two parts: (1) a statewide mandatory tax of 1 mill ($1 per $1,000 dollars of the value of property sold or transferred) applies in all 88 of Ohio's counties, and (2) counties may impose a permissive real property transfer tax of up to 3 additional mills. As of 2012, 87 of 88 counties levied an additional permissive tax at rates ranging from 1 mill to 3 mills. (The exception was Ross County.)

## Exemptions, Deductions, Credits

(R.C. 319.54)

The tax does not apply:

- To sales or transfers to or from the U.S. government or its agencies, or to or from the state of Ohio or any of its political subdivisions.
- To gifts from one spouse to another, or to children and their spouses.
- To surviving spouses or to a survivorship tenant.
- To sales or transfers to or from a non-profit agency that is exempt from federal income taxation, when the transfer is without consideration and furthers the agency's charitable or public purpose.
- When property is sold to provide or release security for a debt, or for delinquent taxes, or pursuant to a court order.
- When a corporation transfers property to a stockholder in exchange for their shares during a corporate reorganization or dissolution.
- When property is transferred by lease, unless the lease is for a term of years renewable forever.
- To a grantee other than a dealer, solely for the purpose of, and as a step in, the prompt sale to others.
- To sales or transfers to or from a person when no money or other valuable and tangible consideration readily convertible into money is paid or is to be paid for the realty, and the transaction is not a gift.
- To an easement or right-of-way when the value of the interest conveyed is $1,000 or less.
- To a trustee of a trust, when the grantor of the trust has reserved an unlimited power to revoke the trust.
- To the grantor of a trust by a trustee when the transfer is made pursuant to the grantor's power to revoke the trust or to withdraw trust assets.
- To the beneficiaries of a trust, if the fee was paid on the transfer from the grant or to the trustee or if the transfer is made pursuant to trust provisions that became irrevocable at the death of the grantor.

## Filing and Payment Dates

(R.C. 319.202)

The fee is paid at the time of the transfer, generally as part of the closing process.

## Disposition of Revenue

(R.C. 319.54)

All revenue from the tax is deposited in the general fund of the county where the property is sold or transferred, except that fees charged and received for a transfer of real property to a county land reutilization corporation shall be credited to the county's land reutilization corporation fund (established under section 321.263 of the Revised Code).

## Special Provisions

- County commissioners may prescribe a lower permissive rate than generally levied in the county for conveyances of property receiving the homestead exemption.
- The tax also applies to transfers of used manufactured homes.
- Persons who purchase residential rental property in counties with populations over 200,000 must register their contact and property information with the county auditor within 60 days of the property transfer. Auditors in these counties must include a statement to this effect when the property is transferred and with the real property tax bill.

## Administration

County auditors

## Ohio Revised Code Citations

Sections 319.202, 319.54, 319.99, 322.01–322.07 and 322.99.

## History of Major Changes

| | |
|---|---|
| 1967 | The General Assembly enacts a mandatory real property transfer fee of 1 mill and permits county commissioners to impose additional taxes of up to 3 mills on conveyances on or after Jan. 1, 1968. The revenue from both components of the tax are distributed to the county general fund. |
| 1969 | The General Assembly provides for the repeal of a permissive transfer tax adopted as an emergency by a vote of the electorate. |
| 2007 | Owners of residential rental property in counties with populations greater than 200,000 are required to register their contact and property information with the county auditor. |

**Table 1**

**Real Property Conveyance Fees**

| Fiscal Year | Number of Conveyance Fees Paid | Fees Collected | | | Average Fee per Conveyance |
|---|---|---|---|---|---|
| | | Mandatory | Permissive | Total Fees | |
| 2007 | 276,879 | $41,790,767 | $89,048,526 | $130,839,293 | $472.55 |
| 2008 | 236,124 | $31,376,693 | $67,611,613 | $98,988,306 | $419.22 |
| 2009 | 211,997 | $24,301,894 | $53,440,047 | $77,741,941 | $366.71 |
| 2010 | 210,547 | $25,486,256 | $56,190,681 | $81,676,937 | $387.93 |
| 2011 | 198,502 | $25,022,052 | $55,328,795 | $80,350,846 | $404.79 |
| 2012 | 221,139 | $35,874,007 | $84,298,353 | $120,172,360 | $543.42 |

Source: Surveys obtained from county auditors and conducted by the Ohio Department of Taxation

