

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

TAXPAYER

Taxpayers who own and use tangible personal property in business in Ohio.

TAX BASE

The tax is applied to tangible personal property used in business in Ohio (machinery, equipment, inventories). Business land and buildings are taxed under the real property tax.

Taxable value is determined by applying an assessment percentage to the true value of tangible property. The percentage used to determine taxable value is 25 percent for all property except inventories, which will be assessed at 23 percent for 2004. The inventory assessment percentage will be phased-out by reducing the percentage by two percent in tax years 2005 and 2006 if certain growth conditions are met (growth conditions are removed beginning in tax year 2007). Beginning in tax year 2007, the inventory assessment percentage will be reduced two percent each year until it is phased out.

RATES

Tax millage rates vary with the taxing jurisdiction. The rates applied to tangible personal property values are the full voted and unvoted millage rates. The 2002 average effective tax rate was 75.91 mills.

MAJOR EXEMPTIONS

The first \$10,000 of taxable value for each taxpayer.

Property of any level of government, school, college, church, and property owned and not used in business.

Licensed motor vehicles and aircraft.

Personal property used in agriculture.

Patterns, jigs, dies, and drawings used in business that are held for use and not for sale.

Certified air, water, and noise pollution control equipment and facilities.

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Property of insurance companies, financial institutions, and dealers in intangibles used in their business is exempt unless the equipment is leased to others.

Property in a public recreational facility owned by a political subdivision.

Certified energy conversion facilities (property used to convert from the use of natural gas or fuel oil to other fuels).

Certified thermal efficiency improvement facilities (property used for recovery and use of waste heat or steam).

Certified solid waste energy conversion facilities (property used to convert solid waste from industrial operations into energy).

All inventories in foreign trade zones established prior to January 1, 1992 and only inventories exempt under federal law in foreign trade zones established on or after January 1, 1992.

Property shipped from outside Ohio and held in Ohio for storage only.

Leased property used exclusively for agricultural purposes.

Machinery and equipment designed for agricultural use while in the inventory of a merchant.

Qualified personal property located in an enterprise zone.

Machinery and equipment while under installation or construction in a plant or facility and not capable of operation.

Property owned by a port authority and leased to a railroad (partially exempt for a period of 10 years).

Property used in the production of grape juice or wine and not held in labeled containers in which it will be sold.

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REVENUE (IN MILLIONS)

Calendar Year	Net Taxes Levied	\$10,000 Exemption Reimbursements
1999	\$1,644.8	\$91.8
2000	1,720.7	93.6
2001	1,802.5	94.5
2002	1,768.3	95.6

DISPOSITION OF REVENUE

Revenue is distributed to the counties, municipalities, townships, and school districts according to the taxable values and total millage levied by each. Statewide, school districts receive about 70 percent of total personal property tax revenue.

PAYMENT DATES

Each taxpayer with property in only one county pays to the county treasurer one-half of the tax liability on or before April 30 and the remainder by September 20.

Each taxpayer with property in more than one county pays to each county treasurer the tax liability in one installment on or before September 20.

SPECIAL PROVISIONS/CREDITS

An exemption of the first \$10,000 of taxable value on all tangible personal property is allowed; the local revenue loss is reimbursed by the state but is being phased out over 10 years, beginning in tax year 2004.

Companies may receive up to a 75 percent exemption for no more than 10 years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas. Exemptions may exceed these levels if approved by affected school districts or if the property is located at a site where the taxpayer performed a qualified environmental remediation. All enterprise zones are created by local authorities. A company seeking to receive an exemption must submit an investment proposal to the local authority that created the zone where the operation will be located.

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SECTIONS OF OHIO REVISED CODE

Chapters 319, 323, 5701, 5705, 5709, 5711, and 5719.

RESPONSIBILITY FOR ADMINISTRATION

The Tax Commissioner has exclusive responsibility for returns of taxpayers with property in more than one county.

The Tax Commissioner and county auditor have shared responsibility for returns of taxpayers with property in only one county.

HISTORY OF MAJOR CHANGES

- 1931
 - Tangible property separated from real property and intangible property; tangible property tax limited to property used in business (based on 1929 amendment to Ohio Constitution).

- 1967
 - Assessment percentages applied to property used in agriculture gradually reduced from 50 percent until property is exempt in 1973.
 - Assessment percentages applied to inventories and restaurant property gradually reduced from 70 percent to 50 percent by 1971.

- 1971
 - Assessment percentages for inventories gradually reduced from 50 percent to 45 percent by 1974.
 - Assessment percentages for furniture and fixtures gradually reduced from 70 percent to 50 percent by 1976.

