

SALES AND USE TAX - STATE

TAX BASE

Sales and rental of tangible personal property. Selected services.

RATE

Five percent (with specific brackets for sales other than multiples of one dollar).

MAJOR EXEMPTIONS

Purchases for resale.

Food for human consumption off the premises where sold.

Newspapers and magazine subscriptions sent by 2nd class mail.

Motor fuel.

Sales of artificial and natural gas, electricity, and water when delivered through pipes, wires or conduits.

Prescription drugs.

Property used primarily in manufacturing or used directly in mining or agriculture.

Credit for trade-ins on new motor vehicles, new watercraft, and new outboard motors.

REVENUE (in millions)

Fiscal Year	General Revenue Fund	Local Funds	Other ⁽¹⁾	Total
1998	\$5,265.5	\$265.7	\$3.9	\$5,535.1
1999	5,545.3	279.7	2.4	5,827.4
2000	5,913.7	298.3	2.0	6,214.0
2001	5,935.6	299.4	2.2	6,237.2

⁽¹⁾ Includes Attorney General Claims Fund.

SALES AND USE TAX - STATE

DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the local government funds each receive the same amount of sales and use tax revenue as they received in fiscal year 2001. The remainder is deposited in the General Revenue Fund. Refer to *Disposition of Revenue* in the Individual Income Tax section for information on the semi-annual reduction of the Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund deposits.

SECTIONS OF OHIO REVISED CODE

Chapters 5739 and 5741.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Holders of vendor's licenses, direct-payment permits, and consumer accounts; registered out-of-state sellers; and clerks of court.

PAYMENT DATES

Monthly returns: By the 23rd day of the month following the reporting period.

Semi-annual returns: By the 23rd day of the month following the close of the semi-annual reporting period determined by the county of business location; this method of payment may be authorized for vendors and sellers whose tax liability is less than \$1,200 per six month period.

Quarterly returns: Consumer accounts and direct payments by the 23rd day of the month following the reporting period if quarterly liability is under \$5,000. Otherwise, consumers must remit tax monthly.

NOTE: Vendors and out-of-state sellers are allowed a 0.75% discount for timely payment.

Payment is required to be made by electronic fund transfer by taxpayers when liabilities equal or exceed \$60,000 a year.

SALES AND USE TAX - STATE

SPECIAL PROVISIONS / CREDITS

1. Counties and transit authorities may levy additional sales and use tax. (**See SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY.**)
2. Qualified municipal corporations and townships (**R.C. 5739.101-5739.105**) are authorized to levy a resort area tax at the rate of 0.5 percent, 1.0 percent or 1.5 percent on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax: Kelley's Island (1.5%), village of Put-in-Bay (1.5%), and the township of Put-in-Bay (1.5%). The Tax Commissioner administers this tax.

HISTORY OF MAJOR CHANGES

- 1934 • Enacted a sales tax at a 3% rate effective January 1, 1935.
- 1935 • Enacted a use tax at a 3% rate effective January 1, 1936.
- 1936 • Food for human consumption off the premises exempted.
- 1962 • Use of sales tax stamps discontinued.
- 1967 • Rate increased to 4%. Cigarettes and beer made taxable.
- 1971 • Cigarettes exempted.
- 1981 • Rate increased to 5%; cigarettes, repairs, and other selected services made taxable. Credit established for trade-ins on new motor vehicles.
- 1983 • Business data processing services made taxable.
- 1987 • Purchases made with food stamps exempted.
 - Long distance telecommunications service made taxable.
- 1989 • Investment coin and bullion purchases exempted.