| Table 2 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Real Property Conveyance Fees, Calendar Year 2012 | | | | | | | | |
| | Number of Conveyances | | Fees Collected | | | Permissive Rate per Thousand | Average Mandatory Fee per Conveyance [1] | Average Total Fee per Conveyance[2] |
| County | Fee Paid | Fee Exempt | Mandatory | Permissive | Total | | | |
| Statewide | 221,139 | 191,083 | $35,874,007 | $84,298,353 | $120,172,360 | | $162.22 | $543.42 |
| | | | | | | | | |
| Adams | 677 | 547 | $38,440 | $115,319 | $153,759 | $3.00 | $56.78 | $227.12 |
| Allen | 2,089 | 1,635 | $216,858 | $433,716 | $650,574 | $2.00 | $103.81 | $311.43 |
| Ashland | 934 | 918 | $99,401 | $298,202 | $397,602 | $3.00 | $106.42 | $425.70 |
| Ashtabula | 2,421 | 2,258 | $188,977 | $566,932 | $755,909 | $3.00 | $78.06 | $312.23 |
| Athens | 652 | 881 | $159,421 | $478,264 | $637,685 | $3.00 | $244.51 | $978.04 |
| Auglaize | 927 | 693 | $108,581 | $217,161 | $325,742 | $2.00 | $117.13 | $351.39 |
| Belmont | 1,470 | 1,663 | $120,010 | $240,021 | $360,031 | $2.00 | $81.64 | $244.92 |
| Brown | 910 | 845 | $71,714 | $143,428 | $215,142 | $2.00 | $78.81 | $236.42 |
| Butler | 6,695 | 4,799 | $1,052,436 | $2,103,328 | $3,155,764 | $2.00 | $157.20 | $471.36 |
| Carroll | 849 | 635 | $77,512 | $232,537 | $310,049 | $3.00 | $91.30 | $365.19 |
| Champaign | 770 | 650 | $105,536 | $314,815 | $420,351 | $3.00 | $137.06 | $545.91 |
| Clark | 2,676 | 2,058 | $201,408 | $732,235 | $933,643 | $3.00 | $75.26 | $348.90 |
| Clermont | 3,693 | 2,587 | $581,902 | $1,750,415 | $2,332,317 | $3.00 | $157.57 | $631.55 |
| Clinton | 847 | 792 | $92,889 | $232,218 | $325,107 | $2.50 | $109.67 | $383.83 |
| Columbiana | 2,148 | 1,987 | $172,691 | $506,775 | $679,466 | $3.00 | $80.40 | $316.33 |
| Coshocton | 690 | 709 | $59,834 | $179,502 | $239,336 | $3.00 | $86.72 | $346.86 |
| Crawford | 920 | 803 | $60,562 | $181,685 | $242,246 | $3.00 | $65.83 | $263.31 |
| Cuyahoga | 22,370 | 21,939 | $2,972,977 | $8,918,931 | $11,891,908 | $3.00 | $132.90 | $531.60 |
| Darke | 1,080 | 916 | $152,684 | $305,368 | $458,051 | $2.00 | $141.37 | $424.12 |
| Defiance | 941 | 637 | $86,068 | $258,203 | $344,271 | $3.00 | $91.46 | $365.86 |
| Delaware | 4,481 | 2,397 | $1,155,323 | $2,382,785 | $3,538,108 | $2.00 | $257.83 | $789.58 |
| Erie | 1,363 | 1,558 | $158,493 | $475,478 | $633,970 | $3.00 | $116.28 | $465.13 |
| Fairfield | 2,761 | 1,803 | $394,966 | $1,184,898 | $1,579,864 | $3.00 | $143.05 | $572.21 |
| Fayette (c) | 598 | 538 | $57,162 | $113,797 | $170,959 | $2.00 | $95.59 | $285.88 |
| Franklin | 22,746 | 18,730 | $4,253,513 | $4,126,665 | $8,380,178 | $1.00 | $187.00 | $368.42 |
| Fulton | 854 | 936 | $93,863 | $281,590 | $375,453 | $3.00 | $109.91 | $439.64 |
| Gallia | 512 | 494 | $6,025,439 | $18,076,318 | $24,101,758 | $3.00 | $11,768.44 | $47,073.75 |
| Geauga | 1,566 | 1,589 | $301,188 | $783,326 | $1,084,514 | $3.00 | $192.33 | $692.54 |
| Greene | 2,681 | 2,308 | $466,454 | $466,454 | $932,907 | $1.00 | $173.98 | $347.97 |
| Guernsey | 1,061 | 1,013 | $111,111 | $333,333 | $444,444 | $3.00 | $104.72 | $418.89 |
| Hamilton | 14,333 | 10,688 | $2,436,150 | $4,845,167 | $7,281,317 | $2.00 | $169.97 | $508.01 |
| Hancock | 1,669 | 1,193 | $252,122 | $504,245 | $756,367 | $2.00 | $151.06 | $453.19 |
| Hardin | 670 | 655 | $65,324 | $195,971 | $261,295 | $3.00 | $97.50 | $389.99 |
| Harrison | 410 | 521 | $205,834 | $617,502 | $823,337 | $3.00 | $502.03 | $2,008.14 |
| Henry | 545 | 627 | $58,450 | $175,349 | $233,798 | $3.00 | $107.25 | $428.99 |
| Highland | 1,069 | 836 | $86,747 | $173,494 | $260,241 | $2.00 | $81.15 | $243.44 |
| Hocking | 608 | 575 | $52,553 | $157,659 | $210,212 | $3.00 | $86.44 | $345.74 |
| Holmes | 732 | 571 | $105,145 | $315,436 | $420,582 | $3.00 | $143.64 | $574.57 |
| Huron | 1,150 | 1,118 | $98,886 | $93,482 | $192,368 | $1.00 | $85.99 | $167.28 |
| Jackson | 756 | 649 | $59,598 | $183,899 | $243,497 | $3.00 | $78.83 | $322.09 |
| Jefferson | 1,163 | 1,643 | $180,202 | $540,605 | $720,807 | $3.00 | $154.95 | $619.78 |
| Knox | 1,440 | 1,070 | $151,407 | $302,815 | $454,222 | $2.00 | $105.14 | $315.43 |
| Lake | 3,975 | 4,060 | $551,838 | $1,651,576 | $2,203,413 | $3.00 | $138.83 | $554.32 |