- 1976
 - Starting in 1977, whenever annual revenue growth conditions were satisfied, assessment percentages reduced by 2.0 percentage points each year until reaching 35 percent. (Revenue growth conditions were satisfied in 1977 and 1978, reducing assessment percentages for inventories from 45 percent to 41 percent and assessment percentages for all other property from 50 percent to 46 percent.)

- 1978
 - Revenue growth conditions removed to allow annual reductions in inventory assessment percentages for inventories to the 35 percent level.

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- Credit against the corporation franchise or personal income tax allowed for certain tangible property taxes paid on manufacturing machinery and equipment, effective through 1993.
- 1983
- Starting in 1984, whenever annual revenue growth conditions were satisfied, assessment percentages for all tangible property, other than inventories, reduced by one percentage point each year until reaching 25 percent.
 - Exemption enacted for first \$10,000 of taxable value.
- 1985
- Growth condition removed from law – annual reductions made automatically until reaching 25 percent level in 1993.
- 1992
- Definitions of real and personal property revised.
- 1994
- Enterprise zone program extended to December 31, 1997 and maximum percentage for tax exemptions reduced.
- 1997
- Enterprise zone program extended to June 30, 1999.
- 1999
- Beginning tax year 2002, assessment percentage on inventories reduced one percent annually if growth conditions were met (growth conditions removed beginning in tax year 2007; 2004 rate is 23 percent).
 - Beginning tax year 2002, the assessment percentage on electrical generating equipment reduced from 100 percent to 25 percent.
 - Enterprise zone program extended to June 30, 2004.
 - Enterprise zone program extended to certain qualified electric generating peaking units.
- 2003
- Beginning tax year 2003, the late filing penalty of one-half of the \$10,000 exemption was repealed.
 - Beginning tax year 2003, reasonable cause can be considered in the abatement of a late payment penalty.
 - Beginning tax year 2004, taxpayers with a

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taxable value of less than \$10,000 are no longer required to file a return. The reimbursement of the revenues lost due to the exemption will be phased out over a 10-year period.

- Effective for tax years 2005 and 2006, the inventory assessment percentage will be reduced by 2.0 percent each year if collections increase.
- Effective for tax year 2007, the inventory assessment rate will be reduced by 2.0 percent automatically.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

Tangible personal property assessed at fair market value. All property taxed unless expressly exempt by law (i.e., inventories). Property is taxed at the aggregate of all lawful local levies, however, rate is fixed to meet budgetary necessities. Maximum rate cannot exceed 1.0 percent of the full cash value of the property.

Florida

Tangible personal property assessed at full cash, or market value. Inventories are exempt from taxation. Property is taxed at the aggregate of all lawful local levies.

Illinois

Tangible personal property is exempt from taxation.

Indiana

Tangible personal property assessed at 100 percent of true value unless specifically exempt. Property is taxed at the aggregate of all lawful state and local levies. Total state rate is limited to 33 cents per \$100 of valuation. Total rate in all incorporated areas is limited to 0.6667 cent(s) while total rate in all unincorporated areas is limited to 0.4167 cent(s) on each \$100 of valuation.

Kentucky

Tangible personal property assessed at fair cash value. Property is taxed at the aggregate of all lawful state and local levies.

Massachusetts

Tangible personal property assessed at fair cash value

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determined as of January 1 of each year. All property taxed unless expressly exempt by law. Property is taxed at the aggregate of all lawful state and local levies. Rate cannot exceed 2.5 percent of cash value unless approved by two-thirds of voters.

Michigan

Tangible personal property assessed at 50 percent of true cash value. All property taxed unless expressly exempt by law (i.e., inventories). Tax rate equals the aggregate of all lawful state and local levies and personal property not used to produce income. However, total rate cannot exceed 15 mills, or 1.5 percent, on each dollar of assessed value unless the voters approve a higher rate. There is a state education tax levy of 6.0 mills imposed on all property.

New Jersey

Tangible personal property assessed at a variable rate of true value that is dependent upon a yearly analysis of the average assessment ratio of real property. In general, tangible personal property is not subject to taxation in New Jersey. However, business tangible personal property, exclusive of inventories, is subject to local taxation if used in the business of local telephone, telegraph and messenger systems, companies, corporations, or associations that were subject to the public utilities gross receipts tax as of April 1, 1997.

New York

Tangible personal property is exempt from taxation.

Ohio

Tangible personal property assessed at 25 percent of its true value, except inventory, which is assessed at 23 percent of true value. Property is taxed at the aggregate of all lawful local levies.

Pennsylvania

Tangible personal property is exempt from taxation.

Texas

Tangible personal property assessed on the basis of 100 percent of its appraised value. All property is taxed at the aggregate of all lawful state and local levies. Property, other than manufactured homes, that is not held or used for production of income is exempt.

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West Virginia

Tangible personal property is assessed at 60 percent of its fair market value. Property is taxed at the aggregate of all lawful state and local levies.