SALES AND USE TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 1990 • Credit established for trade-ins on new or used watercraft.
 - Tangible personal property primarily used in manufacturing operations exempted (replaced manufacturers' direct use exemption).
- 1991 • Lawn care, landscaping, private investigation, and security services made taxable.
- 1993 • Building cleaning and maintenance, exterminating, employment agency, and personnel supply services made taxable.
 - Physical fitness facilities and recreation and sports club memberships made taxable.
 - Vendor discount decreased from 1.5% to 0.75% of tax collections.
 - Tax exemption for property used in making retail sales defined more narrowly.
 - Property and third party labor used to fulfill a warranty or service contract made taxable.
 - Tax exemption for food service operators defined more narrowly.
 - Tax exemption for qualified property used in research and development established.
 - Tax exemption provided for non-profit scientific organizations established.
 - Qualified municipal corporations and townships authorized to levy a resort area tax.
- 1994 • Tax exemption for property and third party labor used to fulfill a warranty or service contract reinstated.
 - Tax exemption provided for equipment used to handle tangible personal property temporarily stored in certain types of warehouses before being sent out of state.
 - Tax exemption provided for reciprocity of purchases between Ohio and other states.
 - Tax exemption provided for purchases by organizations defined under Internal Revenue Code 501(c)(3).
 - Tax exemption provided for purchases of building and construction materials to be incorporated into a horticulture or livestock structure.

SALES AND USE TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 1995 • Clarified that levying of state sales tax on sports and recreation club services does not prevent a municipality from levying admissions tax on same entities.

- 1996 • Motor vehicle dealers allowed to take the 0.75% discount up front when paying sales and use taxes to clerks of court.
 - Poundage fee given to the clerk of courts for receiving and distributing sales tax from motor vehicle sales increased to 1.01%.
 - Tax exemption provided on sales and repairs to rail rolling stock used in interstate or international commerce.

- 1997 • Tax exemption provided on sales of personal computers and qualified equipment to licensed and certified teachers.
 - Tax exemption provided on some purchases made by service providers who permanently transfer personal property to consumers in conjunction with providing taxable services.

- 1999 • The sales of used manufactured and mobile homes in Ohio made on or after January 1, 2000 are not subject to the sales and use tax. Also, for the purposes of the sales and use tax, sale of a new manufactured or mobile home on or after January 1, 2000 is not considered a motor vehicle sale.
 - Pre-paid authorization numbers used to make phone calls or pre-paid calling cards made subject to sales tax at the point of sale. Telephone services paid for using pre-paid authorization numbers or pre-paid calling cards are not subject to sales tax.
 - Use tax exemption provided for sellers of prescription drugs for drug samples distributed free of charge to doctors, dentists, and certain other medical practitioners, effective July 1, 2001.
 - Various changes to sales tax law made to accommodate electric utility deregulation. Effective date for these changes is October 5, 1999.

SALES AND USE TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 2000 • Exemption added for labeling and labeling equipment for packaging and packaging equipment.
 - Changed the definition of exempted casual sales to include items that had been subjected to the taxing jurisdiction of another state.
 - Treatment of charitable non-profit organizations clarified.
 - Exemption for certain types of energy systems purchased between August 14, 1979 to December 31, 1983 (as it no longer applied) repealed.
 - Liquor permit holders required to have the liquor license in the same name that is on the vendor's license.
 - The limited vendor's license eliminated. The transient vendor's license to include those vendors that previously were required to obtain the limited vendor's license.
 - Reduced the transient vendor's license fee from \$100 to \$25.
 - All vendor's license renewal fees eliminated.
 - Tax Commissioner given the authority to discuss streamlining the sales tax with other states.

- 2001 • Excluded coin-operated telephone services from the definition of taxable telecommunications services.
 - Revenue distribution to both local government funds temporarily changed.
 - Effective January 1, 2002, certain duties of the Treasurer of State transferred to the Tax Commissioner.
 - Exemption of fire protection and emergency vehicles and equipment expanded.
 - The sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses required to be paid upon consummation of the lease.

SALES AND USE TAX - STATE

COMPARISON WITH OTHER STATES (AS OF 10/01)

<u>State</u>	<u>State Tax Rate</u>	<u>Local Tax Rate*</u>	<u>Maximum Rate In Effect Including Local Rate</u>
California	5.75%	2.50%	8.25%
Florida	6.00	1.50	7.50
Illinois	6.25	2.75	9.00
Indiana	5.00	0.00	5.00
Kentucky	6.00	0.00	6.00
Massachusetts	5.00	0.00	5.00
Michigan	6.00	0.00	6.00
New Jersey	6.00	0.00	6.00
New York	4.00	4.50	8.50
Ohio	5.00	2.00	7.00
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia	6.00	0.00	6.00

* Highest local rate currently in effect in the state.