| Lawrence | 1,003 | 1,013 | $77,597 | $232,792 | $310,389 | $3.00 | $77.37 | $309.46 |

| Table 2: Real Property Conveyance Fees, Calendar Year 2012 (continued) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Conveyances | | Fees Collected | | | Permissive Rate per Thousand | Average Mandatory Fee per Conveyance[1] | Average Total Fee per Conveyance[2] |
| County | Fee Paid | Fee Exempt | Mandatory | Permissive | Total | | | |
| Licking | 3,302 | 3,419 | $464,084 | $464,084 | $928,167 | $1.00 | $140.55 | $281.09 |
| Logan | 1,111 | 872 | $132,032 | $132,032 | $264,064 | $1.00 | $118.84 | $237.68 |
| Lorain | 5,602 | 4,325 | $709,918 | $2,129,755 | $2,839,674 | $3.00 | $126.73 | $506.90 |
| Lucas | 9,365 | 8,328 | $811,180 | $2,433,539 | $3,244,719 | $3.00 | $86.62 | $346.47 |
| Madison | 632 | 679 | $98,031 | $98,031 | $196,062 | $1.00 | $155.11 | $310.22 |
| Mahoning | 4,430 | 4,361 | $423,785 | $1,271,215 | $1,695,000 | $3.00 | $95.66 | $382.62 |
| Marion | 1,225 | 990 | $129,578 | $129,578 | $259,157 | $1.00 | $105.78 | $211.56 |
| Medina | 3,336 | 2,295 | $553,483 | $1,106,568 | $1,660,052 | $2.00 | $165.91 | $497.62 |
| Meigs | 455 | 487 | $23,327 | $69,981 | $93,308 | $3.00 | $51.27 | $205.07 |
| Mercer | 870 | 732 | $122,048 | $305,121 | $427,169 | $2.50 | $140.29 | $491.00 |
| Miami | 2,135 | 1,499 | $278,835 | $278,835 | $557,670 | $1.00 | $130.60 | $261.20 |
| Monroe | 327 | 510 | $20,070 | $40,141 | $60,211 | $2.00 | $61.38 | $184.13 |
| Montgomery | 10,412 | 8,053 | $1,192,365 | $2,366,044 | $3,558,408 | $2.00 | $114.52 | $341.76 |
| Morgan | 323 | 246 | $20,369 | $40,738 | $61,108 | $2.00 | $63.06 | $189.19 |
| Morrow | 809 | 667 | $69,748 | $209,244 | $278,991 | $3.00 | $86.21 | $344.86 |
| Muskingum | 1,754 | 1,429 | $184,493 | $368,787 | $553,281 | $2.00 | $105.18 | $315.44 |
| Noble | 347 | 420 | $32,709 | $98,128 | $130,837 | $3.00 | $94.26 | $377.05 |
| Ottawa | 1,256 | 1,151 | $170,468 | $170,468 | $340,936 | $1.00 | $135.72 | $271.45 |
| Paulding | 445 | 484 | $46,612 | $139,837 | $186,449 | $3.00 | $104.75 | $418.99 |
| Perry | 716 | 616 | $51,487 | $153,408 | $204,895 | $3.00 | $71.91 | $286.17 |
| Pickaway | 870 | 756 | $128,820 | $257,641 | $386,461 | $2.00 | $148.07 | $444.21 |
| Pike | 440 | 469 | $40,134 | $40,134 | $80,268 | $1.00 | $91.21 | $182.43 |
| Portage | 2,998 | 2,368 | $371,858 | $1,115,075 | $1,486,933 | $3.00 | $124.04 | $495.97 |
| Preble | 876 | 841 | $108,868 | $217,735 | $326,603 | $2.00 | $124.28 | $372.83 |
| Putnam | 755 | 659 | $77,068 | $231,204 | $308,272 | $3.00 | $102.08 | $408.31 |
| Richland | 2,246 | 1,944 | $212,988 | $638,963 | $851,951 | $3.00 | $94.83 | $379.32 |
| Ross | 1,543 | 1,172 | $154,373 | $- | $154,373 | $- | $100.05 | $100.05 |
| Sandusky | 1,103 | 795 | $109,762 | $312,928 | $422,691 | $3.00 | $99.51 | $383.22 |
| Scioto | 1,328 | 1,196 | $87,697 | $263,092 | $350,789 | $3.00 | $66.04 | $264.15 |
| Seneca | 1,178 | 972 | $103,354 | $310,062 | $413,417 | $3.00 | $87.74 | $350.95 |
| Shelby | 981 | 731 | $98,872 | $296,615 | $395,486 | $3.00 | $100.79 | $403.15 |
| Stark | 7,117 | 5,875 | $855,955 | $2,562,114 | $3,418,068 | $3.00 | $120.27 | $480.27 |
| Summit | 9,577 | 9,594 | $1,381,727 | $4,136,451 | $5,518,178 | $3.00 | $144.28 | $576.19 |
| Trumbull | 3,495 | 4,142 | $277,953 | $833,677 | $1,111,630 | $3.00 | $79.53 | $318.06 |
| Tuscarawas | 1,699 | 1,662 | $173,833 | $521,499 | $695,332 | $3.00 | $102.31 | $409.26 |
| Union | 1,194 | 820 | $234,531 | $234,531 | $469,062 | $1.00 | $196.42 | $392.85 |
| Van Wert | 685 | 675 | $63,588 | $190,763 | $254,350 | $3.00 | $92.83 | $371.31 |
| Vinton | 305 | 324 | $16,321 | $48,963 | $65,284 | $3.00 | $53.51 | $214.05 |
| Warren | 5,040 | 2,802 | $1,000,898 | $2,001,795 | $3,002,693 | $2.00 | $198.59 | $595.77 |
| Washington | 1,068 | 996 | $121,364 | $364,092 | $485,456 | $3.00 | $113.64 | $454.55 |
| Wayne | 2,021 | 1,709 | $230,903 | $230,903 | $461,806 | $1.00 | $114.25 | $228.50 |
| Williams | 1,040 | 1,107 | $86,019 | $258,056 | $344,075 | $3.00 | $82.71 | $330.84 |
| Wood | 2,407 | 2,210 | $340,578 | $674,870 | $1,015,448 | $2.00 | $141.49 | $421.87 |
| Wyandot | 416 | 1,164 | $42,655 | $127,965 | $170,620 | $3.00 | $102.54 | $410.14 |

