



Sales & Use Tax Division
P.O. Box 530
Columbus, Ohio 43216-0530
tax.ohio.gov

Dear Motor Vehicle Dealer:

Amended Substitute House Bill 119, the State Budget Bill, changed the application of Ohio sales tax on the purchase of motor vehicles by certain nonresidents. This change applies only to sales of motor vehicles to nonresidents on and after August 1, 2007. Leases to nonresidents continue to not be subject to the tax.

The new statute, R.C. 5739.029, provides that you will collect Ohio sales tax when you are selling a vehicle to a resident of a state where that state charges sales tax to Ohio residents. The amount of tax to charge and collect on those specific sales is the lesser of six percent (currently the lowest combined state and local rate in Ohio), versus the amount of tax the nonresident would pay in their home state, after taking certain factors into account. Trade-in allowance for reducing price before computing the sales tax is permitted on the sale of new or used vehicles to residents of the specified states. The following is the list of the states, applicable tax rate, and the adjustments that can be made to determine the correct amount of tax to collect:

State	Tax Rate	Trade-In Allowance	Tax Cap
Arizona	5.60%	Yes	
California	7.25%	No	
Florida	6.00%	Yes	
Indiana **	6.00%	Yes	
Massachusetts	5.00%	Yes	
Michigan	6.00%	No	
South Carolina	6.00%	Yes	\$300.00
Washington	6.50%	Yes	

**** Indiana's rate increased to 7% effective April 1, 2008.**

To determine the lowest tax, make the following computations:

- 1) The Ohio 'price' of the vehicle should be computed using Ohio laws as you would for any sale to an Ohio resident. The rate of tax to apply is 6.0%
- 2) Calculate the other state price (taking into account the above adjustments, such as a trade-in allowance for the purchase of a used car) and apply the rate of tax as listed in the chart above.
- 3) Collect from the customer the lesser of the two amounts.

Sales to residents of any other state not listed above are not subject to Ohio tax, provided the proper affidavit for nonresident sales is completed by the purchaser and tendered to the Clerks of Court when application for title is made.

Application for Title

As with any purchase of a motor vehicle by a nonresident, the customer must complete the affidavit regarding a sale to an out-of-state resident. This form, STEC-NR, can be found on the Department of Taxation Web site as *tax.ohio.gov*. On the top of the affidavit, the date of sale

must be entered. The date of sale is when the customer pays for the vehicle, or takes delivery, whichever comes first which should occur prior to the title being issued. The amount of tax collected on the sale must be stated on the affidavit, as well as on the application for title. These documents should be tendered to the Clerk of Courts as is customary practice.

Payment of the Sales Tax

For a temporary time period from August 1, 2007 until June 30, 2008, the tax collected on these sales will be paid directly to the State of Ohio through the Ohio Business Gateway (OBG), instead of the Ohio Clerks of Court.

To use the OBG, go to ***obg.ohio.gov*** and register your business if you have not done so already. The OBG can be used to file your regular sales tax returns, as well as employer withholding and commercial activities tax returns and payments. In the registration process, you will be asked for your FEIN or SSN, vendor's license number, dealer permit number, address, contact person, email address and phone number. Dealers that file sales tax returns on a master number (89-X3XXXX) will use the master number as the vendor's license number and report the tax by each dealer license number. For additional information on making payments on the OBG, please go to the OBG Web site.

Once registered with the OBG, you can select an application to pay the sales tax on sales to the specific nonresidents. The tax is to be paid monthly, by the 10th of the month following the close of each month. It cannot be filed with the regular sales tax return on the 23rd. So the tax due for nonresident sales for the month of August 2007 must be paid by September 10th. You only pay the tax once for all transactions for an entire month, not when each nonresident sale occurs. If you file your sales tax return (form UST-1) on a semiannual basis, you must still report and pay this separate nonresident tax monthly. If the tax is timely filed and paid, the vendor discount (0.75%) will be applied. You will still include these taxable sales to non residents on your form UST-1. They will be reported on lines 1, 3, and 4 as are all other taxable motor vehicle sales.

You will not have to list each transaction separately. You will however, by state, have to list the number of transactions, the total purchase price of all sales, and the total tax collected. The OBG system allows for payment by ACH Debit only.

If the tax is not paid timely, a late payment fee of \$100.00 will be added. The tax is due for the month in which the sale took place, even if you have not yet received a title for the vehicle from the Clerk of Courts.

After July 1, 2008, the tax will be paid to the Clerk of Courts as done with all other motor vehicle transactions.

If you have any questions, please contact Taxpayer Services at (888) 405-4039.