[1]Average mandatory fee per conveyance excludes exempt conveyances and permissive fees collected.

[2]Average total fee per conveyance excludes exempt conveyances yet includes both mandatory and permissive fees collected.

[3]Data not submitted for 2012; previous year's data shown.

Source: Surveys obtained from county auditors and conducted by the Ohio Department of Taxation.

# Resort Area Gross Receipts Tax

The resort area gross receipts tax is a business privilege tax that a municipality or township that has declared itself to be a resort area may enact. Revenue from the tax benefits the municipality or township. The tax was authorized by House Bill 327 of the 120th General Assembly, which became law on June 30, 1993.

The village of Kelley's Island enacted the first resort area gross receipts tax in 1993. The village and township of Put-in-Bay followed suit in 1996.

Municipalities and townships may declare themselves to be a resort area and enact the tax if they meet a three-pronged test:

- At least 62 percent of total housing units are for seasonal use as of the last federal census;
- Entertainment and recreation facilities are provided within the community that are primarily intended to provide seasonal leisure activity for nonresidents; and
- The municipality or township experiences seasonal peaks of employment and service demand because of a seasonal population increase.

In fiscal year 2014, the tax generated nearly $1.2 million divided among those jurisdictions that levied it, according to the rates in effect in each.

## Taxpayer

(Ohio Revised Code 5739.101)

The resort area gross receipts tax is imposed on persons making general sales, or providing intrastate transportation or other services taxable under the state sales tax base, within a designated resort area.

## Tax Base

(R.C.5739.101)

The tax is levied on the privilege of doing business in the resort area. It is measured by gross receipts generated from sales made and services provided within the boundaries of a designated resort area, as well as intrastate transportation to and from such an area.

Gross receipts are defined as activities, without deduction for the cost of goods sold or other expenses incurred, that contribute to the production of the gross income of a business. Gross receipts that are part of the tax base include:

- Rentals and leases of tangible personal property such as watercraft, golf carts, bicycles, videos, and fishing tackle.
- Wholesale and retail sales, including food con sumed on the premises.
- Hotel and motel room rentals.
- Repair or installation of tangible personal property.
- Warranties, maintenance or service contracts.
- Sales of certain services that are also subject to sales tax under R.C. 5739.01(B).

## Rates

(R.C.5739.101)

The tax may be levied at rates of 0.5 percent, 1.0 percent or 1.5 percent. Currently, only three jurisdictions have enacted the tax: the village of Kelley's Island, the village of Put-in-Bay and the township of Put-in-Bay. The rate in each jurisdiction is 1.5 percent.

## Exemptions

(R.C.5739.101)

Sales of food may only be included to the extent such sales are subject to the state's sales tax. Transportation of passengers as part of a tour or cruise in which the passengers will stay in the municipal corporation or township for no more than one hour are exempted from the calculation of the tax.

## Credits

There are no credits available against this tax.

## Special Provisions

The resort area gross receipts tax is not a sales tax or a tax on transactions. It cannot be separately listed on an invoice or receipt to customers, nor can it be collected directly from customers.

## Filing and Payment Dates

There are two semi-annual reporting periods for the tax. Returns are due to the Tax Commissioner approximately

30 days after the close of each reporting period:
- Jan. 1 through June 30 – returns are due July 31.
- July 1 through Dec. 31 – returns are due Jan. 31.

## Administration and Disposition of Revenue

(R.C.5739.102)

The Tax Commissioner administers the resort area gross receipts excise tax and distributes the revenue to the general fund of the township or municipality that levied the tax within 45 days after the end of each month that the tax was paid. One percent is withheld and deposited into the GRF to cover the costs of administering the tax.

## Ohio Revised Code Citations

R.C. 5739.101 – 5739.104

## History of Major Changes

| | |
|---|---|
| 1993 | The General Assembly enacts House Bill 327, authorizing municipalities or townships that meet certain requirements to declare themselves a “resort area” and levy a resort area gross receipts tax. Shortly thereafter, the village of Kelley’s Island enacts tax. |
| 1996 | The village of Put-in-Bay and township of Put-in-Bay both enact the tax. |

**Table 1**

**Resort Area Gross Receipts, Net Tax Revenue, Fiscal Years 2010-2014**

| Fiscal Year | Village of Put-in-Bay | Township of Put-in-Bay | Village of Kelley’s Island | Total |
|---|---|---|---|---|
| 2010 | $437,607 | $211,814 | $184,660 | $834,081 |
| 2011 | 487,388 | 212,497 | 120,399 | 820,284 |
| 2012 | 642,240 | 236,574 | 116,714 | 995,528 |
| 2013 | 653,841 | 282,080 | 146,751 | 1,082,672 |
| 2014 | 719,111 | 293,689 | 141,509 | 1,154,319 |

Source: Ohio Deptartment of Taxation records

**Table 2**

**Resort Area Gross Receipts Revenue**

| Fiscal Year | Revenue to local governments | State Administrative Fee | Total Tax Revenue |
|---|---|---|---|
| 2010 | $797,481 | $8,055 | $805,536 |
| 2011 | $818,721 | $8,270 | $826,990 |
| 2012 | $995,528 | $10,056 | $1,005,583 |
| 2013 | $1,083,129 | $10,936 | $1,094,065 |
| 2014 | $1,154,319 | $11,660 | $1,165,978 |

Source: Ohio Office of Budget and Management fiscal reports

# Sales and Use Tax – Counties and Transit Authorities

Counties and transit authorities are permitted to levy sales and use taxes that "piggyback" on the statewide 5.75% sales and use tax, subject to repeal by a majority vote of the county electorate. The department collects the combined state and local tax, then distributes the local share of revenue 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.

All of Ohio's 88 county governments levied permissive sales and use taxes, as of Dec. 31, 2013, ranging from 0.50% to 1.5%. During calendar year 2013, the state distributed approximately $1.64 billion for county governments from such levies.

In addition, eight transit authorities levied sales and use taxes of up to one percent (as of Dec. 31, 2013). They were:

- the Greater Cleveland Regional Transit Authority,
- the Central Ohio Transit Authority,
- the Laketran Transit Authority (Lake County),
- the Western Reserve Transit Authority (Mahoning County),
- the Greater Dayton Regional Transit Authority,
- the Portage Area Regional Transit Authority,
- the Stark Area Regional Transit Authority and
- the Metro Regional Transit Authority (Summit County).

In calendar year 2013, the state distributed about $419.5 million for these transit authorities.

## Taxpayer

(Ohio Revised Code 5739.01, 5739.03, 5739.031, 5739.17, 5741.01)

Any person, retailer, business, organization or provider of taxable services that makes retail sales or taxable purchases on which sales tax has not been paid is required to file a return and remit the sales or use tax due. (See section on **State Sales and Use Tax** for a list of specified services for a description of taxpayers and applicable vendor's licenses).

## Tax Base

(R.C. 5739.01 and 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. The tax also applies to the rental of tangible personal property, the rental of hotel rooms by transient guests, and the sales of certain specified services.

The use tax base is identical to that of the sales tax. Use tax applies to purchases made outside of Ohio and to purchases made from Ohio vendors if the vendor did not charge sales tax. For additional information on use tax, see the discussion in Rates, below, under Sourcing.

See the section on **State Sales and Use Tax** for a list of specified services and for more information on sourcing for the use tax.

## Rates

(R.C. 5739.02, 5739.021, 5739.023, 5739.025, 5739.026, 5741.02, 5741.021 -5741.023)

**State rate**

The state sales and use tax rate has been 5.75% since September 1, 2013.

**Local rates**

Current law gives counties the option of levying a sales tax of up to 1.0% for county general revenue, plus an additional tax of up to 0.5% 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% to 1.5%, also in 0.25 increments.

Table 1 shows the number of counties at each total combined state and local tax rate, as of April 2014.

**Table 1**

**Rates and Jurisdictions**

| Rate | Number of Jurisdictions |
|---|---|
| 6.50% | 4 |
| 6.75% | 18 |
| 7.00% | 15 |
| 7.25% | 49 |
| 7.50% | 1 |
| 8.00% | 1 |

As the table shows, over half of Ohio counties levy a total sales tax rate of 7.25% (the 5.75% state rate and a 1.50% local rate). The 8.00% rate is levied by Cuyahoga County and the 7.50% rate is levied by Franklin County. The lowest rate of 6.50% is levied by Butler, Lorain, Stark, and Wayne counties.

Four Ohio counties – Delaware, Fairfield, Licking and Union – have more than one combined sales and use tax rate in effect because a small part of their area lies within the territory of the Central Ohio Transit Authority (COTA). The table does not reflect the 0.5% COTA rate that applies in part of these four counties.

## Exemptions, Deductions, Credits

Since local sales and use taxes "piggyback" on the state sales and use tax, exemptions are identical. For more information, see the Sales and Use Tax chapter in the State Taxes section of this book.

## Filing and Payment Dates

Since local sales and use taxes "piggyback" on the state sales and use tax and are administered by the Department of Taxation, filing and payment dates are identical. For more information, see the Sales and Use Tax chapter in the State Taxes section of this book.

## Disposition of Revenue

**County 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. Revenue can be used for the county general fund, the local transit authority, county permanent improvements, convention facility notes or bonds, implementation of a 9-1-1 system in the county, operation and maintenance of a detention facility, or conservation easements. 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 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.

## Special Provisions

See the Sales and Use Tax chapter in the State Taxes section of this book.

## Administration

The Tax Commissioner

## Ohio Revised Code Citations

County Sales Tax: Sections 5739.021, 5739.022, 5739.025, 5739.21, 5739.211, 5741.021, 5741.023, 5741.03, and 5741.031.

Transit Authority Sales Tax: Sections 306.321, 306.70, 306.71, 5739.01, 5739.023, 5739.025, 5739.21, 5739.211, 5701.01, 5741.022, 5741.03, and 5741.031.

## Recent Legislation

**Am. Sub. H.B. 59, of the 130th General Assembly**

Lake Facilities Authority – The bill establishes a Lake Facilities Authority (LFA) to rehabilitate, improve, or promote an impacted lake district in the state. Such a district includes municipalities and townships with territory within watersheds of an impacted lake (effectively, Grand Lake St. Marys). The bill authorizes a county to levy a "piggyback" sales and use tax of 0.25% or 0.50% to provide revenue to the LFA, as long as county has not already levied the maximum allowable 0.5% piggyback rate for other purposes allowed under continuing law.

## History of Major Changes

| | |
|---|---|
| 1967 | General Assembly grants counties the authority to levy a county sales tax at a rate of 0.5 percent. |
| 1969 | Lake County becomes the first county to levy a county sales tax, effective July 1. |
| 1974 | General Assembly authorizes transit authorities to levy a sales tax, subject to voter approval, at the following rates: 0.5 percent, 1 percent or 1.5 percent. |
| 1975 | The Greater Cleveland Regional Transit Authority becomes the first to adopt a sales tax. A 1 percent rate takes effect Oct. 1. |
| 1982 | General Assembly permits counties to levy the county sales tax at rates of either 0.5 percent or 1 percent. |
| 1986 | Legislature permits counties to levy an additional county sales tax at 0.5 percent for specified purposes, including the county general fund, subject to voter approval. |
| 1987 | General Assembly permits all local sales tax levies to be enacted in 0.25 percent increments. |

**History of Major Changes (continued)**

| | |
|---|---|
| 1992 | A county 9-1-1 system is added to the list of purposes for which a county may enact an additional county sales tax. |
| 1999 | Conservation easements are added to the list of purposes for which the additional county sales tax may be levied. |

## Comparisons with Other States

(As of Sept. 1, 2014)

This table shows state sales tax rates, the maximum combination of local sales tax rates currently in effect for each state, and the highest combined state and local sales tax rate currently in effect for each state.

**Table 2**

**Sales Tax Rate Comparison by State**

| State | State Rate (%) | Max. Local Rate (%) | Max. Total Rate (%) |
|---|---|---|---|
| Georgia | 4.0 | 4.0 | 8.0 |
| Indiana | 7.0 | ---- | 7.0 |
| Kentucky | 6.0 | ---- | 6.0 |
| Michigan | 6.0 | ---- | 6.0 |
| North Carolina | 4.75 | 2.75 | 7.5 |
| Ohio | 5.75 | 2.25 | 8.0 |
| Pennsylvania | 6.0 | 2.0 | 8.0 |
| Tennessee | 7.0 | 2.75 | 9.75 |
| Texas | 6.25 | 2.0 | 8.25 |
| West Virginia | 6.0 | 1.0 | 7.0 |

**Table 3**

**Transit Authority Permissive Sales Tax Collections**
**Calendar Years 2008 - 2013**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Initial Enactment | Tax Rate 12/31/2013 | Effective Date of Current Rate |
|---|---|---|---|---|---|---|---|---|---|
| Cleveland RTA (Cuyahoga Co.) | $170,707,698 | $155,282,828 | $164,069,879 | $174,934,574 | $181,914,698 | $195,202,033 | Oct. 1, 1975 | 1.00 | Oct 1, 1975 |
| Central Ohio TA (Franklin Co.) | 88,246,021 | 87,819,553 | 93,011,284 | 98,049,602 | 105,869,439 | 113,250,101 | Sept. 1, 1980 | 0.50 | Jan 1, 2008 |
| LakeTran TA (Lake Co.) | 7,744,815 | 7,157,306 | 7,294,636 | 7,759,654 | 7,869,357 | 8,243,259 | Aug. 1, 1988 | 0.25 | Aug 1, 1988 |
| Western Reserve TA (Mahoning Co.) | n/a | 4,167,214 | 6,834,623 | 7,415,654 | 7,629,416 | 8,128,517 | April 1, 2009 | 0.25 | Apr 1, 2009 |
| Greater Dayton RTA (Montgomery Co.) | 32,149,806 | 29,341,697 | 30,373,587 | 33,285,528 | 34,356,160 | 36,282,503 | July 1, 1980 | 0.50 | Jul 1, 1980 |
| Portage Area RTA (Portage Co.) | 3,775,726 | 3,608,868 | 3,976,097 | 4,115,662 | 4,335,903 | 4,612,295 | Feb. 1, 2002 | 0.25 | Feb 1, 2002 |
| Stark Area RTA (Stark Co.) | 11,696,465 | 10,410,581 | 11,148,815 | 11,793,115 | 12,544,581 | 13,216,571 | July 1, 1997 | 0.25 | Jul 1, 1997 |
| Metro TA (Summit Co.) | 24,848,457 | 32,829,001 | 34,385,448 | 36,110,561 | 38,121,576 | 40,528,840 | Feb. 1, 1991 | 0.50 | Jul 1, 2008 |
| Transit Authority Total | $339,168,988 | $330,617,048 | $351,094,368 | $373,464,350 | $392,641,130 | $419,464,120 | | | |

Source: Ohio Department of Taxation

**Table 4**

## County Permissive Sales Tax Collections, Calendar Years 2008 - 2013

| County | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Initial Enactment | Tax Rate 12/31/13 | Effective Date of Current Rate 12/31/13 |
|---|---|---|---|---|---|---|---|---|---|
| Adams | $3,118,975 | $2,962,554 | $3,244,305 | $3,290,325 | $3,453,477 | $3,628,807 | June 1, 1991 | 1.50[1] | April 1, 2006 |
| Allen | 13,972,200 | 13,165,331 | 14,246,583 | 14,476,312 | 15,362,470 | 15,286,309 | May 1, 1970 | 1.00 | June 1, 1987 |
| Ashland | 6,317,590 | 5,767,699 | 6,014,104 | 6,359,262 | 6,493,655 | 6,897,050 | March 1, 1971 | 1.25[2] | Jan. 1, 1998 |
| Ashtabula | 8,570,060 | 7,938,933 | 8,570,869 | 8,956,657 | 9,187,656 | 9,817,837 | April 1, 1977 | 1.00 | July 1, 1985 |
| Athens | 6,358,789 | 6,413,526 | 6,735,970 | 6,810,061 | 7,276,471 | 7,437,472 | Feb. 1, 1982 | 1.25[2] | Jan. 1, 1994 |
| Auglaize | 7,035,131 | 6,230,098 | 6,615.638 | 7,205,687 | 7,626,983 | 8,154,252 | Nov. 1, 1973 | 1.50[1] | June 1, 1996 |
| Belmont | 10,848,695 | 10,780,315 | 11,278,396 | 11,904,166 | 13,320,872 | 14,792,944 | May 1, 1985 | 1.50[1] | Jan. 1, 1995 |
| Brown | 3,079,320 | 2,962,698 | 3,428,393 | 4,184,628 | 4,567,733 | 4,642,017 | Aug. 1, 1979 | 1.50[2] | Oct. 1, 2010 |
| Butler | 33,112,821 | 29,766,768 | 29,589,370 | 30,745,215 | 32,587,055 | 35,175,478 | June 1, 1985 | 0.75 | Jan. 1, 2008 |
| Carroll | 1,890,307 | 1,655,211 | 1,808,510 | 2,009,558 | 2,627,854 | 3,381,433 | Sept. 1, 1985 | 1.00 | July 1, 2006 |
| Champaign | 4,625,788 | 4,034,562 | 4,054,478 | 4,451,343 | 4,941,288 | 5,267,307 | Jan. 1, 1986 | 1.50[1] | July 1, 2003 |
| Clark | 18,791,959 | 18,679,244 | 19,451,080 | 20,374,884 | 21,688,732 | 22,645,622 | Nov. 1, 1972 | 1.50[1] | Jan. 1, 2008 |
| Clermont | 20,378,457 | 19,140,719 | 20,136,697 | 20,991,145 | 21,944,859 | 22,891,441 | Aug. 1, 1979 | 1.00 | Oct. 1, 1983 |
| Clinton | 7,128,412 | 6,931,659 | 6,136,736 | 6,589,778 | 6,711,477 | 7,204,978 | May 1, 1972 | 1.50[1] | Oct. 1, 2005 |
| Columbiana | 12,603,339 | 11,690,608 | 12,501,158 | 13,359,749 | 14,680,444 | 15,660,509 | Aug. 1, 1985 | 1.50[1] | April 1, 2007 |
| Coshocton | 4,451,826 | 4,080,863 | 4,320,072 | 4,460,460 | 4,809,662 | 5,420,842 | June 1, 1971 | 1.50[1] | Jan. 1, 2006 |
| Crawford | 5,036,568 | 4,405,433 | 4,511,097 | 4,824,614 | 5,357,443 | 5,200,239 | May 1, 1978 | 1.50[1] | July 1, 1994 |
| Cuyahoga | 212,711,596 | 194,026,358 | 205,211,697 | 218,737,889 | 237,219,044 | 237,219,044 | Sept. 1, 1969 | 1.25[2] | Oct. 1, 2007 |
| Darke | 7,141,728 | 6,373,738 | 6,319,928 | 6,733,248 | 7,275,748 | 7,616,366 | July 1, 1975 | 1.50[1] | Oct. 1, 2005 |
| Defiance | 4,647,121 | 4,311,802 | 4,426,385 | 4,931,361 | 5,058,795 | 5,270,011 | Feb. 1, 1987 | 1.00 | Feb. 1, 1987 |
| Delaware | 35,941,918 | 35,899,776 | 38,088,578 | 41,361,429 | 44,263,579 | 46,569,242 | Jan. 1, 1972 | 1.25[2] | Oct. 1, 1996 |
| Erie | 12,749,346 | 11,766,426 | 12,754,912 | 13,370,369 | 13,709,346 | 14,986,175 | March 1, 1977 | 1.50[1] | Oct. 1, 2013 |
| Fairfield | 11,564,477 | 11,668,564 | 15,769,483 | 16,656,582 | 17,577,486 | 18,438,658 | Sept. 1, 1981 | 1.00 | Jan. 1, 2010 |
| Fayette | 6,626,664 | 6,675,310 | 6,590,732 | 6,910,207 | 7,176,324 | 7,551,377 | March 1, 1983 | 1.50[1] | Jan. 1, 2008 |
| Franklin | 136,336,222 | 122,649,116 | 129,329,538 | 135,742,789 | 146,924,300 | 152,724,462 | Sept. 1, 1985 | 0.75 | Jan. 1, 2008 |
| Fulton | 4,147,325 | 3,728,875 | 5,598,907 | 6,142,580 | 6,524,783 | 6,489,522 | May 1, 1972 | 1.50[1] | Jan. 1, 2010 |
| Gallia | 4,240,343 | 4,025,647 | 4,072,767 | 4,251,704 | 4,452,280 | 4,467,273 | Dec. 1, 1981 | 1.25[1] | Feb. 1, 1995 |
| Geauga | 11,453,277 | 10,409,829 | 10,533,228 | 11,183,037 | 11,744,574 | 12,477,147 | Aug. 1, 1987 | 1.00[2] | Feb. 1, 2004 |
| Greene | 20,903,959 | 20,558,891 | 21,130,730 | 21,965,538 | 22,576,311 | 22,816,166 | March 1, 1971 | 1.00 | Feb. 1, 1987 |
| Guernsey | 5,849,364 | 6,131,011 | 6,094,236 | 6,185,035 | 6,991,330 | 8,397,525 | Feb. 1, 1971 | 1.50[1] | Aug. 1, 1993 |
| Hamilton | 129,798,378 | 120,408,014 | 125,730,107 | 130,231,179 | 134,095,877 | 138,870,148 | June 1, 1970 | 1.00[1] | June 1, 1996 |
| Hancock | 5,365,589 | 11,218,865 | 11,033,039 | 11,623,579 | 12,134,502 | 12,475,395 | Feb. 1, 1979 | 1.00[2] | Jan. 1, 2010 |
| Hardin | 3,188,497 | 3,166,318 | 3,413,571 | 3,553,743 | 3,858,197 | 3,940,734 | Oct. 1, 1985 | 1.50[1] | Jan. 1, 2005 |
| Harrison | 1,287,617 | 1,254,949 | 1,377,080 | 1,496,851 | 1,988,873 | 5,351,723 | Dec. 1, 1985 | 1.50[1] | June 1, 1994 |
| Henry | 3,678,937 | 3,428,056 | 3,666,295 | 3,652,943 | 3,745,332 | 3,780,999 | March 1, 1972 | 1.50[1] | April 1, 2007 |
| Highland | 4,952,521 | 4,874,812 | 5,208,362 | 5,333,384 | 5,748,286 | 5,885,087 | May 1, 1979 | 1.50[1] | July 1, 2005 |
| Hocking | 2,847,045 | 2,727,787 | 2,909,631 | 3,066,854 | 3,242,670 | 3,366,729 | April 1, 1979 | 1.25[2] | Jan. 1, 1998 |
| Holmes | 4,577,731 | 4,249,652 | 4,154,354 | 4,943,420 | 5,669,594 | 5,992,424 | July 1, 1977 | 1.00 | Jan. 1, 1998 |
| Huron | 7,593,299 | 6,926,248 | 7,598,363 | 8,225,716 | 8,341,836 | 8,733,766 | Feb. 1, 1978 | 1.50[1] | Jan. 1, 1996 |
| Jackson | 4,356,868 | 4,173,994 | 4,487,441 | 4,555,733 | 4,820,060 | 4,903,231 | April 1, 1982 | 1.50[1] | Jan. 1, 1998 |
| Jefferson | 10,445,767 | 9,437,739 | 9,866,645 | 10,069,882 | 10,837,108 | 11,406,048 | June 1, 1973 | 1.50[1] | Nov. 1, 1994 |
| Knox | 5,439,283 | 4,951,627 | 5,206,251 | 5,437,944 | 5,878,455 | 6,143,947 | May 1, 1971 | 1.00[2] | Feb. 1, 1994 |

Source: Department of Taxation

[1] Includes a 0.50% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

[2] Includes a 0.25% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

## County Permissive Sales Tax Collections Calendar Years 2008 - 2013 - continued

| County | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Initial Enactment | Tax Rate 12/31/13 | Effective Date of Current Rate 12/31/13 |
|---|---|---|---|---|---|---|---|---|---|
| Lake | 15,529,714 | 14,353,531 | 14,629,554 | 15,546,168 | 26,101,830 | 32,407,105 | July 1, 1969 | 1.00 | April 1, 2012 |
| Lawrence | 6,808,072 | 6,587,932 | 7,260,402 | 7,500,362 | 8,014,074 | 8,063,278 | June 1, 1986 | 1.50[1] | June 1, 1998 |
| Licking | 24,283,013 | 23,055,893 | 23,619,086 | 24,804,013 | 26,568,612 | 28,101,247 | Feb. 1, 1971 | 1.50[1] | Jan. 1, 2006 |
| Logan | 7,706,490 | 6,796,016 | 6,888,277 | 7,197,092 | 8,263,153 | 8,979,716 | Jan. 1, 1974 | 1.50[1] | July 1, 1997 |
| Lorain | 22,873,860 | 30,262,475 | 26,902,971 | 23,604,816 | 24,629,683 | 25,667,985 | July 1, 1985 | 0.75[2] | April 1, 2010 |
| Lucas | 70,363,214 | 64,340,305 | 68,074,916 | 72,035,425 | 75,190,408 | 76,172,350 | Feb. 1, 1971 | 1.25[2] | Jan. 1, 1993 |
| Madison | 4,580,027 | 3,828,322 | 3,997,908 | 4,360,382 | 4,950,404 | 5,475,701 | March 1, 1983 | 1.25[2] | July 1, 1999 |
| Mahoning | 27,981,245 | 25,971,965 | 27,477,879 | 29,699,553 | 30,560,903 | 31,608,412 | April 1, 1980 | 1.00[1] | Oct. 1, 2005 |
| Marion | 6,884,440 | 6,255,481 | 6,509,927 | 7,370,344 | 8,822,125 | 7,496,323 | Sept. 1, 1985 | 1.00 | April 1, 2012 |
| Medina | 19,162,818 | 18,058,064 | 18,677,184 | 19,860,141 | 20,967,352 | 21,509,767 | April 1, 1971 | 1.00[1] | Oct. 1, 2007 |
| Meigs | 1,225,559 | 1,214,295 | 1,265,083 | 1,374,024 | 1,548,358 | 2,280,260 | Feb. 1, 1987 | 1.50[1] | Oct. 1, 2012 |
| Mercer | 5,350,703 | 5,478,648 | 5,800,489 | 6,187,061 | 6,558,156 | 6,972,212 | Nov. 1, 1971 | 1.50[1] | April 1, 2008 |
| Miami | 10,902,816 | 10,212,564 | 13,068,299 | 13,898,864 | 14,992,069 | 15,628,405 | Dec. 1, 1969 | 1.25[2] | Oct. 1, 2009 |
| Monroe | 1,511,174 | 1,437,392 | 1,456,441 | 1,683,852 | 1,979,919 | 2,115,258 | Oct. 1, 1986 | 1.50[1] | Jan. 1, 2010 |
| Montgomery | 64,340,511 | 58,729,714 | 60,821,918 | 66,650,957 | 68,802,117 | 70,802,035 | Jan. 1, 1971 | 1.00 | July 1, 1989 |
| Morgan | 1,168,308 | 1,135,842 | 1,188,810 | 1,226,386 | 1,327,625 | 1,446,897 | Feb. 1, 1972 | 1.50[1] | April 1, 1990 |
| Morrow | 2,732,270 | 2,418,133 | 2,615,260 | 2,781,257 | 3,101,111 | 3,239,511 | July 1, 1971 | 1.50[1] | July 1, 1995 |
| Muskingum | 14,690,306 | 14,997,407 | 14,892,841 | 14,992,113 | 16,025,390 | 17,094,175 | May 1, 1971 | 1.50[1] | April 1, 1993 |
| Noble | 1,047,565 | 1,093,626 | 1,090,451 | 1,098,781 | 1,324,419 | 2,063,806 | Jan. 1, 1971 | 1.50[1] | Feb. 1, 1995 |
| Ottawa | 5,198,860 | 4,813,331 | 5,516,198 | 6,373,589 | 6,656,096 | 7,030,771 | Oct. 1, 1973 | 1.25[2] | July 1, 2010 |
| Paulding | 1,563,396 | 1,352,623 | 1,515,998 | 1,674,064 | 1,805,275 | 1,805,114 | April 1, 1984 | 1.50[1] | Nov. 1, 1991 |
| Perry | 1,799,201 | 1,854,544 | 2,524,910 | 3,079,116 | 3,345,027 | 3,512,447 | March 1, 1971 | 1.50[1] | April 1, 2010 |
| Pickaway | 5,952,481 | 6,335,068 | 5,910,137 | 6,304,828 | 6,581,369 | 7,304,802 | Oct. 1, 1983 | 1.50[1] | Dec. 1, 2001 |
| Pike | 3,649,439 | 3,444,775 | 3,691,117 | 3,840,756 | 4,807,275 | 4,193,556 | May 1, 1988 | 1.50[1] | Jan. 1, 2006 |
| Portage | 15,133,049 | 14,468,521 | 15,924,811 | 16,484,674 | 17,356,453 | 18,143,786 | April 1, 1971 | 1.00 | Dec. 1, 1999 |
| Preble | 4,340,758 | 3,978,709 | 4,444,872 | 5,027,910 | 4,729,872 | 4,844,309 | Nov. 1, 1979 | 1.50[1] | May 1, 1994 |
| Putnam | 3,378,346 | 3,810,132 | 4,078,573 | 4,770,923 | 4,967,257 | 4,996,974 | Jan. 1, 1974 | 1.50[1] | Jan. 1, 2009 |
| Richland | 18,463,217 | 16,998,124 | 18,121,298 | 18,750,452 | 20,937,410 | 20,407,296 | June 1, 1979 | 1.25[1] | Jan 1, 2013 |
| Ross | 10,999,022 | 11,254,090 | 11,951,369 | 12,341,994 | 13,392,672 | 13,826,553 | Jan. 1, 1980 | 1.50[1] | Oct. 1, 1993 |
| Sandusky | 7,350,669 | 6,981,002 | 8,008,419 | 9,632,765 | 9,860,147 | 10,159,036 | Aug. 1, 1979 | 1.50[1] | Oct. 1, 2010 |
| Scioto | 9,227,388 | 9,176,979 | 10,048,182 | 10,385,019 | 10,911,682 | 11,097,003 | May 1, 1979 | 1.50[1] | May 1, 2001 |
| Seneca | 7,088,480 | 6,380,064 | 6,800,668 | 6,962,100 | 7,486,824 | 7,795,810 | Oct. 1, 1983 | 1.50[1] | Aug. 1, 2003 |
| Shelby | 7,490,908 | 6,539,566 | 6,816,661 | 7,450,890 | 8,186,678 | 8,663,656 | March 1, 1971 | 1.50[1] | April 1, 2008 |
| Stark | 11,669,979 | 24,059,403 | 18,532,610 | 6,978,106 | 16,488,040 | 25,690,061 | Jan. 1, 1987 | 0.50 | April 1, 2012 |
| Summit | 35,672,063 | 33,085,279 | 34,576,726 | 36,191,562 | 38,174,038 | 39,627,439 | March 1, 1973 | 0.50 | Nov. 1, 1995 |
| Trumbull | 21,118,330 | 19,420,353 | 20,753,184 | 22,517,348 | 23,090,076 | 23,521,304 | June 1, 1985 | 1.00 | July 1, 2005 |
| Tuscarawas | 9,410,168 | 8,662,339 | 9,143,507 | 9,709,327 | 10,666,204 | 11,470,820 | April 1, 1971 | 1.00 | July 1, 1998 |
| Union | 9,630,696 | 8,956,881 | 9,294,054 | 9,487,591 | 12,045,553 | 12,896,477 | April 1, 1989 | 1.25[2] | July 1, 2008 |
| Van Wert | 3,542,444 | 3,268,999 | 3,773,437 | 3,904,204 | 4,073,386 | 4,032,898 | March 1, 1972 | 1.50[1] | March 1, 1991 |
| Vinton | 829,382 | 794,454 | 895,288 | 970,795 | 1,079,822 | 1,137,027 | May 1, 1985 | 1.50[1] | March 1, 1992 |
| Warren | 26,612,718 | 26,201,291 | 27,206,741 | 28,359,839 | 30,624,217 | 32,408,064 | Jan. 1, 1972 | 1.00[1] | Jan. 1, 1992 |
| Washington | 9,662,989 | 9,027,451 | 9,811,462 | 10,385,166 | 11,148,789 | 11,611,572 | Oct. 1, 1983 | 1.50[1] | Jan. 1, 1990 |
| Wayne | 8,486,153 | 7,722,607 | 8,106,668 | 8,787,045 | 9,358,877 | 9,550,108 | March 1, 1971 | 0.75 | Jan. 1, 1992 |
| Williams | 4,942,414 | 4,351,902 | 4,573,015 | 4,800,583 | 5,097,082 | 5,136,669 | Dec. 1, 1977 | 1.50[1] | Oct. 1, 2003 |
| Wood | 15,949,426 | 15,091,591 | 15,579,034 | 16,623,884 | 17,164,132 | 17,641,379 | June 1, 1971 | 1.00 | Nov. 1, 1987 |
| Wyandot | 2,691,934 | 2,507,231 | 2,637,310 | 2,975,397 | 3,382,629 | 3,674,673 | Feb. 1, 1985 | 1.50[1] | Oct. 1, 2005 |
| **County Total** | **$1,396,160,722** | **$1,328,414,534** | **$1,390,049,665** | **$1,453,998,354** | **$1,558,170,937** | **$1,638,681,778** | | | |

# Part VI: Other Resources

# Business Tax Credits

A number of Ohio's business tax credits can be claimed against more than one type of tax. Rather than continue to list the same business tax credits in multiple chapters of this annual report, we have chosen to consolidate information about them here.

The tax credits available to Ohio businesses underwent significant reorganization with the 2005 enactment of House Bill 66, which phased out the corporation franchise tax for the vast majority of corporations after the 2009 report year.

For taxpayers subject to the corporation franchise tax phase-out and the phase-in of the commercial activity tax (CAT), the 2008 franchise tax reports (based on 2007 business activity) were the last on which the following credits could be applied:

- Job creation credit
- Job retention credit
- Research expense credit
- Research and development loan payment credit

After Jan. 1, 2008, these credits were automatically converted to credits against the CAT. However, these credits continue to apply against the franchise tax for taxpayers such as financial institutions, which are not subject to the CAT and remain subject to the franchise tax through tax year 2013. Additionally, a CAT credit for unused franchise tax net operating loss deductions was made available to qualifying corporations starting in calendar year 2010.

## Credits

**Enterprise zone day care and training credits** (R.C. 5709.65(A))

Taxpayers that locate in an enterprise zone and who are awarded the appropriate tax incentive certificate 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.
- **Taxes**: Individual income.

**Enterprise zone eligible new employees** (R.C. 5709.66(B))

Taxpayers that locate in an enterprise zone and who are issued the appropriate tax incentive certificate for an eligible employee may claim a $1,000 nonrefundable credit for each taxable year covered by the enterprise zone agreement during which the eligible employee is employed by the taxpayer. An "eligible employee" is a new employee at the facility to which the enterprise zone agreement applies, who at the time hired was a recipient of aid through the Ohio Works First program (Temporary Assistance to Needy Families) or general assistance and who resided for at least one year in the county in which the facility is located.

**Taxes**: Individual income.

**Ethanol investment credit** (R.C. 901.13, 5733.46 and 5747.75)

This nonrefundable credit equals 50 percent of the taxpayer's investment in an ethanol plant certified by the Ethanol Incentive Board in the calendar year preceding the report year. The credit is limited to $5,000 per taxpayer per plant. The credit was first available for taxable year 2002.

**Taxes**: Individual income.

**Grape production property credit** (R.C. 5733.32, 5747.28)

This nonrefundable credit equals 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

**Taxes**: Individual income.

**Historic building preservation credit** (R.C. 149.311, 5725.34, 5726.52, R.C. 5747.76)

This refundable credit is based on the expenses incurred by owners or a qualified lessee of a historic building to rehabilitate such a building. The credit, if approved by the Ohio Department of Development, equals 25 percent of the owner's or qualified lessee's "qualified rehabilitation expenditures" paid or incurred during the 24- or 60-month rehabilitation period.

**Taxes**: Financial institutions, insurance or individual income.

**Job creation credit** (R.C. 122.17, 5726.50, 5747.058, 5751.50)

The Ohio Tax Credit Authority may award taxpayers a refundable credit for new jobs created according to an agreement pursuant to R.C. 122.17. The credit equals a designated percentage of the additional Ohio income tax withheld from a site or from home-based employees over a baseline amount intended to represent the amount of withholding taking place before the job creation agreement. The exact percentage of the credit is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to 15 years.

**Taxes**: Commercial activity, financial institutions, individual income or insurance taxes.

**Job retention credit** (R.C. 122.171, 5726.26, 5747.058(B), 5751.50)

The Ohio Tax Credit Authority may award a refundable tax credit if the project has a retention of at least 500 full-time jobs and minimum annual retained payroll of at least $20 million, or minimum annual retained payroll of $35 million with no required job retention threshold; and a fixed asset investment of at least $5 million.

The Ohio Tax Credit Authority may award this nonrefundable credit to businesses that invest at least $50 million in fixed-assets for manufacturing operations or at least $20 million in fixed-assets for significant corporate administrative functions. In exchange for the credit, employers must commit to retain at least the equivalent of 500 full-time employees at the site for at least seven years or the term of the credit plus three years, whichever is greater. The size of the credit, determined by agreement with the Ohio Tax Credit Authority, equals up to 75 percent of the Ohio individual income tax withheld from the wages or salary paid to employees retained at the site.

**Taxes**: Commercial activity (beginning in 2008), financial institutions, individual income (before 2008) or insurance taxes (for job retention agreements reached after Oct. 16, 2009).

**Lottery Commission Withholding Credit** (R.C. 5747.062(B))

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

**Taxes**: Individual income.

**Motion picture production credit** (R.C. 122.85, 5726.55, 5733.59, 5747.66)

This refundable credit can be claimed against individual income or corporation franchise tax liability based on awards from the Department of Development for motion picture production work performed in Ohio. Productions with budgets that exceed $300,000 may qualify for the credits, which are based on 35 percent of payroll expenditures for Ohio resident cast and crew and 25 percent of other eligible production expenses. The value of each credit may not exceed $5 million per production, and the total credits to be issued are capped at $40 million for fiscal biennium, beginning on or after July 1, 2011. Corporations may claim this credit against the corporation franchise tax even if they are no longer subject to the franchise tax.

**Taxes**: Financial institutions or individual income.

**New markets tax credit** (R.C. 5725.33, 5726.54, 5729.16)

This credit is a nonrefundable tax credit with a four-year carry forward for financial institutions and insurance companies that invest in "Community Development Entities," as defined by the federal New Markets Tax Credit program. To qualify, a taxpayer must first qualify for the federal credit program by holding an equity investment in a qualified Community Development Entity. The Ohio Department of Development may annually issue a maximum of $10 million worth of credits.

**Taxes:** Financial institutions or insurance taxes.

**Research expense credit** (R.C. 5726.56, 5733.351, 5751.51)

This nonrefundable credit equals seven percent of the amount by which the taxpayer's "qualified research expenses" (as defined in Internal Revenue Code section 41) in Ohio during the taxable year exceed the taxpayer's average annual qualified research expenses in Ohio for the three preceding years.

**Taxes:** Commercial activity (starting in 2008) or financial institutions.

**Research and development loan payments credit** (R.C. 5751.52)

The amount of this nonrefundable credit equals the borrower's qualified research and development loan payments during the calendar year that immediately precedes the report 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.

**Taxes**: Commercial activity (starting in 2008) or individual income (before the 2008 taxable year).

**Unused net operating losses credit** (R.C. 5751.53)

Beginning in calendar year 2010, qualifying taxpayers may claim a nonrefundable tax credit equal to 8 percent of the taxpayer's franchise tax net operating loss carry forwards and other deferred tax items against the commercial activity tax. This credit is limited to taxpayers that elected to claim the credit by filing with the Tax Commissioner before July 1, 2006.

**Tax:** Commercial activity.

**Venture capital credit** (5707.031, 5725.19, 5726.53, 5727.241, 5729.08, 5733.49, 5747.80)

The Ohio Venture Capital Authority has the authority to issue refundable tax credits to its creditors. The credits are redeemable in the event of losses on loans to the authority.

**Taxes:** Financial institutions, individual income, insurance taxes and public utility excise tax.

# 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 and the resort area gross receipts 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 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, 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. Ohio's natural gas distribution tax is sometimes informally referred to as the "Mcf tax."

**Mill** – A mill can be thought of as a measurement equal to one-tenth of one 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 may only be claimed to the extent that the taxpayer has otherwise incurred tax **liability**. When such a credit would reduce liability to less than zero, the taxpayer is not eligible for a refund beyond the point at which liability is extinguished. In Ohio, most tax credits are nonrefundable.

**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 entitles the taxpayer to a refund, even in the absence of tax **liability**. This means that when a value of a credit fully eliminates tax liability, the state of Ohio is still obligated to issue a payment to the taxpayer for the value of the credit that remains after liability has been extinguished.

**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.

# Rule Review

The Department of Taxation recently engaged in the five-year rule review process described in section 119.032(C) of the Revised Code to review rules found in Chapter. 5703 of the Ohio Administrative Code. A review schedule has been adopted, whereby approximately one-fifth of the Department's rules are assigned for review each year. Rules are reviewed to determine if they should be amended, rescinded or should remain unchanged, and then are filed with the Joint Committee on Agency Rule Review and Ohio's Common Sense Initiative, if applicable.

| Year | Number of Rules to be Reviewed |
|---|---:|
| 2014 | 51 |
| 2015 | 42 |
| 2016 | 45 |
| 2017 | 41 |
| 2018 | 47 |
| **Total** | **226** |

# 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.